

TITLE OF REPORT: Budget and Council Tax Level 2014/15**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 27 February 2014 the Budget and Council Tax level for 2014/15. As part of the council tax setting process, Cabinet is also asked to recommend to Council the prudential indicators and Minimum Revenue Provision (MRP) Statement set out in this report.

Background

2. On 22 September 2011, Council approved the Fit For Future Principles to guide the process of agreeing the Council budget.
3. On 6 June 2013, the Council agreed the Medium Term Financial Strategy (MTFS) that covered the period 2014/15 to 2016/17.
4. On 15 October 2013, Cabinet noted the financial implications of the Central Government Spending Review 2014/15 and 2015/16, agreed responses to the technical consultation and noted the revised funding gap for 2014/15 and 2015/16.
5. Between 15 October 2013 and 17 December 2013, the Council undertook comprehensive consultation seeking views on budget choices that covered a two year period 2014/15 and 2015/16.
6. On 17 December 2013, Cabinet agreed the Local Council Tax Support Scheme for 2014/15.
7. On 18 December 2013, the Government announced the Provisional Local Government Finance Settlement for 2014/15.
8. On 21 January 2014, Cabinet agreed the Council Tax Base and Business Rates forecast for 2014/15.
9. On 21 January 2014, Cabinet noted the responses to the Council's comprehensive budget consultation 2014/2016.
10. On 21 January 2014, Cabinet noted the Provisional Local Government Funding Settlement and update of the funding gap for 2014/15 to 2015/16.
11. On 5 February 2014, the Final Local Government Funding Settlement was laid before Parliament. The final settlement was broadly consistent with the provisional settlement reported to Cabinet on 21 January 2014.
12. On 5 February 2014, the Government issued guidance on the referendum trigger point via a Ministerial Statement that indicated that this would remain at 2%.

13. On 6 February 2014, Council agreed the Technical Reforms of Council Tax in relation to discounts.
14. This report represents the final stage of the budget setting process in determining the budget and council tax level for 2014/15.

Proposal

15. The proposed base budget for 2014/15 is £234.411m, an increase of £9.362m on the current year's budget reflecting inflationary increases and service pressures.
16. Funding for 2014/15 is £219.008m based on the final settlement funding including a council tax freeze grant, council tax income and Collection Fund transfers leaving a budget savings requirement of £15.403m which can be summarised as follows:

	£m
Net Budget 2013/14	225.049
Inflation and Service Pressures	9.362
Provisional Net Budget	234.411
Available funding	(219.008)
Budget Savings Requirement	15.403

17. The budget choices approved for consultation by Cabinet on 15 October 2013 have been reviewed to reflect the responses to consultation. The revised budget proposals result in savings of £15.403m for 2014/15 which closes the funding gap for the year.
18. This report proposes a budget in 2014/15 that includes £15.403m 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 £0.858m.

Recommendations

19. Cabinet is requested to make the following recommendations to the Council:
 - (1) That Gateshead's Band D council tax for 2014/15 is frozen at £1,443.1966.
 - (2) The revenue estimates of £219.008m for 2014/15 be approved.
 - (3) That the indicative schools funding presented in Appendix 2 be agreed.
 - (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 2014/15 as set out in Appendix 7 be approved.

- (7) That the Budget Proposals following the outcome of consultation in Appendix 3 be noted.
- (8) That it be noted that at its meeting on 21 January 2014, Cabinet calculated the following amounts for the year 2014/15 in accordance with regulations made under Section 31B(3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-
- (a) 49,371.6 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) 1,174.0 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 2014/15 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) £573,905,807 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) £502,646,184 being the aggregate of the amounts, which the Council estimate for the items, set out in Section 31A(3) of the Act
- (c) £71,259,623 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) £1443.3323 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) £6,697.31 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 2014/15, 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 2014/15 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 2014/15 is not excessive in accordance with the principles determined under section 52ZC of the Act.

For the following reason:

- To fulfil the Council's statutory duty to set the budget and Council Tax for 2014/15.

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. The Council has approached the budget consultation for 2014/16 based on the Fit for the Future principles adopted in September 2011 and further reinforced in the Council Plan for 2012-2017 to:
 - Meet the needs of Gateshead based on a Strategic Needs Assessment.
 - Sustain Vision 2030 and uphold the Council's values.
 - Reach decisions and manage change in a principled way.
3. The approach to the budget has been designed to help the Council meet the minimum service levels and add value to the six strategic interventions as set out in the Council Plan as well as contributing to Vision 2030 and the Big Ideas.
4. The Council's budget estimates for 2014/15 attached at Appendix 2 have been prepared in accordance with this guidance and the MTFFS framework.

Considerations

5. In finalising the budget and council tax for 2014/15, the following issues require consideration:-
 - principles of the Medium Term Financial Strategy;
 - the final Local Government Finance Settlement for 2014/15 including the Business Rates forecast;
 - the projected outturn for 2013/14;
 - budget guidance;
 - base budget 2014/15;
 - proposals following consultation with councillors and stakeholders;
 - statutory requirements;
 - adequacy of reserves and risk assessment;
 - Council Tax freeze grant;
 - the Referendums Relating to Council Tax Increases (Principles) (England) Report 2014/15 ;
 - approval of prudential indicators for 2014/15;
 - Minimum Revenue Provision (MRP).

Medium Term Financial Strategy

6. The MTFFS is based on the following principles:
 - 1) The overall financial strategy will be to ensure that the Council's resources are directed to achieving Vision 2030 and the priorities set out in the Council Plan.

- 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 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 including potential losses related to the business rates retention framework. 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, commissioning and procurement to ensure value for money and 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 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.
- 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 and be 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 the 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.
- 17) The Council will aim to promote and stimulate strong and sustainable economic growth leading to wellbeing and prosperity for residents and communities and this will be supported by a planned approach to strategic investment.

Local Government Finance Settlement 2014/15

7. The provisional Local Government Finance Settlement for 2014/15 was announced on 18 December 2013 and was reported to Cabinet on 21 January 2014.
8. Grant funding continues to fall significantly, with Revenue Spending Power (RSP, the government's chosen measure which includes other income such as council tax receipts) falling by 7.8% over the two-year period 2014/15 and 2015/16 (once adjusted for in-year changes). However, cash funding from government is set to fall by 22.5% over this period; 9.7% in 2014/15 and 14.1% in 2015/16. Nationally, the grant cut will be 21%, indicating that Gateshead will once again receive higher than average funding cuts.
9. RSP also includes funding for new burdens that did not exist in previous years (such as the new £1.346m for adult social care and a £11.622m increase to the NHS pooled fund). The 2014/15 position was also amended to adjust for the removal of subsidy grant (£1.652m). RSP also includes the 2014/15 council tax freeze grant which has been rolled in to the base, as well as the 2015/16 grant (on the assumption that the Council will accept the grant). Excluding these changes, RSP will fall by 13.1% over the period rather than the 7.8% indicated by the Government.
10. There are a number of key changes to Council funding over the next two years:
 - Better Care Fund: the Government has increased the level of funding to the joint NHS and local government pooled health fund. The fund will increase from £4.056m in 2013/14 to £15.678m by 2015/16 due to additional responsibilities and budgets being transferred across from the NHS. It is uncertain if the funding will be sufficient to cover the delivery of these new joint services.
 - Business rates capping: the Government announced a raft of measures in the Autumn Statement aimed at helping businesses with their business rate costs (such as capping rate inflation at 2% and extending

the small business rate relief scheme). The total budget was £1.1bn, and councils have been awarded Section 31 grants totalling £118m in the Settlement to offset the impact of any costs. It is not yet clear how the remainder is to be funded, nor if there are any costs to be borne by councils.

- Holdbacks and top-slices; the Government withheld £561m of local authority funding in 2013/14 to fund initiatives such as the New Homes Bonus and a number of new burdens (i.e. top-slicing local authority funds to return them as new grants) and holdbacks. In 2014/15, these top-slices will rise to £839m and will reach £1.713bn by 2015/16 (or between £7m and £8m to Gateshead). The impact of the changes in 2014/15 since the provisional figures were released in the summer is a further reduction in the Council's grant funding of £0.6m.
 - Council tax / housing benefit administration grant cuts: this grant was present in 2013/14 (£1.72m) and 2014/15 (£1.652m), but has been removed in 2015/16.
11. The final Local Government Finance Settlement was laid before Parliament on 5 February 2014 and was broadly consistent with the provisional settlement reported to Cabinet on 21 January 2014 with only minor changes to the Council's Settlement Funding Assessment (SFA) and New Homes Bonus.
12. As part of the 2014/15 settlement, the Government provided a baseline figure for retained business rates. The National Non-Domestic Rates Return 1 (NNDR1) 2014/15 submitted to DCLG on 31 January 2014 estimated that the Council's retained element will be £43.325m (adjusted for cost of collection) which is £0.936m greater than the baseline estimated in the Government's final settlement. This estimated additional income assists in closing the Council's funding gap.
13. In the Autumn Statement on 5 December, the Chancellor announced a number of changes to the business rates system that affect the business rates income of local authorities. These changes are:
- Empty new build properties will be exempt from property rates for 18 months (Autumn Statement 2012);
 - The RPI increase in 2014/15 will be capped at 2% instead of 3.2%;
 - The doubling of Small Business Rate Relief (SBRR) will be extended for a further 12 months until 31 March 2015;
 - Ratepayers receiving SBRR that take on additional property which would currently disqualify them from receiving relief will continue their current relief for 12 months;
 - A discount of £1,000 for shops, pubs and restaurants with a rateable value below £50,000 for two years, from 1 April 2014;
 - A 50 per cent business rates relief for 18 months for businesses that – between 1 April 2014 and 31 March 2016 – move into retail premises that have been empty for a year or more.

14. The Government have committed to compensate local authorities for the cost of changes to the business rates system through a section 31 grant. Although the exact amount is yet to be confirmed, an estimate of £2.088m (including adjustment for top-up indexation) is included in the base budget funding based on the NNDR1 return that was submitted to Government on 31 January 2014.
15. The Council will also receive an indicative £135m 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 £33m. Funding for schools and the providers of early years education is distributed on a formula basis in accordance with the Schools and Early Years Finance (England) Regulations. In addition, the Pupil Premium for 2014/15 will be £1,300 for primary school children and £935 for secondary school children. This amount is paid per pupil entitled to a free school meal at any time in the last six years. Looked After Children now receive Pupil Premium Plus at £1,900 per eligible child. The estimated entitlement for schools in Gateshead is £9m, of which an estimated £1.6m will be recouped for Academies.

