

TITLE OF REPORT: Budget and Council Tax Level 2017/18**REPORT OF: Mike Barker – Acting Chief Executive**
Darren Collins - Strategic Director, Corporate Resources

Purpose of Report

1. To request Cabinet to recommend to Council on 23 February 2017 the Budget and Council Tax level for 2017/18. 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 12 July 2016, the Council agreed the Medium Term Financial Strategy (MTFS) that covered the period 2017/18 to 2021/22 which presented a challenging financial position over the medium term and identified a funding gap of over £92.3 million over the five year period with £71.8 million of the gap in the first three years. The MTFS identified a funding gap of £22.146 million for 2017/18.
3. On 22 September 2016, Council agreed the acceptance of the Government offer of a multi-year financial settlement to 2019/20 and the approval of an efficiency plan for submission to Government.
4. On 8 November 2016, Cabinet approved the basis for undertaking public consultation on budget proposals for 2017 to 2018 which took place between 8 November and 6 January 2017. A total of 63 budget options were consulted on amounting to an annual saving of around £17.8 million.
5. On 15 December 2016, Council agreed the local council tax support scheme for 2017/18.
6. On 15 December 2016, the Government announced the provisional local Government finance settlement for 2017/18. The Secretary of State also announced revised referendum principles. In relation to the financial year beginning in April 2017, the Secretary of State determined (and the House of Commons has approved) a referendum threshold of 5% (comprising 3% for expenditure on adult social care and 2% for other expenditure) for adult social care authorities.
7. On 24 January 2017, Cabinet agreed the council tax and business rates base forecasts for 2017/18.
8. On 24 January 2017, Cabinet noted the provisional local Government funding settlement and update of the funding gap for 2017/18. This identified a revised funding gap of £20.4 million that the Council was required to close for the 2017/18 financial year.
9. At the time of publication the final local Government funding settlement is yet to be laid before Parliament and therefore the proposed budget outlined in this report has been prepared in accordance with provisional settlement figures. The risk of any funding changes following confirmation of the final settlement will be managed through contingency or use of reserves and will be subject to further reporting as appropriate.

10. This report represents the final stage of the budget setting process in determining the budget and council tax level for 2017/18.

Proposal

11. The budget proposals approved for consultation by Cabinet on 8 November 2016 for 2017/18 have been reviewed to reflect the responses to consultation. The revised budget proposals result in savings of £13.190m for 2017/18 which closes the funding gap for the year.
12. This report proposes a budget in 2017/18 that includes £13.190m of savings in response to Government funding reductions and service demand pressures.
13. In 2016/17 the Secretary of State for Communities and Local Government made an offer to adult social care authorities to charge an additional 2% “precept” on its council tax from the financial year beginning in 2016/17 up to and including 2019/20 without holding a referendum, to assist the authority in meeting expenditure on adult social care. In the 2017 provisional settlement the Government announced additional flexibility to Councils allowing them the option to increase the social care precept by 3% for 2017/18 and 2018/19 but not exceeding 6% over the original three year period up to 2019/20.
14. The proposed budget will result in a council tax increase of 1.99% for residents of the Borough of Gateshead in respect of Gateshead Council expenditure and following Government announcements an additional council tax increase of 3% for residents of the Borough of Gateshead in respect of the Government’s charge for adult social care expenditure.
15. This will result in a combined council tax increase of 4.99% for residents of the Borough of Gateshead (excluding precepts from the Police and Crime Commissioner, Fire Authority and Lamesley Parish) resulting in a 98 pence a week rise for the majority of council tax payers in Gateshead who live in the lowest value properties (Band A) or £1.47 a week for those in Band D. This report recommends a 4.99% council tax increase in the Councils band D council tax for 2017/18.
16. The proposed base budget for 2017/18 before savings is £210.676m. Available funding for 2017/18 is £197.486m based on the settlement and including a council tax increase of 4.99%, council tax income and collection fund transfers result in the budget savings requirement of £13.190m. This can be summarised as follows:

Budget Savings Requirement 2017/18	£m
Net Budget brought forward into 2017/18	198.883
Plus, Inflation, New Burdens & Cost Pressures	11.793
Equals Provisional Net Budget	210.676
Budget Savings Requirement	(13.190)
Proposed Net Budget 2017/18	197.486
Funded by;	
Local Funding (Council Tax and Business Rates)	(125.550)
Government Funding	(71.936)
	(197.486)

17. In developing the proposed budget for 2017/18 the Council recognises the impact of the recommended council tax increase on some of the most vulnerable in society and particularly those on fixed incomes. However, a combination of continued cost pressures and significant funding reductions has resulted in locally raised revenue becoming increasingly important in the protection of vital services. The increase in council tax is therefore being proposed in order to protect the delivery of essential Council services to the residents of Gateshead. The current council tax reduction scheme will continue, providing some targeted support for those residents that are likely to be most affected by the increase.

Recommendations

18. Cabinet is requested to make the following recommendations to the Council:
- (1) That Gateshead's Band D council tax for 2017/18 is increased by 4.99% (including a 3% adult social care Government charge) to £1,606.41.
 - (2) The revenue estimates of £197.486m for 2017/18 are approved.
 - (3) That the indicative schools funding presented in Appendix 2 be agreed.
 - (4) That the recommendations of the Strategic Director, Corporate Resources in respect of the robustness of estimates and adequacy of reserves identified in Appendix 5 be noted.
 - (5) That the prudential and treasury indicators set out in Appendix 6 to this report be agreed.
 - (6) That the method of calculating the Minimum Revenue Provision (MRP) for 2017/18 as set out in Appendix 7 be approved.
 - (7) That the budget proposals (following the outcome of consultation) in Appendix 2 be noted.
 - (8) That it be noted that at its meeting on 24 January 2017, Cabinet agreed the following amounts for the year 2017/18 in accordance with regulations made under Section 31B(3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-
 - (a) **50,933.2** being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its Council Tax base for the year;
 - (b) **1,186.8** for Lamesley Parish being the amount calculated by the Council, in accordance with regulation 6 of the Regulations, as the amount of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.
 - (9) That the following amounts be now calculated by the Council for the year 2017/18 in accordance with Sections 31A,31B and 34 to 36 of the Local Government Finance Act 1992, as amended by the Localism Act 2011 ('the Act'): -
 - (a) **£565,059,612** being the aggregate total of the expenditure 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) **(£483,230,191)** being the aggregate total of the income amounts, which the Council estimate for the items, set out in Section 31A(3) of the Act

- (c) **£81,829,421** 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 including Lamesley Parish Council
- (d) **£1,606.6028** being the amount at (c) above, all divided by the amount at (8)(a) above, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year including Lamesley Parish Council
- (e) **£9,769.00** being the aggregate amount of all special items (Lamesley Parish Council) referred to in Section 34(1) of the Act
- (f) **£1,606.4110** being the amount at (d) less the result given by dividing the amount at (e) above by the amount at (8)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Lamesley Parish Council) relates
- (g) Part of the Council's area: Lamesley Parish
£1,614.6424 being the amounts given by adding to the amount at (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (8)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items (Lamesley Parish Council) relate

(h)

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	5.49	1,070.94
B	6.40	1,249.43
C	7.32	1,427.92
D	8.23	1,606.41
E	10.06	1,963.39
F	11.89	2,320.37
G	13.72	2,677.35
H	16.46	3,212.82

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

- (10) That it be noted that for the year 2017/18, 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: -

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	65.55	51.75
B	76.48	60.37
C	87.40	69.00
D	98.33	77.62
E	120.18	94.87
F	142.03	112.12
G	163.88	129.37
H	196.66	155.24

- (11) That, having calculated the aggregate in each case of the amounts at (9)(h) and (10) above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2017/18 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,193.73	1,188.24
B	1,392.68	1,386.28
C	1,591.64	1,584.32
D	1,790.59	1,782.36
E	2,188.50	2,178.44
F	2,586.41	2,574.52
G	2,984.32	2,970.60
H	3,581.18	3,564.72

- (12) That under section 52ZB of the Local Government Finance Act 1992 (as amended by the Localism Act 2011), the Council's relevant basic amount of council tax for 2017/18 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 2017/18.

