

**TITLE OF REPORT: Budget and Council Tax Level 2013/14****REPORT OF: Jane Robinson - Chief Executive**  
**Darren Collins - Strategic Director, Finance and ICT****Purpose of Report**

1. To request Cabinet to recommend to Council on 28 February 2013 the Budget and Council Tax level for 2013/14. 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 and to note the outcome of consultation that has taken place on the budget.

**Background**

2. On 22 September 2011, Council approved the Fit For Future Principles to be applied to the process of agreeing the budget.
3. Between 24 October 2011 and 13 January 2012, the Council undertook significant consultation seeking views on spending proposals that covered a two year period 2012-2014. The feedback was reported to Cabinet on 7 February 2012.
4. On 19 December 2012, the government announced the Provisional Local Government Finance Settlement for 2013/14.
5. On 10 January 2013, the Council received the grant determination in relation to the health improvement duties that will transfer to local authorities from 1 April 2013 in accordance with the Health and Social Care Act 2012.
6. On 22 January 2013, Cabinet approved the Council's spending proposals as the basis for more detailed and formal engagement and consultation.
7. On 22 January 2013, Cabinet agreed the Council Tax Base for 2013/14.
8. Council noted the Provisional Local Government Funding Settlement and agreed the refresh of the Medium Term Financial Strategy (MTFS) for 2013/14 to 2014/15 on 25 January 2013.
9. On 25 January 2013, Council agreed the Local Council Tax Scheme.
10. On 25 January 2013, Council agreed the Technical Reforms of Council Tax.
11. The Final Local Government Funding Settlement was laid before Parliament on 13 February 2013. The settlement confirmed a further £10m reduction in funding to the Council over and above the £8m reduction identified within the 2010 Comprehensive Spending Review.
12. This report represents the final stage of the budget setting process in determining the budget and council tax level for 2013/14.

## Proposal

13. The proposed base budget for 2013/14 is £234.520m, an increase of £44.016m on the current year's budget. This appears to be a significant increase but is distorted by changes to government funding whereby a number of former specific grants have been "rolled" into the general formula grant which is now known as Start Up Funding Assessment (SUFA) and funding is now included in Revenue Spending Power grants. In addition the base budget also includes the expenditure in relation to the Council's new Public Health responsibilities.
14. Funding for 2013/14 is £225.049m based on the use of reserves set out in this report and a council tax freeze leaving a revised funding gap of £9.471m which can be summarised as follows:

	£m
Net Budget 2012/13	190.504
Specific Grants "rolled" to SUFA and Revenue Spending Power	22.683
Public Health Responsibilities	15.401
Inflation and Service Pressures	5.932
<b>Provisional Net Budget</b>	<b>234.520</b>
Available funding	(225.049)
<b>Revised Funding Gap</b>	<b>9.471</b>

15. The spending proposals approved for consultation by Cabinet on 22 January 2013 have been reviewed to reflect the responses to consultation. The amended spending proposals result in savings of £9.471m for 2013/14 which closes the funding gap for the year.
16. This report proposes a budget in 2013/14 that includes £9.471m of savings in response to government funding reductions and service demand pressures. The budget has been balanced without recourse to the General Reserve thus preserving reserve levels for use in subsequent years. The proposed budget will result in a council tax freeze for residents of the Borough of Gateshead in respect of Gateshead Council expenditure. This means that the Council will be eligible to receive a Council Tax Freeze Grant totalling £0.854m in each of the years 2013/14 and 2014/15.

## Recommendations

17. Cabinet is requested to make the following recommendations to the Council:
- (1) That Gateshead's Band D council tax for 2013/14 is frozen at £1,443.1966.
  - (2) The revenue estimates of £225.049m for 2013/14 be approved.
  - (3) The use of earmarked reserves of £1.204m in 2013/14 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) That the Prudential and Treasury Indicators set out in Appendix 6 to this report be agreed.

- (6) That the method of calculating the Minimum Revenue Provision (MRP) for 2013/14 as set out in Appendix 7 be approved.
- (7) That the outcome of consultation in appendix 3 be noted.
- (8) That it be noted that at its meeting on 22 January 2013, Cabinet calculated the following amounts for the year 2013/14 in accordance with regulations made under Section 31B(3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-
- (a) 46,764.6 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended by the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its Council Tax base for the year;
- (b) 1,314.7 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) £576,958,501 being the aggregate of the amounts, which the Council estimates for the items, set out in Section 31A(2) of the Act taking into account the precept issued by Lamesley Parish Council
- (b) £509,460,488 being the aggregate of the amounts, which the Council estimate for the items, set out in Section 31A(3) of the Act
- (c) £67,498,013 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) £1443.3570 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 £1448.9013

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	3.8031	962.1311
B	4.4370	1122.4862
C	5.0709	1282.8414
D	5.7047	1443.1966
E	6.9724	1763.9070
F	8.2402	2084.6173
G	9.5079	2405.3277
H	11.4094	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 2013/14, the Police and Crime Commissioner for Northumbria 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	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	57.7399	48.7733
B	67.3632	56.9022
C	76.9865	65.0311
D	86.6098	73.1600
E	105.8564	89.4178
F	125.1030	105.6756
G	144.3497	121.9333
H	173.2196	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 2013/14 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1072.4474	1068.6443
B	1251.1886	1246.7516
C	1429.9299	1424.8590
D	1608.6711	1602.9664
E	1966.1536	1959.1812
F	2323.6361	2315.3959
G	2681.1186	2671.6107
H	3217.3422	3205.9328

- (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 2013/14 is not excessive in accordance with the principles determined under section 52ZC of the Act for 2013/14, as amended for the Alternative Notional Amount for the preceding year specified under section 52ZE of the Act.

For the following reason:

- To fulfil the Council's statutory duty to set the budget and Council Tax for 2013/14.

## Policy Context

1. The proposals in this report support the vision for Gateshead as set out in Vision 2030 and the Council 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 agreed Fit For Future principles to be applied to the process of agreeing the budget on 22 September 2011 and a refresh of the MTFS 2013/14 to 2014/15 on 25 January 2013. The Council's budget estimates for 2013/14 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 2013/14, the following issues require consideration:-
  - principles of the Medium Term Financial Strategy;
  - the final Local Government Finance Settlement for 2013/14;
  - the likely outturn for 2012/13;
  - 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) Report (England) 2013/14 ;
  - the Referendums Relating to Council Tax Increases (Alternative Notional Amounts) Report (England) 2013/14;
  - approval of prudential indicators for 2013/14;
  - 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 £10.5m 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.

### **Local Government Finance Settlement 2013/14**

5. In the 2010 Spending Review, the government outlined its plans to review the way local authorities are funded. During 2012 it issued a number of consultation papers in particular the Technical Consultation on Business Rates Retention and the Localisation of Council Tax Support. Together these proposals represent the most fundamental changes to local government funding for decades.
6. The provisional local government finance settlement for 2013/14 which included the changes above was announced on 19 December 2012. In addition, indicative grant funding was also announced for 2014/15. The impact of the provisional settlement was reported to Cabinet on 22 January 2013. The settlement confirmed a further £10m reduction in funding to the Council over and above the £8m reduction identified within the 2010 Comprehensive Spending Review.
7. The final local government finance settlement was laid before Parliament on 13 February 2013 and was broadly consistent with the provisional settlement reported to Cabinet on 22 January 2013 with only minor changes to the Council's Start Up Funding Assessment (SUFA).
8. The introduction of the new funding regime will mean that the Council will now be able to retain 49% of the business rates it collects above a prescribed threshold or baseline. The government will receive 50% and the remaining 1% is allocated to the Tyne and Wear Fire and Rescue Authority.
9. As part of the 2013/14 settlement, the government have provided a baseline figure for retained business rates. The National Non-Domestic Rates Return 1 (NNDR1) 2013/14 submitted to DCLG on 31 January 2013 estimated that the Council's retained element will be £42.101m which is £0.522m greater than the baseline estimated in the government's final settlement.
10. In the Autumn Statement on 5 December, the Chancellor announced a further one year extension to the temporary increase in Small Business Rate Relief (SBRR). On the 11 February 2013, the government confirmed that they will fund local authorities 49% share through a section 31 grant. Although the exact amount is yet to be confirmed, an estimate is included in the base budget funding based on the NNDR1 return that was submitted to government on 31 January 2013.



11. The Council will also receive an indicative £133m Dedicated Schools Grant (DSG), ring-fenced for the education of children. From this amount the Department for Education (DfE) will recoup the funding for academies in Gateshead which based on current academies is estimated to be £30m. In addition, the Pupil Premium for 2013/14 will be £900 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 £7.1m, of which an estimated £1.5m will be recouped for academies.

### **Projected Outturn 2012/13**

12. The agreed revenue budget for 2012/13 was set at £190.504m. On 22 January 2013 Cabinet received a report on projected spending taking into account performance to 31 December 2012. The 2012/13 projected outturn is £192.968m, a projected over spend of £2.464m (1.3%) for the year. Efforts are continuing to ensure that the budget outturn remains within original estimates in line with one of the key principles of the MTFS relating to spending within budgets.

### **Budget Guidance**

13. On 22 September 2011, the Council agreed the Fit For Future principles and model.
14. The Council has developed a two-year rolling programme for budget planning to give greater flexibility and resilience to in-year changes in an uncertain environment.
15. Following the government's provisional local government funding settlement on 19 December 2012, a refresh of the MTFS was reported to Council on 25 January 2013 which updated the funding gap for 2013/14 and gave an indicative funding gap for 2014/15. The MTFS will be revisited again following the government's planned spending review which was announced in the Chancellor's Autumn Statement on 5 December 2012.
16. 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.
17. The principles are:-
  - Focussing on the needs of Gateshead residents and businesses as identified in the Strategic Needs Assessment.
  - Avoiding disproportionate impact on vulnerable individuals and communities, tested through comprehensive impact assessments.
  - Consideration of the long-term impact and sustainability of funding decisions.
  - Primacy of services to people, rather than a buildings-based approach.
  - Ensuring the most cost-effective way of delivering services, including how we achieve added value for local people.
  - Investing in building capacity in local communities.
  - Developing the market, including the voluntary sector, where this represents best value and supporting, wherever possible, local organisations.
  - Minimising the impact on frontline service delivery, by maximising the efficiency of back office activity.

The Council's approach is focused on four inter-related areas: economic growth, managing demand, volunteering and efficiency by:

- Doing all we can to support economic growth and revenue generation – given reductions in central government funding, success in this area will enable the Council to redirect resource to activities which protect the most vulnerable.
- Focusing on managing demand (particularly in social care) with a targeted approach, emphasising early intervention and prevention.
- Enabling local communities to engage with the design and delivery of a range of local services through volunteering.
- Continuing to drive efficiencies through changes to the way the Council works, for example, through exploiting new technology, consolidation of buildings and services, reducing complex processes and increased trading.