Projected Outturn 2013/14

16. The agreed revenue budget for 2013/14 was set at £225.049m. On 21 January 2014, Cabinet received a report on projected spending taking into account performance to 31 December 2013. The 2013/14 projected outturn is £221.752m, a projected under spend of £3.297m (1.5%) for the year. Whilst the projected outturn is positive, there continues to be a projected over spend in a number of areas, notably demand for social care. Continued monitoring within services, reports to Strategy Group and the delivery of action plans to address budget variances and shortfall on savings targets will aim to ensure that spending for the year is contained within the original estimate.

Budget Guidance

17. On 22 September 2011, the Council agreed the Fit For Future principles and model.
18. 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.
19. Following the Government's provisional local government funding settlement on 18 December 2013, a refresh of the funding gap was reported to Cabinet on 21 January 2014 which updated the funding gap for 2014/15 and gave an indicative funding gap for 2015/16. The MTFs will be revised again in June 2014.
20. 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.

21. 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 2014/15

22. The base budget for 2014/15 before budget savings is £234.411m. This is an increase of £9.362m reflecting inflation and service pressures outlined in the MTFS.
23. Provision has been made in the budget for the Tyne and Wear Integrated Transport Authority (ITA) levy of £12.319m (3.28% decrease) and for the Environment Agency of £0.156m (8.3% increase). Both of these levies have been confirmed.

24. If the proposed Combined Authority (CA) for the North East is established, the Tyne and Wear ITA will be dissolved from 1 April 2014 and its functions taken over by the CA. The ITA sets a levy on a going concern basis, which would be transferred into the CA.
25. The CA will be the Local Transport Authority, with the power to issue a levy on constituent authorities to meet transport related expenditure. The Department of Transport (DfT) have confirmed that the ITA will set the levy for 2014/15, and a CA, if established, would inherit the 2014/15 ITA levy.
26. The Transport Levying Bodies Regulations will be amended to allow for separate levy calculations for Durham, Northumberland and Tyne and Wear, to recognise the different levels of transport expenditure per head between the urban and rural conurbations. The Tyne and Wear element of the levy will continue to be allocated between the districts on the basis of population.
27. In addition, assets and liabilities transferring from the ITA to the proposed CA will be ring-fenced to Tyne and Wear only, including those capital reserves held by the ITA on behalf of Nexus.
28. Growth in the Council 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 Adult Social Care demand, provision for the timing of savings, health and social care integration, provision for loss of income, the cost of winter maintenance and provision for a pay award.
29. Funding for 2014/15 is £219.008m based on the final settlement funding including a council tax freeze grant, council tax income and Collection Fund transfers leaving a budget savings requirement of £15.403m which will be met through budget proposals. The position can be summarised as follows:

	£m
Net Budget 2013/14	225.049
Inflation and Service Pressures	9.362
Provisional Net Budget	234.411
Budget Proposals	(15.403)
Proposed Net Budget 2014/15	219.008

Budget Proposals 2014/2016 – Outcome of Consultation

30. At its meeting on 15 October 2013, Cabinet approved the public consultation which set out the context and choices available to the Council in order to bridge an estimated funding gap of £45m over the period 2014/15 and 2015/16. The consultation ran from 15 October 2013 to 17 December 2013. The feedback to the consultation was reported to Cabinet on 21 January 2014.
31. Following consultation, some mitigation to meet issues raised through the process was possible within the budget proposals. The outcome of the extensive consultation that has taken place is presented in Appendix 3.

32. After mitigation measures, the proposed budget proposals in 2014/15 total £15.403m as detailed in Appendix 2 and Appendix 3.
33. The consultation also covered 2015/16 as part of the rolling two year approach to the budget. The Council faces a funding gap for 2015/16 that is currently estimated at £24.1m. The size of this shortfall represents a continuing and increasing challenge to the Council's effective financial planning and medium term financial sustainability.

Statutory Requirements

Calculation of Council Tax Requirement

34. 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.
35. 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:-
36. (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;

- (da) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with regulations under section 97(2B) of the 1988 Act;
 - (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;
 - (aa) any amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with regulations under section 97(2A) of the 1988 Act;
 - (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

37. 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.
38. 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
39. 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.
40. The Strategic Director, Finance & ICT has also considered the adequacy of reserves to cover any potential financial risks faced by the Council. The Council's general and earmarked reserves are maintained at a prudent level and are subject to continuous review. Appendix 5 to this report shows the opening balances as at 1 April 2013 and an estimate of reserves through to 31 March 2015 based on the proposals in this report and the agreed MTFS. The position on reserves will be further reviewed as part of the review of the MTFS in June 2014 that will be informed by the revenue outturn for 2013/14.
41. Subject to proposals in this report, the Council's General Fund is expected to be £26.774m at 31 March 2014. This includes £7.000m LMS Schools reserves which are ring-fenced and £19.774m General Reserve. The General Reserve is equivalent to 9% of the Council's proposed net revenue budget for 2014/15, 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 £17.333m estimated earmarked reserves at 31 March 2014, £6.258m of which is ring-fenced and cannot be used to support the revenue budget.
42. 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.
43. The proposals within the budget will result in major organisational change in many services across the Council, and changes in the way we deliver services and work for and with, our community.

44. The Council will still be a major employer and we will continue our existing good practice and further develop our commitment to our workforce, including employee engagement, learning and development, and health and well-being. We will continue to work with employees and trades unions to protect front-line services and ensure employees have the skills they need to work efficiently and effectively, and also in new ways which deliver best value for the communities we serve.
45. The Council remains committed to seeking to avoid compulsory redundancies, and wherever possible we will continue to support employees who wish to volunteer for redundancy. We have a successful track record of redeploying staff and we will continue to support our employees at risk of redundancy to seek external job opportunities, become self-employed, or start a new business and generally to manage these major changes in life.
46. In light of the required savings the Council gave notice in October 2013 to the Department of Business Innovation and Skills (Form HR1) of the number of anticipated redundancies. It also issued Section 188 “notice of potential redundancy letters” to employees. The Council has worked with trade union representatives and employees to discuss a possible ways forward that avoid or reduce the number of redundancies required, and in particular compulsory redundancies; actual numbers are therefore expected to be significantly lower than the figures originally notified. The cost of redundancies will require a significant one-off cost in terms of redundancy payments and pension costs. The majority of redundancy costs will need to be met from revenue or reserves.
47. The implications for the Council’s employees of each budget proposal are set out in more detail in the associated Comprehensive Impact Assessment.
48. The refresh of the funding gap reported to Cabinet on 21 January 2014 set out a position which reflected a funding gap of £43.3m over the period 2014/15 and 2015/16. The MTFs will be refreshed in June 2014 which will cover the periods 2015/16 to 2017/18.
49. 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 Grant

50. On 26 June 2013, the Chancellor announced as part of the Spending Round 2013 that the Government would provide additional grant funding to support councils that freeze council tax in both 2014/15 and 2015/16. This was reiterated in the provisional local government finance settlement announced on 18 December 2013.
51. For 2014/15, the Government has again offered funding to enable councils to freeze council tax with confirmation that the funding, equivalent to a 1% increase or £0.858m (before local council tax support scheme), would be paid in both 2014/15 and 2015/16 and will be built into the spending review baseline going forward.

52. The key principles are:-

- It will be voluntary, with funding provided to all billing authorities and major precepting authorities in England, including the Greater London Authority, Police and Crime Commissioners, and single purpose Fire and Rescue Authorities, which freeze or reduce their basic amount of council tax.
- Any authority or Police and Crime Commissioner which freezes or reduces their basic amount of council tax in 2014/15 compared to 2013/14 will be eligible to receive a grant equivalent to 1% of the basic amount of council tax set for 2013/14, multiplied by the amount calculated as the authority's council tax base for 2014/15 not taking into account the reduction in the tax base due to the council tax reduction scheme.
- The funding for the 2014/15 freeze grant is in addition to the Local Government settlement.
- The grant for the 2014/15 freeze will be paid to participating authorities in the financial years 2014/15 and 2015/16 – so if an authority freezes in 2014/15, it will also receive a grant in 2015/16 in respect of the freeze decision taken in 2014/15 (council tax decisions subsequently taken by authorities in respect of 2015/16 will fall under the terms of a separate freeze 2015/16 scheme); and
- The grant amounts will, for each financial year, be paid in 10 instalments. The payments will be made on the basis of the grant making powers provided by section 31 of the Local Government Act 2003.

53. Ministers have stated that the funding for 2014/15 (including 2015/16) freeze grant should be built into the spending review baseline to give as much certainty as possible at this stage that the extra funding for freezing council tax will remain available. Funding for the 2011/12 and 2013/14 freeze grants are now in the local government settlement total for future years.

54. This report recommends that Gateshead Council freezes council tax for 2014/15 meaning the Council will be eligible for a Council Tax Freeze Grant of £0.858m and will be exempt from the Government's excessiveness principles outlined below.

Council Tax Referendums

55. Under section 52ZB of the Local Government Act 1992, each billing authority must determine whether its relevant basic amount of council tax for the financial year (the year under consideration) is excessive. If an authority's relevant basic amount of council tax is excessive a referendum must be held in relation to that amount.

56. The term relevant basic amount of council tax is defined in section 52ZX of the 1992 Act, as amended by section 41(1) and (9) to (13) of the Local Audit and Accountability Act 2014. Following Royal Assent of the Local Audit and Accountability Act 2014, the referendum principles will include levies and will therefore be based on the Band D Council Tax.