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PLAN REF:

Policy Context

1. The Council has approached the budget consultation for 2017 to 2018 informed by the agreed Council Plan for 2015 to 2020. The Council Plan was developed to respond to the significant challenges Gateshead is facing in continuing to meet the changing needs of local people and businesses in the current economic climate. It enables the Council, alongside partners, to be better placed to achieve positive outcomes for the people of Gateshead and deliver the ambition of Vision 2030.
2. The Medium Term Financial Strategy (MTFS) provides the financial planning framework for supporting the allocation of available resources to deliver Vision 2030 and the Council Plan. It also ensures a sustainable Gateshead through the best use of available resources to deliver services and long term financial sustainability for the Council.

Background

3. The Council is operating within a context of unprecedented pressure on local authority budgets. Medium term financial planning is taking place against the background of significant funding cuts for local Government alongside Government plans for major local Government finance reforms. In addition, the Council, in common with most local authorities, continues to be at risk from unfunded financial pressures, including workforce management, waste management, and demand for social care and welfare reform as well as implementation of the national living wage. This environment will challenge the ability of the Council to respond to the needs of Gateshead residents and the wider community.
4. The Government's methodology for funding local authorities is increasingly linked to the performance of the local economy in the local authority area via new homes bonus funding arrangements, business rate retention and local council tax reduction schemes.
5. The Council Plan has been refreshed to cover the period 2015 to 2020 and sets the focus for the development of individual business plans for each of the council's services over the next five years as;
 - Maximising Growth - 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.
 - Increasing collective responsibility – encouraging and supporting local people, partner organisations, businesses and local communities to play a more active role in achieving the outcomes for Gateshead.
 - 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.

6. The Council's budget estimates for 2017/18 attached at Appendix 2 have been prepared in accordance with the Medium Term Financial Strategy (MTFS) framework and the outcome of the consultation.

Considerations

7. In finalising the budget and council tax for 2017/18, the following issues require consideration and are set out in the body of this appendix:-
 - Medium Term Financial Strategy context;
 - Provisional settlement 2017/18;
 - Projected revenue outturn 2016/17;
 - Budget guidance and base budget requirements 2017/18;
 - Budget proposals 2017 to 2018 following consultation;
(See also appendix 2 and 3)
 - Business rates 2017/18;
 - Council tax 2017/18;
 - Adequacy of reserves and robustness of budget estimates;
(See also appendix 4 and 5)
 - Approval of prudential indicators for 2017/18 (see also appendix 6);
 - Minimum Revenue Provision (MRP) (see also appendix 7).

Medium Term Financial Strategy

8. The Council has adopted a long term approach to its strategic and financial planning. The Medium Term Financial Strategy (MTFS) was updated and agreed by Cabinet in July 2016 and is based on a financial forecast over a rolling five year timeframe from 2017/18 to 2021/22. The MTFS sets the financial context for the Council's resource allocation process and budget setting.
9. The Council's MTFS to 2021/22 outlines an estimated funding gap of £92.3m for the next five years (2017/18 to 2021/22) with a £22.1m financial gap in 2017/18 and a £35.8m gap in 2018/19. It is clear that the hugely challenging financial context will continue over the medium term and that the events of the current year have added to the potential for financial volatility and risk. The council's MTFS will be fully reviewed in July 2017.

Provisional Settlement 2017/18

10. The provisional local Government finance settlement for 2017/18 was announced on 15 December 2016 and was reported to Cabinet on 24 January 2017 with a revised 2017/18 funding gap after settlement of £20.4m.
11. At the time of report publication of the final local Government funding settlement is still to be laid before Parliament. Therefore the proposed budget has been set assuming the final settlement will be consistent with the provisional settlement. The risk of any changes following final publication will be managed through application of contingency or use of reserves and will be subject to a future report to Cabinet as appropriate.

12. The settlement includes details of core grants including revenue support grant and business rates ‘top up’ grant. The table below highlights the 2017/18 reduction in the Settlement Funding Assessment (SFA). It is important to note that the retained business rates figure in the settlement below is a ‘notional’ figure published by the Government at the time of settlement.

Table 1 2017/18 Settlement Funding Assessment

Funding Stream	Actual	Settlement	Variance
	2016/17 £m	2017/18 £m	
SFA -Revenue Support Grant RSG	(37.258)	(27.783)	(9.475)
SFA -Retained Business Rates	(43.559)	(40.666)	(2.893)
SFA -Top Up Grant	(9.951)	(13.936)	3.985
Total SFA	(90.768)	(82.385)	(8.383)

13. Table 1 above highlights that the SFA was reduced by 9% (£8.3m) in 2017/18 on the basis of Government figures.
14. In last year’s final settlement, Government announced £150m of transitional funding targeted to authorities whose RSG has reduced by the highest percentage. This is considered to be an unfair approach as it only considers one element of funding in isolation and not the whole package of funding available to Councils. Additional rural services delivery grant was also announced targeted to authorities deemed to be in the top 20% nationally in terms of sparsity. Gateshead was not allocated any amounts from these additional funding pots. Metropolitan and unitary authorities, who suffered the greatest loss of Spending Power in 2016/17 provisional settlement, benefited by less than 0.1% from transition funding.
15. The Government’s forecast reduction in core spending power over the next four years for Gateshead is quoted as -0.5% compared to an England average of +0.4%. This position is not considered a true reflection of the actual position and it is important to note the following points:
- The Government’s future council tax figures assume average growth for each authority (circa 2.5%) as well assuming a 2% council uplift and 2% social care charge each year. As a guide this Council has seen growth of approximately 1% each year for the last two years. Thus a total 6.5% increase in council tax funding each year over the period up to 2019/20 is assumed. The Government figures require that a local area can not only grow its base substantially year on year but that its residents will be willing and able to pay uplifts of up to 4% year on year. This moves the funding for essential council services from Central Government to local residents. This does not take into account the mix of a Council’s tax base and residents ability to pay.
 - Business rates also include notional projections of growth per year. The retained rates that Gateshead Council will have available for funding will depend on the extent to which business growth can be supported in the area as well being influenced by loss of income through the cost of appeals, refunds, changes in collection rates and the impact of rate avoidance.
 - New homes bonus allocations are notional future estimates and cannot be taken with any certainty following reforms to the way the bonus is awarded.