### Base Budget 2013/14

18. The base budget for 2013/14 before budget savings is £234.520m. This is an increase of £44.016m but this increase is distorted by changes to government funding whereby a number of former specific grants have been “rolled” into the general formula grant (SUFA) and funding now included in Revenue Spending Power grants. In addition it includes the expenditure in relation to the Council's new Public Health responsibilities as well as inflation and service pressures outlined in the refresh of the MTFS.
19. Provision has been made in the budget for the Tyne and Wear Integrated Transport Authority levy of £12.737m (5.96% increase due to changes in population) and for the Environment Agency of £0.144m (4% decrease). Both of these levies have been confirmed.
20. Growth in the budget has been kept to a minimum with provision being made in a contingency of £8m for an ongoing contribution to the costs of managing the workforce, potential increases in the number of Looked After Children and vulnerable adults, provision for the timing of savings and the cost of winter maintenance, provision for a pay award and the estimated cost of the European Athletics event in June 2013 which is to be funded from reserves.
21. Funding for 2013/14 is £225.049m based on the use of reserves set out in this report and a council tax freeze leaving a gap of £9.471m which will be met through savings proposals. The position can be summarised as follows:

	£m
Net Budget 2012/13	190.504
Specific Grants “rolled” to SUFA and Revenue Spending Power	22.683
Public Health Responsibilities	15.401
Inflation and Service Pressures	5.932
<b>Provisional Net Budget</b>	<b>234.520</b>
Savings Proposals	(9.471)
<b>Proposed Net Budget 2013/14</b>	<b>225.049</b>

## Spending Proposals 2013-2014 – Outcome of Consultation

22. Between 24 October 2011 and 13 January 2012, the Council undertook significant consultation seeking views on spending proposals that covered a two year period 2012-2014. The feedback to the consultation was reported to Cabinet on 7 February 2012.
23. On 22 January 2013, Cabinet agreed spending proposals totalling £9.842m as the basis for further consultation which was carried out between 22 January 2013 and 15 February 2013 to help inform the spending proposals for 2013/14.
24. On 25 January 2013, Council noted a report on a refresh of the MTFS which outlined a budget gap of £10.4m in 2013/14. This budget gap has been revised downwards which enabled some flexibility when considering the spending proposals for 2013/14. The key reasons for this positive reduction are:-
  - Additional estimated funding in relation to the Council's share of retained business rates on completion of the final NNDR1 form submitted to government on 31 January 2013.
  - Confirmation on 11 February 2013 that the government would fund the additional cost of the extension to Small Business Rate Relief (SBRR).
  - Confirmation on 14 February 2013 of funding in relation to Adoption Reform which was previously top-sliced as part of the funding settlement.
25. As a result of the revised funding gap and following consultation, some mitigation to meet issues raised through the process was possible and a number of spending proposals have been amended as follows:
  - **LSC3 Countryside Warden Support** – the spending proposal be deferred to 2014/15 to enable further consideration of the Council's countryside management and maintenance arrangements. No saving is therefore being taken in respect of this spending proposal in 2013/14. The one-off cost in 2013/14 to be funded from the accumulated under spend on the Local Community Fund.
  - **LSC2 Bill Quay Farm** – the spending proposal be deferred for 3 months to enable Bill Quay Farm Association time to demonstrate that their business plan is viable and that they can take over the responsibility and operation of Bill Quay Farm from 1 July 2013. If this approach is unsuccessful the Council will withdraw Council funding for the Bill Quay Farm Association at this point. The saving will therefore be reduced to £127,500 in 2013/14. The one-off cost in 2013/14 to be funded from the accumulated under spend on the Local Community Fund.
  - **CNV3 Reduction in Non Core Services** – the spending proposal identifies a reduction in the Local Community Fund from £15,000 to £10,000 per ward, and a reduction in the Capacity Building Fund of £75,000. It is proposed that this reduction in Capacity Building Fund will not now be made in 2013/14. The accumulated under spend on the Local Community Fund will cover the shortfall in 2013/14 for this on a one-off basis as well as mitigating and offsetting other council spending proposals
  - **DE1 School Crossing Patrol Service** – the spending proposal has been revised from £72,000 to £26,000. This would mean removing lunchtime patrols at 5 sites, deletion of one long term unjustified vacant site, deletion of 4 vacant sites (where there is a zebra crossing) and that the Council continues to comply with national best practice guidance.

- **DE4 / DE8 Cease Grants to Unemployed and Reduce Employment Support** – the spending proposal has been revised from £142,000 to £42,000 to allow the Council to continue to support local unemployed people into job vacancies.
- **LES1 Closure of Birtley Crematorium** –the spending proposal saving of £76,000 will still be achieved in 2013/14, but through reduced days of opening for the Birtley Crematorium and with increased business and income opportunities across Local Environmental Services. The Business Case will need to be reviewed again in the future at the time when significant investment would be required
- **LES4, LES5 & LES6 Self management and/or closure of bowling green facilities and playing fields / Reduction in Neighbourhood Services & Reduced Maintenance in Council parks** – these spending proposals will be achieved by different ways of working.
- **LES14 Reduce Street Action and Enforcement Team** – the saving within this spending proposal has been reduced from £80,000 to £40,000 and will be achieved by different ways of working.

26. After the above mitigation measures, the proposed savings in 2013/14 total £9.471m as detailed in appendix 2a.
27. The outcome of the extensive consultation that has taken place is presented in appendix 3.

## **Statutory Requirements**

### **Calculation of Council Tax Requirement**

28. The Local Government Finance Act 2012 (Consequential Amendments) Order 2013 is anticipated to come into force over the next few days and will be relevant to the 2013/14 accounting period. This Order makes changes to the provisions governing the way local authorities are required to calculate their council tax requirements, specifically relating to the way in which transfers between the general fund and the collection fund are accounted for.
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 to its general 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 2012 and an estimate of reserves through to 31 March 2014 based on the proposals in this report and the agreed MTFS. The position on reserves will be further reviewed as part of revenue outturn in June 2013 and as part of a refresh of the MTFS following the governments planned spending review in 2013.
36. Subject to proposals in this report, the Council's General Reserve is expected to be £13.314m at 31 March 2013. This is equivalent to 5.9% of the Council's proposed net revenue budget for 2013/14, and is above the minimum level of £10.5m agreed as a principle in the refresh of the Council's MTFS reported to Council on 25 January 2013. The general reserve is supplemented by £14.135m estimated earmarked reserves at 31 March 2013, £2.079m 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 cannot be sustained in the longer term without placing the Council's financial position at risk. The proposed use of reserves in the budget proposal 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, the Council gave notice in November 2012 to the Department of Business Innovation and Skills (Form HR1) of an anticipated 162 redundancies, and a further notice in January 2013 of an additional 62 following notification of the provisional funding settlement. It also issued Section 188 "notice of potential redundancy letters" to 479 employees. The Council is actively working with trade union representatives and employees to minimise the number of redundancies required, and in particular compulsory redundancies; actual numbers will therefore be significantly lower than these figures originally notified. The cost of redundancies will require a significant one-off cost in terms of redundancy payments and pension costs. The Department for Communities and Local Government (DCLG) have informally announced that they will not be issuing a capitalisation direction for 2012/13 which means that there is no longer an opportunity to spread the cost of the statutory element of redundancy costs for the current scheme over a number of years. The majority of redundancy costs will need to be met from revenue or reserves.



41. The refresh of the MTFs reported to Council on 25 January 2013 set out a position which reflected a funding gap of £30m over the period 2013/14 and 2014/15. The MTFs will be refreshed following the government's planned spending review which will cover the periods 2015/16 to 2016/17.
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 £1.204m from earmarked reserves is proposed.
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 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 also made funding available to help authorities freeze their council tax in 2012/13 although this was for one year only with no further payments over the period of the 2010 Spending Review. To mitigate this, the Council used this one-off funding against non recurring expenditure.
46. For 2013/14, the government has again offered funding to enable councils to freeze council tax with confirmation that the funding, equivalent to a 1% increase or £0.854m (before local council tax support scheme), would be paid in both 2013/14 and 2014/15.
47. The key principles are:-
  - It will follow the example of its predecessors in that it will be voluntary and funding will be available to all billing authorities and major precepting authorities in England. Parish councils will not be included.
  - An authority which freezes or reduces its basic amount of council tax in 2013/14 compared to 2012/13 will be eligible to receive a grant. The amount of the grant will be equivalent to 1% of the basic amount of council tax set for 2012/13 multiplied by the authority's council tax base for 2013/14 but not taking into account reductions to be awarded under council tax reduction schemes.
  - The grant for the 2013/14 freeze will be paid in the financial years 2013/14 and 2014/15.
48. 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.
49. This report recommends that Gateshead Council freezes council tax for 2013/14 meaning the Council will be eligible for a Council Tax Freeze Grant of £0.854m in 2013/14 and 2014/15 and will be exempt from the Government's excessiveness principles outlined below.

## Council Tax Referendums

50. 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.
51. The Referendums Relating to Council Tax Increases (Principles) Report (England) 2013/14 allows the Secretary of State to define categories of authority and to set distinct principles for each. The principles apply to all billing and all major precepting authorities.
52. Where a major precepting authority determines that its council tax increase is excessive it must notify the billing authority to which it issues a precept. The billing authority will then be required to make arrangements to hold a referendum in relation to the precepting authority’s council tax increase. The costs of holding the referendum are the sole responsibility of the authority which triggered it. Consequently, billing authorities are entitled to recover from a precepting authority the expense incurred in holding a referendum on its behalf.
53. No principles are specified for local precepting authorities (Lamesley Parish), however the Secretary of State intends to revisit this issue for 2014/15, having considered the extent to which local precepting authorities have exercised restraint in relation to council tax in 2013/14.
54. For Gateshead, the principle for 2013/14 is that the “relevant basic amount of council tax” for 2013/14 is excessive if it is more than 2% greater than its relevant basic amount of council tax for 2012/13.
55. 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.
56. Under section 52ZE of the 1992 Act, the Secretary of State has the power in relation to the year under consideration to make a report specifying an Alternative Notional Amount (ANA) which he thinks should be used by an authority as the basis for any comparison in applying section 52ZC in place of the authority’s relevant basic amount of council tax for the preceding year.
57. The localisation of council tax support has the effect of lowering the relevant basic amount. The Secretary of State has therefore issued Alternative Notional Amounts (ANAs), under section 52ZE of the Local Government Finance Act 1992, to enable a like for like comparison when determining whether the council needs to hold a council tax referendum. For Gateshead, the ANA for 2012/13 (the year preceding the year under consideration) has been determined as £1,181.40.
58. 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 2.58% before a referendum would be triggered. This is as a consequence of an increase in the levy from the Tyne and Wear Integrated Transport Authority (ITA). Other Metropolitan council’s are in a similar position because of the levying bodies established when the county councils were abolished in 1986. The government have announced plans to review this anomaly for 2014/15.

59. A 2.58% increase in council tax would yield approximately £1.7m but the Council would not receive the council tax freeze grant.
60. 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 relevant basic amount of council tax is £1,167.76, lower than the Alternative Notional Amount of £1,181.40, meaning that the proposed change in the Council's relevant basic amount of council tax is not excessive at -1.15% as it is below the 2% trigger for the purposes of a referendum. The reason that it is not zero to match the council tax freeze is explained by the omission of levies.
61. Regulations providing the rules of conduct for council tax referendums, the Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012, came into force on 18 February 2012.
62. 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.

#### **Council Tax Requirement 2013/14**

63. The Localism Act 2011 changed some of the details governing the calculation of council tax. The Council must set a Council Tax Requirement.
64. The Council's Budget for 2013/14 totals £225.049m after budget savings (net of schools spending). The use of £1.204m earmarked reserves reduces this to £223.845m.
65. In calculating the Council's council tax requirement as required by the legislation, the Lamesley Parish precept must be added to the figure above.
66. The Parish of Lamesley has issued a precept for 2013/14 of £7,500, the same level as the previous year.
67. In arriving at the Council's council tax requirement, general grant such as Start Up Funding Assessment (Revenue Support Grant, retained Non-domestic Rates and Top Up Grant), other grants in Revenue Spending Power and Public Health must be deducted.
68. Any amount transferred from the collection fund to the general fund must also be deducted. For 2013/14 this figure has been estimated to be £2m.