57. Under section 52ZC of the 1992 Act, the question of whether an authority's relevant amount of council tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State. A set of principles may contain one principle or two or more principles and must constitute or include a comparison between the authority's relevant basic amount of council tax for the year under consideration and its relevant basic amount of council tax for the financial year immediately preceding the year under consideration.
58. In setting principles for the year under consideration, the Secretary of State may determine categories of authority. For 2014/15, the Secretary of State determines that the following are categories of authority for the purposes of section 52ZC of the 1992 Act:
- The Greater London Authority.
 - Any other authority
59. For 2014/15, the relevant basic amount of council tax for Gateshead is excessive if the authority's relevant basic amount of council tax for 2014/15 is 2%, or more than 2%, greater than its relevant basic amount of council tax for 2013/14.
60. 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.
61. The Referendums Relating to Council Tax Increases (Principles) (England) Report 2014/15 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.
62. 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.
63. No principles are specified for local precepting authorities (Lamesley Parish), however the Secretary of State may revisit this issue in future having considered the extent to which local precepting authorities have exercised restraint in relation to council tax in 2014/15.
64. 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 2014/15

65. The Localism Act 2011 changed some of the details governing the calculation of council tax. The Council must set a Council Tax Requirement.
66. The Council's Budget for 2014/15 totals £219.008m after budget savings (net of schools spending).
67. In calculating the Council's council tax requirement as required by the legislation, the Lamesley Parish precept must be added to the figure above.
68. The Parish of Lamesley has issued a budget precept for 2014/15 of £7,500, the same level as the previous year. The government has, however, allocated grant funding to recognise the impact of the Local Scheme for Council Tax on Lamesley Parish meaning the precept for 2014/15 is £6,697.31. Grant funding of £802.69 will top-up the precept to enable a budget of £7,500 to be maintained.
69. In arriving at the Council's council tax requirement, general grant such as Settlement Funding Assessment (Revenue Support Grant, retained Non-domestic Rates transferred from the Collection Fund and Top Up Grant), other grants in Revenue Spending Power and Public Health must be deducted.
70. Any amount transferred from the collection fund to the general fund in relation to council tax must also be deducted. For 2014/15 this figure has been estimated to be £2m.
71. The Council Tax Requirement 2014/15 can now be summarised as follows: -

	£
Net Budget 2014/15 Gateshead Council	219,008,110
Add - Lamesley Parish Precept	6,697
Budget Requirement 2014/15 (including Lamesley Parish Precept)	219,014,807
Less - Settlement Funding Assessment (SFA)*	(117,067,403)
Public Health	(15,831,727)
Other Grants	(12,856,054)
Balance to be raised locally	73,259,623
Transfer from Collection Fund (Council Tax)	(2,000,000)
Council Tax Requirement (including Lamesley Parish Precept)	71,259,623

*Includes transfer from Collection Fund for retained business rates

Council Tax

72. The Council Tax for Gateshead is calculated by dividing the council tax requirement by the Council Tax base of 49,371.6 (agreed at Cabinet on 21 January 2014). This calculation gives a Band D Council Tax of £1,443.3323. However, from this figure, the legislation requires the Parish element to be

deducted (£0.1357). This gives a Band D Council Tax for Gateshead of £1,443.1966. Section 36 of the Local Government Finance Act 1992 requires the Council Tax to be calculated by reference to Band D, although 90.5% of households in Gateshead are in Bands A to C.

73. 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

74. 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 21 January 2014). This calculation gives a Band D Council Tax of £5.7047 for Lamesley Parish area, the same as 2013/14.
75. 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

76. 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 3 February 2014, frozen at the same level as 2013/14 and the precept for the Tyne and Wear Fire and Rescue Authority was agreed on 17 February 2014, frozen at the same level as 2013/14. 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 frozen at the same level as 20213/14.

77. 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

78. 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. The Prudential Framework for Local Authority Capital Investment was introduced from 1 April 2004.

79. 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.
80. The Prudential Code and the revised Code of Practice for Treasury Management in the Public Services sets out a range of prudential and treasury indicators that need to be agreed by the Council.
81. 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.
82. 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 for approval.

Minimum Revenue Provision (MRP)

83. 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 annuity method for charging MRP in respect of PFI contracts, the regulatory method on supported expenditure and the asset life method on self-financed expenditure. The Council's annual MRP statement for 2014/15 is attached at Appendix 7.

Consultation

84. 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 20 January 2014. The outcome of the meeting was positive and supportive of the Council's aim to stimulate the local economy to generate business growth.
85. There has been extensive consultation on budget choices for the period 2014/16 as reported to Cabinet on 21 January 2014.

Alternative Options

86. There are no alternative options.

Implications of Recommended Option

87. 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.

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

89. **Equality and Diversity Implications** – These are set out in Comprehensive Impact Assessments.

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

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

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

93. **Human Rights Implications** – Nil.

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

Background Information

95. (i) Report to Cabinet, 20 September 2011 – Fit For Future Principles.
- (ii) Provisional Local Government Finance Settlement – 18 December 2013.
- (iii) Report to Cabinet 15 October 2013 – Budget Consultation 2014-16.
- (iv) Report to Cabinet 15 October 2013 – Central Government Spending Review 2014/15 and 2015/16 – Technical Consultations and Funding Gap.
- (v) Report to Cabinet 15 October 2013 – Local Council Tax Support Scheme.
- (vi) Report to Cabinet 21 January 2014 – Council Tax Base and Business Rates forecast 2014/15.
- (vii) Report to Cabinet 21 January 2014 – responses to Budget Consultation
- (viii) Report to Cabinet 21 January 2014 – Provisional Local Government Finance Settlement and update to the Funding Gap for 2014/15 and 2015/16.
- (ix) Report to Council 6 February 2014- Technical Reforms of Council Tax
- (x) Final Local Government Finance Settlement – 5 February 2014.

APPENDIX 2

Budget 2013/14 £000	Group and Service (Net Budgets)	Budget Pre Savings 2014/15 £000	Proposed Savings 2014/15 £000	Proposed Budget 2014/15 £000
	<u>Learning and Children (Net of Schools)</u>			
732	Business Support	878	(23)	855
2,412	Learning and Schools	2,638	(442)	2,196
7,272	Children and Families Support	7,768	(2,597)	5,171
5,230	Children's Commissioning	5,110	(189)	4,921
20,174	Social Work - Children and Families	21,646	(1,150)	20,496
	<u>Community Based Services</u>			
62,379	Social Care and Independent Living (inc. Housing)	63,595	(1,940)	61,655
9,031	Libraries, Sport and Culture	9,258	(1,409)	7,849
7,764	Commissioning and Business Development	7,859	(100)	7,759
1,975	Communities, Neighbourhoods and Volunteering	2,049	(387)	1,662
15,401	<u>Public Health</u>	15,832	0	15,832
	<u>Development and Enterprise</u>			
2,745	Transport Strategy	3,242	(233)	3,009
1,911	Development and Public Protection	2,197	(124)	2,073
3,088	Economic and Housing Growth	3,310	(402)	2,908
(1,659)	Property and Design	(1,153)	(420)	(1,573)
	<u>Local Environmental Services</u>			
17,805	Waste Services & Grounds Maintenance	11,613	(653)	10,960
(1,712)	Transport, Cleaning & Catering	(1,050)	0	(1,050)
4,866	Construction Services	5,203	(444)	4,759
2,449	Facilities Management	2,671	(202)	2,469
	<u>Central Services</u>			
1,906	Chief Executives & Communications	2,233	(141)	2,092
5,954	Legal and Corporate Services	6,493	(544)	5,949
6,482	Finance and ICT	7,266	(639)	6,627
9,341	Other Services and Contingencies	10,590	(1,333)	9,257
26,622	Capital Financing Costs and Investment Income	32,688	(2,031)	30,657
	<u>Levies</u>			
144	Environment Agency	156	0	156
12,737	Tyne and Wear ITA	12,319	0	12,319
225,049	Total Net Budget	234,411	(15,403)	219,008
	<u>Financed By</u>			
(128,376)	Settlement Funding Assessment (SFA)	(117,067)		(117,067)
(10,577)	Other Grants	(12,856)		(12,856)
(15,401)	Public Health	(15,832)		(15,832)
(67,491)	Council Tax (Excluding Parish Precept)	(71,253)		(71,253)
(2,000)	Collection Fund	(2,000)		(2,000)
(1,204)	Reserves	0		0
(225,049)	Total Funding	(219,008)	0	(219,008)

SCHOOLS

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	133,143	(133,143)	0	134,645	(134,645)	0
Less: Academies Recoupment (Estimated)	(31,202)	31,202	0	(33,349)	33,349	0
Total Retained in Council	101,941	(101,941)	0	101,296	(101,296)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(21,318)	21,318	0	(22,314)	22,314	0
Schools Budget (Maintained)	80,623	(80,623)	0	78,982	(78,982)	0
Pupil Premium (Estimated)	7,130	(7,130)	0	9,023	(9,023)	0
Less: Academies Recoupment (Estimated)	(1,615)	1,615	0	(1,581)	1,581	0
Pupil Premium (Maintained)	5,515	(5,515)	0	7,442	(7,442)	0
Section 2 - Savings						0
TOTAL SCHOOLS BUDGET 2014/15						0

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

LEARNING AND CHILDREN - ESTIMATES 2014/15

BUSINESS SUPPORT

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Business Support	11,409	(10,677)	732	11,810	(10,932)	878
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
L&C47 Group Secretariat external funding				(23)	0	(23)
				(23)	0	(23)
TOTAL BUSINESS SUPPORT BUDGET 2014/15				11,787	(10,932)	855

LEARNING AND CHILDREN - ESTIMATES 2014/15

LEARNING AND SCHOOLS

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Learning and Schools	9,225	(6,813)	2,412	9,495	(6,857)	2,638
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
L&C35 LearningSkills mainline funding reduction					(60)	(60)
L&C36 Primary & Early Years Team - deletion of post from VR				(14)		(14)
L&C37 Raising Educational Achievement of Looked After Children team - deletion of post from VR				(67)		(67)
L&C38 Secondary / Post 16 Team - reduction of 3 posts				(153)		(153)
L&C40 School Sports Partnership					(1)	(1)
L&C41 Education Psychology Service - increased trading income					(28)	(28)
L&C42 Education Welfare - deletion of post from VR				(26)		(26)
L&C43 Inspection Team - deletion of vacant admin post & increase in trading income					(93)	(93)
				(260)	(182)	(442)
TOTAL LEARNING AND SCHOOLS BUDGET 2014/15	9,235			(7,039)		2,196

