

TITLE OF REPORT: Budget and Council Tax Level 2012/13**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 1 March 2012 the Budget and Council Tax level for 2012/13. 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. On 20 September 2011, Cabinet approved Budget Guidance and the Fit For Future Principles to be applied to the process of agreeing the budget.
3. Council agreed the Medium Term Financial Strategy (MTFS) for 2012/13 to 2014/15 on 24 November 2011.
4. On 29 November 2011, Cabinet approved the Council's spending proposals as the basis for more detailed and formal engagement and consultation.
5. On 24 January 2012, Cabinet agreed the Council Tax Base for 2012/13.
6. On 24 January 2012, Cabinet agreed the revised estimate for 2011/12.
7. On 7 February 2012, Cabinet noted the responses to consultation on the Council's draft spending plans for 2012/13 and 2013/14.
8. This report represents the final stage of the budget cycle in determining the budget and council tax level for 2012/13.

Proposal

9. The MTFS outlined a funding gap of £38m over the two years 2012/13 and 2013/14 with at least £28m savings to be delivered in 2012/13. A fundamental review of the base budget and spending pressures identified in the MTFS along with a reduction in levies has revised the funding gap downwards. This has allowed the spending proposals approved by Cabinet on 29 November 2011 to also be reviewed to reflect the responses to consultation.
10. The base budget for 2012/13 is £212.848m, an increase of £7.983m (3.9%) on the current year's budget. Funding for 2012/13 is £190.504m based on the use of reserves set out in the MTFS. The gap between the base budget and funding is £22.344m. The report proposes a budget of £190.504m, a reduction of £14.361m (7%) on the 2011/12 base budget, which includes £22.344m budget savings and a council tax freeze in 2012/13.

Recommendations

11. Cabinet is requested to make the following recommendations to the Council:
- (1) That Gateshead's Band D council tax for 2012/13 is frozen at £1,443.1966.
 - (2) The revenue estimates of £190.504m for 2012/13 be approved.
 - (3) The use of general reserves of £2.0m and earmarked reserves of £0.76m in 2012/13 be authorised.
 - (4) That the recommendations of the Strategic Director, Finance and ICT in respect of the robustness of estimates and adequacy of reserves be noted.
 - (5) Approve that the General Reserve is reduced below the minimum level required by the MTFs principles at 31 March 2012 based on adequate provision being made in the 2012/13 budget to replenish the reserve to the minimum level.
 - (6) That the prudential indicators set out in Appendix 6 to this report be agreed.
 - (7) That the method of calculating the Minimum Revenue Provision (MRP) for 2012/13 as set out in Appendix 7 be approved.
 - (8) That it be noted that at its meeting on 24 January 2012, Cabinet calculated the following amounts for the year 2012/13 in accordance with regulations made under Section 31B(3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-
 - (a) 59,150.4 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) 1,301 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.
 - (9) That the following amounts be now calculated by the Council for the year 2012/13 in accordance with Sections 31 and 34 to 36 of the Local Government Finance Act 1992, as amended by the Localism Act 2011 ('the Act'): -
 - (a) £592,919,187 being the aggregate of the amounts, which the Council estimates for the items, set out in Section 31A(2) (a) to (f) of the Act taking into account the precept issued by Lamesley Parish Council
 - (b) £507,546,033 being the aggregate of the amounts, which the Council estimate for the items, set out in Section 31A(3) (a) to (d) of the Act

- (c) £85,373,154 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year
- (d) £1443.3234 being the amount at (c) above, all divided by the amount at (8)(a) above, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year including Lamesley Parish Council
- (e) £7,500 being the aggregate amount of all special items (Lamesley Parish Council) referred to in Section 34(1) of the Act
- (f) £1443.1966 being the amount at (d) above less the result given by dividing the amount at (e) above by the amount at (8)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Lamesley Parish Council) relates
- (g) Part of the Council's area
- Lamesley Parish £1448.9614 being the amounts given by adding to the amount at (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (8)(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.

(h)

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	3.8432	962.1311
B	4.4837	1122.4862
C	5.1243	1282.8414
D	5.7648	1443.1966
E	7.0459	1763.9070
F	8.3269	2084.6173
G	9.6080	2405.3277
H	11.5296	2886.3932

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

- (10) That it be noted that for the year 2012/13, 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	48.7733
B	65.0852	56.9022
C	74.3831	65.0311
D	83.6810	73.1600
E	102.2768	89.4178
F	120.8726	105.6756
G	139.4683	121.9333
H	167.3620	146.3200

- (11) That, having calculated the aggregate in each case of the amounts at (9)(h) and (10) 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 2012/13 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1070.5349	1066.6917
B	1248.9573	1244.4736
C	1427.3799	1422.2556
D	1605.8024	1600.0376
E	1962.6475	1955.6016
F	2319.4924	2311.1655
G	2676.3373	2666.7293
H	3211.6048	3200.0752

- (12) That under section 52ZB of the Local Government Finance Act 1992 (as amended by the Localism Act 2011), the council's relevant basic amount of council tax for 2012/13 is not excessive in accordance with the principles determined under section 52ZC of the Act for 2012/13.

For the following reason:

- To fulfil the Council's statutory duty to set the budget and Council Tax for 2012/13.

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PLAN REF: 281

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 will ensure that resources are focussed on the delivery of the Council's priorities, thus ensuring a sustainable financial position.

Background

2. Council approved budget guidance on 22 September 2011 and the MTFS 2012/13 to 2014/15 on 24 November 2011. The Council's budget estimates for 2012/13 attached at Appendix 2 have been prepared in accordance with this guidance and the MTFS framework.

Considerations

3. In finalising the budget and council tax for 2012/13, the following issues require consideration:-
 - principles of the Medium Term Financial Strategy
 - the final Local Government Finance Settlement for 2012/13
 - the likely outturn for 2011/12
 - spending proposals which have been subject to consultation with councillors and stakeholders
 - statutory requirements
 - reserves
 - risk assessment
 - the Referendums Relating to Council Tax Increases (Principles) (England) Report 2012/13
 - approval of prudential indicators for 2012/13
 - Minimum Revenue Provision (MRP).

Medium Term Financial Strategy

4. The MTFS 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 given the level and pace of grant funding cuts over the period of the current spending review and will ensure that budget savings are identified to minimise the impact on frontline core services.

- 3) Overall Council spending should be contained within original estimates. If, following monthly revenue monitoring, service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates.
- 4) The Council will maintain its general reserve at a minimum of 3% of its net budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of 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 MTFS and reviewed annually.
- 6) The Council will continue to improve its approach to efficiency, value for money and procurement to minimise the impact of budget savings.
- 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 apply the framework in the Fees and Charges Policy to ensure that fees and charges 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.
- 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. The Pupil Premium will be distributed in line with government guidelines.
- 13) The Council's performance management framework will inform the review of the MTFS on an annual basis. The annual review will include an update of the three year budget forecast, expected developments in services and changes to legislation informed by business plans.

- 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 will be identified and developed where this will support the Council's priorities and improve service efficiency and delivery.
- 16) The Council will apply the Fit For Future programme principles when reaching decisions on the challenges faced by public spending cuts. The application of the principles will be tested and reviewed through the Commissioning framework.

Final Local Government Finance Settlement 2012/13

5. The provisional local government finance settlement was announced in December 2011 and was the second year of a two year settlement covering the period 2011/12 to 2012/13. The government plans to make fundamental changes to the local government finance system for 2013/14. Following a period of consultation, the final settlement was confirmed on 8 February 2012 which resulted in no change to the provisional settlement.
6. The Council's formula grant for 2012/13 has reduced by £8.035m, equivalent to 7.5% when compared to the 2011/12 adjusted grant. It also confirms the funding position set out in the MTFs.
7. A breakdown of grant funding is as follows:-

	2011/12 (adjusted)	2012/13	Change
	£m	£m	£m
Formula Grant	107.587	99.552	-8.035

8. The Council will also receive approximately £129m Dedicated Schools Grant (DSG), ring-fenced to schools spending, subject to confirmation of the January 2012 pupil census. From this amount the Department for Education (DfE) will recoup the funding for academies in Gateshead. In addition, there was a new specific grant for 2011/12 called the Pupil Premium. For 2012/13 this will be £600 per pupil entitled to a free school meal at any time in the last six years and Looked After Children who have been in care for more than six months. The estimated entitlement for schools in Gateshead is £4.7m.

Revised Estimate 2011/12

9. The agreed revenue budget for 2011/12 was set at £204.865m. On 24 January 2012 Cabinet received a report on projected spending taking into account performance to 31 December 2011. The 2011/12 projected outturn is consistent with this Cabinet report at £213.631m. Once additional income is taken into consideration, this projected over spend is expected to fall to £4.346m with a revised estimate for 2011/12 of £210.031m as outlined in Appendix 2. Efforts are continuing 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. The key tool to deliver this outcome are action plans which include continuing the recruitment freeze and stopping all non-essential expenditure.

Budget Guidance

10. On 22 September 2011, the Council agreed budget guidance and the Fit For Future principles and model.
11. Budget guidance was as follows:-
 - Budget savings of £38m over the two years 2012/13 and 2013/14 with at least £28m delivered in 2012/13.
 - A two year approach to the budget to allow for more effective financial planning and a sustainable allocation of resources.
 - Minimum Service levels and areas of discretionary spend to be identified to allow priorities to guide funding decisions.
 - A priority for budget savings in Back Office and Front Office covering both organisation and support costs incorporating a detailed review of support cost 'Building Blocks'.
 - Savings to minimise the number of redundancies to limit the associated organisational disruption and cost.
12. Following the approval of budget guidance and the Fit For Future Principles shaping the future of the Council, a refresh of the MTFs reported to Council on 24 November 2011 confirmed the funding gaps which influenced the guidance.
13. The Fit For Future principles are consistent with the long term aims of Vision 2030, the Council's values, understanding of local needs, the commissioning framework and equality duties.
14. The principles are:-
 - The needs of Gateshead residents and businesses as identified in the Strategic Needs Assessment. This will inform the Council's funding priorities.
 - The need to avoid disproportionate impact on vulnerable individuals and communities, tested through comprehensive impact assessments.
 - The long-term impact and sustainability of funding decisions.
 - The primacy of services to people, rather than a buildings-based approach.
 - The most cost-effective way of delivering services, including how we achieve added value for local people.
 - Opportunities to invest in building capacity in local communities and developing the market (e.g. voluntary sector) where this represents best value, supporting, wherever possible, local organisations.
 - Opportunities to minimise the impact on frontline service delivery, by maximising the efficiency of back office activity.