69. The Council Tax Requirement 2013/14 can now be summarised as follows: -

	£
<b>Net Budget 2013/14 Gateshead Council</b>	225,049,001
<b>Less - Earmarked Reserves</b>	(1,204,000)
	223,845,001
<b>Add - Lamesley Parish Precept</b>	7,500
<b>Budget Requirement 2013/14</b> (including Lamesley Parish Precept)	223,852,501
<b>Less - Start Up Funding Assessment (SUFA)</b>	(128,377,151)
Public Health	(15,400,512)
Other Grants	(10,576,825)
Balance to be raised locally	69,498,013
Transfer from Collection Fund	(2,000,000)
<b>Council Tax Requirement</b> (including Lamesley Parish Precept)	<b>67,498,013</b>

### Council Tax

70. The Council Tax for Gateshead is calculated by dividing the council tax requirement by the Council Tax base of 46,764.6 (agreed at Cabinet on 22 January 2013). This calculation gives a Band D Council Tax of £1,443.3570. However, from this figure, the legislation requires the Parish element to be deducted (£0.1604). 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 91% of households in Gateshead are in Bands A to C.
71. 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

72. 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 22 January 2013). This calculation gives a Band D Council Tax of £5.7047 for Lamesley Parish area (£5.7648 in 2012/13). The reduction for Lamesley is as a result of the same precept as 2013/14 divided by an increased Council Tax base.

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

Valuation Band	Lamesley Parish £
A	3.8031
B	4.4370
C	5.0709
D	5.7047
E	6.9724
F	8.2402
G	9.5079
H	11.4094

74. To these must be added the precepts of the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority. The precept for the Police and Crime Commissioner for Northumbria was agreed by the panel on 6 February 2013, an increase of 3.5% and the precept for the Tyne and Wear Fire and Rescue Authority was agreed on 18 February 2013, frozen at the same level as 2012/13. These are as follows:-

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	57.7399	48.7733
B	67.3632	56.9022
C	76.9865	65.0311
D	86.6098	73.1600
E	105.8564	89.4178
F	125.1030	105.6756
G	144.3497	121.9333
H	173.2196	146.3200

These precepts result in a Band D Council Tax (excluding Lamesley Parish Precept) of £1,602.97 which represents an increase of 0.18% on the overall equivalent figure for 2012/13 as a result of the 3.5% increase in the Police and Crime Commissioner's precept.

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1072.4474	1068.6443
B	1251.1886	1246.7516
C	1429.9299	1424.8590
D	1608.6711	1602.9664
E	1966.1536	1959.1812
F	2323.6361	2315.3959
G	2681.1186	2671.6107
H	3217.3422	3205.9328

### **Prudential and Treasury Indicators**

76. 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.

77. 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.

78. 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.

79. 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.

80. 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)**

81. MRP is the amount that needs to be charged to revenue to reflect the repayment of debt. 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 Council's annual MRP statement for 2013/14 is attached at Appendix 7.

## **Consultation**

82. 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 6 February 2013. The outcome of the meeting was positive and supportive of the Council's aim to stimulate the local economy to generate business growth.
83. There has been extensive consultation on spending proposals for the period 2012/13 as outlined in this report and in Appendix 3.

## **Alternative Options**

84. There are no alternative options.

## **Implications of Recommended Option**

### **85. 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 proposals which affect the Council's workforce.
  - c. **Property Implications** – Comprehensive Impact Assessments have been undertaken where there is an impact on the Council's asset portfolio.
86. **Risk Management Implications** – Appendix 4 to this report is a financial risk assessment of the budget.
87. **Equality and Diversity Implications** – These are set out in Appendix 3.
88. **Crime and Disorder Implications** – Nil.
89. **Health Implications** – These are included in Comprehensive Impact Assessments.
90. **Sustainability Implications** – The proposals in this report will ensure a sustainable financial position for the Council.
91. **Human Rights Implications** – Nil.
92. **Area and Ward Implications** – The proposals in this report cover the whole of Gateshead.

## **Background Information**

93. (i) Report to Cabinet, 20 September 2011 – Fit For Future Principles.
- (ii) Provisional Local Government Finance Settlement – 19 December 2012
- (iii) Report to Cabinet 22 January 2012 – Council's Spending Proposals 2013/14.
- (iv) Report to Cabinet 22 January 2013 – Council Tax Base 2013/14
- (v) Report to Cabinet 22 January 2013 – Revenue Monitoring at 31 December 2012.
- (vi) Report to Council 25 January 2013 – Provisional Local Government Finance Settlement and Refresh of the Medium Term Financial Strategy (MTFS) for 2013/14 to 2014/15.
- (vii) Report to Council 25 January 2013 – Local Council Tax Scheme.
- (viii) Report to Council 25 January 2013 – Technical Reforms of Council Tax.
- (ix) Final Local Government Finance Settlement – 13 February 2013.



Budget 2012/13 £000	Group and Service (Net Budgets)*	Budget Pre Savings 2013/14 £000	Savings 2013/14 £000	Agreed Budget 2013/14 £000
	<b><u>Learning and Children (Net of Schools)</u></b>			
481	Business Support	723	0	723
2,426	Learning and Schools	2,699	(249)	2,450
820	Children and Families Support	7,794	(496)	7,298
3,128	Children's Commissioning	5,667	(373)	5,294
18,194	Social Work - Children and Families	18,848	0	18,848
	<b><u>Community Based Services</u></b>			
50,171	Social Care and Independent Living (inc Housing)	61,391	(29)	61,362
9,871	Libraries, Sport and Culture	10,095	(902)	9,193
7,300	Commissioning and Business Development	8,044	(419)	7,625
2,419	Communities, Neighbourhoods and Volunteering	2,448	(490)	1,958
0	<b><u>Public Health</u></b>	15,401	0	15,401
	<b><u>Development and Enterprise</u></b>			
3,413	Transport Strategy	3,071	(171)	2,900
2,032	Development and Public Protection	2,053	(74)	1,979
3,589	Environment, Economic Development & Regeneration	3,501	(449)	3,052
(1,435)	Property and Design	(1,415)	(35)	(1,450)
	<b><u>Local Environmental Services</u></b>			
18,391	Waste Services & Grounds Maintenance	18,629	(711)	17,918
2	Community Protection	38	(53)	(15)
(1,229)	Transport, Cleaning & Catering	(1,364)	(257)	(1,621)
5,213	Construction Services	5,457	(613)	4,844
2,190	Facilities Management	2,847	(20)	2,827
	<b><u>Central Services</u></b>			
1,859	Chief Executives	2,046	(227)	1,819
4,534	Legal and Corporate Services	4,759	(613)	4,146
6,127	Finance and ICT	7,139	(691)	6,448
14,371	Other Services and Contingencies	15,148	(2,599)	12,549
24,466	Capital Financing Costs and Investment Income	26,620	0	26,620
	<b><u>Levies</u></b>			
150	Environment Agency	144	0	144
12,021	Tyne and Wear ITA	12,737	0	12,737
<b>190,504</b>	<b>Total Net Budget</b>	<b>234,520</b>	<b>(9,471)</b>	<b>225,049</b>
	<b><u>Financed By</u></b>			
(99,552)	Formula Grant/Start Up Funding Assessment (SUFA)	(128,376)		(128,376)
(2,804)	Other Grants	(10,577)		(10,577)
0	Public Health	(15,401)		(15,401)
(85,366)	Council Tax (Excluding Parish Precept)	(67,491)		(67,491)
(22)	Collection Fund	(2,000)		(2,000)
(2,760)	Reserves	(1,204)		(1,204)
<b>(190,504)</b>	<b>Total Funding</b>	<b>(225,049)</b>	<b>0</b>	<b>(225,049)</b>

\*Tables may be subject to roundings

**LEARNING AND CHILDREN - ESTIMATES 2013/14**

**SCHOOLS**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	129,537	(129,537)	0	132,984	(132,984)	0
Less: Academies Recoupment	(28,672)	28,672	0	(30,100)	30,100	0
Total Retained in Council	100,865	(100,865)	0	102,884	(102,884)	0
Less: DSG funding allocated to other service areas	(13,465)	13,465	0	(16,659)	16,659	0
<b>Schools Budget (Maintained)</b>	<b>87,400</b>	<b>(87,400)</b>	<b>0</b>	<b>86,225</b>	<b>(86,225)</b>	<b>0</b>
Pupil Premium	4,857	(4,857)	0	7,055	(7,055)	0
Less: Academies Recoupment	(959)	959	0	(1,534)	1,534	0
<b>Pupil Premium (Maintained)</b>	<b>3,898</b>	<b>(3,898)</b>	<b>0</b>	<b>5,521</b>	<b>(5,521)</b>	<b>0</b>
<b>Section 2 – Savings</b>						<b>0</b>
<b>TOTAL SCHOOLS BUDGET 2013/14</b>						<b>0</b>

The Dedicated Schools Grant (DSG) and Pupil premium are ring-fenced to expenditure relating to schools

**LEARNING AND CHILDREN - ESTIMATES 2013/14**

**BUSINESS SUPPORT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Business Support	6,802	(6,321)	<b>481</b>	8,998	(8,275)	<b>723</b>
<b>Section 2 - Savings</b>						<b>0</b>
<b>TOTAL BUSINESS SUPPORT BUDGET 2013/14</b>						<b><u>723</u></b>

**LEARNING AND CHILDREN - ESTIMATES 2013/14**

**LEARNING AND SCHOOLS**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Learning and Schools	6,767	(4,341)	<b>2,426</b>	7,241	(4,542)	<b>2,699</b>
<b>Section 2 - Savings</b>						
L&C18 Adult Learning - Increased trading target					(50)	(50)
L&C19 Primary & Early Years Team - removal of Teaching & Learning Consultants				(64)		(64)
L&C20 Secondary & Post 16 Team - removal of Teaching & Learning Consultants				(100)		(100)
L&C21 Workforce Development - increase trading income				(35)		(35)
				<b>(199)</b>	<b>(50)</b>	<b>(249)</b>
<b>TOTAL LEARNING AND SCHOOLS BUDGET 2013/14</b>				<b>7,042</b>	<b>(4,592)</b>	<b>2,450</b>

**LEARNING AND CHILDREN - ESTIMATES 2013/14**

**CHILDREN AND FAMILIES SUPPORT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children & Families Support	10,118	(9,298)	<b>820</b>	14,382	(6,588)	<b>7,794</b>
<b>Section 2 - Savings</b>						
L&C5	Closure of the Lyndhurst Centre			(118)	53	(65)
L&C6	Sound Room to become independent				(20)	(20)
L&C7	Way-out in Gateshead (WING)			(66)		(66)
L&C8	Connexions			(118)	9	(109)
L&C9	Reduction in employment costs - Youth and Community			(34)		(34)
L&C11	Graduate Learner Fund			(113)		(113)
L&C12	Reduced support for Teen Parents			(10)		(10)
L&C13	Withdrawal of funding to Support for Teen Parents			(15)		(15)
L&C14	Relate Counselling Service			(6)		(6)
L&C15	End support to WHOOPS			(15)		(15)
L&C16	Reduce support for the Duke of Edinburgh Award			(25)		(25)
L&C17	Reduction in Parenting Programme			(18)		(18)
				<b>(538)</b>	<b>42</b>	<b>(496)</b>
<b>TOTAL CHILDREN AND FAMILIES SUPPORT BUDGET 2013/14</b>				<b>13,844</b>	<b>(6,546)</b>	<b>7,298</b>

## LEARNING AND CHILDREN - ESTIMATES 2013/14

### CHILDREN'S COMMISSIONING

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children's Commissioning	6,514	(3,386)	<b>3,128</b>	15,789	(10,122)	<b>5,667</b>
<b>Section 2 - Savings</b>						
L&C1 Pupil and Parent Services				(158)		(158)
L&C2 Young People's Substance Misuse				(55)		(55)
L&C3 Special Education Needs and Disability Service Restructure				(60)		(60)
L&C4 Family Pathfinder				(75)		(75)
L&C10 Teenage Pregnancy				(25)		(25)
				<b>(373)</b>	<b>0</b>	<b>(373)</b>
<b>TOTAL CHILDREN'S COMMISSIONING BUDGET 2013/14</b>				<b>15,416</b>	<b>(10,122)</b>	<b>5,294</b>

