

TITLE OF REPORT: Budget and Council Tax Level 2010/11**REPORT OF: Roger Kelly - Chief Executive**
Derek Coates - Strategic Director, Finance and ICT

Purpose of Report

1. To request Cabinet to recommend to Council on 25 February 2010 the Council Tax level for 2010/11. As part of the council tax setting process, Cabinet is also asked to recommend to Council the prudential indicators and Minimum Revenue Provision (MRP) Statement set out in this report.

Background

2. Council agreed the Medium Term Financial Strategy (MTFS) for 2010/11 to 2012/13 on 10 December 2009.
3. On 19 January 2010, Cabinet noted the initial responses to consultation on the Council's draft spending plans for 2010 to 2013.
4. On 19 January 2010, Cabinet agreed the Council Tax Base for 2010/11.
5. On 19 January 2010, Cabinet agreed the draft revenue budget for 2010/11 and further consultation on budget proposals.
6. On 26 January 2010, Cabinet agreed the revised estimate for 2009/10.
7. This report represents the final stage of the budget cycle in determining the budget and council tax level for 2010/11 following a further period of consultation.

Proposal

8. Despite a grant settlement of only 1.5%, the report proposes a budget which provides for additional spending on services of £14.675m partially offset by savings of £10.715m to realign to meet local priorities, resulting in a council tax increase of 1.9% for 2010/11, the lowest ever annual rise. The overall council tax increase after police and fire precepts, subject to confirmation, is 1.91%.

Recommendations

9. Cabinet is requested to make the following recommendations to the Council:
 - (1) The revised revenue estimates of £227.730m for the year 2009/10 and the revenue estimates of £232.589m for 2010/11 be approved.
 - (2) The use of general reserves of £2.0m and earmarked reserves of £13.566m in 2010/11 be authorised.
 - (3) That the recommendations of the Strategic Director, Finance and ICT in respect of the robustness of estimates and adequacy of reserves be noted.

- (4) That the prudential indicators set out in Appendix 6 to this report be agreed.
- (5) That the method of calculating the Minimum Revenue Provision (MRP) for 2010/11 as set out in Appendix 7 be approved.
- (6) That it be noted that at its meeting on 19 January 2010, Cabinet calculated the following amounts for the year 2010/11 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:-
- (a) 59,142 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) 1,259 for Lamesley Parish
- being the amount calculated by the Council, in accordance with regulation 6 of the Regulations, as the amount of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.
- (7) That the following amounts be now calculated by the Council for the year 2010/11 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 ('the Act'): -
- (a) £577,028,734 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) £384,453,621 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) £192,575,113 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) £107,214,082 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) £1443.3234 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) £1443.1966 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 £1449.1537

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	3.9714	962.1311
B	4.6333	1122.4862
C	5.2952	1282.8414
D	5.9571	1443.1966
E	7.2809	1763.9070
F	8.6047	2084.6173
G	9.9285	2405.3277
H	11.9142	2886.3932

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 2010/11, the Northumbria Police Authority and Tyne and Wear Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below: -

Precepting Authority

Valuation Band	Northumbria Police Authority £	Tyne and Wear Fire and Rescue Authority £
A	55.7873	48.7732
B	65.0852	56.9021
C	74.3831	65.0309
D	83.6810	73.1598
E	102.2768	89.4175
F	120.8726	105.6753
G	139.4684	121.9330
H	167.3620	146.3196

- (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 2010/11 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1070.6630	1066.6916
B	1249.1068	1244.4735
C	1427.5506	1422.2554
D	1605.9945	1600.0374
E	1962.8822	1955.6013
F	2319.7699	2311.1652
G	2676.6576	2666.7291
H	3211.9890	3200.0748

For the following reason:

- To fulfil the Council's statutory duty to set the budget and Council Tax for 2010/11.

Policy Context

1. The proposals in this report support the vision for Gateshead as set out in Vision 2030 and the Corporate Plan. In particular the budget and realignment of resources will ensure that resources are focussed on the delivery of the Council's priorities, thus ensuring a sustainable financial position.

Background

2. Council approved the MTFFS 2010/11 to 2012/13 in December 2009. The Council's budget estimates for 2010/11 attached at Appendix 2 have been prepared in accordance with the MTFFS framework. Cabinet also agreed a draft budget on 19 January 2010. Variations on this draft budget are detailed later in this appendix.

Considerations

3. In finalising the budget and council tax for 2010/11, the following issues require consideration:-
 - principles of the Medium Term Financial Strategy
 - the final Local Government Finance Settlement for 2010/11
 - the likely outturn for 2009/10
 - updated draft budget
 - proposals for savings which have been subject to consultation with Councillors and stakeholders
 - statutory requirements
 - reserves
 - risk assessment
 - council tax capping
 - approval of prudential indicators for 2010/11
 - Minimum Revenue Provision (MRP).

Medium Term Financial Strategy

4. The MTFFS is based on the following principles:
 - 1) The overall financial strategy will be to ensure that the Council's resources are directed to achieving Vision 2030 and the six Big Ideas:-
 - City of Gateshead
 - Gateshead Goes Global
 - Gateshead Volunteers
 - Creative Gateshead
 - Active and Healthy Gateshead
 - 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 MTF5 without reliance on the use of the general reserve.
- 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 MTF5 and reviewed annually.
- 6) The Council will continue to improve its approach to efficiency, value for money and procurement. It will specifically ensure that Government efficiency targets are identified, recorded and delivered.
- 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 Vision 2030.
- 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 the delivery of Vision 2030 and take into account comparative levels of charge and ability to pay. The development of a Fees and Charges Policy will underpin this principle.
- 9) The Council will consider ways in which it can maximise its powers of well-being including the consideration of trading opportunities and new charges to maximise income to deliver priorities.
- 10) The Council will consider the use of prudential borrowing to support capital investment to deliver Vision 2030 and will ensure that an agreed revenue income stream is identified to meet the borrowing costs when investment decisions are taken.
- 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 by the Gateshead Schools Forum.
- 13) The Council's service planning process will inform the review of the MTF5 on an annual basis. The annual review will include an update of the 3-year budget forecast, expected developments in services and changes to legislation.

- 14) Opportunities for securing external funding to support Vision 2030 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.
- 15) Opportunities for working in collaboration and partnership arising from taking an active role in the Regional Improvement and Efficiency Partnership (RIEP) will be identified and developed where this will support the Council's corporate priorities and improve service efficiency and delivery.

Final Local Government Finance Settlement 2010/11

5. The final local government finance settlement for 2010/11 was announced on 20 January 2010. This confirmed the details previously announced in the provisional settlement in November 2009.
6. The finance settlement gives the Council a grant increase of 1.5% in 2010/11. The Council's formula grant for 2010/11 is £105.814m. This grant increase of 1.5% is at the level of the 'floor' and compares to a national average of 2.6%. In addition, the level of Dedicated Schools Grant for 2010/11 has been announced. This is estimated at £108.898m and is ring-fenced to schools spending. This estimate will be updated to take account of January 2010 school numbers before being allocated to schools using the agreed formula.

Revised Estimate 2009/10

7. The agreed revenue budget for 2009/10 was set at £223.043m. On 26 January 2010 Cabinet received a report on projected spending taking into account performance to 31 December 2009. The 2009/10 projected outturn is consistent with this Cabinet report at £227.730m as outlined in Appendix 2. This represents an overspend of £4.687m (2.1%). Efforts will continue to be made through the delivery 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.

Draft Budget 2010/11

8. The draft revenue budget for 2010/11 was agreed by Cabinet on 19 January 2010 as £244.3m before budget savings. The Council has now received notification from the Tyne and Wear Integrated Transport Authority that the levy for 2010/11 will be £12.500m (1.2% increase) and for the Environment Agency £140,237 (2.7% increase).
9. The confirmed levies, along with refinement of budgets since 19 January 2010 reduce the budget to £243.304m before considering budget savings.
10. After adjusting for Area Based Grant which has moved to mainline funding, the budget, at £243.304m, is an increase of £14.675m (6.6%) on the current year. It includes a contingency of £6m to meet pay awards and price increases, the estimated cost of free social care which could be implemented in October 2010 and workforce management. It also includes provision to reflect the temporary closure of the Central Library and leisure centres. This budget figure is net of schools' spending supported by the Dedicated Schools Grant.

11. Included in the budget increase is additional growth of £3.6m. This covers the Council's priority services of Children and Families (£0.5m), Older People (£1.2m) and Waste Management and Sustainability (£1.9m).

Budget Savings 2010/11 – Outcome of Consultation

12. At an increase of 6.6% the budget is not affordable within current levels of funding. Budget savings and Council Tax will need to be considered to balance the budget. Proposed budget savings scenarios to contribute to closing this gap have been subject to consultation since November 2009. The outcome of the initial consultation was considered by Cabinet on 19 January 2010.
13. Between November 2009 and February 2010, budget consultations were carried out in two phases. Consultation was undertaken on budget scenarios with:
 - Councillors
 - Residents
 - Trade Union representatives
 - Employees
 - Head Teachers
 - Voluntary and community sector
 - Gateshead Strategic Partnership
14. Further consultation was undertaken on proposals during January and February 2010, including public consultation through two public meetings and on online budget choices survey, further discussions with Councillors, Trade Union representatives, the voluntary and community sector and the Chamber of Commerce. All portfolio holders have also been consulted. The full detail of the outcome of the consultation is at appendix 3 with key changes summarised below:
 - **Development and Enterprise**

DE27 Close Stonehills general office - it is proposed to proceed with the proposal at a reduced level of saving of £56,000 instead of £84,200 to retain one employee to implement sustainable support mechanisms.
 - **Learning and Children**

LC4 Review of Access and Inclusion Service – the original target saving for this review was £171,000. This has been reduced following consultation to £60,000 in 2010/11.

LC14 Hallgarth Childrens Home – it is proposed to proceed with a reduced level of saving of £225,000 to allow investment of the remaining £250,000 in the fostering service.

LC16 Review of Family Support – a reduced savings target of £130,000, equivalent to 40% of the budget, is proposed for 2010/11 compared to the original target of £252,000.

LC17 Review of Raising Achievement of Looked After Children – it is proposed to proceed with a reduced target of £45,500, a reduction of £48,500.

LC18 Review Therapy Team – a reduced savings target of £60,000 is proposed compared to the original target of £187,000.

LC19 Review Treatment Foster Care – it is proposed that the saving of £41,000 is removed.

LC22 Youth Offending Team – it is proposed that the 4% saving of £47,200 is removed.

LC23 Closure of Hilda House – it is proposed that the saving of £34,000 is removed.

- **Local Environmental Services**

LES2 Cease Catch Up Collections – it is proposed that the saving of £40,000 is removed in view of planned changes to recycling collections during 2010.

LES5 Closure of Birtley Crematorium – it is proposed that the saving of £75,000 is removed. The expected capital investment required in the next three years will need to be considered in the context of a review of overall capital expenditure priorities.

15. The revised level of savings following consultation is £6.315m. In addition, Cabinet on 19 January 2010 agreed a target for the Council's Fit For Future programme of £4.4m in 2010/11. This brings the total proposed budget savings to £10.715m in 2010/11. Agreement of savings at this level will reduce the budget to £232.589m. This is equivalent to an increase of £3.960m (1.8%) on the current year after adjusting for Area Based Grant.