Base Budget 2012/13

15. The base budget for 2012/13 before budget savings and use of reserves is £212.848m. This is an increase of £7.983m (3.9%) to reflect the review of spending pressures in the recently agreed MTFS.
16. Provision has been made in the budget for the Tyne and Wear Integrated Transport Authority levy of £12.021m (5.54% reduction) and for the Environment Agency of £0.150m (3.45% increase). Both of these levies have been confirmed.
17. Growth in the budget has been kept to a minimum with provision being made in a contingency of £11m for an ongoing contribution to the costs of managing the workforce which will be used to replenish the General reserve, potential increases in the number of Looked After Children and vulnerable adults, provision for the timing of savings and the cost of winter maintenance. In addition, in line with the MTFS, the contingency includes £2m to replenish the Development Pool which has been used to fund redundancies in the last two years.
18. No provision has been made in contingencies for pay awards. This means that if a pay award is agreed for some or all employees, the cost will need to be found from further in-year budget savings.

Spending Proposals 2012/13 and 2013/14 – Outcome of Consultation

19. A major element of the Council's approach was consultation with residents, businesses, partners and employees. As part of the first phase of this approach, a budget survey was carried out between 24 October and 18 November 2011.
20. Feedback from this survey was taken into account in developing the Council's spending proposals. These spending proposals were reported to Cabinet on 29 November 2011 and were subject to a second phase of consultation up to 13 January 2012. Each spending proposal is supported by a Comprehensive Impact Assessment (CIA) which are available on the Council's website at [www.gateshead.gov.uk Budget consultation CIA](http://www.gateshead.gov.uk/Budget_consultation_CIA). The responses to the second phase of consultation, the key issues identified and Comprehensive Impact Assessments (CIA's) were reported to Cabinet on 7 February 2012. The key issues are shown in Appendix 3.
21. The budget proposals which formed the basis of consultation included the deletion of 468 full time equivalents (FTE) posts over the two years 2012/13 and 2013/14. As it was unlikely that this loss of posts could be achieved through voluntary redundancy alone, a statutory redundancy consultation process was commenced at the beginning of December 2011. This included the issue of Section 188 notices to the Trades Unions and "at risk" letters to 2,390 employees.
22. At the time of writing there are currently 393 FTE posts to be achieved through redundancies over the two years with 341 in 2012/13. This number has fallen from the original assessment of 468 due to a combination of alternative savings being identified and a number of vacant posts being deleted. Work continues, in line with budget guidance, to reduce the number of compulsory redundancies required. This has been assisted by 147 voluntary applications being agreed for 2012/13 leaving a potential 194

compulsory redundancies in April 2012. The figure for potential compulsory redundancies will reduce as more volunteers come forward.

23. The Council agreed a revised redundancy scheme on 24 November 2011. To meet the cost of potential redundancies a Capitalisation Direction is available to fund the cost of statutory costs only in 2011/12. The enhanced cost and pension costs will need to be funded from revenue and reserves. The cost of managing the workforce to deliver budget savings in this report will need to be met in the current year, 2011/12. In total, a provision of about £8m is available to fund redundancies to meet budget savings for 2012/13.
24. This report proposes a strategy to fund the cost of redundancy. It is proposed that the General Reserve is used to fund the costs charged to 2011/12 which will mean that, at 31 March 2012, the reserve is likely to be below the minimum required by the principles in the MTFS. The General Reserve will then be replenished to at least the minimum level in 2012/13 from a provision in contingencies.
25. The gap between the base budget of £212.848m and available funding of £190.504m is £22.344m compared to the £28m in the MTFS. The key reasons for this positive reduction are:-
 - A reduction in the Tyne and Wear Integrated Transport Authority levy.
 - Confirmation in January 2012 of the impact of Housing Revenue Account (HRA) self financing on debt repayment and a review of borrowing costs.
 - More of the capital programme funded by internal borrowing.
 - A review of contingencies.
 - Additional New Homes Bonus funding.
 - A review of MTFS service pressures.
 - A review of base estimates including confirmation of Service Level Agreement (SLA) income.
26. Given the funding gap above and the lack of flexibility in reserves which the 2012/13 budget is intended to address, consideration will need to be given to the spending proposals which have been subject to consultation.
27. Following some minor revisions, to reflect deliverability, the spending proposals prior to responding to the comprehensive consultation process, total £22.8m in 2012/13 and an indicative £8.8m in 2013/14. Despite the lack of flexibility available, some further mitigation to meet issues raised during the consultation process is possible. The key issues that are addressed within the proposed revenue estimates are:-
 - School crossing patrols – the proposed saving of £169,000 has been reduced to £38,000 in 2012/13 to allow further consultation with schools and consideration of alternative road safety measures. The revised saving mainly relates to lunchtime cover and patrols on automated crossings.
 - School meals retainer pay – consistent with previous decisions, it is still proposed to remove retainer pay but protection arrangements will be put in

place for school meals employees which mean that the proposed saving in 2012/13 will not be delivered.

- Bill Quay Farm – it is proposed that the total saving of £320,000 is phased over two years with £150,000 in 2012/13 to allow further time for a sustainable plan to be developed for the future of the organisation.
- Countryside Team – it is proposed that two of the four Countryside Rangers will be retained.
- It is also proposed that the Local Community Fund (LCF) is further reduced to £15,000 per ward in 2012/13 to provide additional funding for the capacity building element of the Gateshead Fund. This would be aimed at supporting smaller and BME voluntary groups as well as provide some capacity building for libraries and community centres affected by spending proposals in 2013/14. LCF resources previously agreed as carry forward into 2012/13 would not be affected. During 2012/13 there will be a review of the LCF and the criteria for the Gateshead Fund.

28. After the above mitigation measures, the estimated savings in 2012/13 total £22.344m as shown in Appendix 2a. In line with the two year approach included within budget guidance, this appendix also identifies indicative budget savings of £8.822m for 2013/14.

Statutory Requirements

Calculation of Council Tax Requirement

29. 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.

30. Sections 31 and 34 to 36 of the 1992 Act (as amended by the Localism Act 2011) require the Authority to calculate its own amount of tax for each category of dwellings in its area, reflecting its council tax requirement. In calculating its council tax requirement, the Authority must make the following calculations:-

31. (1) In relation to each financial year a billing authority in England must make the calculations required by this section.
- (2) The authority must calculate the aggregate of:-
 - (a) the expenditure which the Authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a Business Improvement District (BID) Revenue Account, for the year in accordance with proper practices;
 - (b) such allowance as the Authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to

- a revenue account for the year in accordance with proper practices;
- (c) the financial reserves which the Authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure;
 - (d) such financial reserves as are sufficient to meet so much of the amount estimated by the Authority to be a revenue account deficit for any earlier financial year as has not already been provided for;
 - (e) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and
 - (f) Any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.
- (3) The aggregate of:-
- (a) the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices;
 - (b) any amounts which it estimates will be transferred in the year from its collection fund in accordance with section 97(3) of the 1988 Act;
 - (c) any amounts which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and
 - (d) the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2)(a), (b), (e) and (f) above.
- (4) If the aggregate calculated under (2) above exceeds that calculated under (3) above, the authority must calculate the amount equal to the difference; and the amount so calculated is to be its council tax requirement for the year.
- (5) In making the calculation under subsection (2) above the authority must ignore payments which must be met from its collection fund under section 90(2) of the 1988 Act or from a trust fund.
- (6) In estimating under subsection (2)(a) above the authority must take into account:-
- (a) the amount of any expenditure which it estimates it will incur in the year in making any repayments of grants or other sums paid to it by the Secretary of State, and

- (b) the amount of any precept issued to it for the year by a local precepting authority and the amount of any levy or special levy issued to it for the year.
- (7) But (except as provided by regulations under section 41 or regulations under section 74 or 75 of the 1988 Act) the authority must not anticipate a precept, levy or special levy not issued.
- (8) For the purposes of subsection (2)(c) above an authority's estimated future expenditure is:-
 - (a) that which the authority estimates it will incur in the financial year following the year in question, will charge to a revenue account for the year in accordance with proper practices and will have to defray in the year before the following sums are sufficiently available:-
 - i. sums which will be payable for the year into its general fund and in respect of which amounts will be credited to a revenue account for the year in accordance with proper practices, and
 - ii. sums which will be transferred as regards the year from its collection fund to its general fund, and
 - (b) that which the authority estimates it will incur in the financial year referred to in paragraph (a) above or any subsequent financial year in performing its functions and which will be charged to a revenue account for that or any other year in accordance with proper practices.
- (9) In making the calculation under subsection (3) above the authority must ignore:-
 - (a) payments which must be made into its collection fund under section 90(1) of the 1988 Act or to a trust fund, and
 - (b) subject to paragraphs (b) and (c) of subsection (3) above, sums which have been or are to be transferred from its collection fund to its general fund.
- (10) The Secretary of State may by regulations do either or both of the following:-
 - (a) alter the constituents of any calculation to be made under subsection (2) or (3) above (whether by adding, deleting or amending items);
 - (b) alter the rules governing the making of any calculation under subsection (2) or (3) above (whether by deleting or amending subsections (5) to (9) above, or any of them, or by adding other provisions, or by a combination of those methods).
- (11) Calculations to be made in relation to a particular financial year under this section must be made before 11 March in the preceding financial year, but they are not invalid merely because they are made on or after that date.

- (12) This section is subject to section 52ZS (which requires a direction to a billing authority that the referendum provisions in chapter 4ZA are not to apply to the authority for a financial year to state the amount of the authority's council tax requirement for the year).
- (13) In this section "BID Revenue Account" has the same meaning as in Part 4 of the Local Government Act 2003.