**LEARNING AND CHILDREN - ESTIMATES 2013/14**

**SOCIAL WORK - CHILDREN AND FAMILIES**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Social Work - Children and Families	19,177	(983)	<b>18,194</b>	19,623	(775)	<b>18,848</b>
<b>Section 2 - Savings</b>						<b>0</b>
<b>TOTAL SOCIAL WORK - CHILDREN AND FAMILIES BUDGET 2013/14</b>						<b><u>18,848</u></b>

**COMMUNITY BASED SERVICES - ESTIMATES 2013/14**

**SOCIAL CARE AND INDEPENDENT LIVING (Including Housing)**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Social Care and Independent Living	83,758	(33,883)	<b>49,875</b>	83,850	(22,761)	<b>61,089</b>
Housing General Fund	1,131	(320)	<b>811</b>	1,132	(165)	<b>967</b>
Housing Benefits	77,734	(78,249)	<b>(515)</b>	83,178	(83,843)	<b>(665)</b>
<b>Total</b>	<b>162,623</b>	<b>(112,452)</b>	<b>50,171</b>	168,160	(106,769)	<b>61,391</b>
<b>Section 2 - Savings</b>						
SCIL1 Integration of the Move On Refugee Service into mainstream Homelessness Services				(29)		(29)
				<b>(29)</b>	0	<b>(29)</b>
<b>TOTAL SOCIAL CARE &amp; INDEPENDENT LIVING BUDGET 2013/14</b>				<b>168,131</b>	<b>(106,769)</b>	<b>61,362</b>



**COMMUNITY BASED SERVICES - ESTIMATES 2013/14**

**LIBRARIES, SPORT AND CULTURE**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Libraries, Sport and Culture	16,414	(6,543)	<b>9,871</b>	16,652	(6,557)	<b>10,095</b>
<b>Section 2 - Savings</b>						
LSC1 Reduction in Sport, Physical Activity and Health budget				(69)		(69)
LSC2 Bill Quay Farm				(128)		(128)
LSC4 Reduction in grant to BALTIC Centre for Contemporary Art and The Sage Gateshead				(184)		(184)
LSC5 Reduction in the Events programme				(120)		(120)
LSC6 Reduction in Event support/employment costs				(18)		(18)
LSC7 Reshaping the delivery of the Libraries Network				(285)		(285)
LSC8 Reduction in contribution to Tyne & Wear Archives and Museums & Beamish Museum				(60)		(60)
LSC9 Reduce employment costs within the Arts Development Team				(38)		(38)
				<b>(902)</b>	<b>0</b>	<b>(902)</b>
<b>TOTAL LIBRARIES, SPORT AND CULTURE BUDGET 2013/14</b>				<b>15,750</b>	<b>(6,557)</b>	<b>9,193</b>

**COMMUNITY BASED SERVICES - ESTIMATES 2013/14**

**COMMISSIONING AND BUSINESS DEVELOPMENT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning and Business Development	8,299	(999)	<b>7,300</b>	8,383	(339)	<b>8,044</b>
<b>Section 2 - Savings</b>						
CBD1 Remodel / re-commission social care non-statutory services				(347)		(347)
CBD2 Reduction in budgets associated with Resilience arrangements				(72)		(72)
				<b>(419)</b>	<b>0</b>	<b>(419)</b>
<b>TOTAL COMMISSIONING &amp; BUSINESS DEVELOP BUDGET 2013/14</b>				<b>7,964</b>	<b>(339)</b>	<b>7,625</b>

**COMMUNITY BASED SERVICES - ESTIMATES 2013/14**

**COMMUNITIES, NEIGHBOURHOODS AND VOLUNTEERING**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Communities, Neighbourhoods & Volunteering	2,486	(67)	<b>2,419</b>	2,520	(72)	<b>2,448</b>
<b>Section 2 - Savings</b>						
CNV1 Community Centre Review				(313)	13	(300)
CNV2 Efficiencies and Earned Income					(50)	(50)
CNV3 Reduction in non-core service				(110)		(110)
CNV4 Commissioning voluntary sector & community engagement infrastructure organisations				(30)		(30)
				<b>(453)</b>	<b>(37)</b>	<b>(490)</b>
<b>TOTAL COMMUNITIES, NEIGHBOURHOODS &amp; VOLUNTEERING BUDGET 2013/14</b>				<b>2,067</b>	<b>(109)</b>	<b>1,958</b>

**COMMUNITY BASED SERVICES - ESTIMATES 2013/14**

**PUBLIC HEALTH**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health	0	0	<b>0</b>	15,401	0	<b>15,401</b>
<b>Section 2 - Savings</b>						<b>0</b>
<b>TOTAL PUBLIC HEALTH BUDGET 2013/14</b>						<b><u>15,401</u></b>

The Public Health Grant is ring-fenced to the Council's new public health responsibilities from 1 April 2013. Funding is shown below the line

**DEVELOPMENT AND ENTERPRISE - ESTIMATES 2013/14**

**TRANSPORT STRATEGY**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Transport Strategy	6,746	(3,333)	<b>3,413</b>	6,630	(3,559)	<b>3,071</b>
<b>Section 2 - Savings</b>						
DE1 School Crossing Patrol Service				(26)		(26)
DE2 Increased car park income and Blue Badge efficiencies				(40)	(53)	(93)
DE9 Reduced Employment Costs and delivery models				(69)	17	(52)
				<b>(135)</b>	<b>(36)</b>	<b>(171)</b>
<b>TOTAL TRANSPORT STRATEGY BUDGET 2013/14</b>				<b>6,495</b>	<b>(3,595)</b>	<b>2,900</b>

**DEVELOPMENT AND ENTERPRISE - ESTIMATES 2013/14**

**DEVELOPMENT AND PUBLIC PROTECTION**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Development and Public Protection	3,817	(1,785)	<b>2,032</b>	3,838	(1,785)	<b>2,053</b>
<b>Section 2 - Savings</b>						
DE3	Reduce employment costs			(35)		(35)
DE9	Reduced Employment Costs and delivery models			(39)		(39)
				<b>(74)</b>	<b>0</b>	<b>(74)</b>
<b>TOTAL DEVELOPMENT &amp; PUBLIC PROTECTION BUDGET 2013/14</b>				<b>3,764</b>	<b>(1,785)</b>	<b>1,979</b>

**DEVELOPMENT AND ENTERPRISE - ESTIMATES 2013/14**

**ENVIRONMENT, ECONOMIC DEVELOPMENT AND REGENERATION**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Environment, Economic Development & Regeneration	4,300	(711)	<b>3,589</b>	4,319	(818)	<b>3,501</b>
<b>Section 2 - Savings</b>						
DE3 Reduce employment costs				(125)		(125)
DE4/8 Cease grants to unemployed / Reduce Employment Support				(42)		(42)
DE5 Cease the Annual Contribution to the Durham Biodiversity Partnership and reduced support to Warmzone				(45)		(45)
DE6 Reduced capacity to deliver climate change and energy efficiency projects				(17)	(18)	(35)
DE7 Reduced support for Area Regeneration and Historic Environment				(101)		(101)
DE9 Reduced Employment Costs and delivery models				(51)		(51)
DE10 Review Development and Enterprise Group structure				(50)		(50)
				<b>(431)</b>	<b>(18)</b>	<b>(449)</b>
<b>TOTAL ENVIRONMENT, EC DEV &amp; REGEN BUDGET 2013/14</b>				<b>3,888</b>	<b>(836)</b>	<b>3,052</b>

**DEVELOPMENT AND ENTERPRISE - ESTIMATES 2013/14**

**PROPERTY AND DESIGN SERVICES**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Property and Design Services	2,055	(3,490)	<b>(1,435)</b>	2,164	(3,579)	<b>(1,415)</b>
<b>Section 2 - Savings</b>						
DE9 Reduced Employment Costs and delivery models				(169)	134	(35)
				<b>(169)</b>	<b>134</b>	<b>(35)</b>
<b>TOTAL PROPERTY AND DESIGN SERVICES BUDGET 2013/14</b>				<b>1,995</b>	<b>(3,445)</b>	<b>(1,450)</b>



**LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2013/14**

**WASTE SERVICES AND GROUNDS MAINTENANCE**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Waste Services & Grounds Maintenance	23,376	(4,985)	<b>18,391</b>	24,309	(5,680)	<b>18,629</b>
<b>Section 2 - Savings</b>						
LES1 Closure of Birtley Crematorium				(76)		(76)
LES2 Stop the provision of Saltwell Park patrol				(40)		(40)
LES3 Reduction in Management & Administration Employment Costs				(125)		(125)
LES4 Self management and/or the closure of bowling green facilities and playing fields				(80)		(80)
LES5 Reduction in Neighbourhood Services				(270)		(270)
LES6 Reduced maintenance in Council parks				(120)		(120)
				<b>(711)</b>	<b>0</b>	<b>(711)</b>
<b>TOTAL WASTE SERVICES &amp; GROUNDS MAINT BUDGET 2013/14</b>				<b>23,598</b>	<b>(5,680)</b>	<b>17,918</b>

**LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2013/14**

**COMMUNITY PROTECTION**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Community Protection	396	(394)	<b>2</b>	432	(394)	<b>38</b>
<b>Section 2 - Savings</b>						
LES14 Reduce Street Action and Enforcement Team				(40)		(40)
LES15 Increased surplus from cost reductions across security					(13)	(13)
				<b>(40)</b>	<b>(13)</b>	<b>(53)</b>
<b>TOTAL COMMUNITY PROTECTION BUDGET 2013/14</b>				<b>392</b>	<b>(407)</b>	<b>(15)</b>

**LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2013/14**

**TRANSPORT, CLEANING & CATERING**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Fleet	1,228	(1,793)	<b>(565)</b>	604	(1,497)	<b>(893)</b>
Building Cleaning	2,452	(2,769)	<b>(317)</b>	2,561	(2,877)	<b>(316)</b>
School Meals	4,836	(5,242)	<b>(406)</b>	5,002	(5,235)	<b>(233)</b>
Catering	887	(828)	<b>59</b>	874	(796)	<b>78</b>
<b>Total</b>	<b>9,403</b>	<b>(10,632)</b>	<b>(1,229)</b>	<b>9,041</b>	<b>(10,405)</b>	<b>(1,364)</b>
<b>Section 2 - Savings</b>						
LES16 Improve turnover and profitability of Civic Catering					(59)	(59)
LES17 Reduction in cleaning costs from the closure of Council buildings				(100)		(100)
LES18 Increased turnover and cost reductions from external markets across school meals					(41)	(41)
LES19 Increased surplus from cost reductions across Transport					(57)	(57)
				<b>(100)</b>	<b>(157)</b>	<b>(257)</b>
<b>TOTAL TRANSPORT, CLEANING &amp; CATERING BUDGET 2013/14</b>				<b>8,941</b>	<b>(10,562)</b>	<b>(1,621)</b>

**LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2013/14**

**CONSTRUCTION SERVICES (General Fund)**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Construction - General Fund	5,213	0	<b>5,213</b>	5,457	0	<b>5,457</b>
<b>Section 2 - Savings</b>						
LES7 Reduction in inspection activity and maintenance repairs to highways.				(333)		(333)
LES8 Reduction in street lighting maintenance				(34)		(34)
LES9 Cease Christmas Lights				(46)		(46)
LES10 Reduction in cyclical maintenance associated with the closure of council buildings				(50)		(50)
LES11 Reduction in Street Lighting Energy costs				(100)		(100)
LES12 Reduction in Street Lighting Energy costs				(50)		(50)
				<b>(613)</b>	<b>0</b>	<b>(613)</b>
<b>TOTAL CONSTRUCTION SERVICES (General Fund) BUDGET 2013/14</b>				<b>4,844</b>	<b>0</b>	<b>4,844</b>

**LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2013/14**

**FACILITIES MANAGEMENT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Facilities Management	3,538	(1,348)	<b>2,190</b>	3,755	(908)	<b>2,847</b>
<b>Section 2 - Savings</b>						
LES13 Reduction in operating costs associated with the transfer of the Old Town Hall to The Sage Gateshead				(20)		(20)
				<b>(20)</b>	<b>0</b>	<b>(20)</b>
<b>TOTAL FACILITIES MANAGEMENT BUDGET 2013/14</b>				<b>3,735</b>	<b>(908)</b>	<b>2,827</b>

