

TITLE OF REPORT: Budget and Council Tax Level 2015/16**REPORT OF: Jane Robinson - Chief Executive**
Darren Collins - Strategic Director, Corporate Resources**Purpose of Report**

1. To request Cabinet to recommend to Council on 26 February 2015 the Budget and Council Tax level for 2015/16. 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 the Future Principles to guide the process of agreeing the Council budget.
3. On 17 July 2014, the Council agreed the Medium Term Financial Strategy (MTFS) that covered the period 2015/16 to 2017/18 and identified a funding gap of almost £60m over this time period and also revised the Council's Reserve Policy.
4. On 18 September 2014, the Council agreed a revised organisational structure following a review of functions within the Council to enable services to be delivered in a more efficient and effective way.
5. On 4 November 2014, Cabinet approved the basis for undertaking public consultation on budget proposals for 2015/16 which took place between 4 November and 30 December 2014.
6. On 16 December 2014, Cabinet agreed the Local Council Tax Support Scheme for 2015/16.
7. On 18 December 2014, the Government announced the Provisional Local Government Finance Settlement for 2015/16.
8. On 27 January 2015, Cabinet agreed the Council Tax Base and Business Rates forecast for 2015/16.
9. On 27 January 2015, Cabinet noted the Provisional Local Government Funding Settlement and update of the funding gap for 2015/16.
10. On 3 February 2015, the Final Local Government Funding Settlement was laid before Parliament. The final settlement was broadly consistent with the provisional settlement reported to Cabinet on 27 January 2015, although it included an additional non-ring-fenced allocation through the Revenue Support Grant of £0.427m for welfare needs and social care provision.
11. On 3 February 2015, the Government issued guidance on the referendum trigger point via a Ministerial Statement that indicated that this would remain at 2% for 2015/16.

12. This report represents the final stage of the budget setting process in determining the budget and council tax level for 2015/16.

Proposal

13. The proposed base budget for 2015/16 is £234.410m, an increase of £15.402m on the current year's budget reflecting inflationary increases, service pressures and additional burdens.
14. Funding for 2015/16 is £215.270m based on the final settlement and including a council tax increase of 1.95%, council tax income and Collection Fund transfers leaving a budget savings requirement of £19.140m which can be summarised as follows:

	£m
Net Budget 2014/15	219.008
Inflation, New Burdens and Service Pressures	15.402
Provisional Net Budget	234.410
Available funding	(215.270)
Budget Savings Requirement	19.140

15. The budget choices approved for consultation by Cabinet on 4 November 2014 have been reviewed to reflect the responses to consultation. The revised budget proposals result in savings of £19.140m for 2015/16 which closes the funding gap for the year.
16. This report proposes a budget in 2015/16 that includes £19.140m 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. However a total of £1.950m from reserves has been earmarked to mitigate some areas of savings over a 12 month period to allow service transformation and ensure Council priorities can be delivered. This includes the deployment of £1.388m from the Council's General Reserve and £0.452m from the ring-fenced Public Health reserve to be used in 2015/16.
17. The proposed budget will result in a council tax increase of 1.95% for residents of the Borough of Gateshead in respect of Gateshead Council expenditure which will generate additional income of £1.403m. This means that the Council will not be eligible to receive the Council Tax Freeze Grant totalling £0.892m for 2015/16 offered as part of the final settlement. The proposed council tax increase would be the first since the 2010/11 financial year and it follows four years of Council Tax freeze. The increase would represent a 37 pence a week rise for Band A properties in the Borough which total 61% of total properties.
18. In developing the proposed budget for 2015/16 the Council recognises the impact of a possible council tax increase on some of the most vulnerable in society and particularly those on fixed incomes and it is on this basis that the proposal for an increase has been restricted to the minimum level that will protect the delivery of essential Council services to the residents of Gateshead.

Recommendations

19. Cabinet is requested to make the following recommendations to the Council:

- (1) That Gateshead's Band D council tax for 2015/16 is increased by 1.95% to £1,471.3389
- (2) The revenue estimates of £215.270m for 2015/16 be approved.
- (3) That use of £1.388m from the Council's General Reserve and £0.452m from the Public Health Reserve be agreed to mitigate the impact of budget proposals in 2015/16.
- (4) That the indicative schools funding presented in Appendix 2 be agreed.
- (5) That the recommendations of the Strategic Director, Corporate Resources in respect of the robustness of estimates and adequacy of reserves be noted.
- (6) That the Prudential and Treasury Indicators set out in Appendix 6 to this report be agreed.
- (7) That the method of calculating the Minimum Revenue Provision (MRP) for 2015/16 as set out in Appendix 7 be approved.
- (8) That the Budget Proposals following the outcome of consultation in Appendix 2 be noted.
- (9) That it be noted that at its meeting on 27 January 2015, Cabinet calculated the following amounts for the year 2015/16 in accordance with regulations made under Section 31B(3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-
 - (a) 49,923.9 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) 1,167.1 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.
- (10) That the following amounts be now calculated by the Council for the year 2015/16 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) £581,996,343 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) £508,534,707 being the aggregate of the amounts, which the Council estimate for the items, set out in Section 31A(3) of the Act

- (c) £73,461,636 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) £1471.4723 being the amount at (c) above, all divided by the amount at (9)(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) £6,658 being the aggregate amount of all special items (Lamesley Parish Council) referred to in Section 34(1) of the Act
- (f) £1471.3389 being the amount at (d) above less the result given by dividing the amount at (e) above by the amount at (9)(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 £1477.0436

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 (9)(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	980.8927
B	4.4370	1144.3747
C	5.0708	1307.8568
D	5.7047	1471.3389
E	6.9724	1798.3032
F	8.2401	2125.2673
G	9.5078	2452.2316
H	11.4094	2942.6778

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

dwelling 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.

- (11) That it be noted that for the year 2015/16, 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	58.8900	49.7500
B	68.7000	58.0400
C	78.5200	66.3300
D	88.3300	74.6200
E	107.9600	91.2000
F	127.5900	107.7800
G	147.2200	124.3700
H	176.6600	149.2400

- (12) That, having calculated the aggregate in each case of the amounts at (10)(h) and (11) 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 2015/16 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1093.3358	1089.5327
B	1275.5517	1271.1147
C	1457.7776	1452.7068
D	1639.9936	1634.2889
E	2004.4356	1997.4632
F	2368.8774	2360.6373
G	2733.3294	2723.8216
H	3279.9872	3268.5778

- (13) 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 2015/16 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 2015/16.

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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 2015/16 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 2015/16 attached at Appendix 2 have been prepared in accordance with this guidance and the MTFS framework.

Considerations

5. In finalising the budget and council tax for 2015/16, the following issues require consideration:-
 - principles of the Medium Term Financial Strategy;
 - the final Local Government Finance Settlement for 2015/16 including the Business Rates forecast;
 - the projected outturn for 2014/15;
 - budget guidance;
 - base budget 2015/16;
 - proposals following consultation with councillors and stakeholders;
 - statutory requirements;
 - adequacy of reserves and risk assessment;
 - Council Tax freeze grant offer;
 - the Referendums Relating to Council Tax Increases (Principles) (England) Report 2015/16 ;
 - approval of prudential indicators for 2015/16;
 - Minimum Revenue Provision (MRP).

Medium Term Financial Strategy

6. The MTFS is based on the following principles:
 - 1) The overall financial strategy will be to ensure that the Council's resources are directed to achieving Vision 2030 and the priorities set out in the Council Plan.
 - 2) 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.

- 3) The Council will maintain its general reserve at a minimum of 3% of the net revenue budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFs without reliance on the use of the general reserve.
- 4) The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed annually.
- 5) The Council, through the application of the Fit for the Future programme principles, will continue to improve its approach to efficiency, commissioning and procurement to ensure value for money and minimise the impact of budget savings on front line services.
- 6) The Council recognises the impact of increases in council tax levels and fees and charges in an area of relatively low income and low wealth and will therefore balance the need for any increases against the delivery of Vision 2030.
- 7) The Council's business planning 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, changes to legislation and outcomes from the performance management framework.
- 8) The Council will consider the use of prudential borrowing to support capital investment to deliver Vision 2030 and will ensure that the full costs of borrowing are taken into account when investment decisions are taken.
- 9) Opportunities for working in collaboration and partnership and new innovative ways of working will be identified and developed where this will support the Council's priorities and improve service efficiency and delivery. This will include the use of well-being powers, development of trading opportunities and the sourcing and securing of external funding.
- 10) 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 managed through the Council's capital programme.

Local Government Finance Settlement 2015/16

7. The provisional Local Government Finance Settlement for 2015/16 was announced on 18 December 2014 and was reported to Cabinet on 27 January 2015.
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 and NHS controlled funding) falling by 3.8% from 2014/15 against a national average reduction of 1.8%. However the government's headline reduction figure concealed the fact that Gateshead has received a reduction in Settlement Funding Assessment (SFA) of 14.9%. Taking into account other funding streams such as New

Homes Bonus but excluding any funding associated with new burdens this equates to a reduction of 7.7% in government funding overall for the Council.

9. There are also a number of key changes to Council funding expected over 2015/16 and 2016/17 as follows:
- 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 by £10.484m to £15.678m in 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.
 - Adult Social Care New Burdens: the Government has announced this funding to support local authorities with the implementation of burdens arising from the Care Act, 2014. It is uncertain if the funding will be sufficient to cover these additional responsibilities.
 - Business rates: the Government has announced its intention to extend the cap of 2% on increases into 2015/16 and also the extension of 100% small business rate relief and an increase in small retailer relief from £1000 to £1500. Councils will be compensated for these measures through a section 31 grant.
 - Public Health: the Government has announced that with effect from 1 October 2015 that public health services for children from 0-5 years old will transfer to Local Government. Figures are still provisional but currently include an allocation of £1.98m for Gateshead for the six months in 2015/16.
 - New Homes Bonus Top-Slice: The government is to reduce the amount of hold back by £50m to £950m nationally; however there remain issues over the method for allocating this money back to local authorities.
 - Local Welfare Provision: Following consultation the government has removed any additional funding for local welfare provision leaving local authorities who wish to continue with this scheme to meet the costs themselves. This needs to be considered in light of the roll out of Universal Credit which will begin in Gateshead in June 2015/16.
10. The final Local Government Finance Settlement was laid before Parliament on 3 February 2015 and was broadly consistent with the provisional settlement reported to Cabinet on 27 January 2015 with the only significant change being an additional non-ring-fenced allocation through the Revenue Support Grant of £0.427m for welfare needs and social care provision. This has revised the reductions in funding for Gateshead in the SFA to 14.6% and the overall position excluding new burdens to 7.5%. The actual reduction in Revenue Support Grant from 2014/15 is £16.3m.
11. As part of the 2015/16 settlement, the Government provided a baseline figure for retained business rates. The National Non-Domestic Rates Return 1 (NNDR1) 2015/16 submitted to DCLG on 31 January 2015 estimated that the Council's retained element will be £44.772m (adjusted for cost of collection) which is £1.573m greater than the baseline estimated in the Government's final settlement. This estimated additional income assists in closing the Council's funding gap.

