

TITLE OF REPORT: Budget and Council Tax Level 2007/08

REPORT OF: Roger Kelly – Chief Executive
Derek Coates - Strategic Director, Finance and ICT

Purpose of Report

1. To request Cabinet to recommend to Council the revenue budget following consideration of growth and efficiency savings, determine the use of reserves in support of the budget and recommend to Council on 1 March 2007 the Council Tax level for 2007/08. As part of the council tax setting process, Cabinet is also asked to recommend to Council the prudential indicators set out in this report.

Background

2. The Council agreed its Medium Term Financial Strategy (MTFS) for the period 2007/08 – 2009/10 at its meeting on 14 December 2006.
3. A budget update report was presented to Cabinet on 12 December 2006. This outlined the outcome of the provisional local government finance settlement for 2007/08 and the outcome of consultation on budget proposals for growth and savings for 2007/08.
4. This report represents the final stage of the Policy and Service Planning and Performance Management framework in determining the budget and council tax level for 2007/08.

Proposal

5. The report proposes a budget which provides for growth and investment in services of £6.8m, service efficiency savings of £2.7m and cross-cutting efficiency savings of £3.5m resulting in a Council Tax increase of 3.5% for 2007/08. The overall Council Tax increase after precepts is 3.47%.

Recommendations

6. Cabinet is requested to make the following recommendations to the Council:
 - (1) That the discretionary growth and efficiency savings as set out in Appendix 3 be agreed.
 - (2) The revised revenue estimates of £176.196m for the year 2006/07 and the revenue estimates of £185.375m for 2007/08 be approved.

- (3) The use of general reserves of £2.5m and earmarked reserves of £7.9m in 2007/08 be authorised.
- (4) That the prudential indicators set out in Appendix 6 to this report be agreed subject to the agreement of Council on 8 March 2007 to the transfer of debt to Northumbria Police Authority.
- (5) That the recommendations of the Strategic Director, Finance and ICT in respect of the robustness of estimates and adequacy of reserves be noted including the proposed use of the Gateshead Development Pool to support prudential borrowing.
- (6) That it be noted that at its meeting on 16 January 2007, the Cabinet calculated the following amounts for the year 2006/07 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:-
- (a) 58,363 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax base for the year;
- (b) Part of the Council's area
Lamesley Parish 1,254
- being the amount calculated by the Council, in accordance with regulation 6 of the Regulations, as the amount of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.
- (7) That the following amounts be now calculated by the Council for the year 2007/08 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 ('the Act'):-
- (a) £482,010,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act
- (b) £307,027,500 being the aggregate of the amounts which the Council estimate for the items set out in Section 32(3) (a) to (c) of the Act
- (c) £174,982,500 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year

- (d) £97,726,850 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non domestic rates, revenue support grant, additional grant or relevant special grant increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with Section 97(3) of the 1988 Local Government Finance Act, and pursuant to the Collection Fund (Community Charge) Directions under Section 98(4) of the Local Government Finance Act 1988 made on 7 February 1994
- (e) £1323.7093 being the amount at (c) above less the amount at (d) above, all divided by the amount at (6)(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year
- (f) £7,500 being the aggregate amount of all special items referred to in Section 34(1) of the Act
- (g) £1323.5808 being the amount at (e) above less the result given by dividing the amount at (f) above by the amount at (6)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates
- (h) Part of the Council's area
- Lamesley Parish £1329.5617
- being the amounts given by adding to the amount at (g) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (6)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i)	Valuation Band	Lamesley Parish £	All other parts of the Council's area £
	A	3.9873	882.3872
	B	4.6518	1029.4517
	C	5.3164	1176.5163
	D	5.9809	1323.5808
	E	7.3100	1617.7099
	F	8.6391	1911.8389
	G	9.9682	2205.9680
	H	11.9618	2647.1616

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

- (8) That it be noted that for the year 2007/08, the Northumbria Police Authority and Tyne and Wear Fire and Civil Defence Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Authority

Valuation Band	Northumbria Police Authority £	Tyne and Wear Fire and Civil Defence Authority £
A	49.7437	46.6200
B	58.0344	54.3900
C	66.3250	62.1600
D	74.6156	69.9300
E	91.1969	85.4700
F	107.7781	101.0100
G	124.3594	116.5500
H	149.2312	139.8600

- (9) That, having calculated the aggregate in each case of the amounts at (7)(i) and (8) above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2007/08 for each of the categories of dwellings shown below:-

Valuation Band	Lamesley Parish	All other parts of the Council's area
	£	£
A	982.7382	978.7509
B	1146.5279	1141.8761
C	1310.3177	1305.0013
D	1474.1073	1468.1264
E	1801.6868	1794.3768
F	2129.2661	2120.6270
G	2456.8456	2446.8774
H	2948.2146	2936.2528

For the following reason:

- To fulfil the Council's statutory duty to set the budget and Council Tax for 2007/08

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PLAN REF: 281

Policy Context

1. The proposals in this report are consistent with the Council's vision and six key medium term priorities agreed by Council on 14 December 2006. The Medium Term Financial Strategy and budget proposals focus on ensuring spending is in line with the Council's vision and its priorities by making the most effective use of the Council's resources.

Background

2. Council approved the MTFS 2007/08 – 2009/10 on 14 December 2006. The Council's budget estimates for 2007/08 attached at Appendix 2 have been prepared in accordance with the Council's MTFS and budget guidance agreed by Cabinet on 12 December 2006.

Considerations

3. In finalising the budget and council tax for 2007/08, the following issues require consideration:-
 - The principles of the Medium Term Financial Strategy
 - the final Local Government Finance Settlement for 2007/08
 - the likely outturn for 2006/07
 - the implications of the budget proposals for growth and efficiency savings which have been subject to consultation with all Councillors, local people, trade unions and Chamber of Commerce
 - fees and charges which have been increased by 3.5% in line with budget guidance and were considered by Cabinet on 13 February 2007
 - Statutory requirements
 - reserves
 - risk assessment
 - council tax capping
 - approval of prudential indicators for 2007/08

Medium Term Financial Strategy

4. The MTFS is designed to meet the following principles:
 - 1) The overall financial strategy will be to ensure that the Council's resources are directed to achieving the Council's six key priorities of:-
 - Building Strong Communities
 - Supporting Children & Young People
 - Supporting Older People & Healthier Communities
 - Improving Accessibility and Economic Prosperity
 - Serving our Customers
 - Ensuring a Sustainable Gateshead
 - 2) The Council recognises that it will not be able to continue to resource current levels of service without putting an extra burden on council taxpayers and will ensure that efficiency savings in non-priority areas are identified and redirected to priority areas.

- 3) Overall Council spending should be contained within original estimates. If, following monthly revenue monitoring, service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates.
- 4) The Council will maintain its general reserve at a minimum of 3% of its net budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of general reserves.
- 5) The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use of earmarked reserves will be in line with the principles set out in the MTFS and reviewed annually.
- 6) The Council will continue to improve its approach to efficiency, value for money and procurement. It will specifically ensure that existing targets for efficiency gains of £5.2m per annum to the end of 2007/08 are identified and recorded and will seek to achieve further efficiency targets arising from the 2007 Comprehensive Spending Review.
- 7) The Council recognises the impact of increases in council tax levels in an area of relatively low income and low wealth (as measured by property values) and will balance the need for council tax increases against the delivery of its six medium term objectives.
- 8) The Council will use the service planning process to review its level of fees and charges annually to ensure they are set at an appropriate level in line with policy priorities and take into account comparative levels of charge and ability to pay.
- 9) The Council will consider ways in which it can maximise its powers of well-being including the consideration of new charges to maximise income, and trading opportunities.
- 10) The Council will consider the use of prudential borrowing to support the capital programme implications of the delivery of its six key priorities and will ensure that the cost of borrowing is met from efficiency gains or the agreed use of earmarked reserves.
- 11) The Council will continue to contribute to reviews of the local government finance system, both in its own right and as a member of lobbying groups, such as ANEC and SIGOMA.
- 12) The Council will ensure that specific school resources earmarked in the Dedicated Schools Grant are distributed in line with the formula for Local Management of Schools and this distribution is regularly reviewed in conjunction with the Gateshead Schools Forum.
- 13) The Council's service planning process will inform the review of the MTFS on an annual basis. The annual review will include an update of the 3 year budget forecast.