**CENTRAL SERVICES - ESTIMATES 2013/14**

**CHIEF EXECUTIVES AND COMMUNICATIONS**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Chief Executive and Communications	2,375	(516)	<b>1,859</b>	2,430	(384)	<b>2,046</b>
<b>Section 2 - Savings</b>						
CEX1 Rationalisation of Policy, Improvement and Communications				(227)		(227)
				<b>(227)</b>	<b>0</b>	<b>(227)</b>
<b>TOTAL CHIEF EXEC &amp; COMMUNICATIONS BUDGET 2013/14</b>				<b>2,203</b>	<b>(384)</b>	<b>1,819</b>

**CENTRAL SERVICES - ESTIMATES 2013/14**

**LEGAL, HR AND CORPORATE PROCUREMENT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal, HR and Corporate Procurement	6,067	(1,533)	<b>4,534</b>	6,210	(1,451)	<b>4,759</b>
<b>Section 2 - Savings</b>						
HR1	Reduction in Employment costs - Strategic Human Resources			(71)		(71)
HR2	Reduction in Employment costs - Human Resources support			(61)		(61)
HR3	Reduction in Employment costs - Occupational Health			(27)		(27)
HR4	Reduction in Supplies and Services - HR budgets			(28)		(28)
HR5	Reduction in Organisational Development budgets			(238)		(238)
DLDS1	Reduction in Employment Costs - Develop Law, Ctrl Admin and Corp Asset Strategy			(113)		(113)
DLDS2	Reduction in Employment Costs - Corporate Procurement			(9)		(9)
DLDS3	Reduction in Employment Costs - Democratic Servs, Mayoral & Member Develop			(8)		(8)
DLDS4	Reduction in Supplies & Services - Internal Printing			(5)		(5)
DLDS5	Reduction in Supplies & Services - Member Development			(15)		(15)
DLDS6	Reduction in Supplies & Services - Hospitality & Refreshments			(6)		(6)
L1	Reduction in Employment Costs - Litigation (split with Other Services)			(3)		(3)
DGD1	Reduction in Supplies and Services - Identity Cards			(4)		(4)
DGD2	Reduction in Employment Costs - Directorate & Group Develop			(25)		(25)
				<b>(613)</b>	<b>0</b>	<b>(613)</b>
<b>TOTAL LEGAL, HR &amp; CORP PROCUREMENT BUDGET 2013/14</b>				<b>5,597</b>	<b>(1,451)</b>	<b>4,146</b>

**CENTRAL SERVICES - ESTIMATES 2013/14**

**FINANCE AND ICT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Finance and ICT	11,444	(5,317)	<b>6,127</b>	13,161	(6,022)	<b>7,139</b>
<b>Section 2 - Savings</b>						
FICT1	Reduction in capacity on the ICT help desk			(35)		(35)
FICT2	Reduction in Supplies and Services budgets			(172)		(172)
FICT3	Recharging of employee time to activities outside of the General Fund & Income generation activities within the service				(197)	(197)
FICT4	Efficiencies as a result of implementation of key financial systems			(50)		(50)
FICT5	Organisation Review of Financial Services			(101)		(101)
FICT6	Reduction of non core activities			(25)		(25)
FICT7	Reduction of operational capacity within Internal Audit			(14)		(14)
FICT8	Reduction in professional / supervisory capacity			(97)		(97)
				<b>(494)</b>	<b>(197)</b>	<b>(691)</b>
<b>TOTAL FINANCE AND ICT BUDGET 2013/14</b>				<b>12,667</b>	<b>(6,219)</b>	<b>6,448</b>



**CENTRAL SERVICES - ESTIMATES 2013/14**

**OTHER SERVICES, CONTINGENCIES AND BUILDING BLOCKS**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2012/13</b>			<b>2013/14</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Other Services	7,136	(924)	<b>6,212</b>	8,050	(902)	<b>7,148</b>
Contingencies	8,159	-	<b>8,159</b>	8,000	-	<b>8,000</b>
<b>Total</b>	<b>15,295</b>	<b>(924)</b>	<b>14,371</b>	<b>16,050</b>	<b>(902)</b>	<b>15,148</b>
<b>Section 2 - Savings</b>						
L1 Reduction in Employment Costs - Litigation (split with Legal, HR & Corporate Procurement)				(38)		(38)
L2 Reduction in Supplies and Services - Registrars				(4)		(4)
L3 Reduction in Supplies and Services - Annual Canvas costs				(3)		(3)
DGD3 Reduction in Supplies and Services - Town Twinning				(14)		(14)
DGD4 Reduction in Supplies and Services - Flexible Working System				(2)		(2)
C1 Contribution to NGI				(70)		(70)
C2 External Audit Fees				(50)		(50)
C3 Corporate Subscriptions				(25)		(25)
				<b>(206)</b>	<b>0</b>	<b>(206)</b>
<b>Building Blocks</b>						
Supplies & Services				(443)		(443)
Fees & Charges					(750)	(750)
Employee Costs & Travel				(500)		(500)
Asset Management				(450)		(450)
Review of Council Services				(250)		(250)
				<b>(1,643)</b>	<b>(750)</b>	<b>(2,393)</b>
<b>TOTAL OTHER SERVICES, CONTINGENCIES &amp; BUILDING BLOCKS BUDGET 2013/14</b>				<b>14,201</b>	<b>(1,652)</b>	<b>12,549</b>

## APPENDIX 2a

<b>Group Summary</b>	<b>Budget Saving 2013/14 £'000</b>
Learning and Children	(1,118)
Community Based Services	(1,840)
Development and Enterprise	(729)
Local Environmental Services	(1,654)
Central Services	(1,531)
Central Services - Other	(206)
Building Blocks	(2,393)
<b>Total</b>	<b>(9,471)</b>

<b>Building Blocks</b>	<b>Budget Saving 2013/14 £'000</b>
Supplies & Services	(443)
Fees & Charges	(750)
Employee Costs & Travel	(500)
Asset Management	(450)
Review of Council Services	(250)
<b>Total</b>	<b>(2,393)</b>

## Learning and Children - Service Summary

Reference Number	Spending Proposal	Budget Saving 2013/14 £'000
<b>Learning and Schools</b>		
L&C18	Adult Learning - Increased trading target	(50)
L&C19	Primary & Early Years Team - removal of Teaching & Learning Consultants	(64)
L&C20	Secondary & Post 16 Team - removal of Teaching & Learning Consultants	(100)
L&C21	Workforce Development - increase trading income	(35)
		<b>(249)</b>
<b>Children &amp; Families Support</b>		
L&C5	Closure of the Lyndhurst Centre	(65)
L&C6	Sound Room to become independent	(20)
L&C7	Way-out in Gateshead (WING)	(66)
L&C8	Connexions	(109)
L&C9	Reduction in employment costs - Youth and Community	(34)
L&C11	Graduate Learner Fund	(113)
L&C12	Reduced support for Teen Parents	(10)
L&C13	Withdrawal of funding to Support for Teen Parents	(15)
L&C14	Relate Counselling Service	(6)
L&C15	End support to WHOOPS	(15)
L&C16	Reduce support for the Duke of Edinburgh Award	(25)
L&C17	Reduction in Parenting Programme	(18)
		<b>(496)</b>
<b>Children's Commissioning</b>		
L&C1	Pupil and Parent Services	(158)
L&C2	Young People's Substance Misuse	(55)
L&C3	Special Education Needs and Disability Service Restructure	(60)
L&C4	Family Pathfinder	(75)
L&C10	Teenage Pregnancy	(25)
		<b>(373)</b>
<b>Total Learning and Children</b>		<b>(1,118)</b>

## Community Based Services - Service Summary

Reference Number	Spending Proposal	Budget Saving 2013/14 £'000
<b>Housing General Fund</b>		
SCIL1	Integration of the Move On Refugee Service into mainstream Homelessness Services	(29)
		<b>(29)</b>
<b>Libraries, Sport and Culture</b>		
LSC1	Reduction in Sport, Physical Activity and Health budget	(69)
LSC2	Bill Quay Farm	(128)
LSC4	Reduction in grant to BALTIC Centre for Contemporary Art and The Sage Gateshead	(184)
LSC5	Reduction in the Events programme	(120)
LSC6	Reduction in Event support/employment costs	(18)
LSC7	Reshaping the delivery of the Libraries Network	(285)
LSC8	Reduction in contribution to Tyne & Wear Archives and Museums & Beamish Museum	(60)
LSC9	Reduce employment costs within the Arts Development Team	(38)
		<b>(902)</b>
<b>Commissioning and Business Development</b>		
CBD1	Remodel / re-commission social care non-statutory services	(347)
CBD2	Reduction in budgets associated with Resilience arrangements	(72)
		<b>(419)</b>
<b>Communities, Neighbourhoods &amp; Volunteering</b>		
CNV1	Community Centre Review	(300)
CNV2	Efficiencies and Earned Income	(50)
CNV3	Reduction in non-core service	(110)
CNV4	Commissioning voluntary sector & community engagement infrastructure organisations	(30)
		<b>(490)</b>
<b>Total Community Based Services</b>		<b>(1,840)</b>

## Development and Enterprise - Service Summary

Reference Number	Spending Proposal	Budget Saving 2013/14 £'000
<b>Transport Strategy</b>		
DE1	School Crossing Patrol Service	(26)
DE2	Increased car park income and Blue Badge efficiencies	(93)
DE9	Reduced Employment Costs and delivery models	(52)
		<b>(171)</b>
<b>Development and Public Protection</b>		
DE3	Reduce employment costs	(35)
DE9	Reduced Employment Costs and delivery models	(39)
		<b>(74)</b>
<b>Environment, Economic Development &amp; Regeneration</b>		
DE3	Reduce employment costs	(125)
DE4/8	Cease grants to unemployed / Reduce Employment Support	(42)
DE5	Cease the Annual Contribution to the Durham Biodiversity Partnership and reduced support to Warmzone	(45)
DE6	Reduced capacity to deliver climate change and energy efficiency projects	(35)
DE7	Reduced support for Area Regeneration and Historic Environment	(101)
DE9	Reduced Employment Costs and delivery models	(51)
DE10	Review Development and Enterprise Group structure	(50)
		<b>(449)</b>
<b>Property and Design Services</b>		
DE9	Reduced Employment Costs and delivery models	(35)
		<b>(35)</b>
<b>Total Development and Enterprise</b>		<b>(729)</b>

## Local Environmental Services - Service Summary

Reference Number	Spending Proposal	Budget Saving 2013/14 £'000
<b>Waste Services &amp; Grounds Maintenance</b>		
LES1	Closure of Birtley Crematorium	(76)
LES2	Stop the provision of Saltwell Park patrol	(40)
LES3	Reduction in Management & Administration Employment Costs	(125)
LES4	Self management and/or the closure of bowling green facilities and playing fields	(80)
LES5	Reduction in Neighbourhood Services	(270)
LES6	Reduced maintenance in Council parks	(120)
		<b>(711)</b>
<b>Community Protection</b>		
LES14	Reduce Street Action and Enforcement Team	(40)
LES15	Increased surplus from cost reductions across security	(13)
		<b>(53)</b>
<b>Transport Cleaning and Catering</b>		
LES16	Improve turnover and profitability of Civic Catering	(59)
LES17	Reduction in cleaning costs from the closure of Council buildings	(100)
LES18	Increased turnover and cost reductions from external markets across school meals	(41)
LES19	Increased surplus from cost reductions across Transport	(57)
		<b>(257)</b>
<b>Construction - General Fund</b>		
LES7	Reduction in inspection activity and maintenance repairs to highways.	(333)
LES8	Reduction in street lighting maintenance	(34)
LES9	Cease Christmas Lights	(46)
LES10	Reduction in cyclical maintenance associated with the closure of council buildings	(50)
LES11	Reduction in Street Lighting Energy costs	(100)
LES12	Reduction in Street Lighting Energy costs	(50)
		<b>(613)</b>
<b>Facilities Management</b>		
LES13	Reduction in operating costs associated with the transfer of the Old Town Hall to The Sage Gateshead	(20)
		<b>(20)</b>
<b>Total Local Environmental Services</b>		<b>(1,654)</b>