LEARNING AND CHILDREN - ESTIMATES 2014/15

CHILDREN AND FAMILIES SUPPORT

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children & Families Support	13,634	(6,362)	7,272	14,002	(6,234)	7,768
Section 2 - Savings						
<u>Children and Young People</u>						
L&C12	Support for Teen Parents withdrawn			(7)		(7)
L&C13	End Family Learning and Crèche provision			(37)		(37)
L&C14	End support to Pre-School Learning Alliance			(15)		(15)
L&C16	Early years Childcare Service reduction			(351)		(351)
L&C17	Reduce Children's Centre provision.			(1,051)	(1)	(1,052)
L&C21-23	Connexions Service reduction & increase in schools income			(213)	(31)	(244)
L&C26	Reduction in Youth and Community Services Workers and cleaning provision at Bede, Leam and Lobley Hill			(170)		(170)
L&C27	Withdraw from Duke of Edinburgh Award			(2)	(5)	(7)
L&C28-29	Reduce Youth & Community Learning Workers & Youth Offer			(356)		(356)
L&C31	Parenting Programmes withdrawn			(24)		(24)
L&C33-34	Play Service reduction			(85)	12	(73)
L&C52	Toy Library reduction in admin support			(25)		(25)
<u>Efficiency and Effectiveness Savings</u>						
L&C9	Graduate Leader Fund withdrawal			(11)		(11)
L&C10	Early years & Childcare Conferences withdrawal			(4)		(4)
L&C11	Early years Health Service withdrawal			(6)		(6)
L&C15	Early Years Childcare service reduction			(76)		(76)
L&C20	Reduction in Connexions training and vacancy			(51)		(51)
L&C24	Lyndhurst Centre closure			(60)	26	(34)
L&C25	Withdraw mainline support to Sound Room			(29)		(29)
L&C50	YOT deletion of post from VR			(25)		(25)
				(2,598)	1	(2,597)
TOTAL CHILDREN AND FAMILIES SUPPORT BUDGET 2014/15				11,404	(6,233)	5,171

LEARNING AND CHILDREN - ESTIMATES 2014/15

CHILDREN'S COMMISSIONING

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children's Commissioning	6,736	(1,506)	5,230	6,675	(1,565)	5,110
Section 2 - Savings						
<u>Children and Young People</u>						
L&C7	Home to college transport – tighten criteria for free travel				(40)	(40)
L&C49	Reduction in Sponsored Day Care			(25)		(25)
L&C44	Teenage Pregnancy Support reduction			(21)		(21)
L&C45	Teenage Pregnancy Young Women's Project withdrawal			(21)		(21)
L&C46	Teenage Pregnancy Young Father's Project withdrawal			(37)		(37)
<u>Efficiency and Effectiveness Savings</u>						
L&C48	SEN equipment costs transfer to DSG			(45)		(45)
				(149)	(40)	(189)
TOTAL CHILDREN'S COMMISSIONING BUDGET 2014/15				6,526	(1,605)	4,921

LEARNING AND CHILDREN - ESTIMATES 2014/15

SOCIAL WORK - CHILDREN AND FAMILIES

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Social Work - Children and Families	21,051	(877)	20,174	22,652	(1,006)	21,646
Section 2 - Savings						
<u>Children and Young People</u>						
L&C1/51 Children's Social Care Financial Strategy Implementation				(902)		(902)
L&C2 Grove House trading of vacant beds					(110)	(110)
L&C3 Emergency Duty Team overtime				(9)		(9)
L&C4 Increase in Health related continuing care contributions from CCG				(50)	(79)	(129)
				(961)	(189)	(1,150)
TOTAL SOCIAL WORK - CHILDREN&FAMILIES BUDGET 2014/15				21,691	(1,195)	20,496

COMMUNITY BASED SERVICES - ESTIMATES 2014/15

SOCIAL CARE AND INDEPENDENT LIVING (Including Housing)

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Social Care and Independent Living	85,589	(23,484)	62,105	86,873	(23,518)	63,355
Housing General Fund	1,105	(166)	939	1,117	(166)	951
Housing Benefits	83,178	(83,843)	(665)	88,130	(88,841)	(711)
Total	169,872	(107,493)	62,379	176,120	(112,525)	63,595
Section 2 - Savings						
<u>Adult Services</u>						
ASC12 Use of Alternative Funding to maintain early intervention, prevention and statutory services to minimise demand.				(470)		(470)
<u>Efficiency and Effectiveness Savings</u>						
Hsng3 Rental income for use of Civic Centre.					(375)	(375)
Hsng4 Corporate and Democratic Core into the HRA.				(575)		(575)
Hsng5 Review of service charges to HRA.				(500)		(500)
Hsng6 Review of garages					(20)	(20)
				(1,545)	(395)	(1,940)
TOTAL SOCIAL CARE & INDEPENDENT LIVING BUDGET 2014/15				174,575	(112,920)	61,655

COMMUNITY BASED SERVICES - ESTIMATES 2014/15

LIBRARIES, SPORT AND CULTURE

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Libraries, Sport and Culture	16,031	(7,000)	9,031	15,566	(6,308)	9,258
Section 2 - Savings						
<u>Local Economy</u>						
CBS22-27	Reduction in Events Programme			(40)		(40)
CBS22-27	Reduction in Events Team Support			(70)		(70)
CBS6	Reduction in support to NGI			(65)	22	(43)
<u>Communities Culture and Leisure</u>						
CBS 7-10	Reduction in Arts Development Service and reprioritising of delivery.			(70)		(70)
CBS14-19	Reduction in grant to BALTIC Centre for Contemporary Art and The Sage Gateshead			(129)		(129)
CBS20-21	Reduction in contribution to Tyne and Wear Archives and Museums			(31)		(31)
CBS31	Reduction and reprioritising of the work of Sport Physical Activity and Health			(292)	42	(250)
CBS50	Increase in Fees and Charges within Leisure Facilities				(232)	(232)
CBS50	Efficiencies in the delivery of Leisure Facilities			(200)		(200)
<u>Efficiency and Effectiveness Savings</u>						
CBS1	Reshaping the Delivery of the Libraries Network			(113)		(113)
CBS14-19	Reduction in grant to BALTIC Centre for Contemporary Art and The Sage Gateshead			(7)		(7)
CBS40	Bill Quay Farm			(56)		(56)
<u>Income - Fees and Charges</u>						
					(168)	(168)
				(1,073)	(336)	(1,409)
TOTAL LIBRARIES, SPORT AND CULTURE BUDGET 2014/15				14,493	(6,644)	7,849

COMMUNITY BASED SERVICES - ESTIMATES 2014/15

COMMISSIONING AND BUSINESS DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning and Business Development	8,103	(339)	7,764	8,136	(277)	7,859
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
CBS52/54 Service Restructure				(85)		(85)
CBS53 Efficiencies in production of bespoke reports				(15)		(15)
				(100)	0	(100)
TOTAL COMMISSIONING & BUSINESS DEVELOP BUDGET 2014/15				8,036	(277)	7,759

COMMUNITY BASED SERVICES - ESTIMATES 2014/15

COMMUNITIES, NEIGHBOURHOOD'S AND VOLUNTEERING

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Communities, Neighbourhoods & Volunteering	2,095	(120)	1,975	2,171	(122)	2,049
Section 2 - Savings						
<u>Communities Culture and Leisure</u>						
CBS55/56	Review of Community Centres			(131)	34	(97)
CBS58/60/61	Reduction in Gateshead Fund			(230)		(230)
<u>Efficiency and Effectiveness Savings</u>						
CBS63/64	Administration of Gateshead Fund			(60)		(60)
				(421)	34	(387)
TOTAL COMMUNITIES, NEIGHBOURHOODS & VOLUNTEERING BUDGET 2014/15				1,750	(88)	1,662

COMMUNITY BASED SERVICES - ESTIMATES 2014/15

PUBLIC HEALTH

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health	15,593	(192)	15,401	16,024	(192)	15,832
Section 2 - Savings						0
TOTAL PUBLIC HEALTH BUDGET 2014/15						<u>15,832</u>

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2014/15

TRANSPORT STRATEGY

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Transport Strategy	6,418	(3,673)	2,745	6,552	(3,310)	3,242
Section 2 - Savings						
<u>Environment</u>						
DE2 Car Park Charging					(85)	(85)
DE35 New Car Park Charging					(20)	(20)
<u>Efficiency and Effectiveness Savings</u>						
DE3 Voluntary Redundancies agreed in year				(72)		(72)
DE34 Service Review				(50)		(50)
<u>Income - Fees and Charges</u>						
					(6)	(6)
				(122)	(111)	(233)
TOTAL TRANSPORT STRATEGY BUDGET 2014/15				6,430	(3,421)	3,009

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2014/15

DEVELOPMENT AND PUBLIC PROTECTION

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Development and Public Protection	3,780	(1,869)	1,911	3,909	(1,712)	2,197
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
DE9 Voluntary Redundancies agreed in year				(39)		(39)
DE36 Service Review				(50)		(50)
<u>Income - Fees and Charges</u>						
					(35)	(35)
				(89)	(35)	(124)
TOTAL DEVELOPMENT & PUBLIC PROTECTION BUDGET 2014/15				3,820	(1,747)	2,073

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2014/15

ECONOMIC AND HOUSING GROWTH

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Environment, Economic Development & Regeneration	3,928	(840)	3,088	4,150	(840)	3,310
Section 2 - Savings						
<u>Local Economy</u>						
DE12 Reduction in employment support grant.				(31)		(31)
DE13 Delete Vacant Post in employment support				(35)		(35)
<u>Efficiency and Effectiveness Savings</u>						
DE10 Voluntary Redundancies agreed in year				(33)		(33)
DE14 Increase of fees relating to the Gateshead Private Landlords Association.				(40)		(40)
DE16 Reduction in operating budgets across the service.				(68)		(68)
DE25 Replace Development Manager and backfill with existing member of staff. Replace vacant officer post and relocate posts from Disabled Facilities Grant (Housing General Fund) to Housing Revenue Account.				(174)		(174)
<u>Income - Fees and Charges</u>						
					(21)	(21)
				(381)	(21)	(402)
TOTAL ECONOMIC AND HOUSING GROWTH BUDGET 2014/15				3,769	(861)	2,908

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2014/15

PROPERTY AND DESIGN SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Property and Design Services	1,956	(3,615)	(1,659)	2,375	(3,528)	(1,153)
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
DE27 Reduce staffing to mitigate loss of income				(230)		(230)
DE28 Reduce staffing costs in areas to reflect changing and reducing workload.				(50)		(50)
DE29 Consolidate budgets across D&E for i.e. PPE, equipment, training, ICT, plotters, printers, travel, software licenses etc.				(20)		(20)
DE31 Review functional areas delivering TGHC project and programme delivery. Explore consolidating with TGHC project and programme delivery.				(50)		(50)
DE32 Additional income from third parties.				(50)		(50)
DE37 Increased rental income from rental income at depots				(20)		(20)
				(420)	0	(420)
TOTAL PROPERTY AND DESIGN SERVICES BUDGET 2014/15	1,955	(3,528)	(1,573)			