- 14) Opportunities for securing external funding to support the Council's medium term objectives will be sought. The implications of the cessation or withdrawal of funding will also continue to be reviewed so that options can be considered on the future of funded schemes.

Final Local Government Finance Settlement 2007/08

5. The final Local Government Finance Settlement for 2007/08 was announced on 18 January 2007. This confirmed the details previously announced in the provisional settlement on 28 November 2006 and reflects the second year of a 2 year settlement.
6. The final settlement gives the Council a grant increase compared to the adjusted 2006/07 settlement of 2.7%, which is a cash increase of £2.53m. The Council's formula grant for 2007/08 is £96.227m. This grant increase of 2.7% is at the level of the 'floor' and compares to a national average increase of 3.8% and a metropolitan district average of 3.5%. In addition, the figures include Dedicated Schools Grant for 2007/08 estimated at £99.938m which is ring-fenced to schools spending.

2006/07 Outturn

7. The agreed revenue budget for 2006/07 was set at £174.217m. On 16 January 2007 Cabinet received a report on projected spending in 2006/07 taking into account performance to 31 December 2006. The 2006/07 expected outturn is consistent with this Cabinet report at £176.196m as outlined in Appendix 2. This represents an overspend of £1.979m. Efforts will continue to be made through the use of action plans to ensure that the outturn remains within original estimates in line with one of the key principles of the MTFS relating to spending within budgets.

Base Budget 2007/08

8. Base estimates for 2007/08 have been prepared in line with the MTFS and Budget Guidance agreed by Cabinet on 12 December 2006 totalling £178.8m. The Council has also received notification from the Tyne and Wear PTA that the levy for 2007/08 will be £11.787m (2.8% increase) and for the Environment Agency £96,484 (7% increase). These levies increase the base budget to £190.703m.
9. At £190.703m the base budget is an increase of £16.5m (9.4%) on the current year. It includes provision for all pay awards, and the proposed increase in fees and charges agreed by Cabinet on 13 February 2007. This base budget figure excludes the schools' budget supported by the Dedicated Schools Grant.

Growth and Savings 2007/08

10. The MTFS identifies a number of key budget pressures for growth and opportunities for investment to allow reprovision of services. Provision for these has been made in the base budget of £190.703m as follows:
 - Investment in Children's Services of £1.3m covering foster care, transport and external placements
 - Schools PFI £1.1m
 - Children with disabilities moving into the adult sector £0.4m
 - School Meals £0.5m
 - Waste £0.3m
 - Fair Access to Care £0.3m
 - Borrowing costs to support extra capital investment £2m funded from the Gateshead Development Pool

11. Budget Guidance required the preparation of proposals for achieving £4m efficiency savings in the base budget for 2007/08 to be redirected to meet spending pressures and Council priorities in line with the Medium Term Financial Strategy 2007/08 to 2009/10. This is the third year of a three year strategy to redirect £12m to the priority areas such as those in paragraph 10.

12. Proposals to comply with Budget Guidance along with discretionary growth for 2007/08 have been subject to consultation with all Councillors, residents, trade unions, partners and the Tyne and Wear Chamber of Commerce. The initial outcome of the consultation was reported to Cabinet on 12 December 2006. In addition, Appendix 7 contains a positive letter from the Chamber of Commerce following a meeting held on 6 February 2007, a letter from Unison setting out some specific concerns about proposed savings and a response from the Chief Executive.

13. The original proposals for consultation listed efficiency savings of £2.842m and discretionary growth of £1.105m. The changes proposed following the consultation process reduce the savings by £125,000 and discretionary growth by £169,000.

14. The proposed changes arising from the consultation process are:

Savings	£000s
Proposals prior to consultation	2,842
Amendments to proposals:	
LES5 Charges for Bulky Waste saving reduced from £200,000 to £110,000 with one free collection before a £5 charge along with alternative arrangements in high waste areas	90
CSS2 Removal of Trade Union admin charge	25
DEG10 Reinstatement of 50% of reduction of grant to NE Community Forest	10
Revised savings proposals	2,717

Discretionary Growth

Proposals prior to consultation	1,105
Amendment to proposals:	
DEG2 Car Park maintenance deferred for consideration in 2008/09	50
DEG6 Licensing Officer six months provision	19
LCSG2 Springboard Foster Care reduction to reflect the investment of £1.3m in this area	100
Revised discretionary growth proposals	936

15. The final proposals arising from this exercise for approval are detailed in Appendix 3.

16. In addition to these proposals, there are additional efficiencies arising from the following:-

- Cross cutting efficiencies of £1.272 million have been identified from projects including Procurement, Admin and ICT, Asset Management and 21st century working.
- Insurance efficiencies – following a review of insurance premiums, claims history and risk management initiatives, efficiencies of £2.275m have been identified.

17. Net savings totalling £5.328m are proposed across all services. In accordance with the MTFS it is proposed that these savings be reallocated to meet identified growth and the budget pressures outlined in the MTFS.

18. After taking account of all proposed growth, savings and cross cutting efficiencies the base budget is £185.375m before use of reserves.

Statutory Requirements

19. Section 30 of the Local Government Finance Act 1992 requires the Council to set an amount of Council Tax for each financial year for each category of dwelling. For a category of dwellings the amount of Council Tax is the aggregate of:-
- (i) the amount of tax that the Authority itself has calculated, and
 - (ii) the sum of the amounts of tax that major precepting authorities have calculated.
20. Sections 32 to 36 of the 1992 Act require the Authority to calculate its own amount of tax for each category of dwellings in its area, reflecting its budget requirement. In calculating its budgetary requirement, the Authority must make the following calculations:-
- (1) The aggregate of
 - (a) the expenditure which the Authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year (including Parish precepts and levies);
 - (b) such allowance as the Authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year;
 - (c) the financial reserves which the Authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure;
 - (d) such financial reserves as are sufficient to meet so much of the amount estimated by the Authority to be a revenue account deficit for any earlier financial year as has not already been provided for;
 - (e) any amounts the Authority estimates will be transferred from its general fund to its collection fund by virtue of a transfer under legislation.
 - (2) The aggregate of
 - (a) the sums which the Authority estimates will be payable for the year into its general fund and in respect of which amounts will be credited to a revenue account for the year, other than sums which it estimates will be so payable in respect of redistributed non-domestic rates, revenue support grant, additional grant, or relevant special grant;
 - (b) any amounts which the Authority estimates will be transferred from its collection fund to its general fund pursuant to a direction under Section 98(4) of the Local Government Finance Act 1988 and credited to a revenue account for the year, other than any amounts which it estimates will be so transferred pursuant to a direction under Section 98(4) relating to the difference between amounts in respect of community charges credited and charged to a revenue account for any earlier financial year;

- (c) the amount of the financial reserves which the Authority estimates that it will use in order to provide for the items mentioned in paragraphs (a), (b) and (e) of (1) above.

If the aggregate calculated under (1) above exceeds that calculated under (2) above, the Council must calculate the amount equal to the difference. This amount is known as the Authority's budget requirement for the year.