Statutory Requirements

16. 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.
17. 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

18. 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.
19. 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 MTFS
 - The impact of the economic downturn, reduced income and funding
 - The proposed Capital programme

20. 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.
21. 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 2009 and an estimate of reserves through to 31 March 2013 based on the proposals in this report and the agreed MTFS.
22. The Council's general reserve is expected to be £13.022m at 31 March 2010. This is equivalent to 5.6% of the Council's proposed net revenue budget for 2010/11, and exceeds the minimum level of 3% agreed as a principle in the Council's MTFS. The general reserve is supplemented by £43.2m expected earmarked reserves at 31 March 2010.
23. The Council's MTFS 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 proposals in this report would mitigate this risk by using only £2m from the General Reserve to support the overall budget. The remaining use of reserves is earmarked to particular areas of spending. 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 implementation of job evaluation. There are still however a significant number of claims which, if they materialise, would require a fundamental review of the Council's earmarked reserves to protect frontline services.
24. On 20 January 2010, the Government announced the final level of grant support available for councils in 2010/11. Gateshead's grant increase is 1.5% which is the minimum or 'floor'. Beyond 2010/11 there is a great deal of uncertainty on levels of public sector spending. This is reflected in the Council's MTFS.
25. Taking into account the risks set out in Appendix 4 of this report and the estimated movement in reserves in Appendix 5, a contribution of £2m from the general reserve is proposed together with £13.566m from earmarked reserves. The £13.566m contribution from earmarked reserves is £1m more than expected in the MTFS. The additional contribution reflects the more challenging financial outlook and the need to support the short term management of the Council's workforce.
26. The Council had a £2.8m deposit in Heritable Bank, a wholly owned subsidiary of an Icelandic bank, Landsbanki, when it entered administration in October 2008. The administrator is still positive about progress and issued a dividend of 16.13p in the pound in August 2009, along with 12.66p in the pound in December 2009. The prospects for recovery are still promising as reflected in the administrators' latest assessment that at least 85% of the deposit will be repaid. This confirms that a material impact on the Council's financial position is not anticipated.

27. 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 2010/11

28. The Council's Budget for 2010/11 totals £232.589m. After the use of £13.566m earmarked reserves and £2m from the general reserve, this reduces to £217.023m (net of schools spending).
29. In calculating the Council's budget requirement as required by the legislation, the Parish precepts must be added to the figure above.
30. The Parish of Lamesley has issued a precept for 2010/11 of £7,500, the same level as the current year.
31. In arriving at the Council's net budget requirement, Formula Grant, (Revenue Support Grant and redistributed Non-domestic Rates) and Area Based Grant must be deducted. The final figure for 2010/11 is £105.814m for Formula Grant and £24.456m for Area Based Grant.
32. Any amount transferred from the collection fund to the general fund must also be deducted. For 2010/11 this figure has been estimated to be £1.4m, to reflect the fact that despite the economic downturn council tax collection in Gateshead is still buoyant at present.
33. The net expenditure to be met by Gateshead's council tax can now be summarised as follows: -

	£	
Net Budget 2010/11 Gateshead Council		208,133,613
<u>Less</u> Use of reserves		
- General Reserve	2,000,000	
- Earmarked Reserves	<u>13,566,000</u>	<u>15,566,000</u>
		192,567,613
<u>Add</u> Parish Precept		<u>7,500</u>
Budget Requirement 2010/11 (including Parish Precept)		192,575,113
<u>Less</u> Formula Grant		105,814,082cr
Transfer from Collection Fund		<u>1,400,000cr</u>
Council Tax Requirement (including Parish Precept)		<u>85,361,031</u>

Capping

34. When considering the level of council tax for 2010/11, the Council needs to consider the implications of the Government using its reserve capping powers. The national average Band D council tax increase in 2009/10 was 3% and the government anticipates this to fall further in 2010/11 whilst authorities protect and improve front line services. Formal guidelines have not been issued but the Local Government Minister has stated that she expects "the average band D council tax increase in England to achieve a 16 year low in 2010/11".

35. The consequences of the Government capping an individual Authority would result in a reduced budget and council tax. This would require the Authority to 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 £1.50 per household. This would equate to a cost of around £138,000 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.
36. The proposed increase in council tax for Gateshead Council is 1.9%. This level of increase reflects the spending pressures and risks faced by the Council in the light of a worsening economic position nationally as well as the below average grant settlement received by the Council for 2010/11. It is also the lowest increase in Gateshead since the introduction of council tax in 1993.

Council Tax

37. The Council Tax for Gateshead is calculated by dividing the net budget requirement by the Council Tax base of 59,142 (agreed at the Cabinet meeting on 19 January 2010). This calculation gives a Band D Council Tax of £1,443.3234. However, from this figure, the legislation requires the Parish element to be deducted (£0.1268). This gives a Band D Council Tax for Gateshead of £1,443.1966 (which is a 1.9% increase across all bands compared to 2009/10). 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. The proposed increase for Band A properties (63% of households) is just under £18 a year or 34p a week.
38. 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	962.1311
B	1,122.4862
C	1,282.8414
D	1,443.1966
E	1,763.9070
F	2,084.6173
G	2,405.3277
H	2,886.3932

39. 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 19 January 2010). This calculation gives a Band D Council Tax of £5.9571 for Lamesley Parish area (£5.9618 in 2009/10).
40. These result in the following additional Council Tax amounts for the Lamesley Parish area (excluding Police and Fire precepts).

Valuation Band	Lamesley Parish £
A	3.9714
B	4.6333
C	5.2952
D	5.9571
E	7.2809
F	8.6047
G	9.9285
H	11.9142

41. To these must be added the precepts of the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority. The precept for the Police Authority has been agreed but the meeting of the Fire Authority to agree its precept is not until 22 February 2010. The figures in this report are based on the recommended precept level but this is still subject to change. An increase of 2.9% has been agreed by the Police Authority and the Fire Authority will be considering a rise of 0.91% on 22 February 2010. Any change in the Fire Authority precept following its meeting on 22 February 2010 will be circulated prior to Council on 25 February. These are as follows:-

Valuation Band	Northumbria Police Authority £	Tyne and Wear Fire and Rescue Authority £
A	55.7873	48.7732
B	65.0852	56.9021
C	74.3831	65.0309
D	83.6810	73.1598
E	102.2768	89.4175
F	120.8726	105.6753
G	139.4684	121.9330
H	167.3620	146.3196

These precepts result in a Band D Council Tax (excluding Parish Precepts) of £1,600.0374 which represents a 1.91% overall increase on the equivalent figure for 2009/10.

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1070.6630	1066.6916
B	1249.1068	1244.4735
C	1427.5506	1422.2554
D	1605.9945	1600.0374
E	1962.8822	1955.6013
F	2319.7699	2311.1652
G	2676.6576	2666.7291
H	3211.9890	3200.0748

Prudential and Treasury Indicators

43. CIPFA's Prudential Code is a professional code of practice to support local authorities in taking decisions about capital investment. All local authorities are required to have regard to the Prudential Code under Part 1 of the Local Government Act 2003 and the Code of Practice for Treasury Management in the Public Services (2009). The Prudential Framework for Local Authority Capital Investment was introduced from 1 April 2004.

44. The key objectives of the Codes 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.

45. The Prudential Code and the Code of Practice for Treasury Management in the Public Services (2009) sets out a range of prudential and treasury indicators that need to be agreed by the Council

46. In setting and revising prudential and treasury indicators, the Council is required to take account of the following issues:-

- affordability, including the impact on council tax;
- prudence and sustainability;
- value for money;
- stewardship of assets and asset management planning;
- service objectives;
- practicality.

47. Appendix 6 to this report details the prudential indicators required under the Prudential Code and the Code of Practice for Treasury Management in the Public Services (2009) for approval.

Minimum Revenue Provision (MRP)

48. MRP is the amount that needs to be charged to revenue to reflect the repayment of debt. New regulations came into effect from March 2008 requiring councils to prepare an annual MRP Statement. It is proposed to use the annuity method for charging MRP in respect of PFI contracts rather than the asset life method for both 2009/10 and 2010/11. There is no change to the method used in respect of non PFI transactions and a revised annual statement for 2009/10 and annual statement for 2010/11 is attached at Appendix 7.

Consultation

49. Between November 2009 and February 2010 , budget consultations were carried out with:-
- Councillors
 - Trades Unions
 - Employees
 - Viewpoint
 - Head teachers
 - Voluntary and community sector
 - Gateshead Strategic Partnership
 - Chamber of Commerce
50. The outcome of the initial consultation was reported to Cabinet on 19 January 2010.
51. Further consultation was undertaken with Trades Unions during January and February 2010 and will continue as budget proposals are implemented.
52. All portfolio holders have also been consulted.

Alternative Options

53. There are no alternative options.

Implications of Recommended Option

54. **Financial Implications** – The Strategic Director, Finance and ICT confirms that these are set out in the report and appendices.
55. **Risk Management Implications** – Appendix 4 to this report is a financial risk assessment of the budget.
56. **Human Resources Implications** – Reductions in posts have been kept to a minimum and will be dealt with through the framework of the Council's Human Resources policies.
57. **Equality and Diversity Implications** – Nil
58. **Crime and Disorder Implications** – Nil
59. **Sustainability Implications** – The proposals in this report will ensure a sustainable financial position for the Council.
60. **Human Rights Implications** – Nil

61. **Area and Ward Implications** – The proposals in this report cover the whole of Gateshead.

Background Information

62. (i) Report to Cabinet, 1 December 2009 – Medium Term Financial Strategy 2010/11 to 2012/13.
- (ii) Report to Cabinet, 19 January 2010 – Draft Revenue Budget 2010/11.
- (iii) Report to Cabinet, 19 January 2010 – Council Tax Base 2010/11.
- (iv) Report to Cabinet, 19 January 2010 – Response to consultation on the Council's draft spending plans for 2010 to 2013.
- (v) Report to Cabinet, 26 January 2010 – Revenue Monitoring at 31 December 2009 and revised estimate for 2009/10.
- (vi) Final Local Government Finance Settlement – 20 January 2010.