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2014/15

WASTE SERVICES AND GROUNDS MAINTENANCE

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Waste Services & Grounds Maintenance	22,146	(4,341)	17,805	17,054	(5,441)	11,613
Section 2 - Savings						
<u>Environment</u>						
LES1	Reduction in cleaning standards across the Borough.			(100)		(100)
LES4	Closure of one HWRC Facility			(100)		(100)
LES8	Reduction in maintenance standards for bowling greens and non-operational cemeteries. Carry out a formal review of the maintenance of football pitches across the borough. Reduce grounds maintenance in Parks to open space standards (3 week cycle).			(100)		(100)
LES19	Remove all flower beds from public areas with the exception of parks.			(20)		(20)
<u>Efficiency and Effectiveness Savings</u>						
DE11	New method of delivery for the delivery of the Countryside Volunteers programme. (Integration with mainstream activities in LES).			(113)		(113)
LES5	Partnership working..			(125)		(125)
LES6	Review of Working Practices - Annualised hours and reductions in overtime from working patterns.			(75)		(75)
LES20	Trade to the general public - floristry service. Bouquets, weddings and funeral packages etc.			(10)		(10)
<u>Income - Fees and Charges</u>						
					(10)	(10)
				(643)	(10)	(653)
TOTAL WASTE SERVICES & GROUNDS MAINT BUDGET 2014/15				16,411	(5,451)	10,960

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2014/15

TRANSPORT, CLEANING & CATERING

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Fleet	467	(1,504)	(1,037)	901	(1,500)	(599)
Building Cleaning	3,689	(4,086)	(397)	3,650	(4,087)	(437)
School Meals	5,012	(5,276)	(264)	5,222	(5,244)	(22)
Catering	821	(835)	(14)	895	(887)	8
Total	9,989	(11,701)	(1,712)	10,668	(11,718)	(1,050)
Section 2 - Savings						
TOTAL TRANSPORT, CLEANING & CATERING BUDGET 2014/15				10,668	(11,718)	(1,050)

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2014/15

CONSTRUCTION SERVICES (General Fund)

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Construction - General Fund	4,866	0	4,866	5,203	0	5,203
Section 2 - Savings						
<u>Environment</u>						
LES14 Reduced Electricity Bill from the dimming of Street Lighting in Residential Areas				(400)		(400)
DE5 Cessation of back lane improvements highway works				(44)		(44)
				(444)	0	(444)
TOTAL CONSTRUCTION SERVICES (General Fund) BUDGET 2014/15				4,759	0	4,759

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2014/15

FACILITIES MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Facilities Management	3,711	(1,262)	2,449	3,933	(1,262)	2,671
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
LES10 Restructure of Facilities Management.				(200)		(200)
<u>Income - Fees and Charges</u>						
				(200)	(2)	(202)
TOTAL FACILITIES MANAGEMENT BUDGET 2014/15				3,733	(1,264)	2,469

CENTRAL SERVICES - ESTIMATES 2014/15

CHIEF EXECUTIVES AND COMMUNICATIONS

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Chief Executive and Communications	2,290	(384)	1,906	2,395	(162)	2,233
Section 2 - Savings						
<u>Information and Advice</u>						
CE1 Reducing budget for Council News				(21)		(21)
<u>Efficiency and Effectiveness Savings</u>						
CE2 Reduce Residents Survey budget				(5)		(5)
CE3 Reduce Corporate Hospitality budget				(10)		(10)
CE4 Delete International Relations budget				(5)		(5)
CE6 Increased work load in relation to public health intelligence and evaluation of Families Gateshead being managed within current establishment				(100)		(100)
				(141)	0	(141)
TOTAL CHIEF EXEC & COMMUNICATIONS BUDGET 2014/15				2,254	(162)	2,092

CENTRAL SERVICES - ESTIMATES 2014/15

LEGAL, HUMAN RESOURCES AND CORPORATE PROCUREMENT SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal, HR and Corporate Procurement	8,343	(2,389)	5,954	8,521	(2,028)	6,493
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
LCS1	Reduce Surveying team (Corporate Assest Strategy Team)			(40)		(40)
LCS2	Reduction in Gp2 team (Corporate Asset Strategy Team)			(26)		(26)
LCS3	Reduction of Procurement Officer function and increased income from rebates in Council Contracts			(50)		(50)
LCS5	Review and reduce supplies and services budgets			(16)		(16)
LCS6	Increase official search fees by 10%			(14)		(14)
LCS8	Reduction of print operator post			(22)		(22)
LCS9	Reduction of Corporate word processing support.			(17)		(17)
LCS11	Cessation of the courier service.			(35)		(35)
LCS12	Reduction in fleet budgets across Development Law and Democratic Services.			(19)		(19)
LCS16	Reduction in HR Management Structure and Staffing Establishment			(87)		(87)
LCS21	Reduction of the establishment across Legal & Corporate Services			(89)		(89)
LCS22	Reduction of budgets across Legal & Corporate Services			(53)		(53)
LCS23	Reduction in temporary employee budget for Election Services			(40)		(40)
LCS24	Deletion of paralegal post			(19)		(19)
<u>Income - Fees and Charges</u>					(17)	(17)
				(527)	(17)	(544)
TOTAL LEGAL, HR & CORP PROCUREMENT BUDGET 2014/15				7,994	(2,045)	5,949

CENTRAL SERVICES - ESTIMATES 2014/15

FINANCE AND ICT

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Finance and ICT	14,294	(7,812)	6,482	14,898	(7,632)	7,266
Section 2 - Savings						
<u>Information and Advice</u>						
FICT6 Consolidation of Customer Services - Withdrawal of Customer Services employees at outlying offices and replacement with self-service options to allow Customer Services to be delivered from Civic Centre and the consolidation of reception areas within the Civic Centre.				(75)		(75)
<u>Efficiency and Effectiveness Savings</u>						
FICT1 Restructure of Internal Audit and Risk function.				(52)		(52)
FICT2 Restructure of the Accountancy function.				(98)		(98)
FICT3 Non salary budget reductions.				(20)		(20)
FICT4 Identification of income generation opportunities maximising market share in existing markets and penetrating new markets outside the organisation.				(40)		(40)
FICT5 Organisational restructure of Customer & Financial Services				(98)		(98)
FICT11 Renegotiation of various ICT contracts				(93)		(93)
FICT12 Reduction in service levels of the Civica EDM/Workflow Database Administration service and document scanner maintenance.				(11)		(11)
FICT13 Assessment of the SLA requirements of the network technologies support contract				(42)		(42)
FICT20 Increased trading from SME across Gateshead Business Centres and areas of Key Economic Growth.				(10)		(10)
<u>Income</u>						
FICT7 Court Costs - Increased income from NNDR and Council Tax court costs.					(100)	(100)
				(539)	(100)	(639)
TOTAL FINANCE AND ICT BUDGET 2014/15				14,359	(7,732)	6,627

CENTRAL SERVICES - ESTIMATES 2014/15

OTHER SERVICES, CAPITAL FINANCING AND CONTINGENCIES

Section 1 - Net Cost of Current Levels of Service						
	2013/14			2014/15		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Other Services	5,163	0	5,163	2,590	0	2,590
Contingencies	4,178	0	4,178	8,000	0	8,000
Capital Financing & Investment Income	27,170	(548)	26,622	33,990	(1,302)	32,688
Total	36,511	(548)	35,963	44,580	(1,302)	43,278
Section 2 - Savings						
<u>Local Economy</u>						
OS7-9 Reduction in NGI Core Funding (30%)				(102)		(102)
CBS6 Residual reduction in Tourism budget				(23)		(23)
OS12 Stop NGI Gateshead Cultural Programme 100%				(90)		(90)
<u>Efficiency and Effectiveness Savings</u>						
OS Capital Financing				(2,031)		(2,031)
OS1 Under recovery of pension deficiency				(300)		(300)
OS2 Reduced external audit costs				(30)		(30)
OS3 Reduction of unfinanced SMP budget				(10)		(10)
OS4 Reduction of bank charges budget				(8)		(8)
OS5 Reduction of corporate budgets				(20)		(20)
OS10 Senior Management reductions				(150)		(150)
OS11 Savings from employment costs				(600)		(600)
				(3,364)	0	(3,364)
TOTAL OTHER SERVICES AND CONTINGENCIES BUDGET 2014/15				41,216	(1,302)	39,914

Budget Choices / Proposals

1. The responses from the budget consultation and additional or alternative mitigation have been taken into consideration in the development of the budget proposals that are subject of approval for implementation during 2014/15.

Environment

2. The following Environment budget choices considered as part of the consultation in the Cabinet report of 15 October 2013, are now proposed for implementation as part of the 2014/15 Budget, with no changes.
3. Stop the programme of planned upgrades and improvement works to back lanes across the borough which will realise a saving of £44,000
4. Carry out less mechanical sweeping of roads and footpaths across the borough, whilst retaining the same number of pedestrian cleaners, which will realise a saving of £100,000
5. Reduce the level of support to bowling greens and sports pitches, and reduce maintenance in closed cemeteries, parks and open spaces, which will realise a saving of £100,000
6. Removing flowerbeds from public areas, with the exception of parks, with retention considered in those areas where arrangements can be established with local communities, will realise a saving of £20,000.

Amended Choices/Proposals

7. An alternative approach to the closure of one household waste recycling centre has meant that a reduced saving of £100,000 (originally £130,000), can be achieved in 2014/15 rather than 2015/16 as previously suggested, without the need to close a centre.
8. It is proposed that the budget choice relating to the introduction of new car parking charges will be phased over the financial years 2014/15 and 2015/16 to achieve the full £130,000 saving. This will enable time for the design and implementation of appropriate car park investment. The introduction of charging at countryside sites where a charge does not currently apply, will be implemented from 2014/15 subject to approval.
9. The budget choice relating to reduced energy costs was initially proposed for implementation in 2015/16. However, following the public support received for this choice (78%), it is considered that a saving of £400,000 can be implemented in 2014/15 through the dimming of lights and switching off of lighting columns in non-residential areas.
10. During 2014/15, the Council will be considering the following Environment budget choices with regard to the Budget 2015/16:
 - Installation of bus lane cameras
 - Introduce a charge for the collection of green garden waste

Local Economy

11. The following Local Economy budget choices considered as part of the consultation in the Cabinet report of 15 October 2013, are now proposed for implementation as part of the 2014/15 Budget, with no changes.
12. Reduce the current level of Employment Support Grants provided, which will realise a saving of £31,000
13. Reduce the currently level of Employment Support work that is undertaken, moving from a universal to a targeted service, which will realise a saving of £35,000
14. Cease the current level of funding for Tourist Information Centres, which will realise a saving of £67,000
15. Reduce the current level of financial support to NewcastleGateshead Initiative in 2014/15, which will realise a saving of £101,000.