Adequacy of Reserves and Robustness of Budget Estimates

21. The Local Government Act 2003 requires the Strategic Director, Finance and ICT to undertake an assessment of the robustness of budget estimates and the adequacy of reserves.
22. In assessing the robustness of the budget, the Strategic Director, Finance and ICT has considered the following issues:
- The general financial standing of the Council
 - The adequacy of the budget monitoring and financial reporting arrangements
 - The adequacy of the Council's internal control system
 - The future budget pressures faced by the Council, as identified in the Council's Medium Term Financial Strategy.
23. In addition to the above, the Strategic Director, Finance & ICT has undertaken a risk assessment of the underlying budget assumptions applied to income and expenditure estimates. This includes an assessment of the estimates for pay and price increases. Further details are shown at Appendix 4.
24. The Strategic Director, Finance & ICT has also considered the adequacy of reserves to cover any potential financial risks faced by the Council. The Council's general and earmarked reserves are maintained at a prudent level and are subject to continuous review. Appendix 5 to this report shows the opening balances as at 1 April 2006 and an estimate of reserves through to 31 March 2008.
25. The Council's general reserve is expected to be £9.1m at 31 March 2007. This is equivalent to 4.9% of the Council's proposed net revenue budget for 2007/08, and exceeds the minimum level of 3% agreed as a principle in the Council's Medium Term Financial Strategy. The general reserve is supplemented by £59.6m earmarked reserves at 31 March 2007.
26. The Council's Medium Term Financial Strategy recognises that it has been necessary, for several years, to support the Council's overall budget by using reserves, and that the use of reserves above this level cannot be sustained in the longer term without placing the Council's financial position at risk. The Council, in common with most authorities in the region, faces risks arising from equal pay claims. Many of these risks have been mitigated in Gateshead by the actions taken to agree a compensatory payments scheme and phase 1 of the new pay structure. There are still however significant risks which, if they materialise, would require a fundamental review of the Council's earmarked reserves to protect frontline services.

27. The MTFS included a review of the Council's reserves policy. This redirected £5.5m into capital reserves to replenish the balance used to fund the capital programme in 2005/06 and £1.6m was reclassified into the general reserve. Appendix 5 provides more detail on the review of the reserves policy as well as estimated movements to 31 March 2008.
28. During 2006/07, the most significant change to the Council's reserve position is the one-off Airport dividend of £10.8m received in January 2007. After taking account of the anticipated dividend of £0.35m in 2006/07, £10.45m is available to boost the Council's reserves. Given that the general reserve already exceeds the minimum level agreed in the MTFS and the one-off nature of the dividend does not lend itself to supporting recurring expenditure, it is proposed that it is used to supplement the Gateshead Development Pool. As well as supporting an annual programme of Ward Based Issues the Development Pool could also be used, as identified in the MTFS, to fund prudential borrowing to invest in the Council's assets. The report on the Capital Programme 2007/08 to 2009/10 elsewhere on the Cabinet agenda includes a proposal to support £25m prudential borrowing to substantially deliver the Best Value Review of Leisure. Appendix 5 reflects the earmarking of the one-off Airport dividend in the Gateshead Development Pool to support Ward Based Issues and prudential borrowing.
29. The Government has announced the level of grant support available for councils in 2007/08 but grant funding beyond 2007/08 will not be announced until after the Comprehensive Spending Review 2007. Gateshead's grant increase of 2.7% is the minimum or "floor" for the year. This suggests future budgets will continue to be tight, given the continuing pressures highlighted in the Medium Term Financial Strategy. The spending Review 2007 will be announced in July 2007 and this will result in the next finance settlement covering a 3 year period.
30. Taking into account the risks set out in Appendix 4 of this report and the estimated movement in reserves in Appendix 5, a maximum contribution of £2.5m from the general reserve is proposed together with £7.9m from earmarked reserves identified in the MTFS to reduce the base budget in 2007/08 to £174.975m.
31. The Strategic Director, Finance and ICT confirms that, after taking account of these issues, the Revenue Estimates are considered robust and that the level of reserves is considered adequate to cover the financial risks faced by the Council in the medium term.

Budget 2007/08

32. The Council's Budget for 2007/08 totals £185.375 million after growth and savings and before the proposed use of reserves. After the use of £7.9m earmarked reserves and £2.5m general reserve, this results in a budget of £174.975m (excluding schools).
33. In calculating the Council's budget requirement as required by the legislation, the Parish precepts must be added to the figure above.
34. The Parish of Lamesley has issued a precept for 2007/08 of £7,500.

35. In arriving at the Council's net budget requirement, Formula Grant, (Revenue Support Grant and redistributed Non-domestic Rates) must be deducted. The final figure for 2007/08 is £96,226,850.

Any amount transferred from the collection fund to the general fund must also be deducted. For 2007/08 this figure has been estimated to be £1,500,000.

36. The net expenditure to be met by Gateshead's Council Tax can now be summarised as follows:-

		£
Budget Requirement 2007/08 Gateshead Council (excluding schools)		185,375,000
<u>Less</u> Use of reserves		
- General Reserve	2,500,000	
- Earmarked Reserve	<u>7,900,000</u>	<u>10,400,000</u>
		174,975,000
<u>Add</u> Parish Precepts		<u>7,500</u>
Budget Requirement 2007/08 (including Parishes and excluding Schools)		174,982,500
<u>Less</u> Formula Grant		96,226,850 Cr
Transfer from Collection Fund		<u>1,500,000</u> Cr
Net Budget Requirement (including Parishes and excluding Schools)		<u>77,255,650</u>

Capping

37. In considering the level of council tax for 2007/08, the Council needs to consider the implications of the Government using its reserve capping powers. Formal guidelines have not been issued but Ministers have confirmed in the settlement announcement that they expect the Council Tax to rise by no more than 5% on average.
38. The consequences of the Government capping an individual Authority would result in authorities having to reduce budgets and therefore council taxes. This would require the Authority to then issue revised council tax bills to all taxpayers in the Borough, which could have significant financial implications. Accurate costs are not available, but guidance from the Local Government Association suggests a figure of approximately £1 per household. This would equate to a cost of around £100,000 for Gateshead before taking account of lost interest on bills being delayed. As well as being a financial risk for the Council, the consequences of capping would also be a risk to the Council's reputation.
39. The proposed increase in council tax for Gateshead Council is 3.5%, which is below the latest annual increase in the Retail Price Index which was 4.2% in January 2007. This level of increase reflects the spending pressures and risks faced by the Council and the below average grant settlement received by the Council for 2007/08. It also compares favourably with an increase last year of 4.475% and is the lowest increase since the introduction of council tax in 1993.

Council Tax

40. The Council Tax for Gateshead is calculated by dividing the net budget requirement by the Council Tax base of 58,363 (agreed at the Cabinet meeting on 16 January 2007). This calculation gives a Band D Council Tax of £1323.7093. However, from this figure, the legislation requires the Parish element to be deducted (£0.1285). This gives a Band D Council Tax for Gateshead of £1323.5808 (which is a 3.5% increase across all bands compared to 2006/07). Section 36 of the Local Government Finance Act 1992 requires the Council Tax to be calculated by reference to Band D, although 91% of households in Gateshead are in Bands A to C.
41. The amount payable for dwellings in different valuation bands is calculated using the following proportions:-

Valuation Band

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

This gives the following Council Tax amounts for the Gateshead area (excluding precepts).

Valuation Band	Gateshead Council £
A	882.3872
B	1029.4517
C	1176.5163
D	1323.5808
E	1617.7099
F	1911.8389
G	2205.9680
H	2647.1616

42. The Council Tax for the Parish area is calculated by dividing the Parish precept by the Council Tax base for the Parish area (agreed at the Cabinet meeting on 16 January 2007). This calculation gives a Band D Council Tax of £5.9809 for Lamesley Parish area.

43. These result in the following additional Council Tax amounts for the Lamesley Parish area (excluding Police and Fire precepts).

Valuation Band	Lamesley Parish £
A	3.9873
B	4.6518
C	5.3164
D	5.9809
E	7.3100
F	8.6391
G	9.9682
H	11.9618

44. To these must be added the precepts of the Northumbria Police Authority and the Tyne and Wear Fire and Civil Defence Authority. These have been notified to the Authority as follows and represent increases of 3.95% and 2.4% respectively:-

Valuation Band	Northumbria Police Authority £	Tyne and Wear Fire and Civil Defence Authority £
A	49.7437	46.6200
B	58.0344	54.3900
C	66.3250	62.1600
D	74.6156	69.9300
E	91.1969	85.4700
F	107.7781	101.0100
G	124.3594	116.5500
H	149.2312	139.8600

These precepts result in a Band D Council Tax (excluding Parish Precepts) of £1468.1264 which represents a 3.47% overall increase on the equivalent figure for 2006/07.