Calculation of Basic Amount of Tax

- (14) In relation to each financial year a billing authority in England must calculate the basic amount of its council tax by applying the formula:-

$$\frac{R}{T}$$

where:-

R is the amount calculated (or last calculated) by the authority under section 31A(4) as its council tax requirement for the year;

T is the amount which is calculated by the authority as its council tax base for the year and, where one or more major precepting authorities have power to issue precepts to it, is notified by it to those authorities ("the major precepting authorities concerned") within the prescribed period.

- (15) Where the aggregate calculated (or last calculated) by the authority for the year under subsection (2) of section 31A does not exceed that so calculated under subsection (3) of that section, the amount for item R above is to be nil.
- (16) The Secretary of State must make regulations containing rules for making for any year the calculation required by item T above; and a billing authority must make the calculation for any year in accordance with the rules for the time being effective (as regards the year) under the regulations.
- (17) Regulations prescribing a period for the purposes of item T above may provide that, in any case where a billing authority fails to notify its calculation to the major precepting authorities concerned within that period, that item must be determined in the prescribed manner by such authority or authorities as may be prescribed.
- (18) The Secretary of State may by regulations do either or both of the following:-
- (a) alter the constituents of any calculation to be made under subsection (14) (whether by adding, deleting or amending items);
 - (b) provide for rules governing the making of any calculation under that subsection (whether by adding provisions to, or deleting or amending provisions of, this section, or by a combination of those methods).

Adequacy of Reserves and Robustness of Budget Estimates

32. 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.
33. 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 reduced income and funding
 - The proposed Capital programme
 - The delivery of agreed budget savings
34. 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.
35. The Strategic Director, Finance & ICT has also considered the adequacy of reserves to cover any potential financial risks faced by the Council. Although reserves will be used over the next year to support the delivery of budget savings, 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 2011 and an estimate of reserves through to 31 March 2015 based on the proposals in this report and the agreed MTFS.
36. Subject to proposals in this report, the Council's general reserve is expected to be £3.994m at 31 March 2012. This is equivalent to 2.1% of the Council's proposed net revenue budget for 2012/13, and is below the minimum level of 3% agreed as a principle in the Council's MTFS. The base budget for 2012/13 includes a contingency of £11m, part of which will be used to replenish the general reserve. The general reserve is supplemented by £9.465m earmarked reserves at 31 March 2012, £2.123m of which is ring-fenced and cannot be used to support the revenue budget.
37. 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 £2.0m from the general reserve to support the overall budget, allowing savings to be phased over two years, and service spending to be aligned to funding without reliance on reserves. The remaining use of reserves is earmarked to particular areas of spending.
38. The Council, in common with most authorities in the region, continues to face risks arising from equal pay claims. Some of these risks have been mitigated in Gateshead by the actions taken to implement job evaluation and secure permission to spread the potential costs of some claims through a capitalisation direction. Most equal pay claims have now been settled but

there are still some being received from employees which are likely to require an additional contribution from the revenue budget and/or reserves.

39. The Council has policies, procedures and guidance in place to manage changes in the workforce whether they come from budgetary pressures or other operational or organisational changes. These have been successfully applied in the past but the extent of the savings required to balance the budget has put pressure on all budgets, including staffing.
40. In the light of the required savings, in December 2011 the Council issued Section 188 “notice of potential redundancy letters” to 2,390 employees. The cost of redundancies will require a significant one-off cost in terms of redundancy payments and pension costs. Although the Council has been successful in securing a capitalisation direction to enable it to spread the cost over a number of years, the amount awarded through capitalisation is not sufficient to cover the total estimated cost. The majority of redundancy costs will need to be met from revenue or reserves.
41. The three year MTFs in November 2011 set out a position which reflected a funding gap of £50m, with £38m in the first two years. The work on the 2012/13 budget has revised this gap downwards and will be reviewed later in 2012. Beyond these first two years the picture is more uncertain and the Council is vulnerable to any changes arising from the implementation of the local government resource review in 2013/14 onwards based on localisation of business rates. Given the Council’s continuing reliance on grant funding the new system has to be seen as a major risk.
42. 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 £2.0m from the general reserve is proposed together with £0.760m from earmarked reserves.
43. 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. This assessment is based on the requirement that spending will be reduced to meet the funding gap in the MTFs as any shortfall, given the significant use of reserves, will put the Council’s sustainable financial position at risk.

Council Tax Freeze

44. Following the Spending Review the Secretary of State confirmed that the Government would work with local authorities to meet its commitment to deliver a council tax freeze in 2011/12. The Council accepted the Council Tax Freeze Grant in 2011/12 and this grant is now included in the formula grant for 2012/13 and for the final two years of the Spending Review.
45. The government intends to make funding available to help authorities freeze their council tax in 2012/13. The key principles are:-
 - As for 2011/12, the scheme will be voluntary and will apply separately to each billing and major precepting authority rather than to each council tax bill issued. Local precepting authorities such as parish councils will be excluded from the scheme.

- Unlike the 2011/12 scheme, the council tax freeze grant for 2012/13 will involve a single one-off payment and this will not be built into the baseline (i.e. no further payments will be made over the spending review period).
 - If an authority sets its basic amount of council tax for 2012/13 at a level which is no more than its basic amount of council tax for 2011/12, it will be eligible to receive a grant equivalent to a 2.5% increase in its 2011/12 basic amount of council tax multiplied by the authority's tax base for 2012/13.
46. The basic amount of council tax is defined as the amount set under section 31B(1) i.e. its Band D amount which is billed to residents. This is not the same as the relevant basic amount of council tax which is used as a trigger for the purposes of a referendum.
47. Each 1% increase in Council Tax generates approximately £0.85m
48. This report recommends that the Council freeze Gateshead's council tax for 2012/13 meaning the Council will be eligible for a Council Tax Freeze Grant of £2.134m in 2012/13 and will be exempt from the Government's excessiveness principles outlined below. To avoid the need to raise council tax in 2013/14 or find further budget savings, to compensate for the loss of grant it is proposed that the Council Tax Freeze Grant is used to meet the one-off costs of managing the workforce.

Council Tax Referendums

49. Schedule 5 to the Localism Act inserted into the Local Government Finance Act 1992, provides for council tax referendums to be held if an authority increases its "relevant basic amount of council tax" in excess of principles determined by the Secretary of State.
50. The Referendums Relating to Council Tax Increases (Principles) (England) Report was published on 31 January and debated in the House of Commons on 8 February.
51. The legislation allows the Secretary of State to define categories of authority and to set distinct principles for each. For Gateshead, the principle for 2012/13 is that the "relevant basic amount of council tax" for 2012/13 is excessive if it is more than 3.5% greater than its relevant basic amount of council tax for 2011/12.
52. The definition of "relevant basic amount of council tax" is set out in section 52ZX of the 1992 Act, which was inserted by Schedule 5 to the Localism Act 2011. It is essentially an adjusted Band D amount which is derived from a calculation of the authority's basic amount of council tax. This amount is modified by omitting local precepts issued to or anticipated by a local authority, and levies issued to or anticipated by an authority, from the calculation. This is to ensure that increases in levies, over which authorities have minimal or no control, are not a factor in triggering a council tax referendum.
53. The implications of the trigger based on the relevant basic amount of council tax means that the maximum increase in the actual Band D amount for Gateshead would be 2.15% before a referendum would be triggered. This is as a consequence of a reduction in the levy from the Tyne and Wear

Integrated Transport Authority (ITA) and a reduction in the council tax base. Other Metropolitan council's are in a similar position because of the levying bodies established when the county councils were abolished in 1986. This anomaly is being challenged nationally.

54. A 2.15% increase in council tax would yield approximately £1.7m and is £0.4m less than the offer of a Council Tax Freeze Grant. Whilst, under normal conditions, this would be permanently in the council's tax base, the government has warned of sanctions against those authorities who do not accept their offer of a council tax freeze grant. This could be by a reduction to the starting base on the introduction of the new funding regime and localisation of business rates.
55. The legislation requires each authority to determine whether its relevant basic amount of council tax is excessive by reference to the council tax principles. The proposals in this report mean that the increase in the Council's relevant basic amount of council tax is not excessive at 0.94% as it is below the 3.5% trigger for the purposes of a referendum. The reason that it is not zero to match the council tax freeze is explained by the reduction in levies and the council tax base.
56. The consequences of setting an increase in the relevant basic amount of council tax which is excessive would mean that the Council would have to make arrangements to hold a referendum and make "substitute calculations" of a relevant basic amount of council tax which does not exceed the excessiveness principles. The substitute calculations would automatically take effect in the event that voters reject the Council's increase.
57. The results of a referendum would be binding. If the referendum rejects the Council's increase, the substitute calculations take effect and the Council would then have the discretion to issue new bills immediately, offer refunds at the end of the year or allow credits the following year, subject to a right for council tax payers to request a refund on demand.
58. The potential cost of a referendum and any potential rebilling cost 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.

Council Tax Requirement 2012-13

59. The Localism Act 2011 changes some of the details governing the calculation of council tax. The Council is no longer required to set a Budget Requirement but instead is required to set a Council Tax Requirement.
60. The Council's Budget for 2012/13 totals £190.504m after budget savings (net of schools spending). The use of £0.760m earmarked reserves and £2.0m from the general reserve reduces this to £187.744m.
61. In calculating the Council's council tax requirement as required by the legislation, the Lamesley Parish precept must be added to the figure above.
62. The Parish of Lamesley has issued a precept for 2012/13 of £7,500, the same level as the previous year.

63. In arriving at the Council's council tax requirement general grant such as, Formula Grant, (Revenue Support Grant and redistributed Non-domestic Rates), New Homes Bonus and Council Tax Freeze Grant 2012/13 must be deducted. The Formula Grant final figure for 2011/12 is £99.552m which includes £2.137m Council Tax freeze Grant 2011/12 which is continuing.
64. Any amount transferred from the collection fund to the general fund must also be deducted. For 2012/13 this figure has been estimated to be £22,000.
65. The Council Tax Requirement 2012/13 can now be summarised as follows: -

Net Budget 2012/13 Gateshead Council		£ 190,503,687
<u>Less</u> Use of reserves:-		
- General Reserve	2,000,000	
- Earmarked Reserves	<u>760,000</u>	<u>2,760,000</u>
		187,743,687
<u>Add</u> Lamesley Parish Precept		<u>7,500</u>
Budget Requirement 2012/13 (including Lamesley Parish Precept)		187,751,187
<u>Less</u> Formula Grant		99,551,550
New Homes Bonus		670,351
Council Tax Freeze Grant 2012/13		<u>2,134,132</u>
Balance to be raised locally		85,395,154
Transfer from Collection Fund		22,000
Council Tax Requirement (including Lamesley Parish Precept)		<u>85,373,154</u>

Council Tax

66. The Council Tax for Gateshead is calculated by dividing the council tax requirement by the Council Tax base of 59,150.4 (agreed at Cabinet on 24 January 2012). 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. Section 36 of the Local Government Finance Act 1992 requires the Council Tax to be calculated by reference to Band D, although 90% of households in Gateshead are in Bands A to C.