- Figures include £13.89m over 2017/18 to 2019/20 for the improved BCF (Better Care Fund) which aims to redress some balance of need and unlike other BCF monies will be paid directly to local authorities. However, the funding will only impact towards the end of Parliament when it is desperately needed now. In addition, including improved BCF as additional funding is misleading as this does not identify that spending may also need to increase to meet additional burdens associated with the funding. Once the BCF guidance and the formal grant letter are received the council will be more certain about the expectations linked to the improved BCF. There remains uncertainty over the level of influence the council will have over this funding.
 - Only potential funding has been considered in the Government projection with no consideration given of the impact of increasing costs in social care from increased demand, contractual inflationary increases and the costs of implementing the national living wage. Similar cost pressures are also seen in children's social care and other council services arising from inflation, pay increases, changes in national insurance contributions and additional transfers of responsibilities.
 - Furthermore this type of analysis does not take account of the levels of deprivation or needs of an area resulting in more demand for services such as children's social care, homelessness and welfare support. More affluent areas benefit more from increases in their council tax bases and residents are more able to contribute to the cost of their service provision.
16. On 13 January 2017 the Government introduced into Parliament the Local Government Finance Bill which makes proposals for the legislative framework to deliver the Government's commitment to allow local government to retain 100% rates tax retention and move towards greater self-sufficiency by 2020. This will see a shift of reliance from central Government funding to a reliance on locally raised income through business rates and council tax. As part of future reforms Government have said that the main local Government grant will be phased out and additional responsibilities devolved to local authorities. It is important that in any system redesign existing responsibilities are correctly assessed and funded and any new responsibilities transferred under the new system closely align and support the drive for economic growth. The council will play an active role in pressing the Government to ensure the needs assessment is as fair as it can be through the consultations on the new system.
17. The national system of funding social care from local council tax is flawed. This is essentially a national tax applied locally. There is no correlation between where money is raised and where need exists. The system favours prosperous areas of the country as they are able to raise more money from a higher number of higher band properties. The ability to raise some funds earlier than previously allowed may assist some councils in the short term but the amount of extra council tax income does not come close to meeting the increasing demand for services that care for elderly and vulnerable people. The amounts raised are insufficient to even cover inflationary and national living wage costs for care providers.

18. In summary it is clear that overall council funding continues to fall significantly, with core grants expected to reduce year on year in the move to local authorities retaining 100% of rates collected. It is still uncertain what other specific grants will disappear as a result of the new funding reforms but recent announcements suggest public health grant will be removed with responsibilities delivered via rates funding.

Schools Funding

19. Schools funding is through ring-fenced resources (Dedicated Schools Grant and the Pupil Premium). Most children's services funding is included within the SFA funding. The impact of the provisional settlement on schools funding was reported into Cabinet on 24 January 2017.
20. The Government will introduce the first national funding formula for early years DSG funding in 2017/18. For schools and the high needs block of the DSG this will be from 2018/19. There will be a transitional phase to help smooth the implementation of the new schools formula. There are a number of current Government consultations, with more expected later in the year on high level detail, with an expected implementation date for schools and high needs funding changes from 2018/19.
21. National education policy is subject to major change leading to a great deal of uncertainty about the future role of councils in education, and in future levels of funding for schools and councils. Further Government consultation and legislation is expected in the near future.

Projected Revenue Outturn 2016/17

22. The agreed net revenue budget for 2016/17 is £198.883m. On 24 January 2017, Cabinet received a report on projected spending taking into account performance to 31 December 2016. The 2016/17 projected outturn is £200.194m, which alongside an estimated reduction in funding of £0.048m resulted in a projected over spend of £1.359m for the year.
23. There continues to be projected over spends and budget pressures in a number of areas, notably demand for children and family social care, adult social care and leisure facilities income. Continued monitoring within services, 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. Given the significant financial challenges ahead, officers are actively looking in year at ways to reduce costs, increase income and achieve underspends wherever feasible. This is good financial management that aids financial sustainability. The council has a strong track record in delivering the outturn on the revenue account within budget.
24. The final outturn position will be reported to cabinet in June 2017 however it is anticipated that the outturn will be within original budget estimates.

Budget Guidance and 2017/18 Base Budget Requirement

25. The following key assumptions have been made in development of the 2017/18 budget;
- A cash reduction in revenue support grant of £9.475m (25%)
 - An increase of £0.427m over settlement figures in business rates income to be retained by the council, arising from growth due to an increase in the multiplier set by Government and growth in the base.
 - An increase to £81.819m in the amount of council tax income receivable arising from growth in the tax base (£0.693m) and agreement of the proposed council tax increase (£3.890m).
 - Contractual inflation and modest amounts of general inflation on areas such as utilities, insurance premiums and business rates payable by the council. (£0.543m)
 - A 1.0% pay award in line with national offer and specific pressures resulting from instances of incremental progression (£1.845m).
 - Impacts of implementing an increase to the National Living Wage (£1.900m).
 - From 2017/18 the Council will be required to pay the Apprentice Levy which is based upon 0.5% of the pay bill of the Council and is forecast to cost the Council £0.500m.
 - Provision has been made in the budget for the North East Combined Authority Transport Levy of £11.291m (£0.380m decrease) and for the Environment Agency of £0.163m (£0.002m increase). Both of these levies have been confirmed.
26. The base budget for 2017/18 before budget savings is £210.676m. This is an increase of £11.793m on the current year budget reflecting new burdens, inflation and service pressures outlined in the MTFS as shown below;

	MTFS NET Budget	REVISED NET Budget
	£m	£m
Base 2017/18	198.883	198.883
General Inflation (inc Utilities, salary etc)	0.900	0.862
Contractual Inflation	1.350	1.928
Council Wide Pressures (Pensions, Living Wage etc)	4.617	3.812
Social Care Demand Pressures	2.250	4.568
Other Service Demand Pressures	0.500	0.623
Strategic Investment (Capital programme)	1.509	0.000
	210.009	210.676

27. Growth in the Council budget has been kept to a minimum with provision being made in a contingency of £6.926m (3% of total net budget) to manage risks in relation to the ongoing contribution to the costs of managing the workforce, demand pressures, and any unforeseen in year cost pressures.
28. Funding for 2017/18 is £197.486m based on the final settlement funding including projected council tax and business rate income increases and collection fund transfers leaving a budget savings requirement of £13.190m which will be met through budget proposals.
29. The base budget figures and proposals are presented in Appendix 2, including all comparative figures for 2016/17.