45. These result in the following total Council Tax amounts (including precepts).

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	982.7382	978.7509
B	1146.5279	1141.8761
C	1310.3177	1305.0013
D	1474.1073	1468.1264
E	1801.6868	1794.3768
F	2129.2661	2120.6270
G	2456.8456	2446.8774
H	2948.2146	2936.2528

Prudential Indicators

46. CIPFA's Prudential Code is a professional code of practice to support local authorities in taking decisions about capital investment. All local authorities are required to have regard to the Prudential Code under Part 1 of the Local Government Act 2003. The Prudential Framework for Local Authority Capital Investment was introduced from 1 April 2004.
47. The key objectives of the Code are:-
- To ensure that the capital investment plans of local authorities are affordable prudent and sustainable;
 - To ensure that treasury management decisions are taken in line with good professional practice and in a manner which supports prudence, affordability and sustainability;
 - To ensure consistency with local strategic planning, asset management and option appraisal.
48. The Prudential Code sets out a range of prudential indicators that need to be agreed by the Council.
49. In setting and revising prudential indicators, the Council is required to take account of the following issues:-
- affordability, including the impact on council tax;
 - prudence and sustainability;
 - value for money;
 - stewardship of assets and asset management planning;
 - service objectives;
 - practicality.
50. Appendix 6 to this report details the prudential indicators required under the Prudential Code for approval. The majority of these indicators relate solely to Gateshead Council. However there are some indicators which also include Northumbria Police Authority given the nature of the investments made on behalf of NPA by Gateshead Council under powers delegated to the Treasurer and borrowing in relation to the Gateshead Housing Company. Where appropriate the indicators reflect the proposed transfer of debt to Northumbria Police Authority which is subject to agreement by Council on 8 March 2007.

Consultation

51. Consultation on the budget proposals has taken place with all Councillors, residents and trades unions. Statutory consultation was also carried out with the Tyne and Wear Chamber of Commerce. The outcome of this consultation was reported to Cabinet on 12 December 2006. Responses to consultation from the Tyne and Wear Chamber of Commerce and the Trades Unions is attached at Appendix 7. The Cabinet Member for Corporate Vitality has also been consulted.

Alternative Options

52. There are no alternative options.

Implications of Recommended Option

53. **Financial Implications** - are set out in the appendices to this report.
54. **Risk Management Implications** – Appendix 4 to this report is a financial risk assessment of the budget.
55. **Human Resources Implications** – Nil
56. **Equality and Diversity Implications** – Nil
57. **Crime and Disorder Implications** – Nil
58. **Sustainability Implications** – Nil
59. **Human Rights Implications** – Nil
60. **Ward Implications** - Nil

APPENDIX 2

	Original Budget 2006/07 £000	Revised Budget 2006/07 £000	Original Budget 2007/08 £000
<u>Learning and Children</u>			
Education and Young People's Service	108,921	108,615	113,315
Dedicated Schools Grant	-96,114	-96,114	-99,938
Children and Families	14,130	16,170	15,626
Youth Offending Team	345	262	324
<u>Community Based Services</u>			
Adults Social Services	48,276	48,491	49,205
Cultural Services	11,587	12,295	11,425
Housing General Fund	184	166	256
Community Support	320	322	335
<u>Development and Enterprise</u>			
Highways and Transport Strategy	8,179	8,154	7,323
Regulatory Services	2,541	2,286	2,687
Planning and Environmental Strategy	1,432	1,376	1,474
Property Services	-804	-547	-1,162
Economic Development	730	799	1,015
Design	472	618	236
Review and Support	100	101	69
<u>Local Environmental Services</u>			
Local Environmental Services	18,608	20,565	19,028
<u>Central Services</u>			
Chief Executives	3,007	2,949	2,796
Legal & Corporate Services	2,918	3,254	3,134
Finance and ICT	10,732	10,817	11,309
Human Resources	2,749	2,856	2,954
Office Accommodation	3,367	3,457	3,485
Other Services and Contingencies	12,860	12,020	21,847
Capital Financing Costs	20,121	18,787	19,818
Investment Income	-4,378	-5,437	-5,338
Support Services to Northumbria Police Authority	-2,663	-2,663	-2,724
Support Services to Gateshead Housing Company	1,195	-1,195	-1,180
Other Support Services	-3,761	-3,761	-3,828
NET EXPENDITURE	162,664	164,643	173,491
<u>Levies</u>			
Environment Agency	90	90	97
Tyne & Wear PTA	11,463	11,463	11,787
Total Budget	174,217	176,196	185,375

LEARNING AND CHILDREN - ESTIMATES 2007/08

EDUCATION AND YOUNG PEOPLE'S SERVICES

	2006/07 £000s	2007/08 £000s
<u>Section 1 – Net Cost of Current Levels of Service</u>		
Total Schools Budget	<u>96,114</u>	<u>99,938</u>
LEA Budget		
Strategic Management	3,502	3,723
Standards Fund (non-devolved)	622	661
Special Education	640	680
School Improvement	1,288	1,369
Access to Schools	3,011	3,201
Non-School Funding	<u>3,198</u>	<u>3,349</u>
Total LEA Budget	12,261	12,983
Total Net Cost of Current Levels of Service	<u>108,375</u>	<u>112,921</u>
<u>Section 2 - Growth</u>		
Medium Term Financial Strategy Service Pressures:		
Schools PFI		<u>1,100</u>
		<u>1,100</u>
<u>Section 3 - Savings</u>		
Play Development Service		47
Pupil and Parent Services		5
Education Welfare Assistants		12
Social Inclusion Projects		7
Educational Psychologist		51
Parent Partnership Service		15
Consultant Support for Governing Bodies		11
Inspector Post Transfer		60
Reduction in Inspectors Post		40
Dryden PDC Income		20
Cross Cutting Efficiency Savings:		
Administration and ICT		54
21st Century Working		20
Procurement		60
Insurance		304
		<u>706</u>
TOTAL EDUCATION AND YOUNG PEOPLE'S SERVICES BUDGET		<u>113,315</u>

LEARNING AND CHILDREN - ESTIMATES 2007/08

CHILDREN AND FAMILIES SERVICE

	2006/07	2007/08
<u>Section 1 – Net Cost of Current Levels of Service</u>	<u>£000s</u>	<u>£000s</u>
Children Looked After	7,896	8,447
Other Children and Families Services	1,399	992
Support Service	2,096	2,332
Children's Services Commissioning and Social Worker	1,977	1,859
Support Services and Management Costs	681	564
Service Strategy	82	194
Total Net Cost of Current Levels of Service	14,131	14,388
 <u>Section 2 - Growth</u>		
Medium Term Financial Strategy Service Pressures:		
Out of Borough Placements		400
Transport for Looked After Children		300
Foster Carer Allowances		600
Discretionary Growth:		
Springboard Treatment Foster Care		300
Direct Payments		15
Advocacy		28
EMTAS Black Minority Ethnic Liaison Officer post		30
		<u>1,673</u>
 <u>Section 3 - Savings</u>		
Disposal of Lyndhurst minibus		3
Disposal of YPS minibus		7
Reduction of establishment		105
Family Support Team Manager		26
Family Centre Provision through Children's Centres		75
Children's Information Service through Children's Centres		70
Cross Cutting Efficiency Savings:		
Administration and ICT		64
21st Century Working		8
Procurement		41
Insurance		36
		<u>435</u>
TOTAL CHILDREN AND FAMILIES BUDGET		<u>15,626</u>

LEARNING AND CHILDREN - ESTIMATES 2007/08

YOUTH OFFENDING TEAM

	2006/07 £000s	2007/08 £000s
<u>Section 1 – Net Cost of Current Levels of Service</u>		
Youth Offending Team	<u>380</u>	<u>355</u>
Total Net Cost of Current Levels of Service	<u>380</u>	<u>355</u>
<u>Section 2 - Growth</u>		<u>0</u>
<u>Section 3 - Savings</u>		
Operational Manager Post		30
Cross Cutting Efficiency Savings: Insurance		1
		<u>31</u>
TOTAL YOUTH OFFENDING TEAM BUDGET		<u>324</u>