	Original Budget 2009/10 £000	Revised Estimate 2009/10 £000	Original Budget 2010/11 £000
<u>Learning and Children</u>			
Education and Schools	19,034	19,480	17,757
Business Support	6,003	6,054	6,015
Children and Families	18,513	19,167	18,622
Youth Offending Team	972	943	1,202
<u>Community Based Services</u>			
Adults Social Services	54,124	59,671	56,799
Libraries and Arts	6,492	6,574	6,690
Sport and Leisure	6,914	7,235	7,130
Housing General Fund	(108)	(164)	3,647
Communities and Neighbourhoods	3,335	3,280	3,835
<u>Development and Enterprise</u>			
Highways and Transport Strategy	8,245	8,341	7,720
Regulatory Services	2,882	3,699	2,624
Environment and Regeneration	1,842	1,939	2,134
Property Services	(761)	(873)	(1,101)
Economic Development	3,097	3,265	2,736
Design	451	348	413
<u>Local Environmental Services</u>			
Waste Service and Ground Maintenance	24,628	25,176	25,942
Community Protection	907	889	868
Trading Accounts	(423)	(127)	84
<u>Central Services</u>			
Chief Executives	3,141	2,968	2,839
Legal and Corporate Services	6,140	6,359	5,627
Finance and ICT	11,479	11,364	11,134
Customer and Building Services	6,127	6,194	6,142
Other Services	14,159	13,830	13,292
Contingencies	6,479	237	6,000
Capital Financing Costs	21,681	20,223	22,280
Investment Income	(5,114)	(1,213)	(580)
Support Services	(9,687)	(9,620)	(9,903)
NET EXPENDITURE	210,552	215,239	219,948
Levies			
Environment Agency	137	137	141
Tyne & Wear ITA	12,354	12,354	12,500
Total Budget	223,043	227,730	232,589

LEARNING AND CHILDREN - ESTIMATES 2010/11

EDUCATION AND SCHOOLS

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Total Schools Budget		
Education Schools ISB	92,750	95,735
Centrally Held DSG	12,185	13,163
DSG	(104,935)	(108,898)
LEA Budget		
Strategic Management and Business Support	6,003	6,604
Standards Fund (non-devolved)	818	848
Special Education	949	984
School Improvement	1,571	1,628
Access to Schools	3,962	4,106
Non-School Funding	11,734	11,779
Total LEA Budget	25,037	25,949
Total Net Cost of Current Levels of Service	25,037	25,949

Section 2 - Savings

LC 1 Review of staffing levels in Access and Inclusion Services	58
LC 2 Reconfiguration of management structures within Access & Inclusion Service	30
LC 3 Reduction in home to school/college transport budget	50
LC 4 Three year review of delivery model of Access and Inclusion Services	60
LC 5 Reduce budgets forwarded to schools or used to deliver school based projects	196
LC 9 Review School Organisation arrangements	13
LC10 Increase charges to trading account for services to schools from staffing	23
LC11 Review of Planning and Development Team	52
LC24 Reprovide Primary Care Trust health inequalities programmes	148
LC25 Reconfiguration of management structures within area based working	251
LC26 Reduce level of preventative work, Youth Inclusion Programme	34
LC27 Maximise grant opportunities to reduce mainstream budget commitments	37
LC28 Explore opportunities to generate income	90
LC29 Review funding to projects being delivered by schools	323
LC30 Reconfiguration of Management Teams	155
LC31 Reduce admin support across Learning and Children Teams	36
LC33 Review level of Raising Achievement Service support to schools	120
	<hr/>
	1,676
Fit For Future	
Back Office	<hr/> 501
TOTAL EDUCATION AND SCHOOLS BUDGET	<hr/> 23,772 <hr/>

LEARNING AND CHILDREN - ESTIMATES 2010/11

CHILDREN AND FAMILIES SERVICE

	2009/10	2010/11
	£000s	£000s
<u>Section 1 – Net Cost of Current Levels of Service</u>		
Children Looked After	8,967	9,472
Other Children and Families Services	2,005	2,225
Family Support Service	3,910	4,104
Commissioning and Social Worker	2,995	2,907
Support Services and Management Costs	442	398
Service Strategy	194	205
Total Net Cost of Current Levels of Service	18,513	19,311

Section 2 - Savings

LC12 Reduce spend against grant allocations	92
LC13 Closure of Lyndhurst Children's Home in 2008, remaining allocation	58
LC14 Close Hallgarth Children's Home	225
LC15 Home Start Service. Service reprovided with PCT	9
LC16 Review Family Support provision	130
LC17 Review Raising Educational Achievement of Looked after Children Team	45
LC18 Review Therapy Team	60
LC20 Review Safeguarding Team	15
LC21 Efficiencies re Safeguarding, Care Planning Teams & Looked After Children Social Work Teams	20
LC31 Reduce admin support across Learning and Children Teams	35

689

TOTAL CHILDREN AND FAMILIES BUDGET

18,622

LEARNING AND CHILDREN - ESTIMATES 2010/11

YOUTH OFFENDING TEAM

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Youth Offending Team	972	1,202
Total Net Cost of Current Levels of Service	972	1,202
<u>Section 2 - Savings</u>		0
TOTAL YOUTH OFFENDING TEAM BUDGET		1,202

COMMUNITY BASED SERVICES - ESTIMATES 2010/11

ADULTS SOCIAL SERVICES

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Service Strategy	32	283
Older People	32,304	33,265
Adults with Physical or Sensory Disabilities	5,263	5,678
People with Learning Disabilities	11,473	13,036
People with Mental Health Needs	2,965	3,084
Services to Asylum Seekers	0	0
Other Adult Services	398	400
Supported Employment	333	341
Support Services and Management Costs	1,356	1,847
Total Net Cost of Current Levels of Service	54,124	57,934

Section 2 - Savings

CBS 9 Management Restructure	50
CBS11 Reprovide Carlisle House	70
CBS12 Community Legal Advice Contract	15
CBS13 Transfer hours from in-house provision to Independent Sector	500
CBS14 Increase Transport Charges for users of adult social care services	100
CBS29 Use Leisure Centres for Social Care	25
CBS30 Daily Living	250
CBS31 Provider of Choice Income	125
	1,135

TOTAL ADULTS SOCIAL SERVICES BUDGET	56,799
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COMMUNITY BASED SERVICES - ESTIMATES 2010/11

LIBRARIES AND ARTS

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Library Service	4,309	4,459
Archives	113	113
Tourism	229	269
Arts & Culture	288	300
Museums	927	935
Heritage	89	94
Theatres & Public Entertainment	537	555
Total Net Cost of Current Levels of Service	6,492	6,725
 <u>Section 2 - Savings</u>		
CBS15 Promotions, reduction in promotional material		9
CBS17 Tourism, seek staff volunteers for reduced hours		26
		<hr/>
		35
		<hr/>
TOTAL LIBRARIES AND ARTS BUDGET		6,690

COMMUNITY BASED SERVICES - ESTIMATES 2010/11

SPORT AND LEISURE

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Sport & Leisure Facilities	4,274	4,592
Events	669	702
Parks, Open Spaces & Countryside	750	791
Sports Development and Coaching	804	837
Leisure Admin & Management	417	477
Total Net Cost of Current Levels of Service	6,914	7,399
<u>Section 2 - Savings</u>		
CBS18 Restructure Catering		32.5
CBS19 Closure of bar at Indoor Bowling Centre		5
CBS20 Removal of vacant Deputy Manager post at Gateshead Leisure Centre		35
CBS21 Removal of vacant Leisure Operations Officer post		25
CBS22 Introduction of Group Membership		44
CBS23 Redesignate responsible service for Elgin Centre to Children and Young People's Service		42
CBS24 Marketing / Promotions / Stationary Budget Reduction		21.5
CBS25 Budget Reduction from Sport, Physical Activity and Health Team		15
CBS26 Sports Training		10
CBS27 Netball		9
CBS28 Deletion of vacant Service Improvement Manager post		30
		269
 TOTAL SPORT AND LEISURE BUDGET		7,130

COMMUNITY BASED SERVICES - ESTIMATES 2010/11

HOUSING GENERAL FUND

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Housing Strategy	0	0
Housing Advice	0	0
Housing Advances	0	0
Housing Associations	(7)	(7)
Private Sector Housing Renewal	114	144
Homelessness	210	212
Housing Benefits Payments	(515)	(515)
Other Council Property	70	70
Welfare Services	20	20
Supporting People	0	3,743
Other Welfare Services	0	0
Total Net Cost of Current Levels of Service	(108)	3,667
<u>Section 2 – Savings</u>		
CBS 8 Staying Put		20
		20
TOTAL HOUSING GENERAL FUND BUDGET		3,647

COMMUNITY BASED SERVICES - ESTIMATES 2010/11

COMMUNITIES AND NEIGHBOURHOODS

	2009/10 £000s	2010/11 £000s
<u>Section 1 – Net Cost of Current Levels of Service</u>		
Community Centres	1,011	1,068
Community Safety	2,324	2,874
Total Net Cost of Current Levels of Service	3,335	3,942
<u>Section 2 - Savings</u>		
CBS 1 Reduce budget available for development activities		25
CBS 2 Reduce Community Safety team		17
CBS 3 Closure of Springwell Activity Centre		27
CBS 4 Reduce Caretakers by 2 FTE		18
CBS 7 Parents with Substance Misuse Problems		20
		<hr/>
		107
		<hr/>
TOTAL COMMUNITIES AND NEIGHBOURHOODS BUDGET		3,835

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2010/11

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Environment and Regeneration	1,842	2,209
Transport and Highways	8,245	8,155
Regulatory Services	2,882	2,922
Property Services	(761)	(826)
Design	451	482
Economic Development	3,097	2,902
Total Net Cost of Current Levels of Service	15,756	15,844

Section 2 - Savings

DE 2 Tyne & Wear materials lab review	12
DE 3 Highway Maintenance Schemes	43
DE 4 School crossing patrols	10
DE 6 Training budget	10
DE 8 Gateshead Millennium Bridge	46.5
DE 9 Street light column replacement	72
DE10 Reductions in organisation establishment	156
DE11 Road signs	5
DE12 Surface dressing	30
DE13 Reduce contaminated land advice	6.5
DE14 Reduce advance design work and proactively work on preparation of bids	7
DE15 20% education maintenance work coded to capital	9
DE16 Reduce Economic Development Service	108
DE18 Terminate lease at Team Valley Business Centre (from February 2011)	26
DE21 Reduce Major Initiatives Team	60
DE22 Delete one vehicle from Countryside team	3
DE24 Transfer remainder of one post to HMR funding	15
DE25 Reduce activity within Private sector housing	40
DE26 Reduce staffing	182
DE27 Close Stonehills General Office	56
DE28 Reduce Trading Standards staffing	3
DE29 Reduce environmental health staffing	18
DE30 Reduce planning staffing	35
DE32 Reorganise pest control staffing	6
DE33 Delete vacant planning and highways enforcement officer post	35
DE34 Reduce IT support	37
DE35 Review out of hours working for environmental health	15
DE36/37 Reduce surveying capacity	79
DE38 Reduce senior management	108
DE39 Reduce staffing undertaking administrative tasks	75
DE40 Cut back on staff advertising	10
	1,318

TOTAL DEVELOPMENT AND ENTERPRISE BUDGET

14,526

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2010/11

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Waste Services and Grounds Maintenance	24,628	26,457
Community Protection	907	918
Fleet	(420)	(131)
Building Cleaning	(142)	300
Construction	(91)	(91)
School Meals	230	149
Total Net Cost of Current Levels of Service	25,112	27,602
<u>Section 2 - Savings</u>		
LES 1 Additional income from increased Fees and Charges for Burial and Cremation		35
LES 3 Generate income through a proposed building cleaning partnership with North Tyneside Council		100
LES 6 Central Nursery - introduce alternative arrangements for floral bedding		200
LES 7 Review of operational transport requirements		30
LES 8 Transfer highways and street lighting budgets from Development & Enterprise to Local Environmental Services		60
LES 9 Continue to develop more efficient working arrangements across the Neighbourhood Warden Service through a Community Safety Review		50
LES10 Reduce cleaning levels in targeted areas in Council buildings		43
LES11 Reduce levels of street cleansing and grounds maintenance operations		115
		633
Fit For Future		
Back Office		75
TOTAL LOCAL ENVIRONMENTAL SERVICES BUDGET		26,894