Budget Proposals 2017 to 2018 – Outcome of Consultation

30. At its meeting on 8 November 2016, Cabinet approved the public consultation which set out the budget proposals in order to bridge an estimated funding gap of £22.146m by 2018. The responses to the consultation and equality assessments are included at Appendix 3.
31. The consultation issues raised through the budget process have been considered. Following consideration of a number of factors including the consultation responses themselves, the deliverability and impact of the budget options, the overall financial position of the Council, and priorities identified in the Council Plan, it has been possible to reconsider the timing and mitigation of some of the proposals. The following adjustments to the original budget options are proposed, following consultation, to mitigate impact:
- Ref 1 - Management delayering-CWL group target reduced from £750,000 to £375,000 in 2017/18 as a consequence of re profiling delivery.
 - Ref 3 - Recommissioning learning disability care packages reduced from £1,725,000 to £825,000 as a consequence of re profiling delivery.
 - Ref 4 - Review of support for people to live independently removed (£550,000) as a consequence of re profiling delivery after consideration of the 2016/17 position.
 - Ref 5 - Recommission day services removed (£500,000) as a consequence of re profiling delivery after consideration of the 2016/17 position.
 - Ref 14 - Reshape and revise our approach to home to school transport removed (£295,000) as a consequence of re profiling delivery after consideration of the 2016/17 position.
 - Ref 23 - Livewell Gateshead- reduced from £1,311,000 to £811,000 in line with option two of the three proposals.
 - Ref 33 - Weed control reduction then cease removed (£30,000) following a review of the impact on the environment and appearance of the borough.
 - Ref 41 - Economic and Housing Growth saving reduced from £700,000 to £280,000 in order to ensure there are sufficient resources to drive forward the Council's priority of economic growth.
 - Ref 47 - Saving to leisure facilities removed (£702,000) due to current year budget pressures to allow time to review the future delivery models for the service.
 - Ref 50 - Building cleaning- reduced from £200,000 to £50,000 following a review of the impact of the proposals.
 - Ref 54 - Discretionary Rate Relief- reduced from £150,000 to £70,000 following the review of the scheme.
 - Ref 57 - Increased Income from asset sponsorship removed (£100,000) as a consequence of re profiling delivery.

32. Further to the above, reference 23, Livewell Gateshead. The saving will be mitigated by the provision of continued neighbourhood management services from a council budget of £175,000. Also reference 32, reduce the provision of winter maintenance the saving of £52,000 will be achieved but from increased income and not a reduction in the winter maintenance service.
33. Despite the huge financial challenge the Council continues to look ahead and work towards achieving priority outcomes within the Council Plan. As well as striving to achieve sustainable economic growth and wellbeing for the borough and its residents, whilst supporting vulnerable people and building capacity within communities.

Business Rates 2017/18

34. As part of the 2017/18 settlement, the Government provided a baseline figure for retained business rates. The National Non-Domestic Rates Return 1 (NNDR1) 2017/18 submitted to the Department for Communities and Local Government on 31 January 2017 estimated that the Council's retained element will be £41.093m (adjusted for cost of collection) which is £0.427m greater than the baseline estimated in the Government's final settlement. This estimated additional income assists in closing the Council's funding gap. The collection rate remains forecast at 97.75%. The exact amount of compensation payment for small business relief is yet to be confirmed, an estimate of £2.249m is included in the base budget funding based on the NNDR1 return that was submitted to Government on 31 January 2017.

Council Tax 2017/18

Statutory Requirements: Calculation of Council Tax Requirement

35. 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 dwellings in its area. The council tax must be set before the 11 March in the preceding financial year. For a category of dwellings the amount of Council Tax is the aggregate of:-
 - (i) the amount of tax in relation to the year that the authority itself has calculated, and
 - (ii) the sum of the amounts of tax in relation to the year that major precepting authorities have calculated in precepts issued to the authority by major precepting authorities.
36. Sections 31A, 31B and 34 to 36 of the 1992 Act (the 1992 Act) 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:-
37. (1) In relation to each financial year a billing authority in England must make the calculations required by the section 31A of the 1992 Act.
 - (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 Local Government Finance Act 1998 (the 1988 Act);
 - (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 amounts 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 amount 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 and, subject to paragraphs (da), (e) and (f) of subsection (2) above, sums which have been or are to be transferred from its general fund to its collection 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 of the 1992 Act 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 (aa), (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 of the 1992 Act (which requires a direction to a billing authority that the referendum provisions in chapter 4ZA of the 1992 Act 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).

Calculation of Basic Amount of Tax

- (13) 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) of the 1992 Act 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.
- (14) 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.
- (15) 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.
- (16) 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.

- (17) 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 (13) above (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).

Council Tax Bandings

38. There are eight council tax bands ranging from Band A for dwellings valued at less than £40,000 on 1 April 1991 to Band H for dwellings valued at more than £320,000 on that date. Within an authority, the council tax for each valuation band is a fixed ratio to that for Band D. Dependent on their assigned council tax band dwellings pay a proportion of the Band D council tax set for the authority and local authorities set their council tax on the basis of the number of Band D equivalent properties in their area. Bands are assigned by the Valuation Office Agency (VOA).
39. Band D council tax is the usual standard measure of council tax and is the council tax payable on a Band D dwelling occupied as a main residence by at least two adults, before any reductions due to discounts, exemptions or local council tax support schemes. This definition is widely regarded as a benchmark when comparing council tax levels in different areas or over time. In addition to measuring council tax by Band D it can also be measured in average council tax per dwelling terms.

Council Tax Increase

40. 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 2017/18, this report recommends that Gateshead Council agrees a council tax increase of 4.99% (including a 3% adult social care charge) This will mean the Council will be exempt from the Government's excessiveness principles outlined below as the proposed increase is less than 5%.

Council Tax Referendums

41. A council tax bill is made up of a number of different elements. Alongside the element to fund council services which includes the costs of councils pay in levies or special levies to any number of bodies, there can be precepts which consist of council tax that will be redistributed to bodies to provide specific services to the area. For Gateshead these are for the Police and Crime Commissioner for Northumbria, the Tyne and Wear Fire and Rescue Authority and Lamesley Parish.
42. Each year ministers set out in advance what they deem to be an excessive tax rise. This report has been prepared in accordance with published guidance "The referendums relating to council tax increases (Principles) (England) report 2017/18" and the principles outlined in annex A of the guidance.

43. For the referendum regime, the Localism Act 2011 defined a new measure - the relevant basic amount of council tax. The 'relevant basic amount' is a measure that aims to focus purely on the element of the council tax bill relating to council services. It is calculated by subtracting any levy or special levy payments from the overall council tax requirement then dividing that figure by the council tax base.
44. Under section 52ZB of the 1992 Act, each billing authority must determine whether its relevant basic amount of council tax for the financial year (the year under consideration) is excessive. A referendum is triggered by whatever the Secretary of State says is an excessive increase in the 'relevant basic amount of council' tax.
45. 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.
46. The Spending Review announced that local authorities responsible for adult social care will be given 2% additional council tax flexibility, on top of their existing 2% referendum threshold, for the rest of the Parliament on the understanding that they use all additional revenue for adult social care services. Further flexibilities were announced in December 2016 allowing local authorities to bring forward increases in relation to social care to 3% in 2017 and 2018 but not exceeding 6% over the period up to 2019/20.
47. For authorities with adult social care responsibilities the referendum cap is thus set at 5% and above. This comes with conditions requiring the authority to evidence that the additional funds raised from the flexibility will be applied for social care purposes and will be required in subsequent years of the Parliament.
48. Therefore for 2017/18, the relevant basic amount of council tax of an authority which belongs to the category in paragraph 2(a) of the Secretary of State Report 'The Referendums Relating to Council Tax Increases (Principles) (England) Report 2017/18' made under section 52ZD(1) of the 1992 Act "any relevant local authority" is excessive if the authority's relevant basic amount of council tax for 2017/18 is 5% (comprising 3% for expenditure on adult social care and 2% for other expenditure) or more than 5% greater than its relevant basic amount of council tax for 2016/17.
49. For 2017/18, the relevant basic amount of council tax of an authority which belongs to the category in paragraph 2(d) of the Secretary of State Report 'The Referendums Relating to Council Tax Increases (Principles) (England) Report 2017/18' made under section 52ZD(1) of the 1992 Act "any relevant police and crime commissioner" is excessive if the authority's relevant basic amount of council tax for 2017/18 is 2%, or more than 2% greater than its relevant basic amount of council tax for 2016/17 and more than £5.00 greater than its relevant basic amount of council tax for 2016/17.