COMMUNITY BASED SERVICES - ESTIMATES 2007/08

ADULTS SOCIAL SERVICES

	2006/07	2007/08
<u>Section 1 – Net Cost of Current Levels of Service</u>	<u>£000s</u>	<u>£000s</u>
Service Strategy	377	533
Older People	29,128	27,923
Adults with Physical or Sensory Disabilities	3,129	4,386
People with Learning Disabilities	7,744	9,033
People with Mental Health Needs	1,948	2,127
Services to Asylum Seekers	-3	-24
Other Adult Services	518	467
Supported Employment	101	44
Support Services and Management Costs	<u>4,805</u>	<u>4,765</u>
Total Net Cost of Current Levels of Service	<u>47,747</u>	<u>49,254</u>
 <u>Section 2 - Growth</u>		
Medium Term Financial Strategy Service Pressures:		
Transitional costs of Childrens to Adults		400
Free Access to Care eligibility		300
Discretionary Growth:		
Increase voluntary sector capacity		<u>200</u>
		<u>900</u>
 <u>Section 3 - Savings</u>		
Management and Administration Staffing		222
Reprovision of Learning Disabilities Service		300
Voluntary Organisations Contracting Arrangements		15
Residential Services Modernisation		60
Cross Cutting Efficiency Savings:		
Administration and ICT		96
Asset Base		53
21st Century Working		20
Procurement		141
Insurance		42
		<u>949</u>
TOTAL ADULTS SOCIAL SERVICES BUDGET		<u>49,205</u>

COMMUNITY BASED SERVICES - ESTIMATES 2007/08

CULTURAL SERVICES

<u>Section 1 – Net Cost of Current Levels of Service</u>	2006/07 £000s	2007/08 £000s
<u>Leisure Services</u>		
Sport & Leisure Facilities	4,892	4,689
Events	524	493
Parks, Open Spaces & Countryside	482	490
Sports Development and Coaching	147	306
Leisure Admin & Management	678	440
	6,723	6,418
 <u>Library Service</u>		
Library Service	4,319	4,395
Archives	114	113
Tourism	243	272
Arts & Culture	641	664
	5,317	5,444
 Total Net Cost of Current Levels of Service	12,040	11,862
 <u>Section 2 - Growth</u>		0
 <u>Section 3 - Savings</u>		
Dunston Pool Sauna Staffing		33
Leisure Services Supplies and Services		40
Libraries, Arts and Tourism Information Service		20
Libraries Janitorial Team		17
Events Budget		7
Leisure Back Office Functions		75
Tyne and Wear Museums Contribution		10
 Cross Cutting Efficiency Savings:		
Administration and ICT		22
21st Century Working		8
Procurement		37
Insurance		168
		437
 TOTAL CULTURAL SERVICES BUDGET		11,425

COMMUNITY BASED SERVICES – ESTIMATES 2007/08

HOUSING

	2006/07	2007/08
<u>Section 1 – Net Cost of Current Levels of Service</u>	£000s	£000s
Housing Strategy	9	9
Housing Advances	-2	-2
Housing Associations	-50	-8
Private Sector Housing Renewal	144	144
Homelessness	143	173
Housing Benefits Payments	-200	-200
Other Council Property	70	70
Welfare Services	70	70
Total Net Cost of Current Levels of Service	184	256
<u>Section 2 – Growth</u>		<u>0</u>
<u>Section 3 – Savings</u>		<u>0</u>
TOTAL HOUSING BUDGET		<u>256</u>

COMMUNITY BASED SERVICES - ESTIMATES 2007/08

COMMUNITY SUPPORT

	2006/07	2007/08
<u>Section 1 – Net Cost of Current Levels of Service</u>	£000s	£000s
Community Safety	<u>249</u>	<u>343</u>
Total Net Cost of Current Levels of Service	<u>249</u>	<u>343</u>
<u>Section 2 - Growth</u>		<u>0</u>
<u>Section 3 - Savings</u>		
Cross Cutting Efficiency Savings:		
Insurance		<u>8</u>
		<u>8</u>
TOTAL COMMUNITY SUPPORT BUDGET		<u>335</u>

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2007/08

	2006/07	2007/08
Section 1 – Net Cost of Current Levels of Service	£000s	£000s
Planning and Environmental Strategy	1,432	1,508
Highways and Transport Strategy	7,739	8,328
Regulatory Services	2,541	2,726
Property Services	-804	-938
Design	472	404
Economic Development	730	1,033
Review and Support	100	100
Total Net Cost of Current Levels of Service	12,110	13,161
<u>Section 2 - Growth</u>		
Discretionary Growth:		
Enforcement of smoking ban		60
Selective Licensing Officer		18
		78
<u>Section 3 - Savings</u>		
Design Posts		146
Income from Non-Operational Property		120
Licensing Support Assistant Posts		37
Restructure Private Sector Housing Team		22
Restructure of Building Control Team		15
Income from Skips and Consents		10
Restructure of Highways and Transport Service		12
Highways and Transport Technician Posts		41
Reprovision of Countryside Management Services		10
NE Community Forest Grant		9
Property Services Income		64
Cross Cutting Efficiency Savings:		
Administration and ICT		56
Asset Base		0
21st Century Working		28
Procurement		36
Insurance		991
		1,597
TOTAL DEVELOPMENT AND ENTERPRISE BUDGET		11,642

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2007/08

	2006/07	2007/08
Section 1 – Net Cost of Current Levels of Service	£000s	£000s
Street Cleansing	2,474	3,870
Environmental Health	197	170
Waste Collection	2,874	2,688
Waste Disposal	4,360	4,412
Waste Recycling	917	929
Horticultural Services	4,726	3,930
Highways and Winter Maintenance	<u>3,778</u>	<u>3,349</u>
Total Net Cost of Current Levels of Service	<u>19,326</u>	<u>19,348</u>
 <u>Section 2 - Growth</u>		
Medium Term Financial Strategy Service Pressures:		
Waste Disposal		300
School Meals		<u>500</u>
		<u>800</u>
 <u>Section 3 - Savings</u>		
Waste Recycling Sites Collection / Operational Arrangements		50
Alternate Weekly Waste Collections Pilot		20
Increased Recycling of Bulky Household Waste		20
Crematoria Management and Operational Arrangements		20
Bulky Household Waste Charges after 1 free Collection		110
Rationalisation of Games Duty Service		35
Increased Roundabout Sponsorship		40
Increase in Trade Waste Fees		10
Central Nursery Income Generation		20
Introduction of new Operational Road Risk System		20
Review of Purchasing of Cleaning Equipment		15
Revised Catering Operational Arrangements		23
Revision of Cleaning Supplies to Stores and Sites		40
Provision of Transport across LES		40
Rationalisation of Street Lighting Patrols		10
 Cross Cutting Efficiency Savings:		
Administration and ICT		6
Asset Base		35
21st Century Working		2
Procurement		108
Insurance		<u>496</u>
		<u>1,120</u>
TOTAL LOCAL ENVIRONMENTAL SERVICES BUDGET		<u>19,028</u>

CENTRAL SERVICES - ESTIMATES 2007/08

CHIEF EXECUTIVE

	2006/07	2007/08
	£000s	£000s
<u>Section 1 – Net Cost of Current Levels of Service</u>		
Chief Executive	<u>2,381</u>	<u>3,006</u>
Total Net Cost of Current Level of Service	<u>2,381</u>	<u>3,006</u>
<u>Section 2 - Growth</u>		<u>0</u>
<u>Section 3 - Savings</u>		
Reorganisation of Central Services		75
BVPP/Annual Plan printing reduced		10
Utilise NRF funding for two posts		80
Cross Cutting Efficiency Savings:		
Administration and ICT		16
21st Century Working		10
Procurement		15
Insurance		4
		<u>210</u>
TOTAL CHIEF EXECUTIVE BUDGET		<u>2,796</u>