Amended Choices/Proposals

16. The budget choice relating to Events which could have seen the total budget of £711,000 withdrawn, has been altered to reflect the public disagreement to stop all events (76%). It is now proposed that a saving of £200,000 is achieved whilst still being able to deliver on events already planned.
17. During 2014/15, the Council will be considering the following Local Economy budget choices with regard to the Budget 2015/16:
 - Further reduction in Employment Support
 - Enterprise Support and Financial Inclusion
 - Digital Union
 - Programme and Project Support including external funding

Communities, Culture and Leisure

18. The following Communities, Culture and Leisure budget choice considered as part of the consultation in the Cabinet report of 15 October 2013, is now proposed for implementation as part of the 2014/15 Budget, with no changes.
19. A review of the current Community Centre provision and support which will realise a saving of £97,000.

Amended Choices/Proposals

20. Alternative mitigation has been identified whereby a saving of £432,000 can be achieved without the need to reduce the number of Council run leisure facilities. This supports the budget survey response which indicated that 58% of respondents disagreed with a reduction in facilities. There was also support (62%) for the Council to investigate alternative ways of delivering its leisure facilities via another organisation which will inform budget planning for 2015/16.
21. 56% of respondents disagreed with the budget choice to a reduction of £355,000 in Cultural Organisation support to Sage Gateshead, BALTIC and the Shipley Gallery over two years. A saving of £160,000 in 2014/15 is proposed.

22. The budget choice relating to the Gateshead Fund suggested either a partial or total reduction in budget equating to £840,000. Following consultation, it is proposed that a partial reduction is taken, which would mean a saving of £5,000 per ward for the Local Community Fund and £120,000 saving from the Capacity Building Fund, equating in total to £230,000.
23. A saving of up to £559,000 had been identified in relation to the Sport, Physical Activity and Health team. However, following the identification of further mitigation, a saving of £250,000 is proposed which would mean the delivery of a core Sport and Physical Activity model could be retained.
24. The budget choice relating to the Arts Development Service suggested a saving of up to the total budget of £148,000. Following consultation, it is proposed that a saving of £70,000 is achieved which would retain some Arts Development capacity.
25. During 2014/15, the Council will be considering the following Communities, Culture and Leisure budget choices with regard to the Budget 2015/16:
 - Libraries and Heritage review
 - Community Centres
 - Private Landlord and Tenant Services
 - Selective Landlord Licensing
 - Empty Property review

Information and Advice

26. The following Information and Advice budget choice considered as part of the consultation in the Cabinet report of 15 October 2013, is now proposed for implementation as part of the 2014/15 Budget, with no changes.
27. The withdrawal of reception services and investment in self service options at outlying council offices which will realise a saving of £75,000.

Amended Choices/Proposals

28. A saving of £21,000 can be achieved in relation to the Council News budget choice by continuing to retain 4 editions per year but with fewer pages, rather than reducing the number of editions as previously suggested.

Income

29. The following Income budget choices considered as part of the consultation in the Cabinet report of 15 October 2013, are now proposed for implementation as part of the 2014/15 Budget, with no changes.
30. Implementation of Council Tax Discount and Exemption charges for empty properties and reducing exemptions for vacant properties.
31. Income of £100,000 will be realised through an increase court costs from £70 to £85, in line with original budget choice.

Amended Choices/Proposals

32. The budget choice relating to Fees and Charges in respect of an inflationary charge based on RPI was estimated to generate approximately £300,000 income. It is now proposed that a saving of £259,000 is achieved based on the RPI increase at September 2013 of 3.2%. The revised figure takes account of those areas where an increase in fees and charges is not considered appropriate.

Adult Social Care

Amended Choices/Proposals

33. The budget choice relating to whether the Council should consider reducing the number of people eligible for help by meeting critical need only, will not be progressed. This means the Council will still support adults with care needs and disabilities (including older people) who have substantial needs and those that have critical needs (as defined by the government's Fair Access to Care criteria). The consultation supported this approach.
34. There was public disagreement (62%) to a review and potential reduction in the scale of social care services relating to preventative services. It is proposed that the saving of £470,000 can still be achieved by retaining preventative services budgets and by the re-profiling of health monies which would mean there should be no adverse impact for users of these services.
35. During 2014/15, the Council will be considering the following Adult Social Care budget choices with regard to the Budget 2015/16:
 - Review of the Council's in-house adult social care provider services
 - Review of the Council's adult social care assessment service

Children and Young People's Services

36. The following Children and Young People's Services budget choices considered as part of the consultation in the Cabinet report of 15 October 2013, are now proposed for implementation as part of the 2014/15 Budget, with no changes.
37. Implementation of the in-year savings targets as agreed within the delivery of the Children's Social Care Strategy which will realise a net saving of £900,000.
38. A reduction in the delivery of the current Connexions service by further targeting the provision of services which will realise a saving of £244,000.
39. A reduction in the current home to school/college travel support for students with learning difficulties attending post 16 education which will realise a saving of £40,000.

Amended Choices/Proposals

40. The results of the public consultation indicated 85% agreement for the budget choice relating to a reduction in current Home to School travel entitlement for students where their school preference is based on religion or belief. However specific consultation undertaken with those affected by the budget choice highlighted their disagreement. Alternative mitigation has been identified for 2014/15 and an implementation date of September 2015 is proposed with the full saving of £100,000 to be achieved in 2015/16.
41. The budget choice relating to Children and Adolescent Mental Health Service suggesting a saving of £190,000 is now subject of a review with the Clinical Commissioning Group scheduled for September 2014, which will inform budget planning for 2015/16. The budget choice has therefore been removed for 2014/15.
42. The budget choice relating to Early Years and Children's Centres, with a potential saving of £1.518m, resulted in a balanced response in the budget survey with 48% disagreeing to a reorganising of services into fewer multi-agency centres, and 47% agreeing. It is now proposed that a saving of £1.487m can be achieved through the targeting of services, reduced opening hours and through the timetabling of programmes. The revised proposal reflects delivery of the Authority's statutory responsibility in relation to Early Years childcare. No Children's Centres will close as a result of the revised proposal.
43. 59% of respondents to the budget survey indicated their support for the Youth Service to become much more targeted in their work, focusing youth work in areas of deprivation and for adolescents with the greatest challenges. However, there was also disagreement, including a petition opposing the budget choice which was suggesting a £851,000 saving. The budget proposal for implementation in 2014/15 is based on a revised saving of £582,000 which would maintain an element of universal youth services and targeted work with the most vulnerable young people, including weekend services.
44. The Play Service budget choice was suggested as a 2014/15 saving of £183,000. It is now proposed that a saving of £73,000 is achieved in 2014/15 and further work is undertaken towards the Play Service becoming a fully traded model in 2015/16.
45. The budget choice relating to Teenage Pregnancy identified a saving of £129,000. However, due to the consultation feedback, alternative delivery via the targeted services of the youth work and children's centre work, and through commissioned services, is now proposed with a reduced saving of £79,000 identified for 2014/15.
46. In addition, during 2014/15, the Council will be considering the following Children and Young People's Services budget choices with regard to the Budget 2015/16:
 - Continued successful delivery of the Children's Social Care Financial Strategy
 - Stop providing a school crossing patrol service
 - Cease or seek alternative funding for the Komatsu Youth Exchange Programme

Public Health

47. The Public Health service is currently reviewing a range of options to enable the Council to make best use of the public health grant which will be allocated at a level of £15.8m for 2014/15.
48. Over and above the services that the Government now requires the Council to provide, the current public health programme which is delivered through a ring-fenced grant has been re-profiled, allowing for services to be remodelled and some resources reinvested in alternative activities to help people improve their health and wellbeing and improve public health outcomes.

Efficiencies, Effectiveness and Savings

49. The budget choices relating to the Efficiencies, Effectiveness and Savings theme covered three areas which are all proposed to be implemented from 2014/15. It is proposed that a total of £8.281m savings can be achieved from the organisation structure, funding and financing and the review of working practices and supplies.
50. In addition, during 2014/15, the Council will continue to consider and implement efficiencies to minimise impact on frontline services. In particular, the Fit for the Future programme is expected to continue to identify opportunities for savings and efficiencies throughout the life of the programme. Other initiatives such as the Economic Acceleration Plan, the Corporate Asset Management Strategy and Plan and the Council's Commissioning Framework will continue to be progressed. The approach will be complemented by organisational reviews.

Comprehensive Impact Assessments (CIAs)

Background

51. For the 2014-2016 Council Budget, the Council has continued to use a more extensive approach of a Comprehensive Impact Assessment process to complement previously undertaken 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 cohesion, and workforce impacts to inform decision making.
52. The Corporate Vitality Overview and Scrutiny Committee has, since 17 October 2011, considered on an annual basis, the impact of budget proposals that were viewed as having significant or cumulative risk in relation to equalities.
53. Draft CIAs were developed to accompany the Budget Consultation 2014-2016 report agreed by Cabinet on 15 October 2013. The CIAs were then updated to include the outcome of the public consultation which was reported to Cabinet on 21 January 2014.
54. At a Corporate Vitality Advisory Group on 10 February 2014, councillors were informed of the key issues and potential impact relating to the draft budget choices.
55. Final versions of the CIAs relating to the budget choices proposed in this report are available on the Council's website.

Key Issues and Impact

Equalities

56. The Council has a legal duty under the Equality Act 2010 to evidence that, in the exercise of its functions, that “due regard” has been taken in respect of eliminating unlawful discrimination; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic.
57. In terms of the protected characteristics, there are a number of budget choices that will have a greater impact on Children and Young People, Women, Religion or Belief and Disability, however the mitigation identified in the CIAs may reduce this impact, relating in particular to:
- Early Years and Children’s Centres
 - Youth Services
 - Play Service
 - Home to school/college transport
 - Connexions
 - Teenage Pregnancy
 - Community Centres
 - Gateshead Fund
 - Sport and Physical Activity

Public Health

58. The Director of Public Health has provided an assessment of impact relating to health and wellbeing, noting there is the potential for disproportionate impact on vulnerable groups due to factors such as poverty, mental and physical ill health and social isolation where any reduction in activity could have a greater effect. It is acknowledged that whilst the mitigation of providing children and young people’s services on a more targeted basis and early intervention appear to be sound, further health impact assessment would be relevant. In addition, the impact of the budget choices relating to a reduction in physical health and mental wellbeing activities is noted, although it is not possible at this stage to determine specific impacts on specific population groups.