## Central Services - Service Summary

Reference Number	Spending Proposal	Budget Saving 2013/14 £'000
<b>Chief Executive and Communications</b>		
CEX1	Rationalisation of Policy, Improvement and Communications	(227)
		<b>(227)</b>
<b>Legal, HR and Corporate Procurement</b>		
HR1	Reduction in Employment costs - Strategic Human Resources	(71)
HR2	Reduction in Employment costs - Human Resources support	(61)
HR3	Reduction in Employment costs - Occupational Health	(27)
HR4	Reduction in Supplies and Services - HR budgets	(28)
HR5	Reduction in Organisational Development budgets	(238)
DLDS1	Reduction in Employment Costs - Develop Law, Ctrl Admin and Corp Asset Strategy	(113)
DLDS2	Reduction in Employment Costs - Corporate Procurement	(9)
DLDS3	Reduction in Employment Costs - Democratic Servs, Mayoral & Member Develop	(8)
DLDS4	Reduction in Supplies & Services - Internal Printing	(5)
DLDS5	Reduction in Supplies & Services - Member Development	(15)
DLDS6	Reduction in Supplies & Services - Hospitality & Refreshments	(6)
L1	Reduction in Employment Costs - Litigation (split with Other Services)	(3)
DGD1	Reduction in Supplies and Services - Identity Cards	(4)
DGD2	Reduction in Employment Costs - Directorate & Group Develop	(25)
		<b>(613)</b>
<b>Finance and ICT</b>		
FICT1	Reduction in capacity on the ICT help desk	(35)
FICT2	Reduction in Supplies and Services budgets	(172)
FICT3	Recharging of employee time to activities outside of the General Fund & Income generation activities within the service	(197)
FICT4	Efficiencies as a result of implementation of key financial systems	(50)
FICT5	Organisation Review of Financial Services	(101)
FICT6	Reduction of non core activities	(25)
FICT7	Reduction of operational capacity within Internal Audit	(14)
FICT8	Reduction in professional / supervisory capacity	(97)
		<b>(691)</b>
<b>Total Central Services</b>		<b>(1,531)</b>

### Central Services – Other

Reference Number	Spending Proposal	Budget Saving 2013/14 £'000
<b>Other Services</b>		
L1	Reduction in Employment Costs - Litigation (split with Legal, HR & Corporate Procurement)	(38)
L2	Reduction in Supplies and Services - Registrars	(4)
L3	Reduction in Supplies and Services - Annual Canvas costs	(3)
DGD3	Reduction in Supplies and Services - Town Twinning	(14)
DGD4	Reduction in Supplies and Services - Flexible Working System	(2)
C1	Contribution to NGI	(70)
C2	External Audit Fees	(50)
C3	Corporate Subscriptions	(25)
		<b>(206)</b>
<b>Total Other Services</b>		<b>(206)</b>



### Spending Proposals 2013/14 - Outcome of Consultation

1. Between 24 October 2011 and 13 January 2012, the Council undertook a significant consultation survey “Your Council budget Help us decide”, seeking views on spending proposals that covered a two year period 2012-2014. During this time, extensive consultation and engagement sessions were also undertaken with partners, businesses, trade unions and employees.
2. Over 4,500 responses were received to the survey which were taken into account in refining the Council's spending proposals for 2012/13 and agreed by Cabinet on 28 February 2012.
3. In addition to the 2012-2014 budget survey, the Council has carried out further public consultation from 22 January 2013 to 15 February 2013 to help inform the spending proposals for 2013/14. This consultation was highlighted in the latest edition of Council News and available via the Council's website and in different formats on request.
4. The Council has also carried out specific consultations in relation to the Reshaping the delivery of the Libraries Network and Community Centres spending proposals.
5. Comprehensive Impact Assessments (CIA) have been completed for the spending proposals which are available on the Council's website at [www.gateshead.gov.uk](http://www.gateshead.gov.uk) [Budget consultation CIA](#).
6. As a number of the spending proposals were developed as part of the 2012/13 budget, the relevant CIA has been reviewed and updated where appropriate. Due to the lateness in receiving the Local Government Finance Settlement, there were a number of new spending proposals put forward for consideration as part of the 2013/14 budget. As a result, the time allowed to develop a robust CIA has not been as comprehensive as the Council would have liked.

### Key Issues from Comprehensive Impact Assessments (CIAs)

7. The Corporate Vitality Overview and Scrutiny Committee has, since 17 October 2011, considered the impact of spending proposals that were viewed as having significant or cumulative risk in relation to equalities.
8. For the 2012-14 Council budget, a more extensive approach of a Comprehensive Impact Assessment was developed to complement the previous Equality Impact Assessments. This was to ensure that as well as the protective characteristics under the Equality Duty, consideration was also taken of health, economy, environment, community safety and the workforce.
9. The potential significant impact from the spending proposal CIAs for 2013/14 is identified in Table 1.

10. The Director of Public Health has reviewed the health impact assessments of the spending proposals and provided the following commentary:-
- In general, the CIAs that have been completed show that the authors appreciate the way in which their activity impacts upon health and wellbeing in the widest sense. This demonstrates an ongoing improvement in the CIA process itself when compared with previous such exercises. The impacts on health are anticipated to be almost uniformly negative or neutral, with only one proposal identifying a possibly positive impact arising.
- 10.1 In addition, the Director of Public Health also provided comments relating to the CIA process. These will be taken into consideration as part of the continued monitoring of the impact of spending proposals, through the Corporate Vitality Overview and Scrutiny Committee

## **11. Voluntary and Community Sector assessment**

- 11.1 The Comprehensive Impact Assessment (CIA) on the Council's 2012/13 Budget Proposals and their impact on the voluntary and community sector identified the potential effects of budget decisions along with the mitigation that the Council was taking to minimise the impact on residents and organisations. The CIA identified a number of proposals which could have a varying impact on certain organisations across Gateshead.
- 11.2 The CIA identified those organisations with a potential significant, medium and low risk, outlining concerns that management committees may struggle with the sustainability of the organisations. This was mitigated successfully in 2012/13 through targeted financial support from the Capacity Building Fund to affected organisations. Vulnerable organisations have been supported via an organisation health check carried out by the capacity building team to identify needs and awarded funding to develop the organisation's capability and sustainability.
- 11.3 It is proposed to review and update the 2012/13 voluntary and community sector CIA against the revised budget proposals. The 2013/14 voluntary and community sector CIA will be available from the 28 March 2013, and will be overseen by the Council's Budget Consultation and Coordination Group.

## **12. Geographic assessment**

- 12.1 The Comprehensive Impact Assessment (CIA) on the Council's 2012/13 Spending Proposals and their geographical impact initially identified the potential effects of budget decisions at a ward level along with the mitigation that the Council was taking to minimise the impact on residents. The CIA identified a number of proposals which could have a varying impact on local areas.
- 12.2 The CIA identified community centres budget proposals as an area of potential high impact, outlining concerns that management committees may struggle with extra responsibilities. This was mitigated

successfully in 2012/13 through targeted financial support from the Capacity Building Fund to affected organisations. Thirteen community associations are being supported through asset transfer whilst accessing the capacity building fund to develop their organisation's capability in taking on further responsibility.

12.3 At the Corporate Vitality Overview and Scrutiny Committee on 21 January 2013, a report on the Equalities Review recommended that "The analysis in the Geographical CIA is taken to a more local level, where appropriate, in order to better identify specific localities which may be particularly affected by the cumulative effect of budget reductions." In response to this recommendation, the Communities Neighbourhoods and Volunteering Service will work with other services across the council to analyse the proposals for each of the five neighbourhood management areas and the communities within. These working documents will improve the Council's understanding of the collective impact of budget decisions in local communities, underpinned by data now received from the 2011 census and analysed spatially using GIS mapping.

12.4 The 2013/14 geographical CIA will be available from the 28 March 2013, and will be overseen by the Council's Budget Consultation and Coordination group.

### **Consultation with Stakeholders**

13. 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 6 February 2013. The Chamber of Commerce were supportive of the Council's approach to setting the Budget for 2013/14.

14. In addition, the following took part in the consultation process:

- Residents
- Councillors
- Schools
- Gateshead Strategic Partnership
- Voluntary and Community Sector
- Diversity Forum
- Economy, Environment Culture Board
- Shadow Health and Wellbeing Board
- Gateshead Childrens' Trust
- Local Children's Safeguarding Board
- Community Safety Board
- Youth Assembly
- Older People's Partnership
- Carers Partnership
- Gateshead Access Panel
- Trade Unions
- Employee Forums – Lesbian, Gay, Bisexual (LGB), Black and Minority Ethnic (BME) and Deaf & Disabled
- Your Voice Counts

- Environment Agency
- English Heritage
- Learning Disability Partnership Board
- Youth Crime Management Board
- Countryside Volunteers

## **Outcome of consultation and engagement with key stakeholders**

### **15. Residents**

15.1 As previously indicated, the Council carried out a significant consultation exercise from 24 October 2011 to 13 January 2012, which sought views on spending proposals for 2012-2014. The feedback to this consultation was reported to Cabinet on 7 February 2012 and can be found at [Budget Survey and Consultation 2012-2014](#).

15.2 In addition, residents have also had the opportunity to provide feedback on the 2013-2014 spending proposals during the consultation period 22 January – 15 February 2013. A summary of key concerns and issues raised is as follows:

- E-petition and several respondents disagreeing with the spending proposal to cease countryside warden support.
- A number of respondents disagreed with the reduction to teenage pregnancy and parenting programme support, however a similar number agreed with the proposals.
- Several respondents felt the Council should maintain current levels of neighbourhood services and suggested ways to save money.
- More residents were supportive of the cessation of the Christmas Lights.
- A few residents did not agree with the spending proposal to close bowling greens.
- Concern at the removal of support for Blue Plaques.
- Several residents agreed with the reduction in support to the unemployed.
- A number of residents suggested that rather than closing Bill Quay Farm, it be transferred to another provider.
- There was support for business support and regeneration projects to be maintained at present levels.
- A few residents felt that school crossing patrols were only needed at busy main roads for primary schools.
- Several residents were concerned at the reduction in support to the arts.

### **16. Councillors**

16.1 Councillors raised queries and comments in relation to the spending proposals at a variety of meetings, including Corporate Vitality Fit for Future Advisory Groups and councillor budget briefing sessions.

16.2 The impact of the outcome of the Local Government Financial Settlement for Gateshead was acknowledged in the context of the required savings that will need to be made over the next two years, and the likely demands this will place upon services.

- 16.3 Councillors are aware of the efforts being made to explore alternative provision, including whether other organisations could provide a service.
- 16.4 Councillors reiterated their desire to minimise the impact of compulsory redundancies for employees, seeking assurances that dialogue with trade unions and employees would be ongoing.
- 16.5 Councillors made comments on specific proposals, including the following:

#### Community Based Services

- Seeking clarity with regard to the proposed reduction in the events programme that may result in cessation of the flower show
- A request for more detail in relation to the reduction in grant to Baltic Centre for Contemporary Art and The Sage Gateshead
- Requesting more information in relation to the creation of a leisure trust
- An assurance that standards of care would not reduce as a result of recommissioning social care non-statutory services
- Clarity over the reduction in service support to the community and voluntary sector
- Potential positive transfer of Bill Quay Farm to another provider
- An assurance that the reduction in the budgets associated with resilience arrangements would not impact on the Council's ability to respond to incidents such as the recent flooding episodes
- Concern over the proposal to cease countryside warden support
- Seeking clarity regarding impact on service delivery should there be a reduction in the council's contribution to Tyne & Wear Archives and Museums Service
- A recognition of the benefits of arts events in Gateshead.