CENTRAL SERVICES - ESTIMATES 2007/08

LEGAL AND CORPORATE SERVICES

	2006/07	2007/08
	£000s	£000s
<u>Section 1 – Net Cost of Current Levels of Service</u>		
Legal and Corporate Services	<u>2,944</u>	<u>3,101</u>
Total Net Cost of Current Level of Service	<u>2,944</u>	<u>3,101</u>
<u>Section 2 - Growth</u>		
Discretionary Growth:		
Compliance with Electoral Administration Act 2006		<u>88</u>
		<u>88</u>
<u>Section 3 - Savings</u>		
Cancel corporate membership of British Standards Institute		1
Cross Cutting Efficiency Savings:		
Administration and ICT		17
21st Century Working		10
Procurement		15
Insurance		12
		<u>55</u>
TOTAL LEGAL AND CORPORATE SERVICES BUDGET		<u>3,134</u>

CENTRAL SERVICES - ESTIMATES 2007/08

FINANCE AND ICT

	2006/07	2007/08
<u>Section 1 – Net Cost of Current Levels of Service</u>	<u>£000s</u>	<u>£000s</u>
Finance and ICT	<u>10,121</u>	<u>11,611</u>
Total Net Cost of Current Levels of Service	<u>10,121</u>	<u>11,611</u>
<u>Section 2 - Growth</u>		<u>0</u>
<u>Section 3 - Savings</u>		
In house cheque/invoice production		30
Increase charges to defaulters for court summons		32
Reduction in printer hardware maintenance costs		21
Disconnect low speed Internet connection		7
Reduction in expenditure on consultants fees		10
Deletion of clerical post in Financial Management		19
Cross Cutting Efficiency Savings:		
Administration and ICT		133
21st Century Working		10
Procurement		16
Insurance		24
		<u>302</u>
TOTAL FINANCE AND ICT BUDGET		<u>11,309</u>

CENTRAL SERVICES - ESTIMATES 2007/08

HUMAN RESOURCES

	2006/07 £000s	2007/08 £000s
<u>Section 1 – Net Cost of Current Levels of Service</u>		
Human Resources	3,139	2,867
Corporate Procurement	183	183
Total Net Cost of Current Levels of Service	<u>3,322</u>	<u>3,050</u>
<u>Section 2 - Growth</u>		<u>0</u>
<u>Section 3 - Savings</u>		
Appoint Occupational Health Advisors		50
Cross Cutting Efficiency Savings:		
Administration and ICT		15
21st Century Working		9
Procurement		15
Insurance		7
		<u>96</u>
TOTAL HUMAN RESOURCES BUDGET		<u>2,954</u>

CENTRAL SERVICES - ESTIMATES 2007/08

OFFICE ACCOMMODATION

	2006/07	2007/08
<u>Section 1 – Net Cost of Current Levels of Service</u>	<u>£000s</u>	<u>£000s</u>
Office Accommodation	<u>3,367</u>	<u>3,573</u>
Total Net Cost of Current Levels of Service	<u>3,367</u>	<u>3,573</u>
 <u>Section 2 - Growth</u>		
Discretionary Growth: Implement Ph 3 of Customer Services Strategy		<u>112</u>
		<u>112</u>
 <u>Section 3 - Savings</u>		
More Efficient Lighting in Civic Centre		40
Cross Cutting Efficiency Savings:		
Administration and ICT		29
Asset Base		39
Procurement		15
Insurance		77
		<u>200</u>
 TOTAL OFFICE ACCOMMODATION BUDGET		 <u>3,485</u>

CENTRAL SERVICES - ESTIMATES 2007/08

OTHER SERVICES AND CONTINGENCIES

	2006/07	2007/08
<u>Section 1 – Net Cost of Current Levels of Service</u>	£000s	£000s
Registrar Births, Deaths and Marriages	128	88
Other Services	12,388	16,292
Contingency	<u>2,000</u>	<u>5,500</u>
Total Net Cost of Current Levels of Service	<u>14,516</u>	<u>21,880</u>
 <u>Section 2 - Growth</u>		
Discretionary Growth: Develop GIS and GENIE across the Council		<u>85</u>
		<u>85</u>
 <u>Section 3 - Savings</u>		
Cross Cutting Efficiency Savings: Administration and ICT		2
Procurement		11
Insurance		105
		<u>118</u>
TOTAL OTHER SERVICES AND CONTINGENCIES BUDGET		<u>21,847</u>

DISCRETIONARY GROWTH AND SAVINGS 2007/08

Learning and Children

Savings		£'000
LCS1	Disposal of YPS Mini Bus	10
LCS2	Reduction of establishment (Family Centre Manager post, Social Work Therapist post, Adoption Social Worker post, Adoption Therapist post)	105
LCS3	Deletion of Family Support Team Manager post due to retirement and reshaping of the service	26
LCS4	Reconfiguration of the service by reduction in Family Centre provision by working in closer collaboration with Children's Centres (£45k) and by removal of one Supporting Families Team post (£30k)	75
LCS8	To deliver the Children's Information Service through the new information admin posts in Children's Centres, Gateshead Customer Service and Solution Finder ICT database	70
LCS11	To reconfigure the Play Development Service and to increase Income across the service	47
LCS12	Reconfiguration of Pupil and Parent Services	5
LCS13	Regrading of Senior EWO post to Education Welfare Assistant 32.5 hours per week term time only	12
LCS14	Reduction in funding support for Social Inclusion projects	7
LCS15	Transfer of Educational Psychologist post to DSG and consequent reduction in provision of individual casework and a move to pre-emptive, early intervention and CPD in relation to management of emotional and behavioural strategies	51
LCS16	Absorption of the Parent Partnership Service into a broader parent support service	15
LCS17	Removal of part time, consultation support for Governing Bodies and transfer of the cash equivalent, mainstream governors support expenditure to the trading account	11
LCS18	Transfer inspector post to buy back funding from schools through the RAS service level agreement	60
LCS19	Reduce the number of inspectors from 8 to 7 from September 2007	40
LCS20	Increase the income target of the Dryden Centre through increased use of the centre for commercial lettings and above inflation increase in fees and charges	20
LCS21	Delete one of 3 operational managers posts at the Youth Offending Team and regrade remaining posts to reflect additional responsibilities	30
Total Savings		<u>584</u>
Discretionary Growth		
LCSG2	Springboard Treatment Foster Care Programme – DfES funding ends March 2007	300
LCSG3	Growth in direct payments budgets to meet key targets for the service	15
LCSG4	Advocacy for young people – changes to arrangements to meet national guidance	28
LCSG9	EMTAS Black Minority Ethnic Parent Liaison Officer post	30
Total Discretionary Growth		<u>373</u>

DISCRETIONARY GROWTH AND SAVINGS 2007/08

Community Based Services

Savings		£'000
CBSS1	Reprovision of services leading to staffing reductions across management and admin	222
CBSS2	Changes to Commissioning, reprovision of Learning Disabilities Service	300
CBSS3	Review of contracting arrangements with voluntary organisations	15
CBSS4	Residential Services modernisation – reduced running costs	60
CBSS6	Removal of staffing complement at sauna at Dunston Pool	33
CBSS7	Reduction in base budget for supplies and services in the leisure services area	40
CBSS8	Reduction in base budget for support and development in the libraries, arts and tourism information services areas	20
CBSS9	Reduction in libraries janitorial team	17
CBSS10	Reduction in event budget	7
CBSS11	Removal of back office functions for Leisure	75
CBSS13	Reduction in Tyne and Wear Museums contribution	10
CBSS14	Integration of Learning and Children and CBS Support Services Function (savings included in cross cutting efficiency review of £200k)	-
Total Savings		<u>799</u>
Discretionary Growth		
CBSG5	Increase voluntary sector capacity	200
Total Discretionary Growth		<u>200</u>