50. 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.
51. No principles are specified for local precepting authorities (Lamesley Parish), although the Secretary of State may revisit this issue in future. However, the usual general administrative law principles will apply to the Parish Council's own decision setting the budget i.e. they must act reasonably; they will have to take the decision based on all material considerations, discarding immaterial considerations and the incurring of expenditure must be relevant to the needs of the Parish as well as being in accordance with their own financial rules.
52. 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.
53. Under section 52ZB of the 1992 Act the proposed council relevant basic amount of council tax for 2017/18 is not excessive in accordance with the principles determined under section 52ZC of the Act.

Council Tax Requirement 2017/18

54. The Localism Act 2011 changed some of the details governing the calculation of council tax. The Council must set a council tax requirement.
55. The Council's budget for 2017/18 totals £197.486m after budget savings (net of schools spending).
56. In calculating the Council's council tax requirement as required by the legislation, the Lamesley Parish precept must be added to the figure above.
57. The Parish of Lamesley has issued a budget precept for 2017/18 of £10,500, an increase on 2016/17 which was £10,000. This is cited as being due to increasing cost pressures following no increase in the precept for over ten years prior to 2016/17. The Council has allocated grant funding to recognise the impact of the Local Scheme for Council Tax on Lamesley Parish, meaning the precept for 2017/18 is £9,769 grant funding of £731 will top-up the precept to enable a budget of £10,500 to be funded.
58. In arriving at the Council's council tax requirement, general grants such as Settlement Funding Assessment (revenue support grant, retained business rates and top up grant), other grants in revenue spending power and public health must be deducted.
59. Any amount transferred from the collection fund to the general fund in relation to council tax must also be deducted. For 2017/18 this figure has been estimated to be £2.638m.

60. The Council Tax Requirement 2017/18, based on an increase of 4.99%, can now be summarised as follows: -

	£
Net Budget 2017/18 Gateshead Council	197,486,134
<i>Add - Lamesley Parish Precept</i>	9,769
Budget Requirement 2017/18 (including Lamesley Parish Precept)	197,495,903
<i>Less - Settlement Funding Assessment (SFA)*</i>	(82,812,852)
<i>Public Health</i>	(16,952,000)
<i>Other Grants</i>	(13,263,642)
<i>Balance to be raised locally</i>	84,467,409
<i>Transfer from Collection Fund (Council Tax)</i>	(2,637,988)
Council Tax Requirement (including Lamesley Parish Precept)	81,829,421

**Includes transfer from Collection Fund for retained business rates*

Council Tax Resolution

61. The council tax for Gateshead is calculated by dividing the council tax requirement by the council tax base of 50,933.2 (agreed at Cabinet on 24 January 2017). This calculation gives a basic amount of council tax of £1,606.60. However, from this figure, the legislation requires the Parish element to be deducted (£0.19). This gives a Band D Council Tax for Gateshead of £1,606.41. Section 36 of the 1992 Act requires the council tax to be calculated by reference to Band D, although 90% of households in Gateshead are in Bands A to C.
62. The amount payable for dwellings in different valuation bands is calculated using the following proportions for each valuation banding: -

A	6/9
B	7/9
C	8/9
D	9/9
E	11/9
F	13/9
G	15/9
H	18/9

Thus giving the following council tax amounts for the Gateshead area, (including a 3% precept to fund adult social care but excluding other precepts)

Valuation Band	Gateshead Council £
A	1,070.94
B	1,249.43
C	1,427.92
D	1,606.41
E	1,963.39
F	2,320.37
G	2,677.35
H	3,212.82

63. The council tax for the Parish area is calculated by dividing the Parish precept by the council tax base for the Parish area (agreed at the Cabinet meeting on 24 January 2017). This calculation gives a Band D precept of £8.23 for Lamesley Parish area in 2017/18 which is an increase of 5.39% from 2016/17.
64. These result in the following additional council tax amounts for the Lamesley Parish area (excluding Police and Crime Commissioner and Fire precepts) following application of the proportions in the table at point 62 above:

Valuation Band	Lamesley Parish £
A	5.49
B	6.40
C	7.32
D	8.23
E	10.06
F	11.89
G	13.72
H	16.46

65. To these must be added the precepts of the Police and Crime Commissioner (PCC) for Northumbria and the Tyne and Wear Fire and Rescue Authority. The PCC agreed the precept for 2017/18 on 7 February 2017 with the decision to increase the Band D charge by the £5 permitted under the current referendum principles. The Tyne and Wear Fire and Rescue Authority precept was agreed on 13 February 2017, at an increase of 1.99%. These are as follows:-

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	65.55	51.75
B	76.48	60.37
C	87.40	69.00
D	98.33	77.62
E	120.18	94.87
F	142.03	112.12
G	163.88	129.37
H	196.66	155.24

These precepts result in a Band D Council Tax (excluding Lamesley Parish Precept) of £1,782.36 which has increased from £1,699.47 in 2016/17.

66. These result in the following total council tax amounts (including precepts).

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,193.73	1,188.24
B	1,392.68	1,386.28
C	1,591.64	1,584.32
D	1,790.59	1,782.36
E	2,188.50	2,178.44
F	2,586.41	2,574.52
G	2,984.32	2,970.60
H	3,581.18	3,564.72

Adequacy of Reserves and Robustness of Budget Estimates

67. The Council keeps a level of reserves to strengthen its financial position so that it has sufficient reserves and balances to protect against the risk of any uncertainties or unforeseen events without jeopardising key services and delivery outcomes. This is considered best practice and demonstrates sound financial planning. The Council's policy on reserves is outlined in the Medium Term Financial Strategy (MTFS).
68. 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.
69. 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
70. 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.
71. 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 2016 and an estimate of reserves through to 31 March 2018 subject to the proposals in this report. The position on reserves will be further reviewed following revenue outturn in June 2017 and as part of the review of the MTFS. It is likely that reserves will need to be replenished over the MTFS period.