CENTRAL SERVICES - ESTIMATES 2010/11

CHIEF EXECUTIVES

	2009/10 £000s	2010/11 £000s
<u>Section 1 – Net Cost of Current Levels of Service</u>		
Chief Executive	3,141	3,055
Total Net Cost of Current Level of Service	3,141	3,055
<u>Section 2 - Savings</u>		
CX 3/4 Reduce print and publications budget		72
		<hr/> 72
Fit For Future		
Back Office		144
TOTAL CHIEF EXECUTIVES BUDGET		<hr/> 2,839

CENTRAL SERVICES - ESTIMATES 2010/11

LEGAL AND CORPORATE SERVICES

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Corporate Procurement	328	381
Legal Services	3,005	3,158
Human Resources	2,807	2,906
Total Net Cost of Current Level of Service	6,140	6,445
 <u>Section 2 - Savings</u>		
LCS 2 Rationalisation of internal printing costs for Democratic Services		53
LCS 16/17 Reduce Staffing		52
LCS 18 Marketplace to be terminated until further investment in procure to pay system is progressed		30
LCS 19 Defer MGM programme		18
LCS 5 Reduction in promotion of Council as an employer; employee communications		34
		<hr/> 187
 Fit For Future		
Front Office		113
Back Office		518
 TOTAL LEGAL AND CORPORATE SERVICES BUDGET		<hr/> 5,627

CENTRAL SERVICES - ESTIMATES 2010/11

FINANCE AND ICT

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Finance and ICT	11,479	11,974
Total Net Cost of Current Levels of Service	11,479	11,974
 <u>Section 2 - Savings</u>		
F&I 4 Reduction in Audit Plan		19
		<hr/> 19
Fit For Future		
Front Office		74
Back Office		747
TOTAL FINANCE AND ICT BUDGET		<hr/> 11,134 <hr/>

CENTRAL SERVICES - ESTIMATES 2010/11

CUSTOMER AND BUILDING SERVICES

<u>Section 1 – Net Cost of Current Levels of Service</u>	2009/10 £000s	2010/11 £000s
Customer and Building Services	6,127	6,297
Total Net Cost of Current Levels of Service	6,127	6,297
 <u>Section 2 - Savings</u>		
LCS11 Buildings Management: non-employee cuts including reducing cleaning		135
LCS14 Maintenance and Building Services staff reductions		20
		<hr/>
		155
		<hr/>
 TOTAL CUSTOMER AND BUILDING SERVICES BUDGET		6,142
		<hr/>

CENTRAL SERVICES - ESTIMATES 2010/11

OTHER SERVICES AND CONTINGENCIES

	2009/10	2010/11
<u>Section 1 – Net Cost of Current Levels of Service</u>	£000s	£000s
Registrar Births, Deaths and Marriages	119	141
Other Services	14,040	15,379
Contingency	6,479	6,000
Total Net Cost of Current Levels of Service	20,638	21,520
<u>Section 2 - Savings</u>		0
Fit For Future (Unallocated)		2,228
TOTAL OTHER SERVICES AND CONTINGENCIES BUDGET		19,292

Introduction

1. In November 2009 Gateshead Council published draft spending plans for 2010 – 2013 which were subject to consultation. Cabinet considered a report on the outcomes of the first stage of this consultation at its meeting on 19 January 2010. A further document on the draft revenue budget for 2010-11 was issued for consultation on 20 January for a second period of consultation until 12 February. Two public consultation events were held on 19 January on these revised proposals. A series of further meetings has taken place, and a consultation document and budget choices survey has also been made available on the Council's internet site.

Consultation with stakeholders

2. The following took part in the second phase of consultation:
 - a. Councillors
 - b. Residents
 - c. Voluntary and Community Sector
 - d. Trade Unions
 - e. Chamber of Commerce
 - f. Schools.

Outcomes from Consultation on the draft budget for 2010/11

Councillors

3. Consultation meetings with Councillors took place on 25 January, 1 and 2 February.
4. Councillors emphasised the importance of protecting 'front-line' services, and the need to ensure that there is an ongoing process to identify greater efficiencies in 'back office' functions, though programmes such as Total Place which took a more fundamental look at service provision in key areas of community safety.
5. The importance of ensuring that effective arrangements continue to be in place for adult and children safeguarding was also emphasised.
6. The areas of particular interest included:
 - The option to close Birtley Crematorium;
 - The potential closure of Carlisle House and reprovision of services elsewhere;
 - The need to review the current Quaylink bus contract;
 - The potential closure of the Stonehills General Office;
 - The need to ensure that highways maintenance programmes are able to deal with the impact of the recent severe weather conditions.

Residents

7. The two public budget sessions involved 110 residents. A further 47 online budget surveys were completed, 26 residents and 21 non residents. In the survey respondents were asked to allocate a limited number of votes for the potential savings they would LEAST like to see take place.
8. The key messages from the residents consultation are that:
 - 64% of residents voted against proposals to make savings by reducing highway maintenance budgets (the highest proportion of votes cast)
 - Other proposals receiving a high proportion of votes against included reviewing the Safeguarding team (56%), reducing staffing in the Access and Inclusion Service (53%) and reducing the budget for the Community Safety team
 - Proposals receiving the lowest proportion of votes against savings include reducing the budget for Community Legal Advice (6%), reducing the number and quality of Council News publications (19%), and reducing the role of the Council on economic development (23%).

Voluntary and community sector

9. A further meeting with the voluntary and community sector was held on 28 January.
10. The key issues raised at this meeting were:
 - the need for clarity on the process followed in identifying the proposals from the previous scenarios document;
 - an acceptance that the approach being taken is broadly welcomed – whilst this is complex and detailed, it provides the opportunity to create better outcomes, though it can be difficult to have a clear understanding of the wider picture;
 - the importance of understanding the potential severe funding position facing the sector in April 2011 when a number of existing funding streams have come to an end, and therefore the value in working with the sector over the next 12 months to assess implications and plan for these likely reductions;
 - The importance of supporting VCS organisations in bidding for contracts, and reviewing the procurement process to allow VCS organisations to compete – these are key elements of the new Compact;
 - The need for more detailed discussions on the future of adult social care provision in the context of the personalisation agenda, and the role of the VCS in forming part of a 'mixed economy' approach.

Trades Unions

11. A consultation meeting with the Trades Unions was held on 3 February. Trades Unions acknowledged the challenging economic climate facing the Council and requested that the Trades Unions are closely engaged in the further development and implementation of proposals.

Chamber of Commerce

12. A consultation meeting with the Chamber of Commerce took place on 2 February. The Chamber of Commerce acknowledged the challenging economic climate facing the Council and supported the need for the Council to make efficiency savings. The Chamber of Commerce welcomed the approach that the Council has taken (a strategic approach to the future direction of the Council rather than 'salami slicing' services). The Chamber of Commerce was particularly concerned with proposals to reduce support services to businesses.

Other

13. Additional responses have also been received in detail from Kingsmeadow School which emphasised the current value and role of both the Raising Achievement Service and Access and Inclusion Service and the potential risks of reducing their role.

APPENDIX 3 (Continued)

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR Implications	Recommended proposal following consultation	Recommended saving
CBS 1	Reduce budget available for development activities	£445,640	£25,000	Reduction in community events newsletters, development and training	None	Proceed with proposal	£25,000
CBS 2	Reduce Community Safety team	£431,500	£17,000	Will reduce the capacity of the team to deliver on a growing agenda	1 FTE post	Proceed with proposal	£17,000
CBS 3	Closure of Springwell Activity Centre	£1,011,260	£27,000 + £164,216 backlog maintenance & DDA works.	Planned Feb 2010 as part of the first phase of implementation of the Community Centre Review	Redeployment of Cleaner/ Caretaker	Proceed with proposal	£27,000
CBS 4	Reduce Caretakers by 2 FTE	£18,000	£18,000	4 p/t posts – 2 of which are vacant	2 half time posts	Proceed with proposal	£18,000
CBS 5	Northumbria Police Additional Policing, Safer Gateshead Development Fund and Problem solving fund	£431,500 (£295,000 pooled development budgets	£60,000	Merger of these 3 funds into one partnership pot will allow the partnership to address local crime and community safety issues in a proactive way.	None	Proposal removed and issue to be considered as part of Total Place development	£0
CBS 6	Reduce Neighbourhood Relations Team	Total Community Safety Budget £431,500. £60,740 allocated to Gateshead Housing Company	£20,000	Work with the GHC to create this efficiency and explore pick up through the Housing Revenue Account.	1 FTE post unaffected	Proposal removed and issue to be considered as part of Total Place development	£0
CBS 7	Parents with Substance Misuse Problems	Total Community Safety Budget £431,500, £79,000 allocated to PCT	£20,000	Work with Primary Care Trust to create efficiency	HR implications for one full time worker.	Proceed with proposal	£20,000
CBS 8	Staying Put	£20,000	£20,000	No expenditure. Delete budget code	None	Proceed with proposal	£20,000
CBS 9	Management Restructure		£50,000	Achieved through vacancies	1 FTE	Proceed with proposal	£50,000
CBS 10	Transfer Disabled Facilities grants to CBS		£10,000	Consolidation of adaptation service recommended by consultations report	Possible 3 posts affected which spend part of their time on Disabled Facilities Grants	Remove this proposal	£0