12. As stated above the Government have committed to compensate local authorities for extending the cost of the 2% cap and small business and retailer relief through a section 31 grant. Although the exact amount is yet to be confirmed, an estimate of £2.148m (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 2015.
13. The Council will also receive an indicative £132.8m 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 is estimated to be £38.3m. 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. Funding for 2 year olds (£2.8m in 2014/15) has not been included in the baseline for 2015/16 as this will be confirmed in July 2015 based on actual take up.
14. In addition, the Pupil Premium for 2015/16 will be £1,320 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 receive Pupil Premium Plus at £1,900 per eligible child. The estimated entitlement for schools in Gateshead is £9.7m, of which an estimated £2.5m will be recouped for Academies.

Projected Outturn 2014/15

15. The agreed revenue budget for 2014/15 was set at £219.008m. On 27 January 2015, Cabinet received a report on projected spending taking into account performance to 31 December 2014. The 2014/15 projected outturn is £217.160m, a projected under spend of £1.848m (0.8%) 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 children's social care, under recovery of technical cost income and under achievement of income from leisure facilities. Continued monitoring within services, reports to Strategy Group and the delivery of action plans to address budget variances will aim to ensure that spending for the year is contained within the original estimate.

Budget Guidance

16. On 22 September 2011, the Council agreed the Fit For Future principles and model.
17. Following the Government's provisional local government funding settlement on 18 December 2014, a refresh of the funding gap was reported to Cabinet on 27 January 2015 which updated the funding gap for 2015/16 and confirmed a funding gap for 2015/16 of £24.8m. The MTFS is reviewed on an annual basis in line with MTFS principles and will be considered again by Cabinet in June 2015.
18. 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.

19. 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 2015/16

20. The base budget for 2015/16 before budget savings is £234.410m. This is an increase of £15.402m reflecting new burdens, inflation and service pressures outlined in the MTFS.
21. Provision has been made in the budget for the North East Combined Authority Transport Levy of £12.069m (2% decrease) and for the Environment Agency of £0.159m (1.9% increase). Both of these levies have been confirmed.
22. The Combined Authority (CA) for the North East was established with effect from 15 April 2014 and this resulted in the abolition of the former Tyne and Wear Integrated Transport Authority with all property, rights and liabilities transferring to the CA. These were ring-fenced under the terms of the Combined Authority Agreement to the Tyne and Wear area and will not be the responsibility of Durham and Northumberland Councils.

23. The CA is now the Local Transport Authority, with the power to issue a levy on constituent authorities to meet transport related expenditure. The Transport Levying Bodies Regulations were 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.
24. Growth in the Council budget has been kept to a minimum with provision being made in a contingency of £5.3m for an ongoing contribution to the costs of managing the workforce, provision for the timing of savings, health and social care integration, provision for loss of income and the cost of additional winter maintenance. The contingency also includes the £0.427m funding from government for welfare needs and social care provision to enable deployment in 2015/16. The base budget for 2015/16 includes recognition of a £1m surplus in respect of Construction Services' income based on this sustained level of performance in previous years.
25. Funding for 2015/16 is £215.270m based on the final settlement funding including a council tax increase of 1.95%, council tax income and Collection Fund transfers leaving a budget savings requirement of £19.140m which will be met through budget proposals. The budget proposals include redirection of £1.340m of Public Health funding to support Public Health related activity within other areas of the Council's budget. The position can be summarised as follows:

	£m
Net Budget 2014/15	219.008
Inflation, New Burdens and Service Pressures	15.402
Provisional Net Budget	234.410
Budget Proposals	(19.140)
Proposed Net Budget 2015/16	215.270

26. The base budget figures and proposals presented in Appendix 2, including any comparative figures for 2014/15, are reported in line with the new organisational structure of the Council following a review which was agreed by Council on 18 September 2014 with the aim of delivering services in a more efficient and effective way. This agreed the Council's functions were to be delivered through the following service groups:-

- Policy, Economic Growth and Transformation
- Care, Wellbeing and Learning
- Communities and Environment
- Corporate Services and Governance
- Corporate Resources

Budget Proposals 2015/2017 – Outcome of Consultation

27. At its meeting on 4 November 2014, Cabinet approved the public consultation which set out the budget proposals in order to bridge an estimated funding gap of £24.8m for 2015/16. The consultation ran from 4 November 2014 to 30 December 2014. The responses to the consultation are included at Appendix 3.
28. Following consultation, the potential for mitigations to issues raised through the process have been considered. As a result of these considerations across a number of factors including the overall financial position of the Council, the level of reserves and

priorities identified in the Council Plan 2012-17 it has been possible to mitigate some of the budget proposals and through the use of reserves allow an opportunity in other areas to support delivery of proposed savings over a 12 month period. Within the proposed budget for 2015/16 the following budget proposals are mitigated:

- **Review the level of Capacity Building Fund** – This fund is key to achieving the Council's strategic intervention of building capacity within communities and the voluntary and community sector to increase ownership and deliver more services and priorities. Following the consultation, the proposal is now that £500,000 is retained in the Budget for 2015/16 with a full review of voluntary and community sector support to be undertaken during the year.
- **Reduction in Cleaning of Council Buildings** – A mitigation to reduce the level of the proposal from £0.2m to £0.089m to continue with a more enhanced level of cleaning within major Council buildings than the original proposal.
- **Reduction in Trading Standards Capacity** – A mitigation to reduce the level of the proposal from £0.087m to £0.047m for 2015/16 through the application of £0.040m from the Public Health Reserve.

29. Within the proposed budget for 2015/16 the following areas are supported through the use of reserves during the financial year to allow delivery of the full agreed saving proposal by 31 March 2016:

- **Review of Leisure Services** – This proposal reduces the opening times of leisure centres and proposes to withdraw subsidy to specialist leisure facilities. The proposed application of £0.450m from the General Reserve would allow additional time to review operations to allow the full proposal of £0.950m to be delivered.
- **Overall Review of Economic & Housing Growth Service** - This review will consider a range of options for delivering these services within a reduced budget envelope while recognising reducing resources in this area could impact on job creation and local employment. The proposed application of £0.350m from the General Reserve would allow the development of a new business model for the Service to allow the full proposal of £1m to be delivered.
- **Older Peoples & Home Support Service** – This service contributes to enabling service users to continue to live independently within their own homes. The proposed application of £0.245 from the General Reserve will allow a review of the sustainability and delivery of the service to be undertaken during 2015/16 and allow the full proposal to be delivered.
- **Review and redesign the Children & Families Social Work Service** - These proposals will be delivered through the transformation project identified in the budget consultation. As plans for delivery need working up in more detail the revised proposal is to mitigate 6 months of the saving in 2015/16 through the application of £0.343m from the General Reserve and allow additional time for proposals to be finalised and implemented to achieve the full proposal of £0.685m.
- **Cease to provide a Local Community Fund** – A review of this area will take place alongside the review of the Capacity Building Fund with a proposal to agree the £0.110m saving, but support this budget in 2015/16 by carrying forward the underspend on the fund from the previous year.

30. It is proposed that a further £0.412m from the ring-fenced Public Health Reserve is applied in 2015/16 to support priorities in this area in addition to the proposed mitigation in respect of Trading Standards. This would include additional environmental health capacity, support to develop the Joint Strategic Needs Assessment, increasing access to swimming and other leisure facilities for children

and families and developing employment support activity to assist in stimulating the local economy. All expenditure would be contained within the ring-fenced Public Health budget totals for 2014/15 and 2015/16.

31. After mitigation measures the budget proposals for 2015/16 total £19.140m as detailed in Appendix 2.
32. The consultation also covered 2016/17 as part of the rolling two year approach to the budget. The Council faces a funding gap for 2016/17 that is currently estimated at £21.1m. 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

33. 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.
34. 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:-
35. (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

36. The Local Government Act 2003 requires the Strategic Director, Corporate Resources to undertake an assessment of the robustness of budget estimates and the adequacy of reserves.
37. In assessing the robustness of the budget, the Strategic Director, Corporate Resources 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

38. In addition to the above, the Strategic Director, Corporate Resources has undertaken a risk assessment of the underlying budget assumptions applied to income and expenditure estimates. This includes an assessment of the estimates for inflationary increases. Further details are shown at Appendix 4.
39. The Strategic Director, Corporate Resources 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 2014 and an estimate of reserves through to 31 March 2016 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 2015 that will be informed by the revenue outturn for 2014/15.
40. Subject to proposals in this report, the Council's General Fund is expected to be £24.818m at 31 March 2015. This includes £8.086m LMS Schools reserves which are ring-fenced and £16.732m General Reserve. The General Reserve is equivalent to 7% of the Council's proposed net revenue budget for 2015/16, and is above the minimum level of 3% agreed as a principle in the refresh of the Council's MTFS reported to Council on 17 July 2014. The general reserve is supplemented by £24.847m estimated earmarked reserves at 31 March 2015, £7.345m of which is ring-fenced and cannot be used to support the revenue budget.
41. 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.
42. The proposals within the budget will result in major organisational change in many services across the Council, and changes in the way the Council delivers services and works for and with, the community.
43. The Council will still be a major employer and it will continue the existing good practice and further develop the Council's commitment to its workforce, including employee engagement, learning and development, and health and well-being. The Council 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 community.
44. The Council remains committed to seeking to avoid compulsory redundancies (CRs), and wherever possible it will continue to support employees who wish to volunteer for redundancy (VR). The Council has a successful track record of redeploying staff and it will continue to support 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.
45. In light of the required savings the Council gave notice in January 2015 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 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.

46. The proposed FTE reduction is set out in the table below:

FTE reduction Pre Mitigation	FTE reduction post mitigation	VRs FTE	CRs FTE	Vacant Posts FTE	Other
274.95	193.35	26.5	44.83	48.62	73.4

47. It should be noted that the actual number of CRs is likely to be considerably fewer than the figure shown in the table, as work is ongoing to confirm exact numbers of VRs, vacant posts and opportunities for redeployment which will reduce the need for CRs. (NB In the table the column labelled “Other” FTEs refers to posts proposed to be supported by alternative funding sources or where there are reductions in hours.)