72. The Council maintains a general fund reserve which acts as a contingency and allows the Council to meet any unforeseen expenditure. This currently stands at £23.387m. This figure includes £7.046m LMS Schools reserves which are ring-fenced and £16.341m General Reserve which is above the minimum level of 3% net revenue budget agreed by Cabinet and Council in July 2016 as part of the MTFS.
73. Some reserves are agreed by Council to be set earmarked and held for specific strategic purposes. This may be to help achieve key priorities, for example the economic growth reserve to achieve growth and support the local economy, or held for specific purposes primarily to mitigate unforeseen events, risks or provide insurance.
74. Other reserves are ring fenced and committed to be used for specific projects or activities, usually prescribed by Government, and cannot support the general council budget such as schools reserves, developer contributions and the Public Health reserve.
75. As at 31 March 2018 it is estimated that the Council's general reserve will be £18.040m (including £5.546m LMS ring-fenced reserve) supplemented by approximately £19.616m earmarked reserves, £7.394m of which are ring-fenced and cannot be used to support the revenue budget.
76. Reserves can only be used once and are therefore not a sustainable source of financing without placing the Council's financial position at risk. This is an area of interest to external audit who will look at both how the Council has planned to use and actually uses its reserves. Due to the reduced funding from Government coupled with increasing demand, the Council will be required and is intending to, find a permanent solution to the funding gap, rather than a short-term solution by using reserves.

Workforce Management

77. 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.
78. The proposals within the budget will result in significant organisational change in many services across the Council, and changes in the way the Council delivers services and works for and with, the community.
79. The Council remains a major employer and it will continue its existing good employment practices and further develop its commitment to its workforce, as set out in the Workforce Strategy and Plan 2015 to 2020 including: employee engagement, learning and development, and health and well-being. The Council will continue to work with employees and trade unions to protect priority services and ensure, as part of the Workforce Strategy, that employees have the skills they need to work efficiently and effectively. Through the application of the Council's commissioning framework, new ways in which to deliver best value for the community will be considered, including new business models and delivery vehicles.

- 80. 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.
- 81. In light of the required savings the Council gave notice in February 2017 to the Department of Business Innovation and Skills (Form HR1) of the number of anticipated redundancies. In November 2016, it also issued Section 188 “notice of potential redundancy letters” to employees. Throughout the consultation period, 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 lower than the figures originally anticipated. 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.
- 82. The proposed FTE reduction is set out in the table below, along with an estimated breakdown of CRs, VRs, and vacant posts based on information to date:

FTE reduction Pre Mitigation	VRs FTE	CRs FTE	Vacant Posts FTE
87.63	42.28	27.21	18.14

- 83. 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.

Prudential and Treasury Indicators

- 84. 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 the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 3 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.

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.

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.

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.

85. 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 recommended for approval.

Minimum Revenue Provision (MRP)

86. MRP is the amount that needs to be charged to revenue to reflect the repayment of debt. It is proposed that the Council continues to use the annuity method for charging MRP in respect of PFI contracts and the asset life method on self-financed expenditure. It is further proposed that the Council changes the approach towards the MRP relating to supported borrowing from the regulatory method to a fixed 2% charge per annum, ensuring that provision is made to repay this debt earlier than under the current arrangements. The Council's annual MRP statement for 2017/18 is attached at Appendix 7.

Consultation

87. Section 65 of the 1992 Act requires the Council to consult with persons or bodies subject to non-domestic business rates in Gateshead about spending proposals. A meeting was held with the North East Chamber of Commerce on 24 January 2017.
88. There has been public consultation on budget proposals for 2017/18 as reported to Cabinet on 8 November 2016 and the responses are included at Appendix 3 of this report.
89. Councillors have been consulted on the draft budget proposals through Corporate Resources Advisory Groups, portfolio meetings and briefing sessions. The trade unions have also been consulted on the proposals within the report.

Alternative Options

90. There are no alternative options. The Council is statutorily required to agree a lawful budget each year. To not identify savings in order to bridge the funding gap, would be to jeopardise this requirement and put the Council's financial sustainability at risk.

Implications of Recommended Option

91. Resources

- a. **Financial Implications** – The Strategic Director, Corporate Resources confirms that these are set out in the report and appendices. Budget proposals outlined in the report have been prepared in the context of the financial position identified in the MTFs agreed by Cabinet on 12 July 2016 and the outcome of the consultation.
- b. **Human Resource Implications** – Implications for the Council's workforce are considered within the report.
- c. **Property Implications** – The Strategic Director, Corporate Services and Governance confirms the implications for the Council's asset portfolio will be set out in detail in future separate reports. The Council will continue to implement its Asset Management Strategy and seek to reduce the costs associated with buildings and property.

92. **Risk Management Implications** – Appendix 4 to this report is a financial risk assessment of the budget. This seeks to capture risks and identify mitigation where possible. Overall the financial context faced by the council, as identified in the MTFs, poses significant risks to the council's continued ability to provide essential services to the residents of Gateshead over the medium term. This risk is mitigated to an extent by effective financial management and planning that supports delivery of council priorities identified within the Council Plan.

93. **Equality and Diversity Implications** – Appendix 3 provides an overview of the Equality Impact Assessments which are available on the Council's website.

94. **Crime and Disorder Implications** – The Council has a legal duty under Section 17 of the Crime and Disorder Act 1998 to carry out all its various functions with "due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area". Individual proposals have been assessed as to their impact on crime and disorder and no direct impacts have been identified.

95. **Health Implications** – Appendix 3 highlights health and wellbeing impact as well as a carers impact assessment.

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

97. **Human Rights Implications** – The implications of the Human Rights Act must be considered in any decision that involves a change of policy or function, or a Service change that arises from the choices. These will be identified, where necessary, in the EIAs which are available on the Council's website.

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

REVENUE BUDGETS 2017/18

Budget	Group and Service (Net Budgets)	Budget Pre Savings	Proposed Savings	Proposed Budget
2016/17 £000		2017/18 £000	2017/18 £000	2017/18 £000
	<u>Care, Wellbeing and Learning</u>			
19,930	Social Work - Children & Families	22,546	(328)	22,218
7,429	Early Help and Education	7,595	(1,389)	6,206
7,364	Commissioning and Quality Assurance	8,149	(435)	7,714
2,162	Learning and Schools	2,600	(630)	1,970
56,748	Adult Social Care	57,756	(3,856)	53,900
17,380	Public Health	17,380	(1,667)	15,713
	<u>Communities and Environment</u>			
(149)	Housing General Fund	209	0	209
4,195	Development, Transport and Public Protection	4,967	(473)	4,494
(795)	Council Housing, Design and Technical Services	(627)	(288)	(915)
7,115	Culture, Communities, Leisure and Volunteering	7,729	(855)	6,874
3,645	Commissioning and Business Development	3,750	(30)	3,720
3,727	Facilities Management	3,730	(273)	3,457
13,250	Waste Services, Grounds Maintenance and Fleet Management	14,286	(456)	13,830
1,375	Economic and Housing Growth	1,391	(280)	1,111
	<u>Office of the Chief Executive</u>			
1,263	Policy, Performance and Communications	1,410	(100)	1,310
	<u>Corporate Services and Governance</u>			
805	Legal, Democratic and Property Services	953	(296)	657
2,937	Human Resources and Litigation	4,034	(120)	3,914
437	Corporate Commissioning and Procurement	455	(40)	415
	<u>Corporate Resources</u>			
1,345	Corporate Finance	1,612	(141)	1,471
3,172	Customer and Financial Services	3,677	(510)	3,167
(406)	Housing Benefits	0	0	0
2,538	ICT Services	3,249	(313)	2,936
1,725	Other Services	824	(400)	424
3,875	Contingencies	6,926	0	6,926
28,604	Capital Financing Costs	26,931	0	26,931
(2,620)	Investment and Trading Income	(2,333)	(310)	(2,643)
	<u>Levies</u>			
161	Environment Agency	163	0	163
11,671	Tyne and Wear ITA	11,291	0	11,291
	Port of Tyne	23	0	23
198,883	Total Net Budget	210,676	(13,190)	197,486
	<u>Financed By</u>			
(91,427)	Settlement Funding Assessment (SFA)	(82,813)		(82,813)
(12,829)	Other Grants	(13,264)		(13,264)
(17,380)	Public Health	(16,952)		(16,952)
(77,236)	Council Tax (Excluding Parish Precept)	(81,819)		(81,819)
(11)	Collection Fund	(2,638)		(2,638)
(198,883)	Total Funding	(197,486)	0	(197,486)