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR Implications	Recommended proposal following consultation	Recommended saving
CBS 11	Reprovide Carlisle House	£70,000	£70,000	Reprovide into other services including user led service at Worcester Green	1 FT post	Proceed with proposal – implementation timescale to reflect full involvement of service users in service changes to meet their needs.	£70,000
CBS 12	Community Legal Advice Contract	£1,000,000	£40,000	Efficiency review with CLA over next 3 years Fewer case starts for advice compared to current contract.	Audit (see comments) may affect in house advice services.	Proposal amended to reflect efficiencies of 4% of contract value i.e. £40,000; a reduction on original proposal	£15,000
CBS 13	Transfer hours from in-house provision to Independent Sector	£8,051,000	£500,000	Will reduce the Council as a provider of longer term domiciliary care for Older People. Focus priority for Council on: - Reablement - End of Life - Dementia - Complex Needs Care	For each £500k it would mean losing approximately 44 domiciliary care staff.	Proceed with proposal	£500,000
CBS 14	Increase Transport Charges for users of adult social care services	£400,000	£40,000	Increased charge for transport – level to be determined following consultation	None	Proposal amended to increase income generation from fees and charges rather than transport charges.	£100,000
CBS 15	Promotions	£72,500	£9,000	Reduction in promotional material Gateshead Live Reduce Short Story Comp/Local History Month		Proceed with proposal	£9,000
CBS 16	AIRS	£150,000	£10,000 to £20,000	Delete vacant Grade C post. Reduction 5 hours of Grade F Researcher/Editor post. Additional reductions in other posts' hours. Impact on service delivery and hitting deadlines	Deletion of .5 post 1 post affected Reduction in hours may result in staff leaving	Proposal removed	£0
CBS 17	Tourism	£230,000 + Income Target £33,000	£26,000	Seek staff volunteers for reduced hours Reduced TIC hours and /or support to Tourism businesses	If no reduction in staff hours – 1-2 posts affected	Proceed with proposal	£26,000
CBS 18	Restructure Catering	£100,000	£32,500	Newly established working arrangements. Reduction of Managers posts x 1	1 FT post affected.	Proceed with proposal	£32,500
CBS 19	Closure of bar at Indoor Bowling Centre	£5,000	£5,000	Service will cease. Demand for service is low with very few people accessing / using the bar facilities. Not an effective use of resources to keep bar open.	1 PT post affected	Proceed with proposal. Vending service already provided at the Indoor Bowling Centre.	£5,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR Implications	Recommended proposal following consultation	Recommended saving
CBS 20	Removal of vacant Deputy Manager post at Gateshead Leisure Centre		£35,000	Due to our new and refurbished leisure facilities a re-allocation of responsibility for facilities will take place. The Gateshead Leisure Centre Manager will only be responsible for that facility (previously had 3 facilities).	1 FT post Vacant post to be deleted.	Proceed with proposal	£35,000
CBS 21	Removal of vacant Leisure Operations Officer post from the establishment		£25,000	Reorganisation of leisure operations related work will take place due to changes implemented as a result of Building an Active Future Programme	1 FT post affected. Post currently vacant	Proceed with proposal	£25,000
CBS 22	Introduction of Group Membership		£44,000	Due to the ongoing success of the GO membership scheme it is proposed that a new group membership scheme will be implemented from 1st April 2010. Need to increase members by 300	None	Proceed with proposal	£44,000
CBS 23	Redesignate responsible service for Elgin Centre to Children and Young People's Service		£42,000	This facility is run primarily as a children & young people's centre, incorporating a children's centre, nursery and a voluntary organisation.	2 FT posts will affected	Proceed with proposal	£42,000
CBS 24	Marketing / Promotions / Stationary Budget Reduction		£21,500	Different marketing approach to be more web based promotions and booking and less production of leaflets, posters etc.	None	Proceed with proposal	£21,500
CBS 25	Budget Reduction from Sport, Physical Activity and Health Team		£15,000	Change in delivery of supported disability gym work at GIS - no reduction service	None	Proceed with proposal	£15,000
CBS 26	Sports Training	£10,000	£10,000	Other sources of income found to support continuation of this work	None	Proceed with proposal	£10,000
CBS 27	Netball	£12,000	£9,000	Funding removed from future netball development work	None	Proceed with proposal	£9,000
CBS 28	Deletion of vacant Service Improvement Manager post from the establishment		£30,000	Co-ordination of external assessments, service improvements / performance management and marketing and promotions will be lost	1 FT post Vacant post to be affected Re-designation of existing post and creation of a new post	Proceed with proposal	£30,000
CBS 29	Use Leisure Centres for Social Care		£25,000	Integrate with universal services		Proceed with proposal	£25,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR Implications	Recommended proposal following consultation	Recommended saving
CBS 30	Daily Living		£250,000	Savings to be made against purchase of care budgets by aligning practice with set criteria		Proceed with proposal	£250,000
CBS 31	Provider of Choice Income		£125,000	Developing in house provider to increase income generation		Proceed with proposal	£125,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
DE 1	Verge maintenance reduction		£150,000	Impact on Local Environmental Services		Remove this proposal	£0
DE 2	Tyne & Wear materials lab review		£12,000	Review has been carried out and approved. Changes being implemented	One FTE affected	Proceed with proposal	£12,000
DE 3	Highway maintenance schemes		£43,000 £100,000 £100,000	Reduction in highways maintenance. Likely to lead to increase in routine maintenance.		Proceed with proposal at a reduced level of £43,000	£43,000
DE 4	School crossing patrols		£10,000	Indicative at this stage – review of policy due to be reported to Cabinet in near future.	Reduction in staff through natural wastage	Proceed with proposal	£10,000
DE 5	Christmas lights		£57,000	Last year of current contract		Remove this proposal, but work with local businesses to support lights in future years	£0
DE 6	Training budget		£10,000	Reduction in staff training		Proceed with proposal	£10,000
DE 7	Quaylink		£108,000	Contract due for renewal next July. Loss of direct bus service between Quays and Newcastle city centre.		Remove this proposal, but seek to ensure best value in future contract	£0
DE 8	Gateshead Millennium Bridge		£140,000	Reduce maintenance to a minimum		Proceed with proposal at a reduce level of £46,666	£46,666
DE 9	Street light column replacement		£72,000	Column replacement programme to be reduced.		Proceed with proposal. Column replacement will continue as necessary to avoid any health and safety issues.	£72,000
DE 10	Reductions in organisation establishment		£33,000 £156,000 £232,000	Impact on coordination and management of maintenance programmes and reduce responsiveness to day to day enquiries, reduced responsiveness to statutory functions, reduced input into preparation of capital programmes.	Redeployment and or redundancy	Proceed with proposal at reduced level of £156,000. However this saving will be taken across the Group to ensure priorities can continue to be delivered.	£156,000
DE 11	Road signs		£5,000	Reduced maintenance		Proceed with proposal	£5,000
DE 12	Surface dressing		£30,000	Reduction of surface dressing programme		Proceed with proposal	£30,000
DE 13	Reduce contaminated. land advice by 10%		£6,500	Selection of schemes needs to be agreed to deliver reduction. Onus will be put on the developer.		Proceed with proposal	£6,500