#### Development and Enterprise

- Concerns were raised in relation to the proposed reduction in School Crossing Patrols
- It was noted that the ability to implement climate change initiatives could be reduced
- Concern at the proposals to reduce the level of funding and support provided by the Council to the unemployed
- A recognition that through a variety of means, the Development and Enterprise group generate a considerable income to the Council that would be compromised should the Group's spending proposals be implemented
- It was noted that the pace of regeneration within town centres could be affected.

#### Learning and Children

- Concern that reduction in service provision could have an effect on the number of children being taken into care
- Clarity on accessibility of adult learning courses following closure of Lyndhurst Centre

- Concern that a number of the Learning and Children's proposals may impact on the same client group
- A general request regarding the Council's statutory duty in relation to children and young people.

#### Local Environmental Services

- Support for services to work more with volunteers
- Further information requested in relation to the closure of Birtley Crematorium
- Concerns expressed regarding potential further reduction in grass cutting and other neighbourhood services
- Concerns regarding the proposed reduction in the Street Action and Enforcement Team
- Further information requested in relation to the self management and/or closure of bowling green facilities and playing fields and whether other options could be explored, for instance, increase in fees and charges
- Clarity sought on the proposed locations for reduced maintenance in parks and that more permanent shrubs and perennial plants should be used
- Concerns expressed regarding the proposal to reduce patching, repairs and inspections to highways.

#### Central Services

- No significant issues were raised in relation to the spending proposals identified across the Central Services group.

#### Corporate

- Clarity sought regarding the Fees and Charges proposals
- Further information requested in relation to council funding to NewcastleGateshead Initiative (NGI).

### 17. **Schools**

- 17.1 Primary Head Teachers are reassured that the Council will be protecting inspection and English, Mathematics and Early Years expertise.
- 17.2 Specific representation has been made by a number of schools and parents in relation to the School Crossing Patrol Service spending proposal.

### 18. **Gateshead Strategic Partnership (GSP)**

- 18.1 Due to the adverse weather conditions, the meeting that was due to discuss the spending proposals (22 January 2013), was cancelled. The GSP members were therefore emailed a copy of the consultation document.

### 19. **Voluntary and Community Sector**

- 19.1 Gateshead Voluntary Organisations Council (GVOC) place great value on the dialogue that has developed between the Council and the

Voluntary and Community Sector (VCS) in relation to its budget setting process. The need for this open and honest dialogue to continue was stressed. GVOC are keen to work with the Council to avoid any disproportionate impact on the VCS during the 2013-14 budget round.

19.2 It was noted that the Council has responded to supporting communities and volunteering through the creation of its Communities, Neighbourhoods and Volunteering Service in 2012.

19.3 At a meeting with representatives from the VCS, the following were highlighted as key issues:

- That the Council must continue to have a strong dialogue with its directly funded organisations
- Ensuring that discussions take place at an early stage, in relation to the decommissioning of contracts, and the impact from this on the delivery of service provision
- It was commented upon that the last two rounds of budget cuts, whilst having a detrimental affect on the VCS itself, may not necessarily have had a significant impact upon service users themselves. Unless handled correctly, 2013-14 could be the year that this impact was felt
- It was highlighted that the true cost of a service provider cannot always be calculated, with some organisations often delivering services over and above the agreed minimal level of care/provision
- A greater lead in time around the issuing of tenders would be welcome by the VCS. Concerns were raised that some smaller organisations do not always have the capacity to prepare bids alongside delivery care. A longer lead in time would assist them in the preparation of bids. It was noted that there is support from both within the sector, and the council, to help build capacity in this area.

## 20. **Diversity Forum**

20.1 Whilst recognising the significant budgetary savings the Council has to make, the Diversity Forum made the following key comments:

- the proposed reduction in the support to the community and voluntary sector. It was recognised that the Gateshead Fund, including the capacity building fund, had proved invaluable for the BME community groups and they felt it was essential that this support continued.
- with the reduction in support to business, the Council needs to be seen as 'a business friendly council' – it is perceived that there is 'too much' red tape and the process is too bureaucratic for people who wish set up their own businesses.
- what is the entrepreneurial capacity of the Council to generate income in a period of austerity? Other than the town centre developments, what other opportunities are there for the Council to generate income?
- a risk that reducing funding for services now, could have more impact in 2 or 3 years time eg costs to the Council could increase due to potential higher numbers of teenage pregnancies.

**21. Economy, Environment Culture Board**

- 21.1 The Board commented on the financial position the Council and its partners are in, and that reductions in funding will have a negative impact on people and communities who use and need the type of services provided.
- 21.2 There was recognition that it would be hard to support growth in the local economy on the basis of a reduced Council budget. There was also appreciation for how the Council had conducted itself during this difficult period.

**22. Shadow Health and Wellbeing Board**

- 22.1 The Board noted the Council's spending proposals for 2013/14 which were discussed at their meeting on 8 February 2013.

**23. Gateshead Childrens' Trust**

- 23.1 Feedback from the Children's Trust was largely based on an acknowledgement that there are major issues to be addressed for the 2014-15 budget and a recognition for the Children's Trust to play a bigger role in shaping future planning and design of services. The Children's Trust is willing to undertaking specific planning sessions from April 2013 onwards with regard to areas of activity identified in the consultation document.

**24. Local Safeguarding Children's Board (LSCB)**

- 24.1 The LSCB raised the issue of the cumulative impact of proposals around teenage pregnancy and also the proposal relating to school crossing patrols as particular issues which may impact on vulnerable children and families.

**25. Community Safety Board**

- 25.1 The Board noted the Council's spending proposals for 2013/14, in particular the areas of activity they are involved in.

**26. Gateshead Youth Assembly**

- 26.1 The Assembly provided a written response to the consultation, following a discussion at their full Youth Assembly meeting on 12 February 2013. The Assembly recognised the difficult financial position the Council is facing, however asked for specific spending proposals to be looked at again, stating "we must strive to ensure we keep going with the Vision 2030 themes to make Gateshead the best it can be for its residents". These included:

- Removal of School Crossing Patrol where there is already a zebra or pelican crossing
- Suggesting the Council link up with charities and other agencies to ensure people are supported back into work



- Concern over the reduction in support to Warmzone
- A recognition that some vulnerable young people require the support of organisations such as NECA (North East Council on Addictions) and SMART (Substance Misuse Awareness Raising and Treatment)
- Concern that young people's services have already been affected by reductions in services and would not want to see youth projects and centres closing.
- The Youth Assembly felt the Duke of Edinburgh Award Scheme makes a huge difference to the aspirations and life choices made by young people and would not want to see a reduction in council support.
- Expressed concern over closure of Birtley crematorium
- The Youth Assembly would not want to see the physical environment of Gateshead change detrimentally following the implementation of proposals to bowling green facilities, playing fields or neighbourhood services
- Concerned at the spending proposal to cease the Christmas Lights
- Agreement with the spending proposals to reduce energy waste and light pollution
- The Youth Assembly commented on the spending proposal which relates to increasing turnover and cost reductions with regard to school meals. They hoped that schools meals would continue to be healthy, locally sourced and produced.

## **27. Older People's Partnership & Carers Partnership**

27.1 Meetings of the Older People's Partnership and the Carers Partnership were both held on 6 February 2013, where the Council's spending proposals were discussed.

27.2 As both partnerships felt there was insufficient detail to make an informed comment, members indicated they would access the online version and make comments via that route.

## **28. Gateshead Access Panel**

28.1 Members of the Gateshead Access Panel shared their views on the Council's spending proposals at meetings on 1 and 12 February 2013. A summary of their key concerns are as follows:

- a number of proposals would have a direct impact upon Shopmobility; and reduced delivery of services in local centres such as leisure, housing and libraries services. As well as support to the Countryside Mobility Scheme at Swalwell Visitor Centre and the Derwenthaugh Park.
- The Panel queried whether consideration had been taken of the withdrawal of community centre support and impact on those with a disability e.g. distances concern/provision from a different centre which may or may not have adequate disabled facilities.

- The Panel felt the Council was placing a much greater emphasis/reliance on volunteers. They also felt there were limits to what volunteers want to do and are capable of doing and that the ideal model is a mixed approach, with paid staff and volunteers working together.
- There was concern regarding the withdrawal of warden patrols from Saltwell Park. A number of service users have access to Gateshead Shopmobility scooters through the current warden provision. The Panel were concerned that the withdrawal of this service would result in the possible exclusion of disabled and older people from the park. The Panel also suggested the removal of park wardens would severely impact on the security and maintenance of the existing facilities and development of inclusive play facilities.
- The Panel had concerns regarding the proposed increase in fees and charges eg for bulky waste removal, feeling that this would greatly impact on disabled people who may not be able to remove items to official recycling sites as easily as non disabled people.
- The Panel also raised concerns at the potential impact on disabled children/disabled parents or carers crossing the road to school if school crossing patrols were withdrawn.
- The Panel sought reassurance that current services provided via the Lyndhurst Centre would be offered at venues which were accessible.
- The Panel felt the spending proposal in relation to neighbourhood services should remain at current levels. They felt that disabled people are already severely disadvantaged by grass cuttings and leaves not being cleared from paths and lack of winter gritting. If provision were to be severely reduced, then impact assessments should address this inequality.
- There was concern at the proposed reduction in highway repairs given their view of the poor state of the roads at present.

## 29. Trade Unions

- 29.1 Consultation with Trade Unions and employees continues to take place with Service Directors, and at a corporate level with Cabinet members and Strategic Directors. The process is complementary to the general consultation, but is different in certain respects and operates to a different timescale because of the likelihood of redundancies arising from changes to budgets and service delivery.
- 29.2 The focus has been around measures to avoid or minimise compulsory redundancy and the processes for introducing changes. The Trade Unions have stated their position is for no compulsory redundancies.
- 29.3 The annual trade union budget consultation meeting took place on 5 February 2013. The Trade Unions value the open approach and

dialogue that they have with the Council, and referenced the excellent work that has been undertaken together, over the last three budget exercises, which have helped to keep compulsory redundancies to a minimum.

- 29.4 A number of specific points were raised in relation to the spending proposals and it was agreed that a series of ongoing meetings would continue between the Trade Unions and the relevant Service Director.

### 30. **Employee Forums - LGBT, BME and Deaf & Disabled**

- 30.1 Meetings of the 3 employee groups were held during the consultation period. Whilst no specific comments were made in relation to the spending proposals, improvements were suggested to the CIA process.
- 30.2 The groups welcomed the introduction of CIAs believing they are an essential tool to consider the impact or likely impact of any policy/budgetary proposal in relation to all areas of their remit within the Equalities and Diversity agenda. With this in mind they feel any CIA should be proportionate to the significance and coverage of the policy/proposal in question and its likely ramifications.
- 30.3 In terms of the consultation work allied to any CIA, the employee groups felt more detail should be included to enable a more informed decision to be made.
- 30.4 The groups reaffirmed the aim that CIAs should be developed at the start of the budgetary exercise so as to enable the assessments to actually inform the process in a more meaningful and detailed way.

### 31. **Your Voice Counts - Involvement Now**

- 31.1 Involvement Now provided a written response to the consultation. Those who took part in the consultation: 5 people with learning disabilities who live in Gateshead. Some who receive services, including independent supported living, care at home, community links, day centre provision, and council supported social enterprise activity. Their main areas of concern relate to:
- the future of community centres such as the Hardman Centre and Allerdene
  - employment support for people with learning disabilities
  - withdrawing warden patrols at Saltwell Park
  - funding for The Sage Gateshead
  - future of the social enterprise café at the Lyndhurst Centre
  - concerned at reduction in funding to the voluntary and community sector
  - request for more advocates to help people with things like benefits and moving house
  - the future of Low Fell library.