67. 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

68. 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 24 January 2012). This calculation gives a Band D Council Tax of £5.7648 for Lamesley Parish area (£5.8230 in 2011/12). The reduction for Lamesley is as a result of the same precept as 2011/12 divided by an increased Council Tax base.

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

Valuation Band	Lamesley Parish £
A	3.8432
B	4.4837
C	5.1243
D	5.7648
E	7.0459
F	8.3269
G	9.6080
H	11.5296

70. 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 was agreed on 22 February 2012 and the precept for the Tyne and Wear Fire and Rescue Authority was agreed on 20 February 2012, both at the same level as 2011/12. These are as follows:-

Valuation Band	Northumbria Police Authority £	Tyne and Wear Fire and Rescue Authority £
A	55.7873	48.7733
B	65.0852	56.9022
C	74.3831	65.0311
D	83.6810	73.1600
E	102.2768	89.4178
F	120.8726	105.6756
G	139.4683	121.9333
H	167.3620	146.3200

These precepts result in a Band D Council Tax (excluding Lamesley Parish Precept) of £1,600.04 which represents a freeze on the overall equivalent figure for 2011/12.

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,070.5349	1,066.6917
B	1,248.9573	1,244.4736
C	1,427.3799	1,422.2556
D	1,605.8024	1,600.0376
E	1,962.6475	1,955.6016
F	2,319.4924	2,311.1655
G	2,676.3373	2,666.7293
H	3,211.6048	3,200.0752

Prudential and Treasury Indicators

72. CIPFA's Prudential Code is a professional code of practice to support local authorities in taking decisions about capital investment. All local authorities are required to have regard to the Prudential Code under Part 1 of the Local Government Act 2003 and the Code of Practice for Treasury Management in the Public Services (2011). The Prudential Framework for Local Authority Capital Investment was introduced from 1 April 2004.

73. 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.

74. The Prudential Code and the revised Code of Practice for Treasury Management in the Public Services (2011) sets out a range of prudential and treasury indicators that need to be agreed by the Council.

75. 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.

76. 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 (2011) for approval.

Minimum Revenue Provision (MRP)

77. 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 that the Council continue to use the asset life annuity method for charging MRP in respect of PFI contracts, the regulatory method on supported expenditure and the asset life equal instalment method on self-financed expenditure. The annual statement for 2012/13 is attached at Appendix 7.

Consultation

78. There has been extensive consultation on spending proposals for the period 2012/14:-

- Discussions have been ongoing with councillors since May 2011.
- Public consultation on the proposals commenced on 29 November 2011.
- Advisory Groups, seminars and focus groups to discuss proposals.
- 4,500 responses to consultation.
- Meetings with partner organisations affected by proposals.
- Comprehensive Impact Assessments (CIA's) which have been reviewed following consultation to ensure a good understanding of the potential impact and options for mitigation.

79. The outcome of the consultation was reported to Cabinet on 7 February 2012. The key issues are shown in Appendix 3. Each spending proposal is supported by a Comprehensive Impact Assessment (CIA) which are available on the council's website at www.gateshead.gov.uk [Budget consultation CIA](#).

80. Section 65 of the Local Government Finance Act 1992 requires the Council to consult with representatives of persons subject to business rates in Gateshead about spending proposals. A meeting was held with the North East Chamber of Commerce on 9 February 2012. The outcome of the meeting was positive and supportive of the Council's aim to stimulate the local economy to generate business growth.

Alternative Options

81. There are no alternative options.

Implications of Recommended Option

82. Resources

- a. **Financial Implications** – The Strategic Director, Finance and ICT confirms that these are set out in the report and appendices.
- b. **Human Resource Implications** – Comprehensive Impact Assessments have been undertaken for all of the Council's Human Resource policies.
- c. **Property Implications** – Comprehensive Impact Assessments have been undertaken where there is an impact on the Council's asset portfolio.

83. **Risk Management Implications** – Appendix 4 to this report is a financial risk assessment of the budget.

84. **Equality and Diversity Implications** – These are set out in Appendix 3.

85. **Crime and Disorder Implications** – Nil.

86. **Health Implications** – These are included in Comprehensive Impact Assessments.

87. **Sustainability Implications** – The proposals in this report will ensure a sustainable financial position for the Council.

88. **Human Rights Implications** – Nil.

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

Background Information

90. (i) Report to Cabinet, 20 September 2011 – Budget Guidance and Fit For Future Principles.
- (ii) Report to Cabinet 22 November 2011 – Medium Term Financial Strategy 2012/13 to 2014/15.
- (iii) Report to Cabinet 29 November 2011 – Council's Spending Proposals 2012/13 and 2013/14.
- (iv) Report to Cabinet 24 January 2012 – Council Tax Base 2012/13
- (v) Report to Cabinet 24 January 2012 – Revenue Monitoring at 31 December 2011 and revised estimate for 2011/12.
- (vi) Report to Cabinet 7 February 2012 – Consultation responses.
- (vii) Final Local Government Finance Settlement – 8 February 2012.

APPENDIX 2

	Original Budget 2011/12 £000	Revised Estimate 2011/12 £000	Budget 2012/13 £000
<u>Learning and Children (Net of Schools)</u>			
Access and Inclusion	3,211	2,944	3,245
Raising Achievement	2,400	2,227	1,824
Children and Young Peoples Service	1,640	1,465	1,098
Early Years	847	64	(243)
Business Support	327	7	(1,084)
Children and Families	18,934	20,723	19,237
Youth Offending Team	751	671	650
<u>Community Based Services</u>			
Adults' Social Care	29,899	42,206	33,025
CBS Business Support	1,188	1,016	1,245
Libraries and Arts	5,598	5,627	5,470
Sport Wellbeing and Independence	22,306	18,741	22,327
Housing General Fund	2,550	3,107	2,454
Safer Stronger Communities	4,159	3,886	3,524
<u>Development and Enterprise</u>			
Transport Strategy	3,162	3,362	3,069
Development and Public Protection	2,141	2,633	2,205
Environment and Regeneration	2,204	2,258	2,379
Property and Design	(2,901)	(2,402)	(2,795)
Economic Development	2,375	2,245	1,794
<u>Local Environmental Services</u>			
Waste Services & Grounds Maintenance	19,029	19,521	19,471
Community Protection	32	111	(16)
Fleet	(363)	(85)	(792)
Building Cleaning	57	(168)	(123)
Construction - General Fund	5,821	5,866	5,248
School Meals	(175)	(92)	47
Catering	4	62	43
Facilities Management	3,025	3,383	3,647
<u>Central Services</u>			
Chief Executives and Communications	3,672	3,612	3,427
Legal and Corporate Services	7,368	7,418	7,449
Finance and ICT	13,301	13,268	11,921
Other Services and Contingency	19,506	19,341	10,108
Capital Financing Costs	30,902	28,453	28,775
Investment Income	(824)	(763)	(695)
Support Services	(10,152)	(13,547)	(9,601)
NET EXPENDITURE			
Levies			
Environment Agency	145	145	150
Tyne and Wear ITA	12,726	12,726	12,021
Total Budget	204,865	210,031	190,504

LEARNING AND CHILDREN - ESTIMATES 2012/13

SCHOOLS

	2011/12	2012/13
	£000s	£000s
Section 1 - Net Cost of Current Levels of Service		
Education Schools ISB (before Academy recoupment)	117,994	117,994
Centrally Held Dedicated Schools Grant (before Academy recoupment)	12,025	11,363
Dedicated Schools Grant funding	(130,019)	(129,357)
Education Schools Pupil Premium	2,599	4,699
Education Schools Pupil Premium funding	(2,599)	(4,699)
TOTAL SCHOOLS BUDGET	0	0

LEARNING AND CHILDREN - ESTIMATES 2012/13

ACCESS AND INCLUSION

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Access and Inclusion	3,211	3,483
Section 2 - Savings		
L&C6 Speech and Language Therapy		(37)
L&C9 Behaviour and Attendance Improvement		(100)
L&C10 Education Psychology Service		(101)
		(238)
TOTAL ACCESS AND INCLUSION BUDGET		3,245

LEARNING AND CHILDREN - ESTIMATES 2012/13

RAISING ACHIEVEMENT

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Raising Achievement	<u>2,400</u>	<u>2,665</u>
Section 2 - Savings		
L&C8 11-19 Support Team		(100)
L&C9 Behaviour and Attendance Improvement		(103)
L&C12 Learning and Skills		(148)
L&C13 Primary and Early Years		(100)
L&C14 Music Service		(68)
L&C15 Governor Support Service		(27)
L&C16 ICT Gateshead		(245)
L&C17 Inspection		<u>(50)</u>
		(841)
TOTAL RAISING ACHIEVEMENT BUDGET		<u><u>1,824</u></u>

LEARNING AND CHILDREN - ESTIMATES 2012/13

CHILDREN AND YOUNG PEOPLES SERVICES

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Children and Young Peoples Service	<u>1,640</u>	<u>1,866</u>
Section 2 - Savings		
L&C1 Family Support Review		330
L&C19 Connexions		(620)
L&C20 Extended Services		(61)
L&C21 Youth and Community Learning		(357)
L&C25 Sexual Health and Teenage Pregnancy Support		(10)
L&C23 Family Support and Intervention		<u>(50)</u>
		(768)
TOTAL CHILDREN AND YOUNG PEOPLES SERVICES BUDGET		<u><u>1,098</u></u>