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
DE 14	Reduce advance design work and proactively work on preparation of bids		£7,000	Inability to react positively to request to carry out work. And carry out preliminary work in advance of approved capital budgets.		Proceed with proposal	£7,000
DE 15	20% education maintenance work coded to capital		£8,600	Currently 38k of education maintenance work coded to revenue but some could be capital or external (work for schools budgets).	None	Proceed with proposal	£8,600
DE 16	Reduce Economic Development Service	£1,468,000	£108,000	Work would be distributed across other members of staff although this would ultimately mean that fewer clients would benefit.	3 FTE affected	Proceed with proposal	£108,000
DE 17	Reduce back to Work grants budget	£194,000	£40,000	A reduction of 200 residents receiving Back to Work grants	N/A	Remove proposal, reflecting need to support individuals in difficult economic climate	£0
DE 18	Terminate lease at Team Valley Business Centre (from February 2011)	£310,000	£26,000	Alternative premises would need to be found for the occupants of the Centre. This provides the best solution for the Service although the major reduction in spending would not be realised until 2011/2012.	N/A	Proceed with proposal	£26,000
DE 19	Reduce Economic Development Service	£1,680,000	£178,000	Negative impact on the co-ordination and monitoring of external funding Delivery of economic programmes and projects would be affected.	Redundancy or re-deployment of staff 5 FTE	Remove proposal, reflecting need to support individuals in difficult economic climate	£0
DE 20	Reduce Economic Development Service	£641,000	£136,000	Monitoring of strategies will be affected. Administrative work would need to be provided from elsewhere.	Redundancy or re-deployment 6.1 FTE	Remove proposal, reflecting need to support individuals in difficult economic climate	£0
DE 21	Reduce Major Initiatives Team		£60,000	Impact on delivery of major projects	1 FTE – Head of Service Post	Proceed with proposal	£60,000
DE 22	Delete one vehicle from Countryside team	£20,000	£3,000	Will reduce operational capacity but could be achieved.		Proceed with proposal. Increasing efficiency through bringing countryside teams together.	£3,000
DE 23	Reduce contribution to Tyne and Wear Conservation	£24,000	£12,000	Partial withdrawal from partnership		Remove this proposal – negative impact on partnership.	£0
DE 24	Transfer remainder of one post to HMR funding	HMR	£15,000	None immediate, but no guarantee funding will be available beyond 2011		Proceed with proposal	£15,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
DE 25	Reduce activity within Private sector housing	£390,000	£40,000	Reduced Landlord licensing, air pollution, support to Anchor HIA	1 FTE	Proceed with proposal at reduced level of £40,000	£40,000
DE 26	Reduce staffing	£86,700 £95,200	£86,700 £95,200	Potential adverse affect on timeliness of response and quality of advice.	Deletion of 2 vacant posts Deletion of 3 vacant posts	Proceed with proposal	£181,900
DE 27	Close Stonehills General Office	£84,200	£84,200	The General Office provides administrative facilities to a small number of independent businesses, who would need to make alternative arrangements.	4 staff affected	Proceed with proposal at reduced level of £56,000. This would leave 1 FTE member of staff in post to work with businesses to implement sustainable support mechanisms	£56,000
DE 28	Reduce Trading Standards staffing	£35,000	£3,000	Limited impact	Re designation of vacant post – Senior Trading Standards Officer to Trading Standards Officer	Proceed with proposal	£3,000
DE 29	Reduce environmental health staffing	£30,000	£18,000	Less ability to respond to animal health outbreaks e.g. bird flu, foot and mouth. Statutory service	1 FTE	Proceed with proposal	£18,000
DE 30	Reduce planning staffing	£35,000	£35,000	Some Impact on speed of progress with joint LDF.	1 FTE	Proceed with proposal	£35,000
DE 31	Reduction in advertising of planning applications	£50,000	£40,000	Dependant on changes to national legislation which have been consulted upon but not confirmed	none	Remove this proposal	£0
DE 32	Reorganise pest control staffing	£30,000	£6,000	Would enable more focus on marketing team for increased income. Business manager would help the team to focus on increasing business income.	1 FTE	Proceed with proposal	£6,000
DE 33	Deletion vacant of planning and highways enforcement officer post	£35,000	£35,000	Inability to respond as quickly to highways and planning enforcement complaints	Deletion of vacant post	Proceed with proposal	£35,000
DE 34	Reduce IT support	£37,000	£37,000	Reliant on corporate IT taking over systems admin.	1 FTE	Proceed with proposal	£37,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
DE 35	Review out of hours working for environmental health	£15,000	£15,000	Proposed that out of hours service still provided by managers and limited staff. Reliant on managers taking on out of hours work at no extra cost	Would need to be considered as part of cross council review of out of hours payments.	Proceed with proposal	£15,000
DE 36	Reduce surveying capacity	£41,000	£41,000	Limited impact at current time because of economic downturn. Would lead to inability to respond to the increase in building work when the economy improves	Loss of senior building surveyor post	Proceed with proposal	£41,000
DE 37	Reduce surveying capacity	£38,000	£38,000	Loss of post would lead to inability to respond to the increase in building work when the economy improves	Loss of senior building surveyor post	Proceed with proposal	£38,000
DE 38	Reduce senior management	£108,000	£61,000 £47,000	Less capacity at strategic level.	1 FTE	Proceed with proposal	£108,000
DE 39	Reduce staffing undertaking administrative tasks. Further reduction in staffing		£25,000 £50,000	Some tasks will have to be discontinued. Reduction in cover for services. Impact on communication with the public.	1 FTE 2 FTE	Proceed with proposal	£75,000
DE 40	Cut back on staff advertising- only advertise hard to fill posts in journals and newspapers	£40,000	£10,000	Potential impact upon quality of recruited candidates		Proceed with proposal	£10,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LC 1	Review of staffing levels in Access and Inclusion Services.	£4,280,000	£57,500	Efficiency in the service delivery to support children with additional needs within school.	Reduction in staffing levels. Potentially affects 10 employees.	Proceed with proposal at £57,500	£57,500
LC 2	Reconfiguration of management structures within Access and Inclusion Service.		£30,000	Potential reduced management capacity.	Reduction in staffing levels. Potentially affects 2 employees.	Proceed with proposal	£30,000
LC 3	Reduction in home to school/college transport budget.		£100,000	This service is demand led and a statutory responsibility, but the Special Educational Needs Inclusion Policy is enabling more children/young people to attend their local schools. We are confident that costs will be reduced by £50,000 in year	None	Proceed with proposal at a lower level of £50,000	£50,000
LC 4	Three year review of delivery model of Access and Inclusion Services including consideration of how to devolve budgets and responsibilities to schools and what level of core service should be retained by Local Authority		£171,000	As more children access mainstream schools/services core role of Access and Inclusion will change.	Will be defined during course of review and will be determined by delivery model. Likely to impact on staffing numbers.	Proceed with proposal at £60,000	£60,000
LC 5	Reduction in budgets forwarded to schools or used to deliver school based projects.		£170,300 £26,000	Efficiency in the delivery to support vulnerable children.	HR implications for Schools and possibly 2 central staff.	Proceed with proposal at £196,300	£196,300
LC 6	Reduction in staffing levels in Business Support.	£2,483,000	£116,000 £149,000 £33,000	Efficiency of business support to services including finance team, admin support.	12-13 posts affected	Fit for Future – Back Office	Fit for Future £298,000
LC 7	Reconfiguration of management structure of Business Support.	£1,586,000	£120,000	Efficiency in management capacity particularly in staffing and finance.	3 posts affected.	Fit for Future – Back Office	Fit for Future £120,000
LC 8	Review Workforce Development Service delivery.		£83,000	Reduction in costs of delivering training courses, catering, venue, increase use of e learning, reduce number of external courses.	Would be a loss of some posts.	Fit for Future – Back Office	Fit for Future £83,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LC 9	Review School Organisation arrangements.		£13,000 £39,000 £39,000	Efficiency in facilities management, revise school admission procedures, reduced project costs.	1 post affected	Proceed with proposal at £13,000	£13,000
LC 10	Increase charges to trading account for services to schools from staffing.		£14,000 £9,000	Efficiency in budget alignment within services to schools	May be implications if schools choose not to buy-back due to increased charges	Proceed with proposal at £23,000	£23,000
LC 11	Review of Planning and Development Team.		£52,000	Retargeting of priorities within team	3 posts affected.	Proceed with proposal	£52,000
LC 12	Reduce spend against grant allocations where outcomes can be achieved by mainstream delivery	£17,899,000	£42,000 £50,000	Efficiency in delivery across grant income.	Potential loss of posts at Local Authority and Primary Care Trust	Proceed with proposal at £92,000	£92,000
LC 13	Closure of Lyndhurst Children's Home in 2008, remaining allocation.		£58,000	Removes option to reinvest in services for looked after children	None	Proceed with proposal	£58,000
LC 14	Close Hallgarth Children's Home		£475,000	Loss of 4 residential placements. Children would have to be placed elsewhere.	18 posts will be affected	Proceed with proposal at reduced level of £225,000. This would allow investment of the remaining £250,000 saving in the fostering service	£225,000
LC 15	Home Start Service.		£9,000	Service reprovided with PCT.	None	Proceed with proposal	£9,000
LC 16	Review Family Support provision to achieve closer alignment to targeted and preventative services.		£252,000 £78,000	The review will look at Supporting Families workers, the work of Family Centres and Family Support Coordinators, in light of what is provided in settings such as Children's Centres and in preventative services' area-based work. It will seek to find ways of ensuring very vulnerable families remain supported, developing new models which still meet their needs.	Approximately 42 staff are employed. This review would not, however, result in all posts being at risk, because a service still needs to be provided.	Proceed with proposal at a reduced level of £130,000	£130,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LC 17	Review Raising Educational Achievement of Looked after Children (REALAC) team arrangements.		£94,000	Reconfiguration of service. Request to Schools Forum for use of Dedicated Schools grant to support aspects of the team	Possible reduction in staffing levels, 3 posts would be affected.	Proceed with proposal at reduced level of £45,500	£45,500
LC 18	Review Therapy Team.		£187,000	Review of service to looked after children with therapeutic needs. Review would be conducted along review of Children and Adolescent Mental Health Services.	Reduction in staffing levels 4 posts would be affected	Proceed with proposal at reduced level of £60,000 in year	£60,000
LC 19	Review Treatment Foster Care (TFC) programme.		£41,000	Review the level of service offering placements for looked after children with complex needs.	May result in redesignation of some staff roles.	Remove proposal	£0
LC 20	Review Safeguarding Team		£15,000 £45,000	Review processes and systems to identify how new technology systems can reduce costs in conferencing and reviewing processes.	May affect 1 post.	Proceed with proposal at £15,000	£15,000
LC 21	Make the level of provision more efficient that is offered from Safeguarding and Care Planning Teams and Looked After Children Social Work Teams.		£20,000	Efficient use of all available budgets	1 post affected	Proceed with proposal	£20,000
LC 22	Review level of service provided by Youth Offending Team.	£735,000	£47,200 £64,400	Review of the service is planned during this financial year.	Reduction in posts.	Remove proposal	£0
LC 23	Reduce number of buildings from which Children and Families services are delivered – Close Hilda House		£34,000	Partnership working with Children and Families Teams and Primary Care Trust health workers would have to be provided at another location.	None	Remove proposal	£0
LC 24	Reprovide Primary Care Trust health inequalities programmes and deliver them in-house using area based staff.	£7,001,000	£55,000 £93,000	Addressing health inequalities will become integrated into area based workers' role.		Proceed with proposal at £148,000	£148,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LC 25	Reconfiguration of management structures within area based working.		£221,000 £30,000	Review management structure to be more efficient, new areas and themes to be implemented, updated roles and responsibilities. Combine play development post with playbuilder post. Reduce 3 senior area worker posts.	Affects approx 8 management posts.	Proceed with proposal at £251,000	£251,000
LC 26	Reduce level of preventative work, Youth Inclusion Programme.		£34,000	Reduction in level of service.	2 posts affected	Proceed with proposal.	£34,000
LC 27	Maximise grant opportunities to reduce mainstream budget commitments and reduce development work.		£37,000 £69,000	Risk of increased anti-social behaviour, reduction in substance misuse grant, positive activities for young people grant, reduction in grants to Aquila Housing and North East Council on Addictions (NECA)	None	Proceed with proposal at reduced level of £37,000.	£37,000
LC 28	Explore opportunities to generate income through charging for services or by consultancy.		£20,000 £90,000	May be possible to increase income from Dryden. Increased income target for Governing body service	May affect 1 post	Proceed with proposal at £90,000	£90,000
LC 29	Review funding to projects being delivered by schools, voluntary and community sector		£176,000 £147,000 £76,000	A strategic approach would need to be taken to work with voluntary sector to explore alternative business models where appropriate or to raise alternative funds. Projects delivered in schools will be revised and delivered more efficiently in line with priorities. Organisations affected but sustained – Lyndhurst Centre, Whoops, Extended Services, Aquila, NECA, Rathbone, Children's Fund Projects	May have HR implications for the voluntary sector organisations	Proceed with proposal at £323,000	£323,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LC 30	Reconfiguration of Group Management Team/Strategic Management Team Integrated Children with Disabilities Mgt Structure		£100,000 £55,000	Part of the Fit for Future programme	Loss of Director Post. Loss of Senior Manager post.	Proceed with proposal at £155,000	£155,000
LC 31	Reduce admin support across Learning and Children teams – not Business Support.		£60,900 £10,000	Some service areas have specialist admin support around specific functions.	Potential loss of 4 posts.	Proceed with proposal at £70,900	£70,900
LC 32	Local Environmental Services (LES) Management Fee.	£4,090,000	£362,700	Loss of income if schools don't buy back at increased price. Passing cost of fee back to LES (impact on pricing) and potentially to the schools buy-back.	May be implications if buy back with schools decreases.	Remove proposal – unlikely to be achieved this year	£0
LC 33	Review level of Raising Achievement Service support to schools.	£3,615,000	£60,000 £60,000 £120,000	Would reduce support, challenge and advice to schools on standards.	4 consultant posts.	Proceed with proposal at £120,000	£120,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LES 1	Additional income from increased Fees and Charges for Burial and Cremation.	£840,000 Income	£35,000	Increased fees and charges by £20 for burials and cremations.	None	Proceed with proposal.	£35,000
LES 2	Cease all catch-up collection arrangements following Bank Holidays (except for Christmas and New Year).	£7,200,000	£40,000	Cease Bank Holiday catch up working days (excluding Christmas and New Year) for refuse collection, Green-It, Kerb-It and special collections.	Possible entitlement to compensatory payments - loss of earnings due to reduced overtime hours.	Remove proposal in view of planned changes which will affect refuse and recycling collection during 2010/11 and beyond.	£0
LES 3	Generate income through a proposed building cleaning partnership with North Tyneside Council	Approx. £2m turnover from contract	£100,000	Partnership with North Tyneside Council to deliver their building cleaning services as a business opportunity capable of generating a significant operating surplus.	270 employees would be TUPE transferred to the Council (equates to approx 130 FTE)	Proceed with proposal subject to negotiation with North Tyneside Council.	£100,000
LES 4	Proportionate reduction in management and business support related posts to reflect reducing demand	£1,300,000	£75,000 (each year)	The proposal recognises the potential changes in the Local Environmental Services Group and the relationship that levels of management and business support related services have with this. A proportionate reduction will be necessary to mirror any overall contraction.	Up to 9 posts affected over the 3 year period	Fit for Future – back office	Fit for Future £75,000
LES 5	Closure of Birtley Crematorium and the transfer of service to Saltwell Crematorium.	£250,000	£75,000	Closure of Birtley Crematorium whilst retaining the Chapel, Cemetery and access to the Book of Remembrance.	2 FTE affected	Remove proposal. It will be necessary to consider the need for major capital investment within the next three years.	£0
LES 6	Central Nursery – introduce alternative arrangements for its management and the production of floral bedding.	Expenditure £500,000 and income of £250,000	£200,000	Utilisation of alternative plant production methods reflecting modern and efficient working practices plus making more use of a mixed economy approach. This has been developed from an earlier option to close the nursery following consultation.	Possible entitlement to compensatory payments - loss of earnings due to changed working patterns	Proceed with proposal.	£200,000
LES 7	Review of operational transport requirements	£55,000	£30,000	More efficient use of supervisor's vehicles enabling the number to be reduced from 11 to 6.	Possible entitlement to compensatory payments	Proceed with proposal.	£30,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LES 8	Transfer highways and street lighting budgets from Development & Enterprise to Local Environmental Services.	LES budgets £3,000,000	£60,000	Transfer budgets for routine highways and street lighting maintenance from Development & Enterprise to Local Environmental Services. This will allow the removal of duplication, overlaps and unnecessary business processes.	None	Proceed with proposal and integrate with planned organisational change.	£60,000
LES 9	Continue to develop more efficient working arrangements across the Neighbourhood Warden Service through a Community Safety Review		£50,000	Introduce a series of modernised working arrangements across the integrated service, which are capable of delivering savings as well as reinvesting resources in front line roles.		Proceed with proposal	£50,000
LES 10	Reduce cleaning levels in targeted areas in Council buildings		£43,000	Minor impact on levels of cleanliness.		Proceed with proposal	£43,000
LES 11	Reduce levels of street cleansing and grounds maintenance operations		£115,000	The primary area suggested for reduction would be by adjusting the frequency of grass cutting, moving to a 10-day cycle from a 7 to 8 day cycle. There will be full consultation on the detail of the implementation of these proposals.		Proceed with proposal	£115,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended saving
CX 1	Reducing and reorganising establishment	AC	£133,251	Less delivery by existing managers and teams	Deletion of 6 posts Extension of pt to ft post Upgrade of one post	Fit for Future – Back office	Fit for Future £133,251
CX 2	Reducing establishment	AC	£70,068	Limited	Deletion of 2 posts	Remove this proposal	£0
CX 3	Reduce print and publications budget	Comms	£16,000	Reduce the pages and paper quality of Council News	None	Proceed with proposal	£16,000
CX 4	Reduce print and publications budget	Comms	£56,000	Reduce Council News from 6 to 4 issues Reduced opportunities to communicate with citizens	None	Proceed with proposal	£56,000
CX 5	Cease TWRI commission (Tyne and Wear Research Unit)	AM 362	£58,000	Research and Intelligence team to consider work programme	None	Remove this proposal	£0
CX 6	Reducing establishment	Comms Policy	£79,065	Media team capacity reduced to mainly reactive work	Deletion of 2 posts	Remove this proposal	£0
CX 7	Reduction of media training, equipment and Gen	Comms	£11,000	Media training only delivered in house, reduced employee communication	None	Fit for Future – Back office	Fit for Future £11,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
F&I 1	Rationalisation of non-salary budgets, (training, agency, computer hardware, insurance commission).		£45,000	Reduced scope for responding to future issues and building capacity	Reduced professional training and development resources	Fit For Future – Back Office	Fit for Future £45,000
F&I 2	Rationalisation of Group Finance function, (reduced budget monitoring, financial advice / consultancy).		£66,000	Reduction in robustness/frequency of budget monitoring with consequent financial risk	1.6 FTE (3.2%). Group Finance; 1.6 FTE, 1.0 Principal Acct, 0.6 Acct Tech	Fit For Future – Back Office	Fit for Future £66,000
F&I 3	Further rationalisation of non-salary budgets, (computer hardware, freezing of professional training)		£18,000	Reduced scope to develop / build capacity. Greater need to externally recruit to professional posts.		Fit For Future – Back Office	Fit for Future £18,000
F&I 4	Reduction in Audit Plan by 676 hours, 2.45% Part of 2,065 hours (7.5%)		£19,000	Less capacity to carry out Internal Audit consultancy and anti-fraud work.	Staffing reductions of 0.5 FTE 0.5 FTE, (0.5 Snr Audit Asst).	Proceed with proposal at £19,000	£19,000
F&I 5	Rationalisation of non salary budgets		£90,000	To be met from efficiency measures	Nil	Fit For Future – Back Office	Fit for Future £90,000
F&I 6	Reduction in staffing <ul style="list-style-type: none"> • Exchequer Officer post • Admin/WP Posts 		£76,000	To be met from existing resources and efficiency measures Minimal impact	Vacancy 2 fte not vacant	Fit For Future – Back Office	Fit for Future £76,000
F&I 7	Cashiers-reduction in staff from move to electronic payments and reduction in cash transactions		£11,000	Minimal impact	0.5fte not vacant	FFF – Back Office	Fit for Future £11,000
F&I 8	Reduction in staffing in Payroll to provide “leaner” service		£107,000	“Leaner” service will be met from vacant posts, review of business processes and development of core HR/payroll system (PSE)	5fte	Fit For Future – Back Office	Fit for Future £107,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
F&I 9	Revenues – reduction in staffing in NNDR and Council tax recovery		£26,000	Potential impact on council tax & business rates collection performance from proposal and implementation of new system.	2fte	Fit For Future – Front Office	Fit for Future £26,000
F&I 10	Further reductions in Benefits staffing in all areas including processing, visiting, appeals, overpayments recovery, training and monitoring		£104,000	Impact on performance in all areas of appeals, overpayments and processing	5 fte	Fit For Future – Front Office	Fit for Future £48,000
F&I 11	Corporate core infrastructure refresh and development programme to be rescheduled and reprioritised. Reduction in use of external contractors and consultants through increased dependence on in-house expertise	Non-salaries = £1,196,000	£178,950	Prioritisation of corporate ICT infrastructure investment and refresh programme would affect non-critical projects as a number would need to be delayed or cancelled. Existing difficulties being experienced in trying to support an increasing ICT workload (current and new projects e.g. PCI, EDM, Security projects) would be unaltered. Access to third party expertise from contractors or consultants would be significantly reduced.	Greater reliance on in-house resource by reducing access to consultants and contractors.	Fit For Future – Back Office	Fit for Future £178,950
F&I 12	Restructure of ICT resulting in reduced management, project management and development resources in addition to reductions to support and training resources	Salaries = £3,002,000	£155,000	<input type="checkbox"/> Reductions in management, project management, development, support and training resources. Reduced capacity to project manage, develop and support corporate key ICT work programme projects		Fit For Future – Back Office	Fit for Future £155,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LCS 1	Defer Employee Survey		£30,000	Greater emphasis to be placed on alternative lines of communication with staff to gauge morale and organisational development needs.	None	Remove proposal, but redirect resources to support Union Learning reps. It should also be possible to undertake some form of survey within existing resources.	£0
LCS 2	Rationalisation of internal printing costs for Democratic Services		£53,000	Greater reliance on on-line and library copies of appendices to agenda items for meetings	None	Proceed with proposal	£53,000
LCS 3	Reduce Training		£4,800	Reduced scope for training targeted to Council priorities	None	Fit for Future – back office	Fit for Future £4,800
LCS 4	Customer Services: non-employee cuts		£31,000	Reduced telephony budgets; discontinue proposal to roll-out use of libraries as customer service points	None	Fit for Future –front office	Fit for Future £31,000
LCS 5	Reduction in promotion of Council as an employer; employee communications		£34,000	Impact of proposal on recruitment will be closely monitored. Greater reliance will need to be placed on direct e-mail, Team Brief and Council Info for employee communications	None	Proceed with proposal	£34,000
LCS 6	Reduce capacity for Job evaluation		£22,440	Minimal, as all phases of the Pay Review are now complete.	0.6 FTE Grade I	Fit for Future – back office	Fit for Future £22,440
LCS 7	Reduce Organisation of work experience placements.		£14,280	Not able to promote the Council as an 'employer of choice' to those seeking work placements. However, this should be viewed in light of greater resources being put into apprenticeships throughout the Council.	0.4 FTE Grade I	Fit for Future – back office	Fit for Future £14,280
LCS 8	Flexi Budget		£5,500	No upgrades to corporate flexi system	None	Fit for Future – back office	Fit for Future £5,500
LCS 9	Franking Machine budget		£8,000	No capacity to accommodate increased postal charges	None	Fit for Future – back office	Fit for Future £8,000
LCS 10	Reduce misc. computer budgets		£11,000	Reduced capacity to support computer or information systems developments across Legal & Corporate Services	None	Fit for Future – back office	Fit for Future £11,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LCS 11	Buildings Management: non-employee cuts including reducing cleaning by 25%		£165,000	Reduced buildings maintenance across all buildings. Reduce Workart. Reduce expenditure atrium decorations. Reduced cleaning regimes in all offices	Cleaning staff in LES.	Following consultation, proposed to reduce level of saving to £135,000	£135,000
LCS 12	Reduce Staffing		£92,400	Reduction in capacity for debt recovery and litigation advice	1.5 FTE Grade D & 1.5 FTE Grade B/C 1 FTE Grade I	Fit for Future – back office	Fit for Future £92,400
LCS 13	Management and supervisory staff reductions		£82,000	Slowing of migration of activity into customer services. Small impact upon call answering times Restricted Civic Centre opening times	Up to 8 posts affected	Fit for Future – front office	Fit for Future £82,000
LCS 14	Maintenance and Building Services staff reductions		£100,000	Reduced repairs and maintenance. Reduce number of caretakers in line with office closures. Restricted opening times of Civic Centre. Close car park gatehouse.	Tradesmen in LES (up to 5 posts) and Building Services employees	Proceed with proposal at reduced level of £20,000 in 2010/11, remaining amounts in 2011/12 and 2012/13.	£20,000
LCS 15	Reduction of procurement officer posts		£100,000	Reduced capacity to carry out centralised tender activity	Up to 3 FTEs (cumulative to 2012/13)	Fit for Future – back office	Fit for Future £100,000
LCS 16	Reduce Staffing		£32,800	Minor reduction in support for some bodies supported by Democratic Services	1 FTE Grade G	Proceed with proposal	£32,800
LCS 17	Reduce Staffing		£19,100	Minimal, assuming decrease in current Right to Buy workload continues	1 FTE Grade D	Proceed with proposal	£19,100
LCS 18	Marketplace to be terminated until further investment in procure to pay system is progressed		£30,000	Services would have to revert back to paper based system	None	Proceed with proposal	£30,000
LCS 19	Defer MGM programme		£18,000	Minor risk of Managers across the Council being less able to manage/lead teams and being less aware of corporate policies until new programme in place	None	Proceed with proposal	£18,000