48. The refresh of the funding gap reported to Cabinet on 27 January 2015 set out a position which reflected a funding gap of £24.8m for 2015/16. The MTFs will be subject to an annual review in June 2015 to cover the period 2016/17 to 2018/19.

49. The Strategic Director, Corporate resources 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 Increase and 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.

51. For 2015/16, the Government has confirmed its offer of funding to enable councils to freeze council tax at the equivalent to a 1% increase or £0.892m (before local council tax support scheme), paid in 2015/16 and built into the spending review baseline.

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 2015/16 compared to 2014/15 will be eligible to receive a grant equivalent to 1% of the basic amount of council tax set for 2014/15, multiplied by the amount calculated as the authority’s council tax base for 2015/16 not taking into account the reduction in the tax base due to the council tax reduction scheme.

53. However against the backdrop of continued government funding reductions, new burdens and spending pressures which cumulatively are having a significant impact on the Council’s ability to deliver its priorities during 2015/16 this report recommends that Gateshead Council does not freeze council tax for 2015/16 and agrees a council

tax increase of 1.95%. This will mean the Council will not be eligible for the Council Tax Freeze Grant of £0.892m but will be exempt from the Government's excessiveness principles outlined below as the proposed increase is less than 2%. An increase of 1.95% will generate an additional £1.403m in income for the continued delivery, investment and protection of Council services.

Council Tax Referendums

54. 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.
55. 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.
56. In developing the proposed budget for 2015/16 the Council recognises the impact of a possible council tax increase on some of the most vulnerable in society and particularly those on fixed incomes and it is on this basis that the proposal for an increase has been restricted to the minimum level that is not considered excessive under the Act and which will protect the delivery of essential Council services to the residents of Gateshead.
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 2015/16, 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 2015/16, the relevant basic amount of council tax for Gateshead is excessive if the authority's relevant basic amount of council tax for 2015/16 is 2%, or more than 2%, greater than its relevant basic amount of council tax for 2014/15.
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 2015/16 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 2015/16.
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.
65. Under section 52ZB of the Local Government Act 1992 (as amended by the Localism Act 2011) the proposed council relevant basic amount of council tax for 2015/16 is not excessive in accordance with the principles determined under section 52ZC of the Act.

Council Tax Requirement 2015/16

66. The Localism Act 2011 changed some of the details governing the calculation of council tax. The Council must set a Council Tax Requirement.
67. The Council's Budget for 2015/16 totals £215.270m after budget savings (net of schools spending).
68. In calculating the Council's council tax requirement as required by the legislation, the Lamesley Parish precept must be added to the figure above.
69. The Parish of Lamesley has issued a budget precept for 2015/16 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 2015/16 is £6,658.00. Grant funding of £842.00 will top-up the precept to enable a budget of £7,500 to be maintained.
70. 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.
71. Any amount transferred from the collection fund to the general fund in relation to council tax must also be deducted. For 2015/16 this figure has been estimated to be £1m.
72. The Council Tax Requirement 2015/16, based on an increase of 1.95%, can now be summarised as follows: -

	£
Net Budget 2015/16 Gateshead Council	215,269,685
Add - Lamesley Parish Precept	6,658
Budget Requirement 2015/16 (including Lamesley Parish Precept)	215,276,343
Less - Settlement Funding Assessment (SFA)*	(102,407,661)
Public Health	(14,850,000)
Other Grants	(23,557,046)
Balance to be raised locally	74,461,636
Transfer from Collection Fund (Council Tax)	(1,000,000)
Council Tax Requirement (including Lamesley Parish Precept)	73,461,636

*Includes transfer from Collection Fund for retained business rates

Council Tax

73. The Council Tax for Gateshead is calculated by dividing the council tax requirement by the Council Tax base of 49,923.9 (agreed at Cabinet on 27 January 2015). This calculation gives a Band D Council Tax of £1,471.4723. However, from this figure, the legislation requires the Parish element to be deducted (£0.1334). This gives a Band D Council Tax for Gateshead of £1,471.3389. Section 36 of the Local Government Finance Act 1992 requires the Council Tax to be calculated by reference to Band D, although 90.4% of households in Gateshead are in Bands A to C.
74. 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	980.8927
B	1144.3747
C	1307.8568
D	1471.3389
E	1798.3032
F	2125.2673

G	2452.2316
H	2942.6778

75. 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 27 January 2015). This calculation gives a Band D Council Tax of £5.7047 for Lamesley Parish area, the same as 2014/15.
76. 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	5.0708
D	5.7047
E	6.9724
F	8.2401
G	9.5078
H	11.4094

77. 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 Police and Crime panel on 6 February 2015, at an increase of 1.99% and the precept for the Tyne and Wear Fire and Rescue Authority was agreed on 16 February 2015, at an increase of 1.999%. These are as follows:-

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	58.8900	49.7500
B	68.7000	58.0400
C	78.5200	66.3300
D	88.3300	74.6200
E	107.9600	91.2000
F	127.5900	107.7800
G	147.2200	124.3700
H	176.6600	149.2400

These precepts result in a Band D Council Tax (excluding Lamesley Parish Precept) of £1,634.2889 increased from £1602.9664 in 2014/15.

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1093.3358	1089.5327
B	1275.5517	1271.1147
C	1457.7776	1452.7068

D	1639.9936	1634.2889
E	2004.4356	1997.4632
F	2368.8774	2360.6373
G	2733.3294	2723.8216
H	3279.9872	3268.5778

Prudential and Treasury Indicators

79. 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.
80. 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.
81. 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.
82. 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.
83. 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)

84. 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 2015/16 is attached at Appendix 7.

Consultation

85. 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 11 February 2015. The outcome of the meeting was positive and supportive of the Council's aim to stimulate the local economy to generate business growth.

86. There has been public consultation on budget proposals for 2015/16 as reported to Cabinet on 4 November 2014 and the responses are included at Appendix 3 of this report.

Alternative Options

87. There are no alternative options.

Implications of Recommended Option

88. Resources

- a. **Financial Implications** – The Strategic Director, Corporate Resources confirms that these are set out in the report and appendices.
- b. **Human Resource Implications** – Implications for the Council's workforce are considered above.
- c. **Property Implications** – The Strategic Director, Corporate Services & Governance confirms the implications for the Council's asset portfolio will be set out in detail in separate reports.

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

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

91. **Crime and Disorder Implications** – These are set out in the Comprehensive Impact Assessments.

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

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

94. **Human Rights Implications** – Nil.

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

Background Information

96. (i) Report to Cabinet, 20 September 2011 – Fit For Future Principles.
- (ii) Report to Council 17 July 2014 – Medium Term Financial Strategy 2015/16-2017/18
- (iii) Report to Cabinet 4 November 2014 – Budget Consultation 2015-16.
- (iv) Report to Cabinet 16 December 2014 – Local Council Tax Support Scheme.
- (v) Provisional Local Government Finance Settlement – 18 December 2014.

- (vi) Report to Cabinet 27 January 2015 – Council Tax Base and Business Rates forecast 2015/16.
- (vii) Report to Cabinet 27 January 2015 – Provisional Local Government Finance Settlement and update to the Funding Gap for 2015/16.
- (viii) Final Local Government Finance Settlement – 3 February 2015.

Budget 2014/15 £000	Group and Service (Net Budgets)	Budget Pre Savings 2015/16 £000	Proposed Savings 2015/16 £000	Proposed Budget 2015/16 £000
	<u>Care, Wellbeing and Learning</u>			
20,665	Social Work - Children and Families	21,716	(1,139)	20,577
5,363	Children and Families Support	5,322	(402)	4,920
4,951	Children's Commissioning	5,110	(539)	4,571
2,813	Learning and Schools	3,083	(453)	2,630
62,906	Adult Social Care & Independent Living	75,232	(3,331)	71,901
7,738	Adult Commissioning & Business Development	8,312	(558)	7,754
587	Housing General Fund	460	(500)	(40)
15,832	Direct Public Health	14,850	(1,340)	13,510
	<u>Communities and Environment</u>			
2,391	Development and Public Protection	2,492	(627)	1,865
37	Energy Strategy and Design Services	97	(350)	(253)
3,000	Transport Strategy	3,083	(1,004)	2,079
6,884	Culture, Communities and Volunteering	7,084	(1,135)	5,949
221	Commissioning and Business Development	208	0	208
4,227	Facilities Management and Leisure Services	5,145	(1,869)	3,276
10,927	Waste Services and Grounds Maintenance	11,200	(940)	10,260
4,759	Construction Services	4,930	(880)	4,050
	<u>Corporate Services and Governance</u>			
915	Democratic, Legal and Property Services	1,301	(372)	929
2,787	Human Resources & Litigation	2,582	(537)	2,045
489	Corporate Commissioning & Procurement	495	(73)	422
	<u>Corporate Resources</u>			
1,289	Corporate Finance	1,449	(289)	1,160
3,096	Customer and Financial Services	3,961	(385)	3,576
(711)	Housing Benefits	(711)	0	(711)
2,369	ICT Services	2,556	(488)	2,068
	<u>Policy, Economic Growth and Transformation</u>			
1,927	Policy, Transformation & Communications	1,948	(100)	1,848
2,324	Economic & Housing Growth	2,424	(1,064)	1,360
1,717	Other Services	809	(765)	44
6,373	Contingencies	5,325	0	5,325
30,657	Capital Financing Costs and Investment Income	31,719	0	31,719
	<u>Levies</u>			
156	Environment Agency	159	0	159
12,319	Tyne and Wear ITA	12,069	0	12,069
219,008	Total Net Budget	234,410	(19,140)	215,270
	<u>Financed By</u>			
(117,067)	Settlement Funding Assessment (SFA)	(102,408)		(102,408)
(12,856)	Other Grants	(23,557)		(23,557)
(15,832)	Public Health	(14,850)		(14,850)
(71,253)	Council Tax (Excluding Parish Precept)	(73,455)		(73,455)
(2,000)	Collection Fund	(1,000)		(1,000)
(219,008)	Total Funding	(215,270)	0	(215,270)

SCHOOLS

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	134,817	(134,817)	0	132,840	(132,840)	0
Less: Academies Recoupment	(37,030)	37,030	0	(38,337)	38,337	0
Total Retained in Council	97,787	(97,787)	0	94,503	(94,503)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(22,642)	22,642	0	(20,919)	20,919	0
Schools Budget (Maintained)	75,145	(75,145)	0	73,584	(73,584)	0
Pupil Premium	7,130	(7,130)	0	9,708	(9,708)	0
Less: Academies Recoupment	(1,615)	1,615	0	(2,450)	2,450	0
Pupil Premium (Maintained)	5,515	(5,515)	0	7,258	(7,258)	0
Section 2 - Savings						0
TOTAL SCHOOLS BUDGET 2015/16						0

1. Funding for schools and the providers of early years education is distributed on a formulaic basis in accordance with the Schools and Early Years Finance (England) Regulations. Funding for 2 year olds (£2.8m in 2014/15) has not been included in the baseline for 2015/16 as this will be confirmed in July 2015 based on actual take up.
2. In addition, the Pupil Premium for 2015/16 will be £1,320 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 receive Pupil Premium Plus at £1,900 per eligible child. The estimated entitlement for schools in Gateshead is £9.7m, of which an estimated £2.5m will be recouped for academies.
3. Early Years Pupil Premium has been introduced for 2015/16 for eligible 3 & 4 year olds at £300 for a full financial year. This will be paid on a participation basis of £0.53 per hour and the DfE have provided an estimated allocation within the DSG of £0.2m.