LEARNING AND CHILDREN - ESTIMATES 2012/13

EARLY YEARS

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Early Years	<u>847</u>	<u>505</u>
Section 2 - Savings		
L&C1 Family Support Review		(689)
L&C2 Qualified Teacher Input into Childrens Centres		(30)
L&C4 Educational Psychology Support into Childrens Centres		<u>(29)</u>
		(748)
TOTAL EARLY YEARS BUDGET		<u>(243)</u>

LEARNING AND CHILDREN - ESTIMATES 2012/13

BUSINESS SUPPORT

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Business Support	<u>327</u>	<u>(939)</u>
Section 2 - Savings		
L&C22 Review of Management Structure		(80)
L&C26 Review of Operational Support		<u>(65)</u>
		(145)
TOTAL BUSINESS SUPPORT BUDGET		<u>(1,084)</u>

LEARNING AND CHILDREN - ESTIMATES 2012/13

CHILDREN AND FAMILIES

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Children and Families	18,934	19,698
Section 2 - Savings		
L&C1 Family Support Review		(399)
L&C24 Social Work Therapy Support		(62)
		(461)
TOTAL CHILDREN AND FAMILIES BUDGET		19,237

LEARNING AND CHILDREN - ESTIMATES 2012/13

YOUTH OFFENDING TEAM

	2011/12	2012/13
	£000s	£000s
Section 1 - Net Cost of Current Levels of Service		
Youth Offending Team	751	861
	<hr/>	<hr/>
Section 2 - Savings		
L&C1 Family Support Review		(161)
L&C18 Youth Crime Prevention		(50)
		<hr/>
		(211)
		<hr/>
TOTAL YOUTH OFFENDING TEAM BUDGET		650
		<hr/>

COMMUNITY BASED SERVICES - ESTIMATES 2012/13

ADULTS' SOCIAL CARE

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Adults' Social Care	29,899	33,510
Section 2 - Savings		
CBS7 Adult Care Commissioning		(485)
TOTAL ADULTS' SOCIAL CARE BUDGET		33,025

COMMUNITY BASED SERVICES - ESTIMATES 2012/13

BUSINESS SUPPORT

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Business Support	<u>1,188</u>	<u>1,280</u>
Section 2 - Savings		
CBS7 Business Support		(35)
TOTAL BUSINESS SUPPORT BUDGET		<u><u>1,245</u></u>

COMMUNITY BASED SERVICES - ESTIMATES 2012/13

LIBRARIES AND ARTS

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Libraries and Arts	5,598	5,775
Section 2 - Savings		
CBS9 Libraries		(39)
CBS15 Arts		(68)
CBS17 Tyne & Wear Archives and Museums		(100)
CBS16 Tourism		(44)
CBS13 Contributions to External Cultural Organisations		(54)
		(305)
TOTAL LIBRARIES AND ARTS BUDGET		5,470

COMMUNITY BASED SERVICES - ESTIMATES 2012/13

SPORT WELLBEING AND INDEPENDENCE

	2011/12	2012/13
	£000s	£000s
Section 1 - Net Cost of Current Levels of Service		
Sport Wellbeing and Independence - Leisure	22,306	24,396
Section 2 - Savings		
CBS5 Disability Services		(98)
CBS6 Older People		(705)
CBS8 Restructure of Sport, Physical Activity & Health Development Team		(154)
CBS14 Reduction in Events Programme		(90)
CBS12 Bill Quay Farm		(150)
CBS12 Countryside Management		(191)
CBS4 Care Call Shift Patterns		(30)
CBS12 Leisure Facilities		(651)
		(2,069)
TOTAL SPORT WELLBEING AND INDEPENDENCE BUDGET		22,327

COMMUNITY BASED SERVICES - ESTIMATES 2012/13

HOUSING GENERAL FUND

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Housing General Fund	<u>2,550</u>	<u>2,649</u>
Section 2 - Savings		
CBS1 Housing		(195)
TOTAL HOUSING GENERAL FUND BUDGET		<u><u>2,454</u></u>

COMMUNITY BASED SERVICES - ESTIMATES 2012/13

SAFER STRONGER COMMUNITIES

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Safer Stronger Communities	4,159	4,377
Section 2 - Savings		
CBS2 Grant Aid to Partner Agencies		(140)
CBS3 Safer Communities Team Restructure		(100)
CBS10 Neighbourhood Management Team Restructure		(225)
CBS11 Community Centres		(58)
CEX2 Local Community Fund		(330)
		(853)
TOTAL SAFER STRONGER COMMUNITIES BUDGET		3,524

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2012/13

TRANSPORT STRATEGY

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Transport and Highways	<u>3,162</u>	<u>3,446</u>
Section 2 - Savings		
D&E7 Transport Strategy		(338)
D&E8 Traffic Planning - School Crossing Patrol Service		<u>(39)</u>
		(377)
TOTAL TRANSPORT AND STRATEGY BUDGET		<u>3,069</u>

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2012/13

DEVELOPMENT AND PUBLIC PROTECTION

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Development and Public Protection	<u>2,141</u>	<u>2,385</u>
Section 2 - Savings		
D&E1 Development & Public Protection		(180)
TOTAL DEVELOPMENT AND PUBLIC PROTECTION BUDGET		<u><u>2,205</u></u>

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2012/13

ENVIRONMENT AND REGENERATION

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Environment and Regeneration	2,204	2,524
Section 2 - Savings		
D&E2 Climate Change, Natural Environment and Historic Environment		(40)
D&E3 Area Regeneration and Private Sector Housing		(105)
		(145)
TOTAL ENVIRONMENT AND REGENERATION BUDGET		2,379

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2012/13

PROPERTY AND DESIGN

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Property and Design	(2,901)	(2,744)
Section 2 - Savings		
D&E6 Supplies and Services		(51)
TOTAL PROPERTY AND DESIGN BUDGET		(2,795)

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2012/13

ECONOMIC DEVELOPMENT

	2011/12	2012/13
	£000s	£000s
Section 1 - Net Cost of Current Levels of Service		
Economic Development	2,375	2,237
	<hr/>	<hr/>
Section 2 - Savings		
D&E4 Business Development and Regeneration		(39)
D&E5 Employment Support		(91)
D&E9 Redesign of Economic Development Service		(313)
		<hr/>
		(443)
		<hr/>
TOTAL ECONOMIC DEVELOPMENT BUDGET		1,794
		<hr/>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2012/13

WASTE SERVICES AND GROUNDS MAINTENANCE

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Waste Services and Grounds Maintenance	<u>19,029</u>	<u>20,618</u>
Section 2 - Savings		
LES1 Alternate weekly refuse collection		(400)
LES2 Closure of Central Nursery		(102)
LES12 Reduced management and provision of Arboricultural Services		(100)
LES13 Reduction of Dog Warden Service		(30)
LES14a Reduced provision of Saltwell Park patrol		(40)
LES16 Introduce charges for the collection of waste from schools		(100)
LES22 Reduction in managerial / technical / administrative posts		(250)
LES23 Reduction of 5 FTE Neighbourhood Services Pool Foreman posts		<u>(125)</u>
		(1,147)
TOTAL WASTE SERVICES AND GROUNDS MAINTENANCE BUDGET		<u>19,471</u>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2012/13

COMMUNITY PROTECTION

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Community Protection	32	84
	<hr/>	<hr/>
Section 2 - Savings		
LES15 Stop CCTV monitoring operations in Saltwell Park		(40)
LES18 Rationalisation of enforcement management arrangements		(30)
LES19 Terminate the East Gateshead Business Watch scheme		(30)
		<hr/>
		(100)
		<hr/>
TOTAL COMMUNITY PROTECTION BUDGET		(16)
		<hr/>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2012/13

FLEET

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Fleet	<u>(363)</u>	<u>(475)</u>
Section 2 - Savings		
LES10 30% reduction in council fleet vehicles		(317)
TOTAL FLEET BUDGET		<u><u>(792)</u></u>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2012/13

BUILDING CLEANING

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Building Cleaning	<u>57</u>	<u>197</u>
Section 2 - Savings		
LES9 Reduce cost of cleaning in council budgeted buildings by reducing current specification		(215)
LES29 Further 10% reduction of cleaning across Council Buildings		(80)
LES30 Additional Income from Home Support Client		<u>(25)</u>
		(320)
TOTAL BUILDING CLEANING BUDGET		<u>(123)</u>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2012/13

CONSTRUCTION GENERAL FUND

	2011/12	2012/13
	£000s	£000s
Section 1 - Net Cost of Current Levels of Service		
Construction - General Fund	5,821	6,047
Section 2 - Savings		
LES5 Reduction in street lighting energy bill		(111)
LES6 Street lighting maintenance; improved procurement and efficient working practices		(45)
LES7 Inspection and repair to highways; improved procurement and efficient working practices		(47)
LES8 Reduction in non-statutory cyclical maintenance		(10)
LES21 Highways Revenue - inspection, patching and repairs		(50)
LES25 Further reduction in inspection and repairs to highways		(245)
LES26 Reduction in Street Lighting Maintenance		(202)
LES28 Further reduction in street lighting energy bill - including switching off and dimming new lanterns		(89)
		(799)
TOTAL CONSTRUCTION GENERAL FUND BUDGET		5,248

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2012/13

SCHOOL MEALS

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
School Meals	(175)	47
Section 2 - Savings		0
TOTAL SCHOOL MEALS BUDGET		47

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2012/13

CATERING

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Catering	<u>4</u>	<u>68</u>
Section 2 - Savings		
LES31 Increased income from reconfiguration of service		(25)
TOTAL CATERING BUDGET		<u><u>43</u></u>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2012/13

FACILITIES MANAGEMENT

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Facilities Management	3,025	3,857
Section 2 - Savings		
LES17 Introduction of new operating arrangements at Civic Centre and other buildings		(100)
LES24 Reduction in non-operational posts and minimum service level for CCTV operations		(110)
		(210)
TOTAL FACILITIES MANAGEMENT BUDGET		3,647

CENTRAL SERVICES - ESTIMATES 2012/13

CHIEF EXECUTIVES AND COMMUNICATIONS

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Chief Executive and Communications	3,672	3,882
Section 2 - Savings		
CX 1 Chief Executive department operational review		(455)
TOTAL CHIEF EXECUTIVES AND COMMUNICATIONS BUDGET		3,427