SCHOOLS - ESTIMATES 2017/18

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	135,841	(135,841)	0	140,655	(140,655)	0
Less: Recoupment for Academies and commissioned Non-Maintained Special Schools	(39,031)	39,031	0	(39,436)	39,436	0
Total Retained in Council	96,810	(96,810)	0	101,219	(101,219)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(22,900)	22,900	0	(24,983)	24,983	(0)
Schools Budget (Maintained)	73,910	(73,910)	0	76,236	(76,236)	(0)
Pupil Premium	9,748	(9,748)	0	9,748	(9,748)	0
Less: Academies Recoupment	(2,543)	2,543	0	(2,543)	2,543	0
Pupil Premium (Maintained)	7,205	(7,205)	0	7,205	(7,205)	0
Section 2 - Savings						0
TOTAL SCHOOLS BUDGET 2017/18						0

The Council will receive an indicative £141m 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 and externally commissioned High Needs places, which is estimated to be £39m. 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 is estimated at £2.1m in 2017/18 and will be confirmed in July 2017 based on actual take up.

In addition, the Pupil Premium for 2017/18 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. Service Children Pupil Premium is £300 per eligible pupil. The estimated entitlement for schools in Gateshead is £9.7m, of which an estimated £2.5m will be recouped for academies.

Early Years Pupil Premium for eligible 3 & 4 year olds has been confirmed at £302 per pupil 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 £0.145m.

CARE, WELLBEING & LEARNING - ESTIMATES 2017/18

SOCIAL WORK - CHILDREN & FAMILIES

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Social Work - Children & Families	21,411	(1,481)	19,930	23,917	(1,371)	22,546
Section 2 - Savings						
Health and Social Care						
Review of the approach to Adoption Services	(50)	0	(50)			
Children's Social Care Reduced Demand Model through Early Help investment	(220)	0	(220)			
Management delayering	(58)	0	(58)			
	(328)	0	(328)			
Total Social Work - Children & Families 2017/18	23,589	(1,371)	22,218			

CARE, WELLBEING & LEARNING - ESTIMATES 2017/18

EARLY HELP & EDUCATION

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Early Help & Education	25,837	(18,408)	7,429	25,934	(18,339)	7,595
Section 2 - Savings						
<u>Health and Social Care</u>						
Early Help review	(432)	0	(432)			
Review of commissioning approach to all respite/ family support requirements, with introduction of direct payments where appropriate	(269)	0	(269)			
Early Years Childcare Service - charge into Early Years block of DSG	(363)	0	(363)			
The Avenues building closure	(11)	0	(11)			
Children's centre establishment reduction - vacancy deletion	(22)	0	(22)			
Parent Partnership - fund from DSG	(52)	0	(52)			
Management delayering	(240)	0	(240)			
	(1,389)	0	(1,389)			
Total Early Help & Education 2017/18	24,545	(18,339)	6,206			

CARE, WELLBEING & LEARNING - ESTIMATES 2017/18

COMMISSIONING & QUALITY ASSURANCE

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning & Quality Assurance	7,851	(487)	7,364	8,520	(371)	8,149
Section 2 - Savings						
<u>Health and Social Care</u>						
Review of commissioned arrangements				(410)	0	(410)
Management delaying				(25)	0	(25)
				(435)	0	(435)
Total Commissioning & Quality Assurance 2017/18				8,085	(371)	7,714

CARE, WELLBEING & LEARNING - ESTIMATES 2017/18

LEARNING & SCHOOLS

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Learning & Schools	24,835	(22,673)	2,162	26,100	(23,500)	2,600
Section 2 - Savings						
<u>Health and Social Care</u>						
School Improvement service income and efficiencies				(75)	(75)	(150)
Fully fund Educational Psychology from High Needs funding and trading income				0	(402)	(402)
E-learning - full traded model				(33)	0	(33)
Governors Support - fully trade				0	(24)	(24)
Management delayering				(21)	0	(21)
				(129)	(501)	(630)
Total Learning & Schools 2017/18				25,971	(24,001)	1,970

CARE, WELLBEING & LEARNING - ESTIMATES 2017/18

ADULT SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Adult Social Care	84,245	(27,497)	56,748	85,666	(27,910)	57,756
Section 2 - Savings						
<u>Health and Social Care</u>						
Recommission Independent Supported Living Schemes	(650)	0	(650)	(650)	0	(650)
Recommission Learning Disability Care Packages	(825)	0	(825)	(825)	0	(825)
Reduction in Residential Care Admissions	(1,350)	0	(1,350)	(1,350)	0	(1,350)
Trading and income generation	0	(1,000)	(1,000)	0	(1,000)	(1,000)
Management delaying	(31)	0	(31)	(31)	0	(31)
	(2,856)	(1,000)	(3,856)	(2,856)	(1,000)	(3,856)
Total Adult Social Care 2017/18	82,810	(28,910)	53,900	82,810	(28,910)	53,900

CARE, WELLBEING & LEARNING - ESTIMATES 2017/18

PUBLIC HEALTH

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health	17,395	(15)	17,380	17,395	(15)	17,380
Section 2 - Savings						
<u>Health and Social Care</u>						
Reducing elements of the Drug and Alcohol programme	(147)	0	(147)			
Reducing funding for the LiveWell Gateshead programme	(811)	0	(811)			
Reducing funding for NHS health checks	(30)	0	(30)			
Public Health Team efficiencies	(94)	0	(94)			
Remodelling 0-5 (Early Years) and Children's Public Health Services	(459)	0	(459)			
Reductions in Sexual Health funding – MESMAC and sexual health tariff	(17)	0	(17)			
Reduction in the GUM block element of the contract	(28)	0	(28)			
Reduction in the GUM tariff element of the contract	(81)	0	(81)			
	(1,667)	0	(1,667)			
Total Public Health 2017/18	15,728	(15)				15,713
Public Health expenditure in other service areas						1,239
Public Health ringfenced budget 2017/18						16,952

COMMUNITIES & ENVIRONMENT - ESTIMATES 2017/18

HOUSING GENERAL FUND

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing General Fund	1,785	(1,934)	(149)	1,596	(1,387)	209
Section 2 - Savings				0	0	0
				0	0	0
Total Housing General Fund 2017/18				1,596	(1,387)	209