## **32. Environment Agency**

- 32.1 A meeting was held with the Manager of the Environment Agency's Environmental Crime Team regarding the spending proposal affecting the Council's Street Action Enforcement Team.
- 32.2 Concerns were expressed should the Council have reduced capacity to investigate and carry out enforcement action where necessary on cases of fly tipping, as well as carrying out Duty of Care investigations on commercial premises and also assist in waste carrier operations. Concern was also expressed over the appearance of the local environment if fly tipping was not investigated with the relevant enforcement action following.

## **33. English Heritage**

- 33.1 English Heritage provided a written response to the Council's budget consultation, acknowledging the challenging financial position and that difficult budget choices have to be made. However, they were concerned that non-statutory historic environment conservation advice would be withdrawn and the Council's support for the Blue Plaque scheme and Heritage Open Days would cease.
- 33.2 In recognising the difficult economic times, English Heritage stated its willingness to continue to work positively with the Council to care for and enhance Gateshead's heritage.

## **34. Learning Disability Partnership Board**

- 34.1 Concern was raised with regard to the closure of the Lyndhurst Centre and any alternative venues for those people with a learning disability who currently use this facility to do courses. The Board wanted clarification as to what would happen to the café run by people with a learning disability if the centre closes.
- 34.2 The Board also felt there would be an impact on carers if people do not attend a day centre but use the Lyndhurst Centre.
- 34.3 Concern was raised on the reduction of non-core statutory services with regard to advocacy provision for people with a learning disability and that services only have a guarantee of 6 months funding.

## **35. Youth Crime Management Board**

- 35.1 At their meeting on 15 February 2013, the Youth Crime Management Board were concerned at the potential impact of the spending proposal to reduce funding to the Young People's Substance Misuse Partnership.

## **36. Countryside Volunteers**

- 36.1 At a meeting requested by the Countryside Volunteers, held on 5 February 2013, the potential impact that this spending proposal would have on the countryside team was discussed. Explanation of how volunteers and the sites would be managed, should the proposal be

agreed and implemented was discussed, alongside the future operation of the two visitor centres at Swalwell and Thornley Woodlands. The service has reviewed its CIA in the light of some comments made.

## Comprehensive Impact Assessments

Group Ref	Proposal	Potential significant impact	Equalities	Environment	Health and Wellbeing	Economy	Community Safety	Community cohesion
CNV 1	Community Centre Review	Affects 16 Community Centres and potentially 8 FTE employees. Ensure that centres are supported effectively and are given enough time for successful asset transfer.	√		√	√	√	√
LSC 2	Transfer of Bill Quay Farm operations	Closure if alternative provider not found or the Bill Quay Farm Association is unable to continue operations. Proposal would impact on 6.9 FTEs.	√	√	√	√	√	√
LSC 7	Reshaping the delivery of library network	Dependent on volunteers taking responsibility for 5 community run libraries. Difficult to assess at present.						
LES 2	Stop the provision of Saltwell Park Patrol	Some accessibility difficulties maybe encountered. Disabled users/Jewish community rely on the current patrol officer to assist when faced with ASB or requiring shop mobility scooter. Risk that visitors will no longer use the park due to lack of patrols. Reduction in 2 FTEs.	√	√	√		√	√
LES 7	Reduction in inspection activity and maintenance repairs to highways	Increase in complaints about the state of the highways. Road safety could be compromised due to the condition of the roads. Potential reduction in workforce.	√	√	√	√		
LES 8	Reduction in Street Lighting Maintenance	Potential issues regarding community safety, inconsistent lighting levels and road safety. Potential reduction in workforce.	√	√	√		√	
L&C 17	Reduction in Parenting programme	Risk of isolation of families and/or teenage parents. Fewer opportunities to work with teenage parents to encourage them into training or work.	√		√	√		√

## **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:

- A strategy to maintain the General Reserve at a minimum of £10.5m.
- The expected balance on the Council's General Reserve is £13.314m as at 31 March 2013. This is 5.9% of the net revenue budget for 2013/14 and is above the minimum of £10.5m.
- The General Reserve is supplemented by expected earmarked reserves of £14.135m as at 31 March 2013. Of this amount, £2.079m is ring-fenced and cannot be used to support the revenue budget.

### **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 9 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 business plans into the Council's Medium Term Financial Strategy.

## 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 £8m within the 2013/14 budget.

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

- **Employees' Pay**

The government has outlined plans to limit public sector pay awards to 1%. A provision of 1% for 2013/14 has been included in contingencies.

- **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.



- **Social Care**

Provisions for changes in demographics are included in contingencies to address ongoing spending pressures in relation to Looked After Children and adult social care.

- **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 £8m is considered adequate to mitigate the risk that some of the assumptions applied may differ from actual events during 2013/14.

## **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.

Estimated Use of Reserves

	Opening Balance at 01/04/12	Budgeted Movement During Year	Estimated Movement During Year	MTFS Review of Reserves	Estimated Closing Balance at 31/03/13	Budgeted Movement During Year	Estimated Movement During Year	Estimated Closing Balance at 31/03/14
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>General Fund:</b>								
General Reserve	(13,314)	2,000	(2,000)	0	(13,314)	0	0	(13,314)
Schools LMS Reserves*	(9,526)	0	0	0	(9,526)	0	0	(9,526)
<b>Total General Fund</b>	<b>(22,840)</b>	<b>2,000</b>	<b>(2,000)</b>	<b>0</b>	<b>(22,840)</b>	<b>0</b>	<b>0</b>	<b>(22,840)</b>
<b>Strategic Reserves:</b>								
Pensions	0	0	0	0	0	0	0	0
Insurance	(3,000)	0	0	0	(3,000)	0	0	(3,000)
Grant Clawback	(1,375)	0	0	0	(1,375)	0	0	(1,375)
Gateshead Development Pool	(4,835)	760	(800)	0	(4,875)	1,204	0	(3,671)
Cultural Development	0	0	0	0	0	0	0	0
Bridge Maintenance	(920)	0	0	0	(920)	0	0	(920)
Developers' Contributions*	(853)	0	0	0	(853)	0	0	(853)
Economic Downturn	(707)	0	221		(486)	0	0	(486)
Workforce Management	0	0	0	0	0	0	0	0
Revenue Grants / Receipts Unapplied*	(1,711)	0	485	0	(1,226)	0	0	(1,226)
Equal Pay	(1,400)	0	0	0	(1,400)	0	0	(1,400)
Dedicated Schools Grant*	(560)	0	560	0	0	0	0	0
<b>Total Strategic Reserves</b>	<b>(15,361)</b>	<b>760</b>	<b>466</b>	<b>0</b>	<b>(14,135)</b>	<b>1,204</b>	<b>0</b>	<b>(12,931)</b>
<b>Total Reserves</b>	<b>(38,201)</b>	<b>2,760</b>	<b>(1,534)</b>	<b>0</b>	<b>(36,975)</b>	<b>1,204</b>	<b>0</b>	<b>(35,771)</b>

\*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 **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 the Local Community Fund and invest to save initiatives. It is proposed that this reserve will be used to fund the European Athletics championships in 2013 and one-off mitigation in 2013/14 of a number of savings proposals to allow further time for planning.

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.

The **Revenue Grants / Receipts Unapplied Reserve** was created as a result of changes to the Accounting Code of Practice whereby unused grants and contributions, without conditions attached, should be appropriated to reserves to fund future expenditure rather than creating creditors on the Balance Sheet.

The **Equal Pay Reserve** was created to mitigate against potential outstanding equal pay claims. The Council previously held this as a provision but as there is no longer a reasonable estimate of the cost it no longer met the definition of a provision under accounting regulations.

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.

All reserves will be reviewed as part of the refresh of the MTFS following the government's spending review which is expected in the first part of 2013 as outlined in the Chancellors Autumn Statement on 5 December 2012.

**PRUDENTIAL AND TREASURY INDICATORS**

1. The actual capital expenditure that was incurred in 2011/12 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

<b><i>Capital Expenditure</i></b>					
	<b>2011/12 £000 Actual</b>	<b>2012/13 £000 Estimate</b>	<b>2013/14 £000 Estimate</b>	<b>2014/15 £000 Estimate</b>	<b>2015/16 £000 Estimate</b>
Non-HRA	58,956	68,556	50,955	59,514	31,470
HRA	35,157	27,665	20,011	18,300	14,170
<b>Total</b>	<b>94,113</b>	<b>96,221</b>	<b>70,966</b>	<b>77,814</b>	<b>45,640</b>

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2011/12 are: -

<b><i>Ratio of Financing Costs to Net Revenue Stream</i></b>					
	<b>2011/12 £000 Actual</b>	<b>2012/13 £000 Estimate</b>	<b>2013/14 £000 Estimate</b>	<b>2014/15 £000 Estimate</b>	<b>2015/16 £000 Estimate</b>
Non-HRA	12.59%	13.41%	12.00%	12.74%	13.42%
HRA	43.21%	37.20%	48.26%	43.51%	36.60%

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 2012 are: -

<b><i>Capital Financing Requirement</i></b>					
	<b>31/03/12 £000 Actual</b>	<b>31/03/13 £000 Estimate</b>	<b>31/03/14 £000 Estimate</b>	<b>31/03/15 £000 Estimate</b>	<b>31/03/16 £000 Estimate</b>
Non-HRA	269,763	297,633	312,730	333,731	345,040
HRA	345,505	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 2011/12, 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.

<b>Authorised Limit for External Debt</b>			
	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Borrowing	725,000	745,000	755,000
Other Long term Liabilities	0	0	0
<b>Total</b>	<b>725,000</b>	<b>745,000</b>	<b>755,000</b>

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.

<b><i>Operational Boundary for External Debt</i></b>			
	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Borrowing	700,000	720,000	730,000
Other Long Term Liabilities	0	0	0
<b>Total</b>	<b>700,000</b>	<b>720,000</b>	<b>730,000</b>

9. The Council's actual external debt at 31 March 2012 was £562.522m comprising £562.522m 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 2013/14 (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 2013/14 from the totality of the capital and revenue plans recommended in this budget report is £1.66.

12. Forward estimates for the incremental impact on Band D council tax levels for 2014/15 is £1.87 and 2015/16 is £1.92. 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 2013/14 from the totality of the capital and revenue plans recommended in this budget report is £0.03.
14. Forward estimates for the incremental impact on housing rents for 2014/15 is £0.03 and 2015/16 is £0.04. 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 2013/14, 2014/15 and 2015/16 as follows. The figures are expressed in terms of net outstanding principal sums.

<b>UPPER LIMIT ON FIXED AND VARIABLE INTEREST RATES EXPOSURES</b>			
<b>Range</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Fixed Rate	552,290 319,285	565,583 311,727	570,150 284,460
Variable	93,160 (20,000)	109,196 (20,000)	91,696 (20,000)

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

	<b>Upper Limit</b>	<b>Lower Limit</b>
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 2013/14, 2014/15 and 2015/16 as follows:

<b><i>Upper Limit on amounts invested beyond 364 days</i></b>			
	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Investments	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>



## MINIMUM REVENUE PROVISION (MRP) STATEMENT 2013/14

The Minimum Revenue Provision (MRP) is the charge made to the revenue account to reflect the repayment of borrowing. This is the mechanism by which council tax payers fund capital expenditure that has been supported by borrowing.

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 possible 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. This is calculated as 4% of the Council's general fund capital financing requirement, adjusted for factors arising from the transition to the prudential capital financing regime in 2003.

### Option 2: CFR Method

MRP is equal to 4% of the non-housing Capital Financing Requirement at the end of the preceding financial year. This does not adjust for the transition to the prudential capital financing regime in 2003.

### 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.

#### **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 2013/14 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 2013/14, 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.

Where long-term loans have been issued to third parties for capital purposes, the Council will make MRP using the principal element of the loan repayment that is received.

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