CENTRAL SERVICES - ESTIMATES 2012/13

LEGAL, HR AND CORPORATE PROCUREMENT

	2011/12	2012/13
	£000s	£000s
Section 1 - Net Cost of Current Levels of Service		
Legal, HR and Corporate Procurement	7,368	8,024
Section 2 - Savings		
LCS1 Organisational Development		(151)
LCS2 HR Support		(116)
LCS3 HR Strategic		(30)
LCS4 Corporate Procurement		(76)
LCS5 Democratic Services		(58)
LCS6 Development Law		(81)
LCS7 Litigation		(34)
LCS8 Group Development		(11)
LCS9 Health & Safety / Occupational Health		(18)
		(575)
TOTAL LEGAL, HR AND CORPORATE PROCUREMENT BUDGET		7,449

CENTRAL SERVICES - ESTIMATES 2012/13

FINANCE AND ICT

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Finance and ICT	13,301	14,677
Section 2 - Savings		
F&ICT1 Corporate Finance		(380)
F&ICT2 Internal Audit and Insurance		(136)
F&ICT3 Financial Services - Front Office Services		(1,413)
F&ICT4 Financial Services - Payroll & Exchequer		(341)
F&ICT5 ICT		(486)
		(2,756)
TOTAL FINANCE AND ICT BUDGET		11,921

CENTRAL SERVICES - ESTIMATES 2012/13

OTHER SERVICES, CONTINGENCIES AND BUILDING BLOCKS

	2011/12 £000s	2012/13 £000s
Section 1 - Net Cost of Current Levels of Service		
Other Services	12,651	6,198
Contingencies	6,855	11,000
	<u>19,506</u>	<u>17,198</u>
Section 2 - Savings		
Other Services - Miscellaneous		(545)
CX2 Local Community Fund reinvested		220
		<u>(325)</u>
Building Blocks		
Senior Management		(500)
Supplies & Services		(2,675)
Fees & Charges		(1,023)
Employee Costs & Travel		(1,987)
Asset Management		(580)
		<u>(6,765)</u>
TOTAL OTHER SERVICES, CONTINGENCIES AND BUILDING BLOCKS BUDGET		<u>10,108</u>

Group Summary	Budget Saving 2012/13 £'000	Indicative Budget Saving 2013/14 £'000
Learning and Children	3,412	145
Community Based Services	3,942	2,284
Development and Enterprise	1,196	410
Local Environmental Services	2,918	966
Central Services	3,786	913
Central Services - Other	325	250
Building Blocks	6,765	3,854
TOTAL	22,344	8,822

Building Blocks	Budget Saving 2012/13 £'000	Indicative Budget Saving 2013/14 £'000	Total Saving £'000
Senior Management	500	0	500
Supplies & Services	2,675	444	3,119
Fees & Charges	1,023	1,917	2,940
Employee Costs & Travel	1,987	1,043	3,030
Asset Management	580	450	1,030
Total	6,765	3,854	10,619

Learning and Children - Service Summary

Reference Number	Service	Draft spending proposal	Budget Saving 2012/13 £'000	Indicative Budget Saving 2013/14 £'000
L&C1	Early Years / Children & Families / CYPS	Family Support Review	919	0
L&C2	Early Years	Qualified Teacher input into Children's Centres	30	0
L&C3	Early Years	Grants to Private, Voluntary Independent Sector Childcare Providers	0	0
L&C4	Early Years	Educational Psychology support into Children's Centres	29	0
L&C5	Early Years	Early Years: Communication, language and literacy	0	0
L&C6	Access & Inclusion	Speech and Language Therapy	37	0
L&C7	Raising Achievement	Workforce development	0	0
L&C8	Raising Achievement	11-19 Support Team	100	0
L&C9	Raising Achievement / Access & Inclusion	Behaviour & Attendance Improvement Team	203	0
L&C10	Access & Inclusion	Education Psychology Service	101	0
L&C11	Access & Inclusion	Ethnic Minority & Traveller Achievement Service	0	0
L&C12	Raising Achievement	Learning and Skills	148	0
L&C13	Raising Achievement	Primary and Early Years	100	0
L&C14	Raising Achievement	Music Service	68	0
L&C15	Raising Achievement	Governor Support Service	27	0
L&C16	Raising Achievement	ICT Gateshead	245	0
L&C17	Raising Achievement	Inspection	50	0
L&C18	YOT	Youth Crime Prevention	50	0
L&C19	CYPS	Connexions	620	0
L&C20	CYPS	Extended Services Core Offer	61	0
L&C21	CYPS	Youth and Community Learning	357	0
L&C22	Business Support	Review of Management Structure	80	80
L&C23	CYPS	Family Support & Intervention	50	0
L&C24	Children & Families	Social Work Therapy Support	62	0
L&C25	CYPS	Provision of Sexual Health & Teenage Pregnancy Support	10	0
L&C26	Service Wide	Review of Operational Support (Admin)	65	65
TOTAL			3,412	145

Community Based Services - Service Summary

Reference Number	Service	Draft spending proposal	Budget Saving 2012/13 £'000	Indicative Budget Saving 2013/14 £'000
CBS1	Housing	Housing	195	0
CBS2	Safer Stronger Communities	Grant Aid to Partner Agencies	140	0
CBS3	Safer Stronger Communities	Safer Communities Team Restructure	100	0
CBS 4	Sport Wellbeing and Independence	Care Call Shift Patterns	30	0
CBS5	Sport Wellbeing and Independence	Disability Day Services	98	50
CBS6	Sport Wellbeing and Independence	Older People Services	705	291
CBS7	BSS	BSS	35	10
CBS7	Adult Social Care & Housing	Adult Care Commissioning	485	500
CBS8	Sport Wellbeing and Independence	Restructure of Sport, Physical Activity & Health Development Team	154	3
CBS9	Libraries and Arts	Public Library Service	39	423
CBS10	Safer Stronger Communities	Neighbourhood Management Team Restructure	225	0
CBS11	Safer Stronger Communities	Community Centres	58	300
CBS12	Sport Wellbeing and Independence	Bill Quay Farm	150	133
CBS12	Sport Wellbeing and Independence	Countryside Management	191	0
CBS12	Sport Wellbeing and Independence	Leisure Facilities	651	400
CBS13	Libraries and Arts	Contributions to External Cultural Organisations	54	54
CBS14	Sport Wellbeing and Independence	Reduction in Events Programme	90	120
CBS15	Libraries and Arts	Reduction in Arts Development	68	0
CBS16	Libraries and Arts	Reduction in the Tourism Service	44	0
CBS17	Libraries and Arts	Reduction in Contribution to Tyne & Wear Archives and Museums	100	0
CX2	Safer Stronger Communities	Local Community Fund	330	0
TOTAL			3,942	2,284

Development and Enterprise - Service Summary

Reference Number	Service	Draft spending proposal	Budget Saving 2012/13 £'000	Indicative Budget Saving 2013/14 £'000
D&E1	Development & Public Protection	Development & Public Protection	180	35
D&E2	Environment & Regeneration / Economic Development	Climate Change, Natural Environment and Historic Environment	40	0
D&E3	Environment & Regeneration / Economic Development	Area Regeneration and Private Sector Housing	105	25
D&E4	Environment & Regeneration / Economic Development	Business Development and Regeneration	39	36
D&E5	Environment & Regeneration / Economic Development	Employment Support	91	0
D&E6	Property & Design Services	Property and Design - Supplies and Services	51	0
D&E7	Transport Strategy	Transport Strategy	338	0
D&E8	Transport Strategy	Traffic Planning - School Crossing Patrol Service	39	130
D&E9	Environment & Regeneration / Economic Development	Redesign of Economic Development Service	313	184
TOTAL			1,196	410

Local Environmental Services - Service Summary

Ref Number	Service	Draft spending proposal	Budget Saving 2012/13 £'000	Indicative Budget Saving 2013/14 £'000
LES1	WSGM	Alternate weekly refuse collection	400	0
LES2	WSGM	Closure of Central Nursery	102	0
LES3	WSGM	Closure of Birtley Crematorium		76
LES4	FM	Reduction in operating costs associated with closure of buildings	0	20
LES5	Cons GF	Reduction in street lighting energy bill	111	0
LES6	Cons GF	Street lighting maintenance; improved procurement and efficient working practices	45	0
LES7	Cons GF	Inspection and repair to highways; improved procurement and efficient working practices	47	0
LES8	Cons GF	Reduction in non-statutory cyclical maintenance	10	0
LES9	Build Clean	Reduce cost of cleaning in council budgeted buildings by reducing current specification	215	0
LES9a	Build Clean	Cleaning costs - future building closures	0	100
LES10	Fleet	30% reduction in council fleet vehicles	317	342
LES11	School Meals	Removal of school meals retainer pay (£20,000 in 2012/13 Building Blocks)	0	0
LES12	WSGM	Reduced management and provision of Arboricultural Services	100	0
LES13	WSGM	Reduction of Dog Warden Service	30	0
LES14a	WSGM	Reduced provision of Saltwell Park patrol	40	0
LES14b	WSGM	Stop the provision of Saltwell Park patrol	0	40
LES15	Comm Prot	Stop CCTV monitoring operations in Saltwell Park	40	0
LES16	WSGM	Introduce charges for collection of waste from schools	100	0
LES17	FM	Introduction of new operating arrangements at Civic Centre and other buildings	100	0
LES18	Comm Prot	Rationalisation of enforcement management arrangements	30	0
LES19	Comm Prot	Terminate the East Gateshead Business Watch scheme	30	0
LES20	Cons GF	Reduction in cyclical maintenance	0	50
LES21	Cons GF	Highways Revenue - inspection, patching and repairs	50	0
LES 22	WSGM	Reduction in managerial/technical/administrative posts	250	125
LES 23	WSGM	Reduction of 5 FTE Neighbourhood Services Pool Foreman posts	125	0
LES 24	FM	Reduction in non-operational posts and minimum service level for CCTV operations	110	0
LES 25	Cons GF	Further reduction in inspection and repairs to highways	245	133
LES 26	Cons GF	Reduction in Street Lighting Maintenance	202	34
LES 27	Cons GF	Cease Christmas Lights	0	46
LES 28	Cons GF	Further reduction in street lighting energy bill - including switching off and dimming new lanterns	89	0
LES 29	Build Clean	Further 10% reduction of cleaning across Council Buildings	80	0
LES 30	Build Clean	Additional Income from Home Support Client	25	0
LES 31	Civic Catering	Increased income from reconfiguration of service	25	0
TOTAL			2,918	966