DISCRETIONARY GROWTH AND SAVINGS 2007/08

Local Environmental Services

Savings		£'000
LES1	Improved collection and operational arrangements at Waste Recycling Sites	50
LES2	Pilot of alternate weekly collections to support increased recycling and alternative waste collection	20
LES3	Increased recycling of bulky household waste	20
LES4	Improved management and operational arrangements at crematoria plus revised fees for burials and crematoriums more in line with regional neighbours	20
LES5	1 free collection per household each year prior to charging for collection of bulky household items - £5 charge for collection of up to 8 items	110
LES6	Rationalisation of the games duty service	35
LES7	Increased roundabout sponsorship	40
LES8	8% increase in trade waste fees in line with neighbours	10
LES9	Income generation at Central Nursery with private sector partner	20
LES11	Introduction of new operational road risk system	20
LES12	Review of purchasing of cleaning equipment leading to reduced acquisition costs	15
LES13	Improved and revised catering operational arrangements and provision of in-house training	23
LES14	Revised arrangements for cleaning supplies to stores and sites	40
LES15	Improved management and operational arrangements for the provision of transport across the Group	40
LES16	Rationalisation of street lighting patrols	10
Total Savings		<u>473</u>

DISCRETIONARY GROWTH AND SAVINGS 2007/08

Development and Enterprise**Savings**

DES1	Deletion of vacant Design post – declining workload	146
DES2	Increase income from non-operational property by adoption of more commercial attitude	120
DES3	Delete two Support Assistant posts with Licensing	37
DES4	Restructure of Private Sector Housing Team	22
DES5	Restructure of Building Control Team	15
DES6	Increase income from skips and consents	10
DES7	Restructure of Transport and Highways Service	12
DES8	Delete technician posts in Highway and Transport to reflect changing needs of the service	41
DES9	Reprovision of Countryside Management Services	10
DES10	Reduce grant to NE Community Forest	9
DES11	Property Services increase income from miscellaneous sources such as garage plots, gardens, wayleaves and hoardings	64
Total Savings		<u>486</u>

Discretionary Growth

DEG5	Enforcement of smoking ban	60
DEG6	Selective Licensing Officer to work outside the HMR pathfinder area	18
Total Discretionary Growth		<u>78</u>

DISCRETIONARY GROWTH AND SAVINGS 2007/08

Central Services and Corporate

Savings	£'000
CSS1 In-house cheque/invoice production	30
CSS3 Increase costs charged to defaulters associated with the issue of Court Summons	32
CSS4 Reduction in printer hardware maintenance costs	21
CSS5 Disconnection of low speed secondary internet connection	7
CSS6 Reduction in expenditure on consultants fees	10
CSS7 Deletion of clerical post within Financial Management	19
CSS8 Cancel corporate membership of British Standards Institute	1
CSS9 BVPP/Annual Plan printing reduced and placed on CD	10
CSS10 Utilise NRF funding for two posts that work closely with communities	80
CSS11 More efficient lighting in Civic Centre – linked to replacement lighting	40
CSS12 Reduced spending on agency staff to enable appointment of Occupational Health Advisors	50
CSS13 Reorganisation of Central Services	75
Total Savings	<u>375</u>

Discretionary Growth

CSG1 Compliance with all the requirements of the Electoral Administration Act 2006	88
CSG2 Implementation of phase 3 of the Customer Services Strategy	112
CORPG1 To develop GIS and GENIE across the Council to improve service delivery	85
Total Discretionary Growth	<u>285</u>

Financial Risk Assessment

1 General and Strategic Balances

The risk that general and strategic reserve balances may not be sufficient is mitigated by:

- The expected balance on the Council's general reserve of £9.1m as at 31 March 2007. This is 4.9% of the net revenue budget, which is above the minimum level agreed in the Medium Term Financial Strategy.
- The general fund reserve is supplemented by £59.6m strategic reserves as at 31 March 2007.

2 Budgetary Control

The risk that expenditure will exceed budget is mitigated by the existence of a robust revenue monitoring framework. Some key features of this framework are:

- Monthly monitoring information is presented to budget holders within 10 working days of the close of each accounting period.
- All projected material variances are investigated and action plans are agreed with budget holders to address any areas of projected overspending.
- Quarterly monitoring reports are presented to Cabinet which show income and expenditure variances for each of the Council's service areas.
- Targets for efficiency gains, including cashable savings, are set via the Council's Annual Efficiency Statement and are monitored throughout the year.

3 Internal Control

The risk that the internal controls are not sufficient is mitigated by the Council's system of internal control, as set out in the Council's Constitution. Some key features include:

- A clear system of delegation incorporated within the Council's Constitution;
- Setting targets to measure financial and other performance;
- The adoption of CIPFA capital expenditure guidelines, including the requirements of the Prudential Code;
- Use as appropriate of formal project management disciplines;

- Strict adherence to the CIPFA Code of Practice for Treasury Management in Public Services;
- Compliance with established policies, procedures, laws and regulations;
- Application of the principles of the CIPFA/SOLACE Guidelines on Corporate Governance;
- Risk management framework;
- Maintenance of the Verification Framework for the administration of Council Tax and Housing Benefit; and
- Participation in the National Fraud Initiative.

The system of internal control is reviewed by the Council's Internal Audit service, which reports on its planning and performance to the Audit Committee on a quarterly basis.

4 Financial Planning

The risk that known major liabilities or commitments have not been taken into account is mitigated by the integration of corporate plans into the Council's Medium Term Financial Strategy.

The Medium Term Financial Strategy for 2007/08 to 2009/10 identifies financial pressures in respect of pensions, equal pay, schools PFI and Building Schools for the Future (BSF), waste disposal and recycling.

5 Budgetary Assumptions

Income and expenditure budgets have been compiled on the basis of a set of budgetary assumptions in relation to price and activity levels. The risk that the assumptions which have been applied may not be robust is mitigated by the inclusion of a corporate contingency of £5.5m within the 2007/08 budget.

Some of the key assumptions which have been applied to the budget are outlined below:

- **Employees' Pay**
The pay award for 2007/08 has yet to be agreed. An assumed pay award of 3.0% has been incorporated into the central contingency. The risk of liabilities arising from equal pay claims have also been considered and due to the action taken in previous years, to minimise risk, no additional provision has been made. The potential impact of pay claims relating to the national minimum wage has also been considered.
- **Energy Prices**
Projected price increases of 5% for electricity and gas are included in 2007/08 base budget. Latest information from the Energy Unit suggests that larger rises in electricity prices are possible for some smaller establishments, which have a different contract to the larger establishments. This could add up to £0.2m to energy costs. The Council's Corporate Procurement service has negotiated contracts to

pre-purchase supplies of gas and electricity at fixed prices, which mitigates the risk of unexpected price increases.

- **Insurance Costs**
Following a review of insurance premia during 2006/07, insurance charges have been revised for 2007/08.
- **Investment Income**
The level of investment income which the Council's projected cash balances will yield has been modelled on the basis of different projections of movements in interest rates. The budget for investment income is based upon a prudent estimate of cash balances and an evaluation of the different scenarios for movements in interest rates. This has been supplemented by advice from the Council's Treasury Management advisors.
- **Social Care**
The estimated cost of price rises for independent residential care and domiciliary care in 2007/08 is £0.7m.
- **Highways and Winter Maintenance**
The budget includes £1.1m income for highways charges outside of the General Fund, or 40% of all work. Each 1% fluctuation equates to £30,000. The budget provision for winter maintenance is based on assumptions on the severity of the winter.

Taking account of the above, the contingency of £5.5m is considered adequate to mitigate the risk that some of the assumptions applied may differ from actual events during 2007/08.