CARE, WELLBEING AND LEARNING - ESTIMATES 2015/16

SOCIAL WORK - CHILDREN AND FAMILIES

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Social Work Children and Families	21,557	(892)	20,665	22,725	(1,009)	21,716
Section 2 - Savings						
<u>Children & Young People</u>						
Implementation of Children's Social Care Financial Strategy				(500)		(500)
Children's Services Transformation Review and Redesign of Services				(613)		(613)
<u>Efficiency and Effectiveness Savings</u>						
Review of vacant posts				(26)		(26)
				(1,139)	0	(1,139)
TOTAL SOCIAL WORK - CHILDREN & FAMILIES BUDGET 2015/16				21,586	(1,009)	20,577

CARE, WELLBEING AND LEARNING - ESTIMATES 2015/16

CHILDREN AND FAMILIES SUPPORT

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children and Families Support	7,406	(2,043)	5,363	10,396	(5,074)	5,322
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Management/ Admin review				(75)		(75)
YOT efficiency review				(85)		(85)
FIT Efficiency Review				(98)		(98)
Youth Service Efficiency Review				(42)		(42)
Increased trading – Play Service					(52)	(52)
Review of Non-Salary Budgets				(50)		(50)
				(350)	(52)	(402)
TOTAL CHILDREN AND FAMILIES SUPPORT BUDGET 2015/16				10,046	(5,126)	4,920

CARE, WELLBEING AND LEARNING - ESTIMATES 2015/16

CHILDREN'S COMMISSIONING

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children's Commissioning	5,638	(687)	4,951	19,692	(14,582)	5,110
Section 2 - Savings						
<u>Children and Young People</u>						
Home to School Pre 16 SEN travel				(56)		(56)
Reduce budget to Local Safeguarding Children's Board				(15)		(15)
Home to School Pre-16 mainstream travel				(100)		(100)

Efficiency and Effectiveness Savings

Performance team staffing reduction	(97)		(97)
DSG funded expenditure	(92)		(92)
Removal of CWL contributions to commissioned contracts	(57)		(57)
Children's Services Transformation Review and Redesign of Services	(72)		(72)
Removal of Gateshead Young Women's Project interim funding	(50)		(50)
	(539)	0	(539)
TOTAL CHILDREN'S COMMISSIONING BUDGET 2015/16	19,153	(14,582)	4,571

LEARNING AND SCHOOLS

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Learning and Schools	22,475	(19,662)	2,813	25,545	(22,462)	3,083
Section 2 - Savings						
<u>Children and Young People</u>						
Cease Secondary / Post 16 Improvement service				(58)		(58)
Behaviour and Attendance Service staffing reduction				(70)		(70)
<u>Efficiency and Effectiveness Savings</u>						
Reduce Mainline funding to LearningSkills					(62)	(62)
Schools E-Learning - Withdrawal from CLC Watermark				(76)		(76)
Education Psychology Service - increased trading target					(28)	(28)
Primary/ Early Years non salaries				(8)		(8)
Behaviour & Attendance post deletion				(43)		(43)
Increased trading - School Improvement					(50)	(50)
Increased trading - Governors Support					(30)	(30)
Reduction of Group Secretariat				(20)		(20)
Non salaries savings				(8)		(8)
				(283)	(170)	(453)
TOTAL LEARNING AND SCHOOLS BUDGET 2015/16				25,262	(22,632)	2,630

CARE, WELLBEING AND LEARNING - ESTIMATES 2015/16

ADULT SOCIAL CARE AND INDEPENDENT LIVING

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Adult Social Care & Independent Living	86,303	(23,397)	62,906	98,319	(23,087)	75,232
Section 2 - Savings						
<u>Adult Services</u>						
Suppression of package costs				(1,050)		(1,050)
Cease Housing Family Support				(151)		(151)
Change Independent Supported Living Model				(60)		(60)
Care Call Income					(50)	(50)
Restructure of Assessment Services				(100)		(100)
Review of Adult Services				(1,000)		(1,000)
<u>Efficiency and Effectiveness Savings</u>						
Re-provide Meals and Shopping Service				(232)		(232)
Provision of specialist domicillary care				(100)		(100)
Staffing efficiencies				(97)		(97)
Rapid Response Service funding from Health					(200)	(200)
Lead Commissioning funding from Health					(200)	(200)
Additional Continuing Health Care Income					(85)	(85)
Increase in Care Alarm Charge					(6)	(6)
				(2,790)	(541)	(3,331)
TOTAL ADULT SOCIAL CARE & INDEPENDENT LIVING BUDGET 2015/16	95,529	(23,628)	71,901	95,529	(23,628)	71,901

CARE, WELLBEING AND LEARNING - ESTIMATES 2015/16

ADULT COMMISSIONING AND BUSINESS DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning and Business Development	7,971	(233)	7,738	8,331	(19)	8,312
Section 2 - Savings						
<u>Adult Services</u>						
Review of Commissioned Services				(350)		(350)
<u>Efficiency and Effectiveness Savings</u>						
Review of Business Support and Administration				(138)		(138)
Reduction in Business Development team				(8)		(8)
Reduction in Performance Management team				(15)		(15)
Reduction in Safer Communities team				(47)		(47)
				(558)	0	(558)
TOTAL COMMISSIONING & BUSINESS DEVELOP BUDGET 2015/16				7,773	(19)	7,754

CARE, WELLBEING AND LEARNING - ESTIMATES 2015/16

HOUSING GENERAL FUND

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing General Fund	1,195	(608)	587	990	(530)	460
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Review of HRA recharges				(500)		(500)
				(500)	0	(500)
TOTAL HOUSING GENERAL FUND 2015/16				490	(530)	(40)

CARE, WELLBEING AND LEARNING - ESTIMATES 2015/16

PUBLIC HEALTH

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health Ring Fenced Budget	15,875	(43)	15,832	14,894	(44)	14,850
Section 2 – Budget Redirection Public Health savings of £1.34m for 2015/16 have been redirected support Public Health related Council Services					(1,340)	(1,340)
TOTAL DIRECT PUBLIC HEALTH BUDGET 2015/16				14,894	(1,384)	13,510

COMMUNITIES AND ENVIRONMENT - ESTIMATES 2015/16

DEVELOPMENT AND PUBLIC PROTECTION

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Development and Public Protection	4,314	(1,923)	2,391	4,422	(1,930)	2,492
Section 2 - Savings						
<u>Environment</u>						
Staffing reductions – Environmental Strategy and Private Sector Housing				(152)		(152)
<u>Local Economy</u>						
Staffing reductions - Trading Standards				(87)		(87)
Staffing reductions - Planning and Enforcement				(144)		(144)
<u>Efficiency and Effectiveness Savings</u>						
Staffing reductions				(175)		(175)
Increase income targets based on projected planning application rise					(50)	(50)
Review of vacant posts				(19)		(19)
				(577)	(50)	(627)
TOTAL DEVELOPMENT AND PUBLIC PROTECTION 2015/16				3,845	(1,980)	1,865

COMMUNITIES AND ENVIRONMENT - ESTIMATES 2015/16

ENERGY STRATEGY AND DESIGN

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Energy Strategy and Design	218	(181)	37	278	(181)	97
Section 2 - Savings						
<u>Efficiency & Effectiveness</u>						
Review Functional areas delivering construction, property, design and engineering functions				(150)		(150)
Review Functional areas delivering TGHC project and programme delivery					(100)	(100)
Solar PV schemes tariff feed in income					(100)	(100)
				(150)	(200)	(350)
TOTAL ENERGY STRATEGY AND DESIGN BUDGET 2015/16				128	(381)	(253)

TRANSPORT STRATEGY

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Transport Strategy	6,403	(3,403)	3,000	6,480	(3,397)	3,083
Section 2 - Savings						
<u>Environment</u>						
Reduce the revenue budget for work in relation to resurfacing road works in residential streets				(499)		(499)
Invest in cameras to enforce traffic compliance with bus lanes					(25)	(25)
Reduce flood risk management service				(50)		(50)
<u>Local Economy</u>						
Terminate Council contribution to the Quaylink Service				(100)		(100)
<u>Efficiency and Effectiveness Savings</u>						
Reduction in Establishment				(100)		(100)
Reduction in management				(70)		(70)
Reduce structural maintenance				(50)		(50)
Review of vacant posts				(105)		(105)
Additional Income – Transport design					(5)	(5)
				(974)	(30)	(1,004)
TOTAL TRANSPORT STRATEGY BUDGET 2015/16				5,506	(3,427)	2,079

COMMUNITIES AND ENVIRONMENT - ESTIMATES 2015/16

CULTURE, COMMUNITIES AND VOLUNTEERING

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Culture, Communities & Volunteering	7,329	(445)	6,884	7,546	(462)	7,084
Section 2 - Savings						
<u>Communities, Culture and Leisure Savings</u>						
Review of Community Centres				(93)		(93)
Review of Neighbourhood Management & Volunteers Support				(234)		(234)
Cease to provide a Local Community Fund				(110)		(110)
Review support to Older People's Assembly				(30)		(30)
Reduce support to Arts and Museum organisations				(200)		(200)
Review of Arts and Events Programme				(300)		(300)
Review of Sport, Physical activity and Health team				(132)		(132)
Review of St Mary's Heritage Centre				(36)		(36)
				(1,135)	0	(1,135)
TOTAL CULTURE, COMMUNITIES & VOLUNTEERING BUDGET 2015/16				6,411	(462)	5,949