Central Services - Service Summary

Reference Number	Service	Draft spending proposal	Budget Saving 2012/13 £'000	Indicative Budget Saving 2013/14 £'000
F&ICT 1	Finance & ICT	Corporate Finance	380	0
F&ICT 2	Finance & ICT	Internal Audit and Insurance	136	0
F&ICT 3	Finance & ICT	Financial Services - Front Office Services	1,413	0
F&ICT 4	Finance & ICT	Financial Services - Payroll & Exchequer	341	0
F&ICT 5	Finance & ICT	ICT	486	33
LCS1	Legal & Corporate Services	Organisational Development	151	244
LCS2	Legal & Corporate Services	HR Support	116	59
LCS3	Legal & Corporate Services	HR Strategic	30	67
LCS4	Legal & Corporate Services	Corporate Procurement	76	0
LCS5	Legal & Corporate Services	Democratic Services	58	0
LCS6	Legal & Corporate Services	Development Law	81	0
LCS7	Legal & Corporate Services	Litigation	34	0
LCS8	Legal & Corporate Services	Group Development	11	25
LCS9	Legal & Corporate Services	Health & Safety/Occupational Health	18	27
LCS10	Legal & Corporate Services	Additional savings	0	240
CX1	Chief Executives & Communications	Chief Executive department operational review	455	218
CX3	Chief Executives & Communications	Council News (saving included in Building Blocks)	0	0
TOTAL			3,786	913

Central Services - Other

Reference Number	Service	Draft spending proposal	Budget Saving 2012/13 £'000	Indicative Budget Saving 2013/14 £'000
	Other Services	Miscellaneous	545	250
CX2	Capacity Building Fund	Local Community Fund reinvested	(220)	0
TOTAL			325	250

Comprehensive Impact Assessments

Key Issues

1. Introduction

- 1.1 This Appendix identifies spending proposals where it is considered there are key issues and proposed mitigation arising from the Comprehensive Impact Assessments (CIAs) and in the responses to the Budget Survey.
- 1.2 The information is presented by Group and Service except for the cross-cutting CIAs which are presented by themselves.

2. Local Environmental Services

Spending Proposal Reference	Budget Consultation	CIA
LES 1 Alternate Weekly Collection	Need to consider the provision of extra/bigger bins for larger families.	Larger households will be assessed for provision of additional bin capacity.
LES 3 Closure of Birtley Crematorium	Request to see technical justification/clear operational case for closure and plans to maintain cemetery in the future.	Capacity at Saltwell Crematorium will absorb demand.
LES 8 Reduction in non-statutory cyclical maintenance	Employee consultation identified efficiencies.	Must ensure continued access for disabled people and the operation of the Loop system
LES 11 School meals retainer pay	In discussion with employees and Trade Union representative.	Proposal includes changes to working patterns and times for employees.
LES 15 CCTV monitoring Saltwell Park	Concern that standards in Saltwell Park will fall and vandalism anti-social behaviour increase	There is a risk of vandalism and misuse of the park, however promotion and reliance on visitors to report anti-social behaviour and other Council employees working in the park, may act as a deterrent.
LES 16 Charge schools for waste collection	To be discussed with schools	Mitigation to be discussed with schools
LES 21 And 25 Reduction in highways maintenance, inspection	View expressed that this might impact on road safety.	Council has a statutory requirement to maintain the highway. Repairs will be prioritised for major traffic routes and accident hotspots.

3. Community Based Services

Spending Proposal Reference	Budget Consultation	CIA
CBS 2 Grant aid – Safer Gateshead	Some concern that this would lead to an increase in anti-social behaviour	The Council will need to work closely with partners to provide a more focused, evidence driven and targeted model of delivery.
CBS 7 Adult Care Commissioning	Significant concern expressed especially by the Voluntary and Community Sector (VCS) that the proposals would significantly reduce services and particularly effect preventative work. General support to retain critical/substantial Fair Access to Care criteria.	Links to cross cutting CIA on VCS. Impacts on recipients of service who have 'protected characteristics' because of age or disability.
CBS 9 Library Service	Concern about library closure if alternative service delivery methods are not viable.	The CIA is based upon the premise that if alternative business models are not viable, there will need to be a reduction in the number of local libraries, Further public consultation will be required.
CBS 11 Community Centres	Concern that the proposal would put extra responsibilities on to Management Committees and the Centres will close without Council support. Any closures would have an impact on well-being.	Potential to disengage local communities who use the centres in order to improve their general health and wellbeing.
CBS 12 Leisure Facilities and Outdoor Leisure	General support to explore the trust model for leisure. Significant responses including an e-petition about the withdrawal of direct staff support for countryside management. Concerns that the maintenance of countryside sites would reduce, charges would be levied and the expertise needed to maintain the sites removed.	Officers are continuing to explore alternative delivery models in relation to this proposal.

4. Development and Enterprise

Spending Proposal Reference	Budget Consultation	CIA
D&E 3 Private Sector Housing	<p>Suggestion that the Council should consider providing a home repair service especially for older and disabled residents.</p> <p>Support from the Gateshead landlords association and landlords for the services provided.</p>	Potential for a reduced level of service.
DE4 Business Development and regeneration	<p>Consultation with stakeholders identified need for increased collaboration.</p> <p>Concern from some businesses over potential loss of support.</p>	Potential for a reduced level of service and inability to deliver regeneration projects.
DE5 Economic performance and Local and Community initiatives.	Concerns expressed regarding reduction in support of economic development initiatives.	Impact on areas of deprivation and the unemployed. Reduction in grants to help people get back into work in a time of rising unemployment, especially youth unemployment.
D&E 8 School Crossing Patrol & Service	Concerns expressed about the impact on road safety. 5 petitions submitted from school locations across the borough.	Removal of this service could impact on road safety.
DE9 Redesign of Economic Development Service	Concerns expressed from Jewish Community Council over ending grant for support worker within the Jewish Community. Concern from some businesses over loss of support.	Impact on areas of deprivation and the unemployed. Stopping grants to help people get back into work in a time of rising unemployment especially youth unemployment.

5. Learning and Children

Spending Proposal Reference	Budget Consultation	CIA
L&C1 – Family Support	Potential impact on premises costs for smaller providers if children’s centres are closed.	Potential impact of withdrawal from some school sites.
L&C2 – Qualified Teacher Input into Children’s Centres	Some concern over additional requirement on teachers.	No longer a statutory requirement.
L&C3 – Grants to Private, Voluntary and Independent Sector Childcare providers and Graduate Leader Fund	Concerns over sustainability of smaller providers if financial support not available.	The Council will need to monitor the links to the annual sufficiency audit.
L&C4 – Educational Psychology support into Children’s Centres.	Proposals have been shared with Head Teachers and Children’s Centres Advisory Boards.	Potential reductions in early intervention.
L&C5 – Early Years, Communication language and literacy	Some concerns over additional requirement on teachers.	Potential issues around school readiness.
L&C9 – Behaviour and Attendance Improvement Team	Proposals have been shared with Head Teachers and the Behaviour and Attendance Partnership.	More targeted approach could set thresholds for intervention much higher.
L&C10 – Education Psychology Service	Proposals have been shared with Head Teachers.	Potential implications of loss of early intervention and assessment.
L&C11 – Ethnic Minority and Traveller Achievement Service	Results of public consultation identify a desire not to see reduction in this service. However there was agreement that schools be allowed to plan and deliver more services themselves.	Subject to buy back from schools.
L&C13 – Primary and Early Years	Councillors highlighted a need to ensure effective dialogue with schools around the purchase and buy back of services.	More targeted service and buy back from schools.
L&C16 – ICT Gateshead	Proposals have been shared with Head Teachers.	Potential issues around any loss of broadband
L&C21 – Youth and Community Learning	Concern over potential reduction in universal provision and its impact for the future.	Viability of some community centres could be affected if resources are withdrawn.

6. Comprehensive Impact Assessments

6.1 A number of crossing cutting CIAs have been prepared to assess the impact of the spending proposals, on a themed basis. The cross cutting CIAs cover:

- the voluntary and community sector (VCS)
- Geographic Areas
- Gateshead Schools

6.2 A summary of the main points of each of the cross cutting CIAs is given below:

(i) VCS

- Significant changes in VCS funding as the Council moves to commissioning services.
- Mitigation possible in improving VCS capacity to engage in commissioning such as GVOC's Commissioning Exchange and in proposals to increase the Building Capacity Fund.

(i) Geographic Areas

- Central Area
 - VCS organisations are concentrated in the Central area.
 - there are assessed impacts linked to the proposals for Saltwell Park.
- Inner West Area
 - proposals about support for businesses may have an impact on Team Valley Trading Estate.
 - proposals to change delivery in libraries, community centres and the youth service will have an impact in the area.
- East, South and West
 - proposals to change delivery in libraries, community centres and the youth service will have an impact in these areas.

(iii) Gateshead Schools

- Two spending proposals have been identified as high risk - L&C 1 Family Support and L&C 10 Education Psychology Service.
- Eight spending proposals are viewed as medium risk – L&C 8 11-19 Support Team, L&C 9 Behaviour and Attendance Improvement Team, L&C 11 Ethnic Minority and Traveller Achievement Service, L&C 15 Governor Support Service, L&C 16 ICT Gateshead, LES 16 Introduce charges for the collection of waste from schools, D&E 8 School Crossing Patrol Service, CBS 8 Reorganisation of sport, physical activity and health development.
- Some proposals have a direct impact either through potential implications around buildings (Family Support Service – reduction in number of delivery sites for Children's Centres), budgets, assets or where there is a further clear budget implication.
- Reliance on schools buying back Council services.

Financial Risk Assessment

1. Savings

There is a risk that the proposed savings will not be delivered. This is mitigated by robust budgetary control and a provision in contingencies to reflect the timing of the achievement of savings.