Voluntary and Community Sector

59. An assessment of the impact on the Voluntary and Community Sector has been undertaken with the following budget choices identified as having a direct financial impact on a number of organisations:
- Youth Service
 - Children’s Centres
 - Teenage Pregnancy
 - Community Centres
 - The Gateshead Fund
60. In addition, the budget choices identified below, could potentially impact on the voluntary and community organisations:
- Play Service
 - Sport, Physical Activity and Health development
 - Arts development
 - Early Years Childcare Services
 - Support to bowling greens and sports pitches

Geographic

62. The Corporate Vitality Overview and Scrutiny Committee on 21 January 2013 received a report on the Equalities Review that recommended a more local level geographic CIA was undertaken in order to better identify specific localities which may be particularly affected by the cumulative effect of the budget reductions. As a result a CIA was developed as part of the budget process setting for 2013/2014.
63. Once the budget proposals for 2014/15 have been agreed, it will be possible to analyse the impact and mitigation from each CIA, and understand which neighbourhoods in Gateshead might be disproportionately affected.

Budget Proposals Presented by Theme

Budget Proposals Theme Summary	Budget Saving 2014/15 £'000
Environment	(869)
Local Economy	(434)
Communities Culture and Leisure	(1,239)
Information and Advice	(96)
Income	(359)
Adult Services	(470)
Children and Young People	(3,655)
Efficiency and Effectiveness	(8,281)
Total	(15,403)

Environment Budget Proposals		
Transport Strategy		
DE2	Car Park Charging	(85)
DE35	New Car Park Charging	(20)
		(105)
Waste Services and Ground Maintenance		
LES1	Reduction in cleaning standards across the Borough.	(100)
LES4	Closure of one HWRC Facility	(100)
LES8	Reduction in maintenance standards for bowling greens and non-operational cemeteries. Carry out a formal review of the maintenance of football pitches across the borough. Reduce grounds maintenance in Parks to open space standards (3 week cycle).	(100)
LES19	Remove all flower beds from public areas with the exception of parks.	(20)
		(320)
Construction General Fund		
LES14	Reduced Electricity Bill from the dimming of Street Lighting in Residential Areas	(400)
DE5	Cessation of back lane improvements highway works	(44)
		(444)
Total Environment Budget Proposals		(869)
Local Economy Budget Proposals		
Libraries Sport and Culture		
CBS22-27	Reduction in Events Programme	(40)
CBS22-27	Reduction in Events Team Support	(70)
CBS6	Reduction in support to NGI	(43)
		(153)
Economic and Housing Growth		
DE12	Reduction in employment support grant.	(31)
DE13	Delete Vacant Post in employment support	(35)
		(66)
Other Services		
OS7-9	Reduction in NGI Core Funding (30%)	(102)
CBS6	Residual reduction in Tourism budget	(23)
OS12	Stop NGI Gateshead Cultural Programme 100%	(90)
		(215)
Total Local Economy Budget Proposals		(434)

Communities Culture and Leisure Budget Proposals		
Communities, Neighbourhoods and Volunteering		
CBS55/56	Review of Community Centres	(97)
CBS58/60/61	Reduction in Gateshead Fund	(230)
		(327)
Libraries Sport and Culture		
CBS 7-10	Reduction in Arts Development Service & reprioritising of delivery.	(70)
CBS14-19	Reduction in grant to BALTIC Centre and The Sage Gateshead	(129)
CBS20-21	Reduction in contribution to Tyne and Wear Archives and Museums	(31)
CBS31	Reduction & reprioritising work of Sport Physical Activity & Health	(250)
CBS50	Increase in Fees and Charges within Leisure Facilities	(232)
CBS50	Efficiencies in the delivery of Leisure Facilities	(200)
		(912)
Total Communities Culture and Leisure Budget Proposals		(1,239)

Information and Advice Budget Proposals		
Chief Executives and Communications		
CE1	Reducing budget for Council News	(21)
		(21)
Finance and ICT		
FICT6	Consolidation of Customer Services - Withdrawal of Customer Services employees at outlying offices and replacement with self-service options to allow Customer Services to be delivered from Civic Centre and the consolidation of reception areas within the Civic Centre.	(75)
		(75)
Total Information and Advice Budget Proposals		(96)

Income Budget Proposals		
	Fees and Charges	(259)
Finance and ICT		
FICT7	Court Costs (Income) - Increased income from NNDR and Council Tax court costs.	(100)
Income Budget Proposals		(359)

Children and Young People Budget Proposals		
Children and Families Support		
L&C12	Support for Teen Parents withdrawn	(7)
L&C13	End Family Learning and Crèche provision	(37)
L&C14	End support to Pre-School Learning Alliance	(15)
L&C16	Early years Childcare Service reduction	(351)
L&C17	Reduce Children's Centre provision.	(1,052)
L&C21-23	Connexions Service reduction & increase in schools income	(244)
L&C26	Reduction in Youth and Community Services Workers and cleaning provision at Bede, Leam and Lobley Hill	(170)
L&C27	Withdraw from Duke of Edinburgh Award	(7)
L&C28-29	Reduce Youth & Community Learning Workers & Youth Offer	(356)
L&C31	Parenting Programmes withdrawn	(24)
L&C33-34	Play Service reduction	(73)
L&C52	Toy Library reduction in admin support	(25)
		(2,361)
Children's Commissioning		
L&C7	Home to college transport – tighten criteria for free travel	(40)
L&C49	Reduction in Sponsored Day Care	(25)
L&C44	Teenage Pregnancy Support reduction	(21)
L&C45	Teenage Pregnancy Young Women's Project withdrawal	(21)
L&C46	Teenage Pregnancy Young Father's Project withdrawal	(37)
		(144)
Social Work Children and Families		
L&C1/51	Children's Social Care Financial Strategy Implementation	(902)
L&C2	Grove House trading of vacant beds	(110)
L&C3	Emergency Duty Team overtime	(9)
L&C4	Increase in Health related continuing care contributions from CCG	(129)
		(1,150)
Total Children and Young People Budget Proposals		(3,655)

Efficiency and Effectiveness Budget Proposals		
Business Support		
L&C47	Group Secretariat external funding	(23)
		(23)
Learning and Schools		
L&C35	LearningSkills mainline funding reduction	(60)
L&C36	Primary & Early Years Team - deletion of post from VR	(14)
L&C37	REALAC - deletion of post from VR	(67)
L&C38	Secondary / Post 16 Team - reduction of 3 posts	(153)
L&C40	School Sports Partnership	(1)
L&C41	Education Psychology Service - increased trading income	(28)
L&C42	Education Welfare - deletion of post from VR	(26)
L&C43	Inspection Team - deletion of vacant admin post & increase in trading income	(93)
		(442)
Children and Families Support		
L&C9	Graduate Leader Fund withdrawal	(11)
L&C10	Early years & Childcare Conferences withdrawal	(4)
L&C11	Early years Health Service withdrawal	(6)
L&C15	Early Years Childcare service reduction	(76)
L&C20	Reduction in Connexions training and vacancy	(51)
L&C24	Lyndhurst Centre closure	(34)
L&C25	Withdraw mainline support to Sound Room	(29)
L&C50	YOT deletion of post from VR	(25)
		(236)
Children's Commissioning		
L&C48	SEN equipment costs transfer to DSG	(45)
		(45)
Communities, Neighbourhoods and Volunteering		
CBS63/64	Administration of Gateshead Fund	(60)
		(60)
Commissioning and Business Development		
CBS52/54	Service Restructure	(85)
CBS53	Efficiencies in production of bespoke reports	(15)
		(100)
Libraries Sport and Culture		
CBS1	Reshaping the Delivery of the Libraries Network	(113)
CBS14-19	Reduction in grant to BALTIC Centre for Contemporary Art and The Sage Gateshead	(7)
CBS40	Bill Quay Farm	(56)
		(176)

Efficiency and Effectiveness Saving Proposals (continued)		
Housing General Fund		
Hsng3	Rental income for use of Civic Centre.	(375)
Hsng4	Corporate and Democratic Core into the HRA	(575)
Hsng5	Review of service charges to HRA	(500)
Hsng6	Review of garages	(20)
		(1,470)
Transport Strategy		
DE3	Voluntary Redundancies agreed in year	(72)
DE34	Service Review	(50)
		(122)
Development and Public Protection		
DE9	Voluntary Redundancies agreed in year	(39)
DE36	Service Review	(50)
		(89)
Economic and Housing Growth		
DE10	Voluntary Redundancies agreed in year	(33)
DE14	Increase of fees relating to the Gateshead Private Landlords Association.	(40)
DE16	Reduction in operating budgets across the service.	(68)
DE25	Replace Development Manager and backfill with existing member of staff. Replace vacant officer post and relocate posts from Disabled Facilities Grant (Housing General Fund) to Housing Revenue Account.	(174)
		(315)
Property and Design		
DE27	Reduce staffing to mitigate loss of income	(230)
DE28	Reduce staffing costs in areas to reflect changing and reducing workload.	(50)
DE29	Consolidate budgets across D&E for i.e. PPE, equipment, training, ICT, plotters, printers, travel, software licenses etc.	(20)
DE31	Review functional areas delivering TGHC project and programme delivery. Explore consolidating with TGHC project and programme delivery.	(50)
DE32	Additional income from third parties.	(50)
DE37	Increased rental income from rental income at depots	(20)
		(420)

Efficiency and Effectiveness Budget Proposals (continued)		
Waste Services and Ground Maintenance		
DE11	New method of delivery for the delivery of the Countryside Volunteers programme. (Integration with mainstream activities in LES).	(113)
LES5	Partnership working..	(125)
LES6	Review of Working Practices - Annualised Hours and Reductions in Overtime from working patterns.	(75)
LES20	Trade to the general public - floristry service. Bouquets, Weddings and Funeral packages etc.	(10)
		(323)
Facilities Management		
LES10	Restructure of Facilities Management.	(200)
		(200)
Chief Executives and Communications		
CE2	Reduce Residents Survey budget	(5)
CE3	Reduce Corporate hospitality budget	(10)
CE4	Delete international relations budget	(5)
CE6	Increased work load in relation to public health intelligence and evaluation of Families Gateshead being managed within current establishment	(100)
		(120)
Legal, Human Resources and Corporate Procurement Services		
LCS1	Reduce Surveying team (CAST)	(40)
LCS2	Reduction in Gp2 team (CAST)	(26)
LCS3	Reduction of Procurement Officer function and increased income from rebates in Council Contracts	(50)
LCS5	Review and reduce supplies and services budgets	(16)
LCS6	Increase official search fees by 10%	(14)
LCS8	Reduction of print operator post	(22)
LCS9	Reduction of Corporate word processing support.	(17)
LCS11	Cessation of the courier service.	(35)
LCS12	Reduction in fleet budgets across Development Law and Democratic Services.	(19)
LCS16	Reduction in HR Management Structure and Staffing Establishment	(87)
LCS21	Reduction of the establishment across Legal & Corporate Services	(89)
LCS22	Reduction of budgets across Legal & Corporate Services	(53)
LCS23	Reduction in temporary employee budget for Election Services	(40)
LCS24	Deletion of paralegal post	(19)
		(527)