COMMUNITIES AND ENVIRONMENT - ESTIMATES 2015/16

COMMISSIONING AND BUSINESS DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning and Business Development	221	0	221	208	0	208
Section 2 - Savings						0
TOTAL COMMISSIONING & BUSINESS DEVELOPMENT BUDGET 2015/16				208	0	208

COMMUNITIES AND ENVIRONMENT - ESTIMATES 2015/16

FACILITIES MANAGEMENT AND LEISURE SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
FM and Leisure Services	21,069	(16,842)	4,227	22,013	(16,868)	5,145
Section 2 - Savings						
<u>Communities, Culture and Leisure Savings</u>						
Reduction in Leisure Services provision				(950)		(950)
<u>Adult Services</u>						
Discontinue Older Peoples Support Service & Home Support Service				(245)		(245)
<u>Efficiency and Effectiveness Savings</u>						
Charging TGHC rental income for use of Civic Centre					(125)	(125)
Restructure of FM				(225)		(225)
Non-staffing and income savings				(20)	(50)	(70)
Reduction in Transport service				(25)		(25)
Reduction in cleaning of Council buildings				(89)		(89)
Additional income - room hire					(13)	(13)
Review of vacant posts				(61)		(61)
Increased support recharges					(66)	(66)
				(1,615)	(254)	(1,869)
TOTAL FM & LEISURE SERVICES BUDGET 2015/16				20,398	(17,122)	3,276

COMMUNITIES AND ENVIRONMENT - ESTIMATES 2015/16

WASTE SERVICES AND GROUNDS MAINTENANCE

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Waste Services & Grounds Maintenance	16,404	(5,476)	10,927	16,676	(5,476)	11,200
Section 2 - Savings						
<u>Environment</u>						
Charging residents for new property bin deliveries					(125)	(125)
Income generation - bulky waste collections and expanding market share for pest control and trade waste contracts					(25)	(25)
Income generation associated with Waste Management Contract					(20)	(20)
<u>Efficiency and Effectiveness Savings</u>						
Introduction of charging for Green Waste					(300)	(300)
Extension of contracts and revision of prices					(10)	(10)
On-going route reviews to reduce transport costs				(50)		(50)
Strengthening management arrangements to monitor costs associated with vehicle damage and public liability				(20)		(20)
Capitalise revenue budgets relating to the provision of supplies				(200)		(200)
Reduce supplies budgets by 5% and introduce rolling programmes for repairs				(30)		(30)
Management/technical post reductions				(80)		(80)
Reduce supplies and services budgets for repairs and the provision of materials				(80)		(80)
				(460)	(480)	(940)
TOTAL WASTE SERVICES & GROUNDS MAINT BUDGET 2015/16				16,216	(5,956)	10,260

COMMUNITIES AND ENVIRONMENT - ESTIMATES 2015/16

CONSTRUCTION SERVICES (General Fund)

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Construction - General Fund	4,759	0	4,759	4,930	0	4,930
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Dimming / trimming street lanterns				(140)		(140)
Stop/capitalisation of Highways & Street Lighting Maintenance				(400)		(400)
Stop street names and seats replacement and repair				(30)		(30)
Management Fee overhead reduction				(260)		(260)
Building cyclical maintenance reduction				(50)		(50)
				(880)	0	(880)
TOTAL CONSTRUCTION SERVICES (General Fund) BUDGET 2015/16				4,050	0	4,050

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2015/16

DEMOCRATIC, LEGAL AND PROPERTY SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Democratic, Legal and Property Services	5,025	(4,110)	915	5,825	(4,524)	1,301
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Reductions in Establishment				(138)		(138)
Non-Salary Budget Reductions				(35)		(35)
Members Services Budget Reductions				(20)		(20)
Mayoral Expenses Budget Reductions				(10)		(10)
Increase in Legal Income					(110)	(110)
Increase in Land Charges					(15)	(15)
Increased support recharges					(44)	(44)
				(203)	(169)	(372)
TOTAL DEMOCRATIC, LEGAL & PROPERTY BUDGET 2015/16				5,622	(4,693)	929

HUMAN RESOURCES AND LITIGATION

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Human Resources and Litigation	5,331	(2,544)	2,787	3,401	(819)	2,582
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Reduction in Establishment				(471)		(471)
Non-Salary Budget Reductions				(28)		(28)
Reduction in Physiotherapy				(10)		(10)
Potential reduction in polling stations				(12)		(12)
Reduction in Medical Fees				(6)		(6)
Reduction in Public Service Academy contribution				(10)		(10)
				(537)	0	(537)
TOTAL HUMAN RESOURCES AND LITIGATION BUDGET 2015/16				2,864	(819)	2,045

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2015/16

CORPORATE COMMISSIONING AND PROCUREMENT

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Commissioning & Procurement	944	(455)	489	951	(456)	495
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Reduction in Establishment				(43)		(43)
Increased support recharges					(30)	(30)
				(43)	(30)	(73)
TOTAL CORPORATE COMMISSIONING & PROCUREMENT BUDGET 2015/16				908	(486)	422

CORPORATE RESOURCES - ESTIMATES 2015/16**CORPORATE FINANCE**

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Finance	2,066	(777)	1,289	2,552	(1,103)	1,449
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Restructure of Internal Audit and Risk function				(29)		(29)
Restructure of Accountancy Function.				(98)		(98)
Increased income generation					(159)	(159)
Increased support recharges					(3)	(3)
				(127)	(162)	(289)
TOTAL CORPORATE FINANCE BUDGET 2015/16				2,425	(1,265)	1,160

CORPORATE RESOURCES - ESTIMATES 2015/16

CUSTOMER AND FINANCIAL SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Customer and Financial Services	7,872	(4,776)	3,096	8,662	(4,701)	3,961
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Organisational restructure of Customer & Financial Services				(182)		(182)
Corporate Fraud team recovery				(100)		(100)
Non-Salary efficiencies and system improvements				(90)		(90)
Increased support recharges					(13)	(13)
				(372)	(13)	(385)
TOTAL CUSTOMER AND FINANCIAL SERVICES BUDGET 2015/16				8,290	(4,714)	3,576

CORPORATE RESOURCES - ESTIMATES 2015/16

HOUSING BENEFITS

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing Benefits	88,130	(88,841)	(711)	83,292	(84,003)	(711)
Section 2 - Savings						0
TOTAL HOUSING BENEFITS BUDGET 2015/16				83,292	(84,003)	(711)

CORPORATE RESOURCES - ESTIMATES 2015/16

ICT SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
ICT Services	3,399	(1,030)	2,369	4,677	(2,121)	2,556
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Consolidation of voice and data network				(100)		(100)
Removal of all hardware and software in-year discretionary spend combined with a reduction of support and licensing levels				(101)		(101)
Review of ICT Structure				(76)		(76)
Reduction in energy costs associated with the Data Centre				(70)		(70)
Review Gateshead Grid management service and costs				(59)		(59)
Reduction in the ICT training budget				(30)		(30)
Web filtering systems consolidation				(15)		(15)
Increased trading					(15)	(15)
Increased support recharges					(22)	(22)
				(451)	(37)	(488)
TOTAL ICT SERVICES BUDGET 2015/16				4,226	(2,158)	2,068

POLICY, ECONOMIC GROWTH AND TRANSFORMATION - ESTIMATES 2015/16

POLICY TRANSFORMATION AND COMMUNICATIONS

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Policy Transformation & Communications	1,956	(29)	1,927	2,024	(76)	1,948
Section 2 - Savings						
<u>Efficiency and Effectiveness Savings</u>						
Full Service Review				(100)		(100)
				(100)	0	(100)
TOTAL POLICY TRANSFORMATION & COMMUNICATIONS BUDGET 2015/16				1,924	(76)	1,848

ECONOMIC AND HOUSING GROWTH

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Economic and Housing Growth	3,134	(810)	2,324	3,235	(811)	2,424
Section 2 - Savings						
<u>Local Economy</u>						
Economic and Housing Growth Service review				(1,000)		(1,000)
<u>Efficiency and Effectiveness Savings</u>						
Capitalisation of specialist manager post				(55)		(55)
Renegotiation of Telephony Contracts in Business Centre Portfolio				(9)		(9)
				(1,064)	0	(1,064)
TOTAL ECONOMIC AND HOUSING GROWTH BUDGET 2015/16				2,171	(811)	1,360

OTHER SERVICES, CAPITAL FINANCING AND CONTINGENCIES

Section 1 - Net Cost of Current Levels of Service						
	2014/15			2015/16		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Capital Financing & Investment Income	31,959	(1,302)	30,657	33,090	(1,371)	31,719
Contingencies	6,373	0	6,373	5,325	0	5,325
Other Services	1,717	0	1,717	1,809	0	1,809
Construction Trading Surplus	0	0	0	0	(1,000)	(1,000)
Total	40,049	(1,302)	38,747	40,224	(2,371)	37,853
Section 2 - Savings						
<u>Local Economy</u>						
Reduction in NGI Core Funding				(277)		(277)
<u>Efficiency and Effectiveness Savings</u>						
Cessation of the Corporate Car Leasing Scheme				(238)		(238)
Review of Insurance Fund					(250)	(250)
				(515)	(250)	(765)
TOTAL OTHER SERVICES BUDGET 2015/16				39,709	(2,621)	37,088

Budget Saving Proposals Theme Summary	Budget Saving 2015/16 £'000
Environment	(896)
Local Economy	(1,608)
Communities Culture and Leisure	(2,085)
Adult Services	(3,006)
Public Health	(1,340)
Children and Young People	(1,412)
Efficiency and Effectiveness	(8,793)
Total	(19,140)

Environment Budget Saving Proposals	
Development and Public Protection	
Staffing reductions – Environmental Strategy and Private Sector Housing	(152)
	(152)
Transport Strategy	
Reduce the revenue budget for work in relation to resurfacing road works in residential streets	(499)
Invest in cameras to enforce traffic compliance with bus lanes	(25)
Reduce flood risk management service	(50)
	(574)
Waste Services and Ground Maintenance	
Charging residents for new property bin deliveries	(125)
Income generation - bulky waste collections and expanding market share for pest control and trade waste contracts	(25)
Income generation associated with Waste Management Contract	(20)
	(170)
Total Environment Budget Saving Proposals	(896)