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LCS 20	Reduce staffing		£9,000	Less capacity for programme administration/ commissioning and reduce levels of admin support to corporate programmes	0.5 FTE Grade D	Fit for Future – Back office	Fit for Future £9,000
LCS 21	Reduce health and Health & Safety awareness for employees		£46,900	Less scope to promote health messages in line with Vision 2030.	1.5 FTE Grade I	Fit for Future – Back office	Fit for Future £46,900
LCS 22	Workforce remodelling: Review and establishment of revised grades and job roles for school based employees.		£5,780	Work arising from new national body (SSSNB) may not be delivered effectively.	0.2 FTE Grade I	Fit for Future – Back office	Fit for Future £5,780
LCS 23	Reduce participation in corporate activities and benchmarking		£23,800	No scope to compare service delivery, VFM and training standards with other organisations.	0.8 FTE Grade I	Fit for Future – Back office	Fit for Future £23,800
LCS 24	Reduce computer software budgets		£14,000	No capacity to support computer or information systems developments across L&CS	None	Fit for Future – Back office	Fit for Future £14,000
LCS 25	Reduce Staffing		£10,300	Removes capacity to respond to increase in demands on the service	0.8 FTE Grade B/C	Fit for Future – back office	Fit for Future £10,300
LCS 26	Reduce staffing		£37,000	Less capacity to support transformation and embed People & Organisational Improvement Strategy	1 FTE Grade I	Fit for Future – back office	Fit for Future £37,000
LCS 27	Reduce Staffing		£28,200	Democratic Services support removed from a number of bodies (e.g.: Joint Officer Bodies; Gateshead Officer Bodies; non-GSP Partnership Committees and Forums)	1 FTE Grade G	Fit for Future – Back office	Fit for Future £28,200
LCS 28	Reduced support to legal teams		£19,100	Research into new legalisation etc reduced and redistributed amongst existing staff.	1 FTE Grade D	Fit for Future – back office	Fit for Future £19,100
LCS 29	Implementation and administration of childcare scheme and Cycle Plus Scheme.		£22,100	Childcare Scheme is regarded as a 'high value' employee benefit.	0.6 FTE Grade I	Remove this proposal	£0
LCS 30	Provision of advice on terms and conditions of employment		£15,300	Potential for inconsistencies, increased grievances and incorrect terms and conditions being awarded.	0.4 FTE Grade I	Fit for Future – back office	Fit for Future £15,300

Ref	Proposal	Budget	Proposed Savings	Key Service Implications	HR implications	Recommended proposal following consultation	Recommended savings
LCS 31	Reduced diversity monitoring, H&S training, support to projects and fire safety policy development		£31,600	Potential for discrimination claims at employment tribunal; no review of H&S systems or practice	1.0 FTE Grade I	Fit for Future – back office	Fit for Future £31,600
LCS 32	Reduce Staffing		£18,600	Reduced WP capacity & flexibility to provide cover for services	1 FTE Grade B/C	Fit for Future – back office	Fit for Future £18,600

Financial Risk Assessment

1 General and Earmarked Reserves

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

- The expected balance on the Council's general reserve is £13.022m as at 31 March 2010. This is 5.6% of the net revenue budget, which is above the minimum level agreed in the Medium Term Financial Strategy.
- The general reserve is supplemented by expected earmarked reserves of £43.2m as at 31 March 2010.