Efficiency and Effectiveness Budget Proposals (continued)		
Finance and ICT		
FICT1	Restructure of Internal Audit and Risk function.	(52)
FICT2	Restructure of the Accountancy function.	(98)
FICT3	Non salary budget reductions.	(20)
FICT4	Identification of income generation opportunities maximising market share in existing markets and penetrating new markets outside the organisation.	(40)
FICT5	Organisational restructure of Customer & Financial Services	(98)
FICT11	Renegotiation of various ICT contracts	(93)
FICT12	Reduction in service levels of the Civica EDM/Workflow Database Administration service and document scanner maintenance.	(11)
FICT13	Assessment of the SLA requirements of the network technologies support contract	(42)
FICT20	Increased trading from SME across Gateshead Business Centres and areas of Key Economic Growth.	(10)
		(464)
Other Services, Capital Financing and Contingencies		
OS	Capital Financing	(2,031)
OS1	Under recovery of pension deficiency	(300)
OS2	Reduced external audit costs	(30)
OS3	Reduced budget for unfinanced SMP	(10)
OS4	Reduction of bank charges budget	(8)
OS5	Reduction of corporate budgets	(20)
OS10	Senior Management reductions	(150)
OS11	Savings from employment Costs	(600)
		(3,149)
Total Efficiency and Effectiveness Budget Proposals		(8,281)

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 £19.774m as at 31 March 2014. This is 9% of the net revenue budget for 2014/15 and is above the minimum of £10.5m.
- The General Reserve is supplemented by expected earmarked reserves of £17.333m as at 31 March 2014. Of this amount, £6.258m 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 8 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 2014/15 budget.

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

- **Employees' Pay**

A provision of 1% for 2014/15 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 adult social care. In addition, specific action plans and financial strategies have been agreed in relation to key areas of increasing demand.

- **Workforce Management**

A provision for the potential costs of workforce management is included in contingencies supported by the availability of earmarked 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 2014/15.

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 priorities the security and liquidity of deposits before 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 01/04/13	Budgeted Movement During Year	Estimated Movement During Year	Estimated Closing Balance at 31/03/14	Budgeted Movement During Year	Estimated Movement During Year	Estimated Closing Balance at 31/03/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Fund:							
General Reserve	(16,477)	0	(3,297)	(19,774)	0	0	(19,774)
Schools LMS Reserves*	(7,334)	0	334	(7,000)	0	0	(7,000)
Total General Fund	(23,811)	0	(2,963)	(26,774)	0	0	(26,774)
Strategic Reserves:							
Insurance	(3,000)	0	0	(3,000)	0	0	(3,000)
Grant Clawback	(1,375)	0	500	(875)	0	0	(1,375)
Gateshead Development Pool	(6,098)	1,204	0	(4,894)	0	0	(4,894)
Developers' Contributions*	(2,121)	0	0	(2,121)	0	0	(2,121)
Economic Downturn	(56)	0	56	0	0	0	0
Revenue Grants / Receipts Unapplied*	(2,510)	0	230	(2,280)	0	0	(2,280)
Economic Growth	(2,306)	0	0	(2,306)	0	140	(2,166)
Equal Pay	(500)	0	500	0	0	0	0
Dedicated Schools Grant*	(1,106)	0	(751)	(1,857)	0	0	(1,857)
Total Strategic Reserves	(19,072)	1,204	535	(17,333)	0	140	(17,193)
Total Reserves	(42,883)	1,204	(2,428)	(44,107)	0	140	(43,967)

*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 cost of previous redundancy schemes and further support to workforce management may be needed. The reserve can also support invest to save initiatives.

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 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 reserve will be fully utilised in 2013/14 and the expected balance at 31 March 2014 is therefore zero.

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. It cannot be used to support the revenue budget and reduce the council tax requirement.

The **Economic Growth Reserve** was created to support and incentivise initiatives which will contribute towards economic growth and increase retained business rates.

The **Equal Pay Reserve** was created to mitigate against potential outstanding equal pay claims. It is expected that this reserve will be fully utilised in 2013/14 to fund the remaining equal pay claims and the expected balance at 31 March 2014 is therefore zero.

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 review of the MTFs in June 2014.

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2012/13 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

<i>Capital Expenditure</i>					
	2012/13 £000 Actual	2013/14 £000 Estimate	2014/15 £000 Estimate	2015/16 £000 Estimate	2016/17 £000 Estimate
Non-HRA	47,460	46,725	56,225	28,695	29,973
HRA	15,843	21,671	21,350	17,370	23,200
Total	63,303	68,396	77,575	46,065	53,173

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2012/13 are: -

<i>Ratio of Financing Costs to Net Revenue Stream</i>					
	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Non-HRA	12.32%	12.00%	12.84%	15.91%	16.85%
HRA	39.96%	48.26%	46.75%	40.28%	45.93%

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 (excluding PFI) for the Council for the current and future years and the actual Capital Financing Requirement at 31 March 2013 are: -

<i>Capital Financing Requirement</i>					
	31/03/13 £000 Actual	31/03/14 £000 Estimate	31/03/15 £000 Estimate	31/03/16 £000 Estimate	31/03/17 £000 Estimate
Non-HRA	270,794	282,907	320,778	335,022	345,186
HRA	345,505	345,505	345,505	345,505	345,505
Total	616,299	628,412	666,283	680,527	690,691

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 debt will only be for a capital purpose, the local authority should ensure that debt 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 2012/13, 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.

The following table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement), highlighting any over or under borrowing.

Gross Debt and the Capital Financing Requirement					
	31/03/13 £000 Actual	31/03/14 £000 Estimate	31/03/15 £000 Estimate	31/03/16 £000 Estimate	31/03/17 £000 Estimate
Actual gross debt at 31 March	564,968	617,118	654,989	669,233	679,397
Capital Financing Requirement	616,299	628,412	666,283	680,527	690,691
Under / (over) borrowing	51,331	11,294	11,294	11,294	11,294

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

Authorised Limit for External Debt			
	2014/15 £000	2015/16 £000	2016/17 £000
Borrowing	740,000	755,000	765,000

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

Operational Boundary for External Debt			
	2014/15 £000	2015/16 £000	2016/17 £000
Borrowing	715,000	730,000	740,000

9. The Council's actual external debt at 31 March 2013 was £564.968m comprising £564.968m 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 2014/15 (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 2014/15 from the totality of the capital and revenue plans recommended in this budget report is £1.62.

12. Forward estimates for the incremental impact on Band D council tax levels for 2015/16 is £1.82 and 2016/17 is £1.82. 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 2014/15 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 2015/16 is £0.03 and 2016/17 is £0.03. 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 2014/15, 2015/16 and 2016/17 as follows. The figures are expressed in terms of net outstanding principal sums.

UPPER LIMIT ON FIXED AND VARIABLE INTEREST RATES EXPOSURES			
Range	2014/15 £000	2015/16 £000	2016/17 £000
Fixed Rate	626,007 290,995	641,184 309,534	668,112 241,026
Variable	109,468 (20,000)	93,029 (20,000)	119,570 (20,000)

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

	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	60%	0%
10 years and above	90%	0%

19. It is recommended that the Council sets an upper limit on its principal sums invested for periods longer than 364 days for 2014/15, 2015/16 and 2016/17 as follows: -

<i>Upper Limit on amounts invested beyond 364 days</i>			
	2014/15 £000	2015/16 £000	2016/17 £000
Investments	15,000	15,000	15,000

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2014/15

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 February 2012. 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. 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

The annuity method links the MRP to the flow of benefits from an asset where they are expected to increase over time. The MRP is the principal element for the year of the annuity required to repay the amount of capital expenditure financed by borrowing or credit arrangements over the life of the asset.

Under both asset life variations, additional voluntary revenue provision can be made in any year, which can result in reductions to the MRP charge for future years.

MRP commences in the financial year following the one in which the expenditure was incurred and the estimated life of the asset is determined in the year that MRP commences and is not subsequently revised.

The estimated useful life is aligned to the Council's asset register where possible, however the Council does have the flexibility to assign an alternative life to capital expenditure, provided this can be justified and still satisfies the requirement to make a prudent provision.

If no life can reasonably be attributed to an asset, such as freehold land, the life is 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 exceeds 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.

Option 4: Depreciation Method

MRP is calculated by applying standard depreciation accounting procedures to any asset where expenditure has been financed by borrowing or credit arrangements. This includes any amount for impairment chargeable to the Income and Expenditure Account.

MRP is only made annually until the cumulative amount of such provision is equal to the expenditure originally financed by borrowing or credit arrangements.

On disposal of an asset, the MRP charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. However, capital receipts or other funding sources can be applied at any time to repay all or part of the outstanding debt and cease making MRP charges.

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

Proposed 2014/15 MRP Calculation Method

The statutory guidance, issued by CLG in February 2012, 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 advised that Authorities should use option 3 for capital expenditure incurred after this time.

It is proposed that for 2014/15 Gateshead Council follows the statutory guidance and adopts the following approach to calculating the MRP charge:

- The Regulatory Method (Option 1) continues to be used relating to any historic capital expenditure incurred prior to 1 April 2008;
- The Asset Life Equal Instalment Method (Option 3(a)) continues to be used relating to historic capital expenditure incurred between 1 April 2008 and 31 March 2013;

- The Asset Life Method will be used for any capital expenditure incurred after 1 April 2013 that has been financed using borrowing, adopting the following principles:
 - a) The Equal Instalment Method (Option 3(a)) will be applied for schemes that have an expected useful life of less than 25 years;
 - b) The Annuity Method (Option 3(b)) will be applied for schemes that have an expected useful life of 25 years or more.

For any transactions relating to PFI contracts, the 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.