Local Economy Budget Saving Proposals	
Development and Public Protection	
Staffing Reductions Trading Standards	(87)
Staffing reductions Planning & Enforcement	(144)
	(231)
Transport Strategy	
Terminate Council contribution to the Quaylink Service	(100)
	(100)
Economic and Housing Growth	
Economic and Housing Growth Service review	(1,000)
	(1,000)
Other Services, Capital Financing and Contingencies	
Reduction in NGI Core Funding	(277)
	(277)
Total Local Economy Budget Saving Proposals	(1,608)

Communities Culture and Leisure Budget Saving Proposals	
Culture, Communities and Volunteering	
Review of Community Centres	(93)
Review of Neighbourhood Management & Volunteers Support	(234)
Cease to provide a Local Community Fund	(110)
Review support to Older People's Assembly	(30)
Reduce support to Arts and Museum organisations	(200)
Review of Arts and Events Programme	(300)
Review of Sport, Physical activity and Health team	(132)
Review of St Mary's Heritage Centre	(36)
	(1,135)
Facilities Management and Leisure Services	
Reduction in Leisure Services Provision	(950)
	(950)
Total Communities Culture and Leisure Budget Saving Proposals	(2,085)

Adult Services Budget Saving Proposals	
Adult Social Care and Independent Living	
Suppression of package costs	(1,050)
Cease Housing Family Support	(151)
Change Independent Supported Living Model	(60)
Care Call Income	(50)
Restructure of Assessment Services	(100)
Review of Adult Services	(1,000)
	(2,411)
Adult Commissioning and Business Development	
Review of Commissioned Services	(350)
	(350)
Facilities Management and Leisure Services	
Discontinue Older Peoples Support Service & Home Support Service	(245)
	(245)
Total Adult Services Budget Saving Proposal	(3,006)

Public Health Budget Saving Proposals	
Public Health	
Public Health savings of £1.340m for 2015/16 have been redirected to commission the delivery of other Council Services that support priorities in this area	(1,340)
Total Public Health Budget Saving Proposals	(1,340)

Children and Young People Budget Saving Proposals	
Social Work - Children and Families	
Implementation of Children's Social Care Financial Strategy	(500)
Children Services Transformation Review and Redesign the Social Work Service	(613)
	(1,113)
Children's Commissioning	
Home to School Pre 16 SEN travel	(56)
Home to School Pre 16 Mainstream Travel	(100)
Reduce budget to LSCB	(15)
	(171)
Learning and Schools	
Cease Secondary Post 16 Improvement service	(58)
Behaviour and Attendance Service Staffing Reductions	(70)
	(128)
Total Children and Young People Budget Saving Proposals	(1,412)

Efficiency and Effectiveness Budget Saving Proposals	
Children and Families	
Review of vacant posts	(26)
	(26)
Children and Families Support	
Management/ Admin review	(75)
YOT efficiency review	(85)
FIT Efficiency Review	(98)
Youth Service Efficiency Review	(42)
Increased trading	(52)
Review of Non-Salary Budgets	(50)
	(402)
Children's Commissioning	
Performance Team Staffing Reduction	(97)
DSG funded expenditure	(92)
Removal of contributions to commissioned contracts	(57)
Removal of Gateshead Young Women's Project interim funding	(50)
Children's Services Transformational Review	(72)
	(368)
Learning and Schools	
Reduce Mainline funding to LearningSkills	(62)
ICT Gateshead - Withdrawal from CLC Watermark	(76)
Education Psychology Service - increased trading target	(28)
Primary/ Early Years non salaries	(8)
Behaviour & Attendance post deletion	(43)
Increased trading - School Improvement	(50)
Increased trading - Governors Support	(30)
Reduction of Group Secretariat	(20)
Non salary savings	(8)
	(325)

Efficiency and Effectiveness Budget Saving Proposals (continued)	
Adult Social Care and Independent Living	
Re-provide Meals and Shopping Service	(232)
Provision of specialist domiciliary care	(100)
Staffing efficiencies	(97)
Rapid Response Service funding from Health	(200)
Lead Commissioning funding from Health	(200)
Additional Continuing Health Care Income	(85)
Increase in Care Alarm Charge	(6)
	(920)
Commissioning and Business Development	
Reduction in Business Development Team	(8)
Reduction in Performance Management Team	(15)
Reduction in Safer Communities Team	(47)
Review of Business Support and Administration	(138)
	(208)
Housing	
Review of HRA recharges	(500)
	(500)
Development and Public Protection	
Staffing Reductions	(175)
Increase income targets based on projected planning application rise	(50)
Review of vacant posts	(19)
	(244)
Energy Strategy and Design	
Review Functional areas delivering construction, property, design and engineering functions	(150)
Review Functional areas delivering TGHC project and programme delivery	(100)
Solar PV schemes tariff feed in income	(100)
	(350)
Transport Strategy	
Reduction in Establishment	(100)
Reduction in management	(70)
Reduce structural maintenance	(50)
Review of vacant posts	(105)
Additional Income – Transport Design	(5)
	(330)

Efficiency and Effectiveness Budget Saving Proposals (continued)	
Facilities Management and Leisure Services	
Charging TGHC rental income for Civic Centre	(125)
Restructure of FM	(225)
Non-staffing and income savings	(70)
Reduction in Transport service	(25)
Reduction in cleaning of Council buildings	(89)
Additional income - room hire	(13)
Review of vacant posts	(61)
Increase support recharges	(66)
	(674)
Waste Services and Grounds Maintenance	
Introduction of charging for Green Waste	(300)
Extension of contracts and revision of prices	(10)
On-going route reviews to reduce transport costs	(50)
Strengthening management arrangements to monitor costs associated with vehicle damage and public liability	(20)
Capitalise revenue budgets relating to the provision of supplies	(200)
Reduce supplies budgets by 5% and introduce rolling programmes for repairs	(30)
Other Management/technical post reductions	(80)
Reduce supplies and services budgets for repairs and the provision of materials	(80)
	(770)
Construction Services (General Fund)	
Dimming / trimming street lanterns	(140)
Stop/capitalisation of Highways & Street Lighting Maintenance	(400)
Stop street names and seats replacement and repair	(30)
Management Fee overhead funded from voids & trading account	(260)
Building cyclical maintenance reduction	(50)
	(880)
Democratic, Legal and Property Services	
Reductions in Establishment	(138)
Non Salary Budget Reductions	(35)
Members Services Budget Reductions	(20)
Mayoral Expenses Budget Reductions	(10)
Increase Legal Fees	(110)
Increase fees and charges	(15)
Increase support recharges	(44)
	(372)

Efficiency and Effectiveness Budget Saving Proposals (continued)	
Human Resources and Litigation	
Reductions in Establishment	(471)
Non Salary Budget Reductions	(28)
Reduction in Physiotherapy	(10)
Potential reduction in polling stations	(12)
Reduction in Medical Fees	(6)
Reduction in Public Service Academy	(10)
	(537)
Corporate Commissioning & Procurement	
Reductions in Establishment	(43)
Increase support recharges	(30)
	(73)
Corporate Finance	
Restructure of Internal Audit and Risk function	(29)
Restructure of Accountancy Function	(98)
Increase income generation	(159)
Increase support recharges	(3)
	(289)
Customer and Financial Services	
Organisational restructure of Customer & Financial Services	(182)
Corporate Fraud team recovery	(100)
Non-Salary efficiencies and system improvements	(90)
Budget recharges for Public Health	(13)
	(385)
ICT Services	
Consolidation of voice and data network	(100)
Removal of all hardware and software in-year discretionary spend combined with a reduction of support and licensing levels	(101)
Review of ICT Structure	(76)
Reduction in energy costs associated with the Data Centre	(70)
Review Gateshead Grid management service and costs	(59)
Reduction in the ICT training budget	(30)
Web filtering systems consolidation	(15)
Increased trading	(15)
Budget recharges for Public Health	(22)
	(488)
Policy Transformation and Communications	
Full Service Review	(100)
	(100)
Economic and Housing Growth	
Capitalisation of specialist manager post	(55)
Renegotiation of Telephony Contracts in Business Centre Portfolio	(9)
	(64)
Other Services, Capital Financing and Contingencies	
Cessation of the Corporate Car Leasing Scheme	(237)
Review of Insurance Fund	(250)
	(487)
Total Efficiency and Effectiveness Budget Saving Proposals	(8,792)

Analysis of Gateshead Council's budget consultation 2015-2017

Introduction

1. The Council is continuing with its approach of adopting a two year rolling programme for budget planning, to enable greater flexibility and resilience in these financially challenging times. A key element of this approach is to engage with and consult residents, businesses, partners and employees.
2. Draft proposals for 2015/16 were presented for consultation, along with areas for consideration to inform the preparation of the Council's budget for 2016/17 at the Cabinet meeting on 4 November 2014. The consultation closed on 30 December 2014.
3. The consultation was based on two main themes of Universal (those which are provided to all or can be used by all) and Targeted Services (those which are provided to people who need the Council's help or relate to a certain group of people or circumstance).
4. In addition, two separate consultations have been undertaken in relation to specific proposals regarding the council's leisure provision and Phase 2 of the Library Review. The outcome of both consultations is being reported elsewhere on this agenda.

Method

5. The Council undertook a comprehensive survey as part of its 2015/17 budget preparations which attracted over 3,000 responses. The approach this year was to seek comments on the draft proposals for 2015/16 via the Council's consultation portal.
6. The budget consultation was publicised through local press and media and through Council News. The consultation report, including the draft proposals, was available online via the Council's website and also available in different formats on request.
7. A series of Corporate Resources Advisory Groups were held for councillors to consider and comment on the context, approach and budget proposals.
8. Meetings were held with key stakeholders including trade unions, partnerships and community and voluntary organisations.