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 cash releasing efficiency gains are reported through a National Indicator, NI 179, and are monitored throughout the year.

3 Internal Control

The risk that 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 through a local Code of 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 2010/11 to 2012/13 identifies financial pressures in respect of pensions, waste management, adults social care and looked after children.

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 £6m within the 2010/11 budget.

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

- **Employees' Pay**

Negotiations on the 2010/11 pay award are still not resolved. A provision for a pay award of 1% has been incorporated into the central contingency.

- **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 significantly reduced in 2010/11 as a result of significantly lower interest rates. Different scenarios for movements in rates have been modelled, 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 2010/11 is included in the budget for Adult Social Care. Provisions for free personal care and changes in demographics are included in central contingency.

- **Workforce Management**

A provision for the potential costs of workforce management as a result of the Fit For Future programme is included in central contingency.

Taking account of the above, the contingency of £6m is considered adequate to mitigate the risk that some of the assumptions applied may differ from actual events during 2010/11.

6 Capital Financing

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

- 100% 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.

7 Loss of Deposit

There is a risk that funds deposited by the Council in banks and building societies could be lost due to the collapse of the financial institution. The risk is mitigated by the controls in the Treasury Management Strategy which focuses on control of deposits rather than returns. The potential impact is limited by the strategy of a diverse portfolio with top rated banks and building societies which are also covered by government guarantees.

8 Fit For Future

There is a risk that the Council's Fit For Future programme will not deliver the necessary savings targets in the 2010/11 budget. This is mitigated by the existence of project teams led by Strategic and Group Directors with a clear framework of savings targets.

APPENDIX 5

Estimated Use of Reserves to Support the Revenue Budget

	Opening Balance at 01/04/09	Estimated Payments During Year	Estimated Receipts During Year	MTFS Review of Reserves	Estimated Closing Balance at 31/03/10	Estimated Payments During Year	Estimated Receipts During Year	Estimated Closing Balance at 31/03/11	Estimated Closing Balance at 31/03/12	Estimated Closing Balance at 31/03/13
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Reserve	(11,444)	2,000	0	(3,578)	(13,022)	2,000	0	(11,022)	(9,022)	(7,022)
Strategic Reserves										
Pensions	(8,353)	4,500	(600)	(3,000)	(7,453)	4,500	0	(2,953)	0	0
Capital	(3,578)	0	0	3,578	0	0	0	0	0	0
Insurance	(3,878)	0	0	878	(3,000)	0	0	(3,000)	(3,000)	(3,000)
Grant Clawback	(5,884)	284	0	3,784	(1,816)	0	0	(1,816)	(1,816)	(1,816)
Gateshead Development Pool	(33,217)	5,980	(258)	0	(27,495)	8,815	0	(18,680)	(12,920)	(8,160)
Cultural Development	(726)	475	0	0	(251)	251	0	0	0	0
Bridge Maintenance	(920)	0	0	0	(920)	0	0	(920)	(270)	(270)
Economic Downturn	(4,359)	3,800	0	(1,662)	(2,221)	0	0	(2,221)	0	0
Total Strategic Reserves	(60,915)	15,039	(858)	3,578	(43,156)	13,566	0	(29,590)	(18,006)	(13,246)
Total Reserves	(72,359)	17,039	(858)	0	(56,178)	15,566	0	(40,612)	(27,028)	(20,268)

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 Pension Fund.

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, including the Airport dividend and LABGI receipts.

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

The **Economic Downturn Reserve** was established at the end of 2009/09 to mitigate against the potential impact on the Council's budget during the economic downturn and to fund short-term initiatives in the Council's Ten Point Plan.

A number of reserves were reviewed as part of the refresh of the Council's MTFS reported to Cabinet in December 2009.

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2008/09 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

Capital Expenditure					
	2008/09 £000 Actual	2009/10 £000 Estimate	2010/11 £000 Estimate	2011/12 £000 Estimate	2012/13 £000 Estimate
Non-HRA	68,791	119,214	109,799	55,381	37,627
HRA	68,923	70,531	48,498	39,185	14,000
Total	137,714	189,745	158,297	94,566	51,627

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2008/09 are: -

Ratio of Financing Costs to Net Revenue Stream					
	2008/09 £000 Actual	2009/10 £000 Estimate	2010/11 £000 Estimate	2011/12 £000 Estimate	2012/13 £000 Estimate
Non-HRA	4.66%	8.25%	10.42%	11.76%	12.53%
HRA	73.30%	66.49%	99.21%	79.28%	77.80%

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 2009 are: -

Capital Financing Requirement					
	31.03.09 £000 Actual	31.03.10 £000 Estimate	31.03.11 £000 Estimate	31.03.12 £000 Estimate	31.03.13 £000 Estimate
Non-HRA	234,401	276,350	317,814	341,818	351,847
HRA	261,659	304,562	346,157	371,342	371,342

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 2008/09, 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			
	2010/11 £000	2011/12 £000	2012/13 £000
Borrowing	728,000	781,000	791,000
Other Long term Liabilities	0	0	0
Total	728,000	781,000	791,000

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 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.
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.

<i>Operational Boundary for External Debt</i>			
	2010/11 £000	2011/12 £000	2012/13 £000
Borrowing	693,000	746,000	756,000
Other Long Term Liabilities	0	0	0
Total	693,000	746,000	756,000

9. The Council's actual external debt at 31 March 2009 was £420.201 million comprising £420.201 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. The Code of Practice on Local Authority Accounting in the UK (SORP) 2009 requires Private Finance Initiative (PFI) contracts to be accounted for in accordance with International Financial Reporting Standards (IFRS), namely IFRIC 12. The change in accounting treatment requires the prudential indicators, where necessary, to be adjusted where the assets are to be recognised on the Council's balance sheet. The PFI Schools will be recognised on the Council's balance sheet and consequently the Capital Financing Requirement, Authorised Limit and Operational Boundary have been amended to reflect this change in treatment.

11. In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2010/11 (see paragraph 6 above) will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.
12. 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 2010/11 from the totality of the capital and revenue plans recommended in this budget report is £1.42.

13. Forward estimates for the incremental impact on Band D council tax levels for 2011/12 and 2012/13 are £1.42 in each year. 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.
14. With respect to the Housing Revenue Account (HRA), the average incremental impact on weekly rent that would result for 2010/11 from the totality of the capital and revenue plans recommended in this budget report is £0.06.
15. Forward estimates for the incremental impact on housing rents for 2011/12 and 2012/13 are £0.06 in each year. 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.
16. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services (2009), which requires three key Treasury Management indicators.
17. The purpose of these indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However, if these indicators were set to be too restrictive, they will impair the opportunities to reduce costs.
18. It is recommended that the Council sets an upper limit on its fixed and variable interest rate exposures for 2010/11, 2011/12 and 2012/13 as follows. The figures are expressed in terms of net outstanding principal sums.

UPPER LIMIT ON FIXED AND VARIABLE INTEREST RATES EXPOSURES			
Range	2010/11 £000	2011/12 £000	2012/13 £000
Fixed Rate	590,056 199,245	686,971 188,171	670,747 161,931
Variable	63,439 -12,000	84,537 -22,000	87,041 -22,000

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	60%	0%
5 years and within 10 years	60%	0%
10 years and above	90%	0%

20. It is recommended that the Council sets an upper limit on its principal sums invested for periods longer than 364 days for 2010/11, 2011/12 and 2012/13 as follows:

<i>Upper Limit on amounts invested beyond 364 days</i>			
	2010/11 £000	2011/12 £000	2012/13 £000
Investments	30,000	30,000	30,000

GATESHEAD COUNCIL MINIMUM REVENUE PROVISION (MRP) STATEMENT REVISED 2009/10 AND 2010/11

Four methods of calculating MRP are set out in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Si 2008/414] as detailed below:

Option 1: Regulatory Method

MRP is equal to the amount determined in accordance with the former regulations 28 and 29 of the 2003 Regulations, as if they had not been revoked by the 2008 Regulations. The MRP element of the RSG (Revenue Support Grant) is calculated on this basis.

Option 2: CFR Method

MRP is equal to 4% of the non-housing CFR at the end of the preceding financial year.

Option 3: Asset Life Method

Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the life of the asset. There are two main methods by which this can be achieved, as described below. Under both variations, authorities may in any year make additional voluntary revenue provision, in which case they may make an appropriate reduction in later years' levels of MRP.

(a) Equal instalment method

MRP is the amount given by the following formula:

$$\frac{A - B}{C}$$

where-

A is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements

B is the total provision made before the current financial year in respect of that expenditure

C is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

(b) Annuity method

MRP is the principal element for the year of the annuity required to repay over the asset life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during the repayment period (eg by the application of capital receipts) should be made as necessary.

MRP should normally commence in the financial year following the one in which the expenditure was incurred.

The estimated life of the asset should be determined in the year that MRP commences and not subsequently be revised.

If no life can reasonably be attributed to an asset, such as freehold land, the life should be taken to be a maximum of 50 years. However, in the case of freehold land on which a building or other structure is constructed, the life of the land may be treated as equal to that of the structure, where this would exceed 50 years.

When borrowing to provide an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may postpone beginning to make MRP until the financial year following the one in which the asset becomes operational. "Operational" here has its standard accounting definition. Investment properties should be regarded as becoming operational when they begin to generate revenues.

Option 4: Depreciation Method

MRP is to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment chargeable to the Income and Expenditure Account.

For this purpose standard depreciation accounting procedures should be followed, except in the following respects.

MRP should continue to be made annually until the cumulative amount of such provision is equal to the expenditure originally financed by borrowing or credit arrangements. Thereafter the authority may cease to make MRP.

On disposal of the asset, the charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. But this does not affect the ability to apply capital receipts or other funding sources at any time to repay all or part of the outstanding debt.

Where the percentage of the expenditure on the asset financed by borrowing or credit arrangements is less than 100%, MRP should be equal to the same percentage of the provision required under depreciation accounting.

In 2010/11, Gateshead Council will calculate MRP on supported expenditure using the regulatory method (Option 1) and on self-financed expenditure using the asset life (equal instalment method) Option 3(a).

Due to changes in accounting for PFI contracts, detailed in appendix 5 above, MRP for PFI contracts only will use the asset life (annuity method) Option 3 (b). This will retrospectively change the method used in 2009/10. Use of this method will mitigate any effect that there would otherwise have been on the General Fund.

The Strategic Director, Finance & ICT has the discretion to make additional voluntary provision.