6 Capital Financing

The risk that capital financing charges will exceed budget is mitigated by

- 97% of existing loans are at fixed rates
- Treasury management advisers are used to assist in determining the most appropriate time to undertake new borrowing and rescheduling of existing loans.
- Monitoring of External funding of capital projects is undertaken monthly and reported to Cabinet on a quarterly basis as part of the Capital monitoring process

Estimated Use of Reserves

	Opening Balance at 01/04/06	MTFS Review of Reserves Policy	Estimated Payments During Year	Estimated Receipts During Year	Estimated Closing Balance at 31/03/07	Estimated Payments During Year	Estimated Receipts During Year	Estimated Closing Balance at 31/03/08
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Reserve	10,480	1,622	5,000	2,000	9,102	2,500	1,600	8,202
Strategic Reserves								
DLO General	625	-625	0	0	0	0	0	0
Renewals	3,576	-3,576	0	0	0	0	0	0
Pensions	7,500	0	2,300	800	6,000	3,000	0	3,000
Capital	481	5,519	0	0	6,000	0	0	6,000
Newcastle International Airport	4,356	0	0	0	4,356	0	0	4,356
Insurance	9,931	0	2,000	0	7,931	2,000	0	5,931
Repairs and Maintenance	1,392	-1,392	0	0	0	0	0	0
Grant Clawback	7,866	-424	0	0	7,442	0	0	7,442
Gateshead Development Pool	11,285	0	0	11,300	22,585	3,000	400	19,985
Cultural Development Reserve	1,727	0	700	700	1,727	700	400	1,427
Landfill Allowance Trading Scheme	433	0	0	0	433	0	0	433
Schools Trading Account	451	-451	0	0	0	0	0	0
Bridge Maintenance	2,117	0	0	0	2,117	0	0	2,117
Developers' Contributions	950	-673	0	750	1,027	0	0	1,027
Total Strategic Reserves	52,690	-1,622	5,000	13,550	59,618	8,700	800	51,718

General Reserve

The general reserve exists to protect the Council against unexpected events and to finance future revenue or capital expenditure.

Strategic Reserves

The **Pensions Reserve** exists to meet future increases in employers' liability for pensions costs and back funding payments to the Tyne & Wear Superannuation Fund.

The **Capital Reserve** is for future development on large capital projects as an alternative to borrowing.

The **Newcastle International Airport Reserve** represents the balance of the shares issued on 1 April 1987 in respect of the Newcastle International Airport less the shares sold to Copenhagen Airport in May 2001. This would only be usable if the Council agreed to sell some or all of its remaining shareholding.

The **Insurance Reserve** allows for possible insurance claims against the Authority not covered by external policies

The **Grant Clawback Reserve** represents grant received which may need to be repaid. The Council is still carrying risks in this area.

The **Gateshead Development Pool** represents revenue contributions to date to the Council's Development Pool, plus the Airport dividend which was received in 2006/07.

The **Cultural Development Reserve** represents interest earned on the Gateshead Development Pool, which the Council agreed would be used to fund cultural initiatives within the borough and support the Culture 10 programme.

The **Landfill Allowance Trading Scheme (LATS) Reserve** represents the value of unused landfill allowances.

The **Bridge Maintenance Reserve** exists to meet the costs of future bridge maintenance work.

The **Developers' Contributions Reserve** represents contributions to play schemes on future residential developments and other contributions arising from Development Control decisions.

PRUDENTIAL INDICATORS

1. The actual capital expenditure that was incurred in 2005/06 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:-

Capital Expenditure					
	2005/06 £000 Actual	2006/07 £000 Estimate	2007/08 £000 Estimate	2008/09 £000 Estimate	2009/10 £000 Estimate
Non-HRA	72,733	47,617	70,337	53,497	53,293
HRA	31,273	61,699	69,488	68,900	57,226
Total	104,006	109,316	139,825	122,397	110,519

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2005/06 are:-

Ratio of Financing Costs to Net Revenue Stream					
	2005/06 Actual	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
Non-HRA	9.72%	8.67%	8.35%	7.93%	7.58%
HRA	62.87%	89.61%	85.64%	91.84%	95.79%

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

3. Estimates of the end of year Capital Financing Requirement for the Council for the current and future years and the actual Capital Financing Requirement at 31 March 2006 are:-

Capital Financing Requirement					
	31.03.06 £000 Actual	31.03.07 £000 Estimate	31.03.08 £000 Estimate	31.03.09 £000 Estimate	31.03.10 £000 Estimate
Non-HRA	170,297	171,181	173,279	174,990	184,992
HRA	95,529	143,154	199,534	255,734	300,460

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

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

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

The Strategic Director, Finance and ICT reports that the Council had no difficulty meeting this requirement in 2005/06, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

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

Authorised Limit for External Debt			
	2007/08 £000	2008/09 £000	2009/10 £000
Borrowing	430,000	490,000	555,000
Other Long term Liabilities	0	0	0
Total	430,000	490,000	555,000

7. The Strategic Director, Finance and ICT reports that these Authorised Limits are consistent with the Council's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Strategic Director, Finance and ICT confirms that they are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cashflow requirements for all purposes. These limits include amounts in relation to The Gateshead Housing Company but do not include amounts relating to Northumbria Police Authority on the basis that, subject to a proposal to be recommended to Council on 8th March 2007, the element of borrowing relating to the Police Authority will be transferred into its name.
8. The Council is also asked to approve the following Operational Boundary for external debt for the same time period. The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit, but reflects directly the Strategic Director, Finance and ICT's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the Authorised Limit to allow, for example, for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The Operational Boundary represents a key management tool for in year monitoring by the Strategic Director, Finance and ICT. Within the Operational Boundary, figures for borrowing and other long term liabilities are separately identified. The Council is also asked to delegate authority to the Strategic Director, Finance and ICT within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the Authorised Limit. Any such changes will be reported to the Council at its next meeting following the change. These limits include amounts in relation to The Gateshead Housing Company but do not include amounts relating to Northumbria Police Authority on the basis that, subject to a proposal to be recommended to Council on 8th March 2007, the element of borrowing relating to the Police Authority will be transferred into its name.

<i>Operational Boundary for External Debt</i>			
	2007/08 £000	2008/09 £000	2009/10 £000
Borrowing	395,000	455,000	520,000
Other Long Term Liabilities	0	0	0
Total	395,000	455,000	520,000

9. The Council's actual external debt at 31 March 2006 was £254 million comprising £254 million borrowing and no other long term liabilities. It should be noted that actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.

10. In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2007/08 (see paragraph 6 above) will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.
11. A key measure of affordability is the incremental impact on the council tax as a result of the Council's capital and revenue plans. The Council is asked to approve these indicators.

The incremental impact on Band D Council Tax that would result for the council for 2007/08 from the totality of the capital and revenue plans recommended in this budget report is £1.41.

12. Forward estimates for the incremental impact on Band D council tax levels for 2008/09 and 2009/10 are £1.41 and £1.41 respectively. These forward estimates are not fixed and do not commit the Council. They are based on the Council's existing commitments, current plans and the totality of the capital and revenue plans recommended in this budget report. There are no known significant variations beyond this timeframe that would result from past events and decisions or the proposals in this budget report.
13. With respect to the Housing Revenue Account (HRA), the average incremental impact on weekly rent that would result for 2007/08 from the totality of the capital and revenue plans recommended in this budget report is £0.08.
14. Forward estimates for the incremental impact on housing rents for 2008/09 and 2009/10 are £0.07 and £0.07 respectively. Again, these forward estimates are not fixed and do not commit the Council. They are based on the Council's existing commitments, current plans and the totality of the capital and revenue plans recommended in this budget report. There are no known significant variations beyond this timeframe that would result from past events and decisions or the proposals in this budget report.
15. In addition to the indicators that have already been calculated, the Prudential Code requires the Council to calculate and set five indicators in respect of the treasury management function.
16. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However, if these indicators were set to be too restrictive, they will impair the opportunities to reduce costs.
17. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.
18. It is recommended that the Council sets an upper limit on its fixed and variable interest rate exposures for 2007/08, 2008/09 and 2009/10 as follows. The % figures are expressed in terms of net outstanding principal sums and include Northumbria Police Authority investments but exclude borrowing on the basis that, subject to a recommendation to be put to Council on 8th March 2007, the element of borrowing relating to the Police Authority will be transferred into its name.

UPPER LIMIT ON FIXED AND VARIABLE INTEREST RATES EXPOSURES			
Range	2007/08	2008/09	2009/10
Fixed Rate	%	%	%
	135	123	115
Variable	41	30	26
	59	70	74
	- 35	-23	- 15

19. It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:-

	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	70%	0%
10 years and above	90%	0%

20. It is recommended that the Council sets an upper limit on its investment of sums for periods longer than 364 days for 2007/08, 2008/09 and 2009/10 as follows:

<i>Upper Limit on amounts invested beyond 364 days</i>			
	2007/08 £000	2008/09 £000	2009/10 £000
Investments	22,000	22,000	22,000