Responses

9. In total, there were 566 comments received via the consultation portal, across the themes as follows:
 - Environment – 120
 - Local Economy – 102
 - Communities, Culture and Leisure – 148
 - Children and Young People's Services – 78
 - Adult Services – 108

10. The Council also received 77 letters and emails relating to the draft proposals across the themes from members of the public, local businesses and organisations:

- Environment - 24
- Local Economy - 19
- Communities, Culture and Leisure - 20
- Children and Young Peoples Services - 4
- Adult Services - 10

11. Petitions have been received in relation to the following:

- Save the Older People's Support Service – 2194 signatures
- Save Adult Care Services for vulnerable people in Gateshead – 344 signatures
- Birtley Swimming Centre to remain open to all present and future users from 9 am until 9 pm Mondays to Friday – 1,267 signatures
- Save Gateshead Indoor Bowling Centre – 106 signatures
- Dunston Activity Centre, and its nationally recognised facilities, be preserved to enable our children and future generation to benefit from its services – 840 signatures
- Say No to the closure of Heworth Leisure Centre – 208 signatures
- Against the early closure time at Heworth Leisure facility – 112 signatures
- Stop Gateshead Council changing the opening times to 1 pm till 8 pm at Dunston Leisure Centre – 634 signatures

12. Service users of the Older People's Support Service and Home Support Service were invited to comment on the proposal to stop these services. The council received 107 responses out of 177 to the Older People's Support Services and 83 responses out of 100 relating to the Home Support Service.

13. The budget consultation was also raised with a number of the Council's partners, including:

- Gateshead Diversity Forum
- Gateshead Older People's Partnership
- Gateshead Safeguarding Adults Board
- Gateshead Youth Assembly
- Disability Equality Service Users Involvement Forum
- Involvement Now
- Gateshead Visible Ethnic Minority Support Group
- Gateshead Muslim Society
- Gateshead Bangladesh Society
- Gateshead Access Panel
- Gateshead Voluntary Organisations Council
- Children's Trust Board
- Economy, Environment and Culture Board
- Gateshead Older People's Assembly
- Sage Gateshead
- Baltic
- Tyne and Wear Archives and Museums
- NewcastleGateshead Initiative
- Gateshead's Learning Disability Partnership Board
- Physical Disability and Sensory Impairment Board

14. Meetings have also been held with the North East Chamber of Commerce and Trade Unions.

Results of the feedback

15. Many of the respondents to the budget consultation acknowledged the difficult financial position the Council is facing, and some suggested ways as to how to generate additional income or to explore different ways of working.

16. From the comments received, there was a general consensus that it was important to protect the most vulnerable in society.

17. There were also comments expressed that some of the proposals appeared to conflict with the council's priorities and statutory obligations.

18. Key points to note:

Environment

- From the comments received in relation to the reductions in flood risk management, most felt it was acceptable to reduce this budget. However concern was expressed by one organisation that this could have a higher potential impact on disabled and elderly people.
- Overall there was general acceptance of the ways proposed to generate additional income relating to the Environment theme.
- The comments received in relation to the implementation of cameras in bus lanes suggest there is a general acceptance to this proposal, although a number of queries were raised as to how this would be implemented, and where the cameras would be located.
- From the comments received in relation to the private sector housing proposal, there was no clear consensus as to whether this was acceptable or not. A number of respondents however did raise concerns at the level of support that would be available for private tenants and landlords.
- The majority of comments received in relation to the proposal to reduce road resurfacing maintenance were not in favour.
- There was general consensus from the responses relating to the archaeology listed building/conservation, urban design and landscape and natural environment proposals that reduction in capacity could potentially cause a deterioration in standards of design and deliverability of projects.

Local Economy

- Most of the comments relating to the withdrawal of Council funding to the Quaylink bus service were accepting of this proposal, however accessibility issues were raised should the service stop.
- From the comments received in relation to the proposal to reduce Council funding to NewcastleGateshead Initiative (NGI), most felt this was acceptable. However NGI felt the reduction in funding would impact on the scale of their work to attract visitors, conferences and events to Gateshead and also impact on their ability to bring new businesses and investment to Gateshead.
- From the responses received relating to the proposal to review Economic and Housing Growth Services, there was general consensus that this would not be favourable. Concerns were raised regarding the scale and level of the proposal, and also indicating that the proposal would go against current council priority.
- The majority of the comments received in relation to reducing capacity in development management, spatial planning, empty property enforcement and trading standards, were not in favour of this proposal. There was a view that

there would be an adverse impact on the local economy and the built environment.

Communities, Culture and Leisure

- In relation to the Review of Neighbourhood Management and Volunteers and Voluntary Sector Support, there were several concerns raised from the comments received about the potential loss of capacity to support community organisations and volunteering in Gateshead.
- The majority of comments received in relation to the proposed reduction in the overall Leisure provision, were not in favour. The outcome of the specific consultation undertaken regarding leisure services, is reported separately on this agenda.
- From the comments received in relation to reducing services provided by Sport, Physical Activity and Health Team, most respondents found this proposal acceptable.
- From the comments received, there was some resistance to the proposal to reduce funding to community centres in 2015/16 and cease all financial support to community centres after 2016/17.
- The majority of comments received in relation to the Gateshead Fund, and the proposal to reduce the Capacity Building Fund and stop providing the Local Community Fund by 2015/16, cited their opposition to such a reduction, suggesting it would impact on the sustainability of the work of community and voluntary sector organisations. Offers of suggestions as to how the Gateshead Fund could be improved were made.
- There was some support for the review of the Public Health Capacity Building Fund which is linked to the Gateshead Fund proposal above.
- There were a number of comments received in relation to reviewing the financial support given to the Gateshead Older People's Assembly that reflected their desire not to see this happen, including the Assembly itself.
- There were mixed views received in relation to reducing the support to arts and museum organisations, however there were a number of emails received from visitors to the Shipley Art Gallery who were against any reduction in their funding.
- The majority of comments received in relation to the reduction of funding to the arts and events programme and teams were in favour of this proposal, but there were some suggestions given in relation to the council considering introducing a charge for events.
- Overall, the comments received in relation to considering delivery models for St Mary's Heritage Centre were welcomed.
- There was a mixed response to the proposal to the Review of the Library Service, however a more specific consultation has been undertaken which is subject of a separate report on this agenda.

Children and Young People's Services

As mentioned in paragraph 16, many respondents commented on the need to protect vulnerable children and young people. There were also concerns expressed that Children and Young People's Services had already been significantly reduced and that there could be potential impact on the emotional wellbeing and resilience of the public should certain services be removed or significantly reduced.

With regard to the specific proposals:

- The comments received were in favour of continuing with the Implementation of the Children's Social Care Financial Strategy.
- Most respondents felt it was acceptable to reduce the council funding to the Local Safeguarding Children's Board, with a couple of exceptions who stated

that young people's services had already been significantly reduced and that any reduction could potential impact on safeguarding.

- Most of the comments received in relation to Education Services (education welfare services and services to support secondary and post 16 maintained schools improvement) were in favour of this proposal.
- From the comments received in relation to the Home to school and college transport for children with additional needs proposal, most were accepting of this suggestion, including one organisation who supported people with learning disabilities. However another organisation who support people with disability, felt they could not support the proposal.
- The majority of comments received regard the Transforming children's services programme proposal were supportive of this approach.

Adult Services

As mentioned in paragraph 16, many respondents commented on the need to protect services for the elderly and the more vulnerable adults in Gateshead, as well as, potentially, there being an impact on people's emotional wellbeing and resilience should certain services be removed or significantly reduced.

There were also several comments made in relation to having better and more coordinated partnership working.

With regard to the specific proposals:

- The majority of comments received in relation to the proposal to consolidate Housing Family Support Service into the existing Housing Support Service were supportive of this approach.
- From the comments received with regard to the proposal to discontinue the Older People's Support Service (OPSS) and Home Support Service, most respondents did not find this to be acceptable. Service users were also surveyed as to why they use the OPSS, with 100% indicating the support from the Council helped to maintain their independence. 73% of respondents also indicated they would be prepared to pay a contribution to the cost of the OPSS.
- Most of the comments received regarding how the Council could manage the increasing and complex demand of adult social care need were positive of the approach.
- The majority of comments received regard the Review of Adult Social Care Provider Services (Phase 1) were supportive of the Council's approach to have more efficient working practices in this area.
- Most of the comments received regarding the proposal to generate additional income from Care Call were in favour of this approach.
- There were more comments received in favour of the proposal to improve how the Council provides social work to help those in need, than not.
- There was some support for the review of arrangements for Independent Supported Living for disabled people, however there were also several concerns raised with regard to safeguarding and how effective monitoring would be, and the potential impact on the workload on the voluntary sector.
- The majority of comments received with regard to the proposal to review commissioned services were not in favour of this approach, with some suggesting many organisations would find it more difficult to provide the current levels of service, and subsequently this would impact on the service users.

Council Tax

As part of the two year approach to budget planning for 2014 – 2016, the budget survey undertaken in 2013 included a question relating to Council Tax:

The Government is offering local authorities a grant to freeze the current level of Council Tax (equivalent to a temporary 1% increase in Council Tax). However, if we chose not to accept this grant, we could increase the level of Council Tax, which would reduce cuts in services. Would you prefer to freeze Council Tax or pay more to reduce cuts in services? The majority of the 2,557 responses supported a council tax freeze (57%) rather than pay more.

Comprehensive Impact Assessments

Background

19. The Council is continuing to use a more extensive approach of a comprehensive impact assessment (CIA) process to complement previously undertaken equality impact assessments. This is to ensure that as well as the protective characteristics defined the Equality Act 2010, consideration is also taken of health, economy, environment, and community safety impacts to inform decision making.
20. As part of their annual work programme, Corporate Resources Overview and Scrutiny Committee has been considering the impact of the budget proposals implemented since 2011 that were viewed as potentially having a significant or high risk impact on the protected characteristics.
21. At a seminar on Monday 23 February 2015, councillors were informed of the key issues and potential impact of the budget proposals.
22. Draft CIAs were developed to accompany the Budget Consultation 2015-2017 and have been available on the council's website from 4 November 2014. The CIAs have now been finalised following the end of the consultation period and are available [here](#).

Key Issues and Impact

23. There are some budget proposals that have been identified as having an impact across a number of assessments, as shown below.

Equalities

24. 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.
25. In terms of the protected characteristics, there are a number of budget proposals for 2015/16 that could have a greater impact on Age and Disability, however mitigation identified in the CIAs may reduce or negate this impact. The specific budget proposals are:
 - Older people support service/home support service
 - Review support for Older People's Assembly
 - Reduced funding to Community Centres
 - Reduction in the overall Leisure provision
 - Review Library Service
 - Review arrangements for Independent Supported Living for disabled people
 - To reduce the amount of services commissioned for preventative purposes

Public Health

26. The recent “Due North” report (Public Health England, August 2014) resulted from an inquiry into what could be done to address social inequalities in health in the North and between the North and the rest of England. It is unsparing in its analysis of the impact of austerity and welfare reform:

“...the burden of local authority cuts and welfare reforms has fallen more heavily on the North than the South: on disadvantaged than more affluent areas, and on the more vulnerable population groups in society, such as children. These measures are leading to reductions in services that support health and well-being in the very places and groups where need is the greatest”.