2. 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 £3.994m as at 31 March 2012. This is 2.1% of the net revenue budget, which is below the minimum level agreed in the Medium Term Financial Strategy of 3%.
- Provision in the base budget to replenish the general reserve to 3% of the net revenue budget.
- The General Reserve is supplemented by expected earmarked reserves of £9.465m as at 31 March 2012. Of this amount, £2.123m is ring-fenced.
- The positive opportunity by the use of £2.0m from the General Reserve to ensure the sustained delivery of key services through a period of funding reductions and service transformation.

3. 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 including delivery of budget savings.
- Savings are monitored and reported separately against target.

4. 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 and publication of an Annual Governance Statement;
- 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 continuously reviewed by the Council's Internal Audit service, which reports on its planning and performance to the Audit Committee on a quarterly basis.

5. 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 2012/13 to 2014/15 identifies financial pressures in respect of workforce management, waste management, adults' social care and Looked After Children.

6. 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 £11m within the 2012/13 budget.

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

- **Employees' Pay**

The government has outlined a two year public sector pay freeze. No provision for 2012/13 has been included.

- **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, supplemented by advice from the Council's Treasury Management advisors. The 2012/13 budget for investment income has reduced from the 2011/12 budget due to the likelihood of no increase to the base rate during 2012/13.

- **Social Care**

Provisions for changes in demographics are included in contingencies along with £3.1m in the Adult Social Care budget to address ongoing spending pressures.

- **Workforce Management**

A provision for the potential costs of workforce management is included in contingencies supplemented by planned use of reserves.

Taking account of the above, the contingency of £11m is considered adequate to mitigate the risk that some of the assumptions applied may differ from actual events during 2012/13.

7. Capital Financing

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

- Ensuring that the majority of total borrowing is taken as fixed rate loans.
- Using the Council's Treasury management advisors 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.

8. 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 the security and liquidity of deposits rather than returns. The potential impact is limited by the strategy of using a diverse portfolio of highly rated banks and building societies.

APPENDIX 5

Estimated Use of Reserves

	Opening Balance at 01/04/11	Budgeted Movement During Year	Estimated Movement During Year	MTFS Review of Reserves	Estimated Closing Balance at 31/03/12	Budgeted Movement During Year	Estimated Movement During Year	Estimated Closing Balance at 31/03/13	Estimated Closing Balance at 31/03/14	Estimated Closing Balance at 31/03/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Fund:										
General Reserve	(15,994)	2,500	9,500	0	(3,994)	2,000	(5,000)	(6,994)	(6,994)	(6,994)
Schools LMS Reserves*	(10,891)	0	0	0	(10,891)	0	0	(10,891)	(10,891)	(10,891)
Total General Fund	(26,885)	2,500	9,500	0	(14,885)	2,000	(5,000)	(17,885)	(17,885)	(17,885)
Strategic Reserves:										
Pensions	(3,001)	2,793	0	208	0	0	0	0	0	0
Insurance	(3,000)	0	0	0	(3,000)	0	0	(3,000)	(3,000)	(3,000)
Grant Clawback	(1,375)	0	0	0	(1,375)	0	0	(1,375)	(1,375)	(1,375)
Gateshead Development Pool	(10,219)	5,760	2,412	0	(2,047)	760	(2,000)	(3,287)	(4,527)	(6,527)
Cultural Development	(265)	0	0	265	0	0	0	0	0	0
Bridge Maintenance	(920)	0	0	0	(920)	0	0	(920)	(920)	(920)
Developers' Contributions*	(1,597)	0	0	0	(1,597)	0	0	(1,597)	(1,597)	(1,597)
Economic Downturn	(2,255)	250	637	1,368	0	0	0	0	0	0
Workforce Management	(0)	0	1,841	(1,841)	0	0	0	0	0	0
Dedicated Schools Grant*	(526)	0	0	0	(526)	0	526	0	0	0
Total Strategic Reserves	(23,158)	8,803	4,890	0	(9,465)	760	(1,474)	(10,179)	(11,419)	(13,419)
Total Reserves	(50,043)	11,303	14,390	0	(24,350)	2,760	(6,474)	(28,064)	(29,304)	(31,304)

*Ring fenced – not available to support the Revenue Budget and Council Tax Requirement

General Fund

The General Fund is made up from two reserves:

- The General Reserve exists to protect the Council against unexpected events and to finance future revenue or capital expenditure.
- Schools Reserves which are ring-fenced and cannot be used to support the revenue budget and reduce the council tax requirement.

Strategic Reserves

The **Pensions Reserve** has been used to smooth past increases in pension contributions. The Council recognises that this is not sustainable in the long term and reliance on this reserve will be removed as the reserve is fully utilised during 2011/12.

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** a significant proportion of this reserve has been used to support the redundancy scheme in 2010/11 and 2011/12. The remaining amount in this reserve can support Ward Based schemes and the Local Community Fund for a further two years. The MTFs proposed a strategy to replenish this strategic reserve.

The **Cultural Development Reserve** is used to support key sporting and cultural events. As part of the review of reserves in the MTFs, the balance of this reserve has been transferred to the Workforce Management Reserve.

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

The **Developers' Contributions Reserve** is ring-fenced to fund future play schemes on future residential developments in accordance with Section 106 agreements. It cannot be used to support the revenue budget and reduce the council tax requirement.

The **Economic Downturn Reserve** was established at the end of 2008/09 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. As part of the review of reserves in the MTFs, the balance of this reserve has been transferred to the Workforce Management Reserve.

The **Workforce Management Reserve** was established as part of the review of reserves in the MTFs. It will be used to support the cost of the Council's redundancy scheme.

The **Dedicated Schools Grant Reserve** is ring-fenced for schools use and cannot be used for to support the revenue budget and reduce the council tax requirement.

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2010/11 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

<i>Capital Expenditure</i>					
	2010/11 £000 Actual	2011/12 £000 Estimate	2012/13 £000 Estimate	2013/14 £000 Estimate	2014/15 £000 Estimate
Non-HRA	113,897	66,870	38,031	34,223	16,853
HRA	46,371	38,714	22,985	15,080	15,600
Total	160,268	105,584	61,016	49,303	32,453

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2010/11 are: -

<i>Ratio of Financing Costs to Net Revenue Stream</i>					
	2010/11 £000 Actual	2011/12 £000 Estimate	2012/13 £000 Estimate	2013/14 £000 Estimate	2014/15 £000 Estimate
Non-HRA	9.51%	12.66%	13.41%	13.30%	13.94%
HRA	29.38%	42.86%	37.20%	35.99%	34.18%

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 2011 are: -

<i>Capital Financing Requirement</i>					
	31/03/11 £000 Actual	31/03/12 £000 Estimate	31/03/13 £000 Estimate	31/03/14 £000 Estimate	31/03/15 £000 Estimate
Non-HRA	256,120	270,059	282,884	294,167	304,792
HRA	342,922	345,505	345,505	345,505	345,505

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 2010/11, 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			
	2012/13 £000	2013/14 £000	2014/15 £000
Borrowing	735,000	745,000	755,000
Other Long term Liabilities	0	0	0
Total	735,000	745,000	755,000

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>			
	2012/13 £000	2013/14 £000	2014/15 £000
Borrowing	700,000	710,000	720,000
Other Long Term Liabilities	0	0	0
Total	700,000	710,000	720,000

9. The Council's actual external debt at 31 March 2011 was £555.212m comprising £555.212m borrowing and no other long term liabilities. It should be noted that actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.
10. In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2012/13 (see paragraph 6 above) will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.

11. A key measure of affordability is the incremental impact on the council tax as a result of the Council's capital and revenue plans. The Council is asked to approve these indicators.

The incremental impact on Band D Council Tax that would result for the council for 2012/13 from the totality of the capital and revenue plans recommended in this budget report is £1.52.

12. Forward estimates for the incremental impact on Band D council tax levels for 2013/14 and 2014/15 are £1.52 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.
13. With respect to the Housing Revenue Account (HRA), the average incremental impact on weekly rent that would result for 2012/13 from the totality of the capital and revenue plans recommended in this budget report is £0.05.
14. Forward estimates for the incremental impact on housing rents for 2013/14 and 2014/15 are £0.05 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.
15. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services (2011), which requires three key Treasury Management indicators.
16. 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.
17. It is recommended that the Council sets an upper limit on its fixed and variable interest rate exposures for 2012/13, 2013/14 and 2014/15 as follows. The figures are expressed in terms of net outstanding principal sums.

UPPER LIMIT ON FIXED AND VARIABLE INTEREST RATES EXPOSURES			
Range	2012/13 £000	2013/14 £000	2014/15 £000
Fixed Rate	584,909 297,770	609,364 269,255	595,122 243,291
Variable	99,752 (30,000)	94,917 (30,000)	105,874 (30,000)

18. 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%

19. It is recommended that the Council sets an upper limit on its principal sums invested for periods longer than 364 days for 2012/13, 2013/14 and 2014/15 as follows:

<i>Upper Limit on amounts invested beyond 364 days</i>			
	2012/13 £000	2013/14 £000	2014/15 £000
Investments	30,000	30,000	30,000

GATESHEAD COUNCIL MINIMUM REVENUE PROVISION (MRP) STATEMENT 2012/13

In accordance with regulations the Council is required to calculate an amount of MRP each year which is considered to be prudent. Four methods of calculating MRP are set out in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Si 2008/414] and statutory guidance regarding the calculation of MRP was issued by CLG in March 2010. The four methods are set out 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:

(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 (e.g. by the application of capital receipts) should be made as necessary.

Under both asset life 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.

MRP should normally commence in the financial year following the one in which the expenditure was incurred and the estimated life of the asset should be determined in the year that MRP commences and should 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.

Where borrowing is used to meet expenditure which is treated as capital expenditure by virtue of a capitalisation direction, the life is set at a maximum of 20 years in accordance with the statutory guidance.

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.

Proposed 2012/13 MRP Calculation Method

Statutory guidance, issued by CLG in March 2010, confirmed that options 1 and 2 may only be used for capital expenditure incurred before 1 April 2008 or for any Supported Capital Expenditure, and confirmed that Authorities should use option 3.

In 2012/13, it is proposed that there will be no change to the approach currently used by the Council to calculate MRP.

Gateshead Council will continue to 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)).

For any transactions relating to PFI contracts, Gateshead Council will continue to use the asset life annuity method (Option 3 (b)) in accordance with the statutory guidance.

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