27. Many of the council’s activities impact on health and wellbeing, some more directly than others. In assessing the budget proposals for 2015/16, there is likely to be negative impact overall on public health which may be short, medium or long term depending upon the nature of the activity itself. However, there is a disproportionate negative impact on people who are most vulnerable.

28. The implementation of service reviews in the Public Health Ring Fenced Grant funded health programme has enabled the implementation of new delivery models, such as Live Well Gateshead, which will be fully delivered in 2015/16. These new services aim to improve health outcomes and enable better targeting, and enable efficiencies to be redirected to other public health priorities.

29. The ongoing work to restructure support offered to very vulnerable children and families through the Children’s Services Transformation programme is a substantial piece of work. However, it is difficult to predict at this stage what the overall impact will be from this proposal.

30. In terms of Adult Services, it is noted that the assessment undertaken for the Review of Commissioned Services suggests there are risks attached to this proposal, that the number of people who develop multiple, complex, substantial and critical care needs may increase. However, it also recognises that specific consultation will be undertaken with organisations and service users, carers/families and partners to understand the impact that any decision may have.

31. As mentioned previously in the main body of the report, there is the potential for the realignment of some public health monies to be used to partially offset the negative impact of the following budget proposals, but also to facilitate the delivery of public health outcomes as part of service redesign:

- Review of economic and housing growth services
- Reduction in capacity related to trading standards
- Reduction in the overall Leisure provision

Community Safety

32. Gateshead Council has a legal duty under the Crime and Disorder Act 1998 to evidence that, in the exercise of its functions, it has worked in partnership with Responsible Authorities to address crime and disorder, anti-social behaviour, substance misuse, re-offending and behaviour adversely affecting the environment.

33. There are a number of budget proposals for 2015/16 that could have a greater impact on community safety-related issues; however the mitigation identified in the CIAs may reduce or negate this impact. Although Community Safety has the potential to be affected by a large proportion of the budget proposals, the key proposals affected are:

- Reduction in capacity of the Private Sector Housing Team.
- Further reduction in street lighting energy bill, by altering the switch on/off time and dimming new lanterns.
- Reduction in capacity of Trading Standards
- Review of economic & housing growth services
- Empty Property enforcement reduction
- Transformational Challenge Review of Leisure
- Review Neighbourhood Management, Volunteers, Voluntary Sector Support Team
- Reduce the Capacity Building Fund and stop providing the Local Community Fund
- To reduce the amount of services commissioned for preventative purposes

Voluntary and Community Sector

34. Since 2012, a cumulative assessment on the impact of budget decisions on the Voluntary and Community Sector has been undertaken to enable the Council to have a better understanding of any adverse impact. This assessment forms part of the report mentioned in paragraph 2 above which is monitored by the Corporate Resources Overview and Scrutiny Committee.
35. In addition, the Corporate Resources Overview and Scrutiny Review receives an annual update on the work of the Gateshead Fund, which aims to support the capacity and sustainability of voluntary and community organisations either based or working in Gateshead.
36. There are a number of budget proposals for 2015/16 that could have a negative impact on the voluntary and community sector, however the mitigation identified in the CIAs may reduce or negate this impact. The specific budget proposals are:
- Reduce the Capacity Building Fund and stop providing the Local Community Fund
 - Review the Public Health Capacity Building Fund
 - Review Neighbourhood Management and Volunteers and Voluntary Sector support
 - Review support for Older People's Assembly
 - Reduced funding to Community Centres
 - To reduce the amount of services commissioned for preventative purposes

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 3% of the net revenue budget.
- The expected balance on the Council's General Reserve is £15.344m as at 31 March 2016. This is 7% of the proposed net revenue budget for 2015/16 and therefore above the minimum level.
- The General Reserve is supplemented by expected earmarked reserves of £20.470m as at 31 March 2016. Of this amount, £7.345m 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 & Standards 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 £5.3m within the 2015/16 budget.

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

- **Employees' Pay**

This is reflected in service estimates and based on the NJC pay agreement effective from 1 January 2015 to 31 March 2016 based on an average increase of 2.2% and a non-consolidated lump sum.

- **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.

- **Non-Achievement of Savings**

Provision in contingency for partial slippage in the delivery of some savings where, given the level of savings required and lead in times for delivery, there are risks to achieving the full year saving.

- **Workforce Management**

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

- **Welfare and Social Care Demand**

A provision in contingency to support the most vulnerable in our society and recognising the demand led nature of such services. This includes a provision for any new burdens arising from the Care Act, 2014.

Taking account of the above, the contingency of £5.3m is considered adequate to mitigate the risk that some of the assumptions applied may differ from actual events during 2015/16.

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 01/04/14	Estimated Movement During Year	Estimated Closing Balance at 31/03/15	Estimated Movement During Year	Estimated Closing Balance at 31/03/16
	£000s	£000s	£000s	£000s	£000s
General Fund:					
General Reserve	-14,884	-1,848	-16,732	1,388	-15,344
Schools LMS Reserves*	-8,086	0	-8,086	0	-8,086
Total General Fund	-22,970	-1,848	-24,818	1388	-23,430
Strategic Reserves:					
Insurance	-3,000	0	-3,000	0	-3,000
Grant Clawback	-1,314	0	-1,314	515	-799
Gateshead Development Pool	-6,009	2000	-4,009	2,000	-2,009
Developers' Contributions*	-2,657	50	-2,607	0	-2,607
Revenue Grants / Receipts Unapplied*	-3,012	194	-2,818	0	-2,818
Economic Growth	-2,362	543	-1,819	0	-1,819
Business Rates	-5,000	0	-5,000	1,000	-4,000
Budget Flexibility	-473	185	-288	110	-178
Discretionary Social Fund	-611	-500	-1,111	300	-811
Public Health	-961	0	-961	452	-509
Dedicated Schools Grant*	-1,920	0	-1,920	0	-1,920
Total Strategic Reserves	-27,319	2,472	-24,847	4,377	-20,470
Total Reserves	-50,289	624	-49,665	5,765	-43,900

*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 **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.

This **Business Rates Reserve** was created to mitigate the risk of current and future business rate valuation appeals and other risks associated with the business rates retention scheme.

The **Budget Flexibility Reserve** is used to support the ongoing work on the budget framework within the Fit For the Future programme, this new reserve was created which allows flexibility to carry-forward appropriate balances for reinvestment the following year.

The **Discretionary Social Fund Reserve** was created from underspends in 2013/14 as the Government indicated that funding for this initiative would cease from 2015/16 onwards. The Government has now confirmed this intention. The reserve will allow this support to continue over the medium term.

The **Public Health Reserve** was created from underspends during 2013-14 following the transfer to local authorities of these new responsibilities on 1 April 2013. The funding is ring-fenced for future Public Health use and is not held for strategic planning purposes.

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 annual review of the MTFS in June 2015.

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2013/14 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>					
	2013/14 £000 Actual	2014/15 £000 Estimate	2015/16 £000 Estimate	2016/17 £000 Estimate	2017/18 £000 Estimate
Non-HRA	37,946	47,626	58,211	35,651	32,635
HRA	22,253	21,474	24,100	21,700	22,400
Total	60,199	69,100	82,311	57,351	55,035

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2013/14 are: -

<i>Ratio of Financing Costs to Net Revenue Stream</i>					
	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Non-HRA	11.40%	12.84%	14.17%	16.06%	17.87%
HRA	38.59%	46.75%	49.33%	45.21%	44.82%

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 2014 are: -

<i>Capital Financing Requirement</i>					
	31/03/14 £000 Actual	31/03/15 £000 Estimate	31/03/16 £000 Estimate	31/03/17 £000 Estimate	31/03/18 £000 Estimate
Non-HRA	272,941	290,030	321,324	333,212	342,932
HRA	345,505	345,505	345,505	345,505	345,505
Total	618,446	635,535	666,829	678,717	688,437

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 cash flows

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, Corporate Resources reports that the Council had no difficulty meeting this requirement in 2013/14, 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					
	31/03/14 £000 Actual	31/03/15 £000 Estimate	31/03/16 £000 Estimate	31/03/17 £000 Estimate	31/03/18 £000 Estimate
Actual gross debt at 31 March	574,118	614,187	645,481	657,369	667,089
Capital Financing Requirement	618,446	635,535	666,829	678,717	688,437
Under / (over) borrowing	44,328	21,348	21,348	21,348	21,348

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, Corporate Resources 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			
	2015/16 £000	2016/17 £000	2017/18 £000
Borrowing	755,000	765,000	775,000

7. The Strategic Director, Corporate Resources 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, Corporate Resources 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 cash flow 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, Corporate Resources 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, Corporate Resources. 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, Corporate Resources within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the Authorised Limit. Any such changes will be reported to the Council at its next meeting following the change. These limits include amounts in relation to The Gateshead Housing Company.

<i>Operational Boundary for External Debt</i>			
	2015/16 £000	2016/17 £000	2017/18 £000
Borrowing	730,000	740,000	750,000

9. The Council's actual external debt at 31 March 2014 was £574.118m comprising £574.118m 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 2015/16 (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 2015/16 from the totality of the capital and revenue plans recommended in this budget report is £1.55.

12. Forward estimates for the incremental impact on Band D council tax levels for 2016/17 is £1.70 and 2017/18 is £1.75. 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 2015/16 from the totality of the capital and revenue plans recommended in this budget report is £0.02.
14. Forward estimates for the incremental impact on housing rents for 2016/17 is £0.03 and 2017/18 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 and lower limit on its fixed and variable interest rate exposures for 2015/16, 2016/17 and 2017/18 as follows. The figures are expressed in terms of net outstanding principal sums.

UPPER AND LOWER LIMIT ON FIXED AND VARIABLE INTEREST RATES EXPOSURES			
Range	2015/16 £000	2016/17 £000	2017/18 £000
Fixed Rate	622,234 345,996	663,355 294,314	642,324 286,071
Variable	87,824 (20,000)	108,796 (20,000)	117,226 (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 2015/16, 2016/17 and 2017/18 as follows: -

<i>Upper Limit on amounts invested beyond 364 days</i>			
	2015/16 £000	2016/17 £000	2017/18 £000
Investments	15,000	15,000	15,000

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2015/16

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 2015/16 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 2015/16 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, Corporate Resources has the discretion to make additional voluntary provision.