COMMUNITIES & ENVIRONMENT - ESTIMATES 2017/18

DEVELOPMENT, TRANSPORT & PUBLIC PROTECTION

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Development, Transport & Public Protection	8,642	(4,447)	4,195	9,327	(4,360)	4,967
Section 2 - Savings						
<u>Local Economy and Growth</u>						
Redundancies / restructure - Development and Public Protection				(109)	0	(109)
External funding for Trading Standards post				0	(50)	(50)
Redundancies / restructure - Transport				(146)	0	(146)
Removal of surveys budget				(20)	0	(20)
Income generation				0	(148)	(148)
				(275)	(198)	(473)
Total Development, Transport & Public Protection 2017/18				9,052	(4,558)	4,494

COMMUNITIES & ENVIRONMENT - ESTIMATES 2017/18

COUNCIL HOUSING, DESIGN & TECHNICAL SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Council Housing, Design & Technical Services	377	(1,172)	(795)	429	(1,056)	(627)
Section 2 - Savings						
<u>Local Economy and Growth</u>						
Increase in contribution from the HRA to offset costs of activities carried out within the service	0	(38)		0	(38)	(38)
<u>Trading and Investments</u>						
Full impementation of the current District Energy Scheme/Solar PV and further expansion	0	(141)		0	(141)	(141)
Development and implementation of house building business case	0	(109)		0	(109)	(109)
	0	(288)		0	(288)	(288)
Total Council Housing, Design & Technical Services 2017/18	429	(1,344)		429	(1,344)	(915)

COMMUNITIES & ENVIRONMENT - ESTIMATES 2017/18

CULTURE, COMMUNITIES, LEISURE & VOLUNTEERING

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Culture, Communities, Leisure & Volunteering	12,851	(5,736)	7,115	13,525	(5,796)	7,729
Section 2 - Savings						
Communities						
Implementation of the Library Review - reducing the library network to 8 Council run libraries				(450)	0	(450)
Reduction in contribution to Shipley and TWAM				(32)	0	(32)
Reduction in contribution to Baltic				(33)	0	(33)
Reduction in contribution to Sage Gateshead				(40)	0	(40)
Management arrangements at Gateshead International Stadium				(300)	0	(300)
				(855)	0	(855)
Total Culture, Communities, Leisure & Volunteering 2017/18				12,670	(5,796)	6,874

COMMUNITIES & ENVIRONMENT - ESTIMATES 2017/18

COMMISSIONING & BUSINESS DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning & Business Development	5,719	(2,074)	3,645	5,824	(2,074)	3,750
Section 2 - Savings						
<u>Environment</u>						
Staff changes				(25)	0	(25)
Reduction in consultants fees in STWWMP				(5)	0	(5)
				(30)	0	(30)
Total Commissioning & Business Development 2017/18				5,794	(2,074)	3,720

COMMUNITIES & ENVIRONMENT - ESTIMATES 2017/18

FACILITIES MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Facilities Management	14,455	(10,728)	3,727	14,771	(11,041)	3,730
Section 2 - Savings						
<u>Trading and Investments</u>						
Increased trading surplus through increased meal uptake and growth of customer base				0	(173)	(173)
<u>Customer Services, Property and Technology</u>						
Staff Costs				(50)	0	(50)
Reduction in cleaning of buildings				(50)	0	(50)
				(100)	(173)	(273)
Total Facilities Management 2017/18				14,671	(11,214)	3,457

COMMUNITIES & ENVIRONMENT - ESTIMATES 2017/18

WASTE SERVICES, GROUNDS MAINTENANCE & FLEET MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Waste Services, Grounds Maintenance & Fleet Management	17,980	(4,730)	13,250	18,836	(4,550)	14,286
Section 2 - Savings						
<u>Environment</u>						
Increase in bereavement fees by 2%	0	(30)	(30)			
Reduce the provision of winter maintenance services to second priority roads	(52)	0	(52)			
Reduction in Countryside Rangers	(30)	0	(30)			
Increased income from Trade Waste	0	(30)	(30)			
Increase in fees and charges; supporting asset transfer and consolidating and closing sites and facilities in relation to bowling greens and football pitches	(70)	(5)	(75)			
Increase charges for Green Waste	0	(168)	(168)			
Street lighting energy savings	(71)	0	(71)			
	(223)	(233)	(456)			
Total Waste Services, Grounds Maintenance & Fleet Management 2017/18	18,613	(4,783)	13,830			

COMMUNITIES & ENVIRONMENT - ESTIMATES 2017/18

ECONOMIC & HOUSING GROWTH

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Economic & Housing Growth	3,575	(2,200)	1,375	3,687	(2,296)	1,391
Section 2 - Savings						
<u>Local Economy and Growth</u>						
Reduce capacity				(280)	0	(280)
				(280)	0	(280)
Total Economic & Housing Growth 2017/18				3,407	(2,296)	1,111

OFFICE OF THE CHIEF EXECUTIVE - ESTIMATES 2017/18

POLICY, PERFORMANCE & COMMUNICATIONS

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Policy, Performance & Communications	1,296	(33)	1,263	1,443	(33)	1,410
Section 2 - Savings						
<u>Democratic Core</u>						
Staffing restructure				(100)	0	(100)
				(100)	0	(100)
Total Policy, Performance & Communications 2017/18				1,343	(33)	1,310

CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2017/18

LEGAL, DEMOCRATIC & PROPERTY SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal, Democratic & Property Services	4,855	(4,050)	805	5,003	(4,050)	953
Section 2 - Savings						
<u>Democratic Core</u>						
Review of establishment - Development and Commercial Law reduction 2.4 FTE and Property Services reduction 1.92 FTE	(149)	0	(149)			
<u>Customer Services, Property and Technology</u>						
Property Services - income generation	0	(147)	(147)			
	(149)	(147)	(296)			
Total Legal, Democratic & Property Services 2017/18	4,854	(4,197)	657			

CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2017/18

HUMAN RESOURCES & LITIGATION

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Human Resources & Litigation	3,636	(699)	2,937	4,733	(699)	4,034
Section 2 - Savings						
<u>Democratic Core</u>						
Reduction in supplies and services				(16)	0	(16)
Review of Human Resources and Litigation				(104)	0	(104)
				(120)	0	(120)
Total Human Resources & Litigation 2017/18				4,613	(699)	3,914

CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2017/18

CORPORATE COMMISSIONING & PROCUREMENT

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Commissioning & Procurement	895	(458)	437	913	(458)	455
Section 2 - Savings						
<u>Democratic Core</u>						
Procurement team staffing reduction - 1FTE				(40)	0	(40)
				(40)	0	(40)
Total Corporate Commissioning & Procurement 2017/18				873	(458)	415

CORPORATE RESOURCES - ESTIMATES 2017/18

CORPORATE FINANCE

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Finance	2,506	(1,161)	1,345	2,773	(1,161)	1,612
Section 2 - Savings						
<u>Democratic Core</u>						
Staffing reduction and increased trading income				(90)	(51)	(141)
				(90)	(51)	(141)
Total Corporate Finance 2017/18				2,683	(1,212)	1,471

CORPORATE RESOURCES - ESTIMATES 2017/18

CUSTOMER & FINANCIAL SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Customer & Financial Services	6,832	(3,660)	3,172	7,085	(3,408)	3,677
Section 2 - Savings						
Customer Services, Property and Technology						
Benefits and Financial Assessments - Organisational and efficiency review				(234)	(10)	(244)
Payroll and HR Support- Traded income, service review and development of systems				(40)	(59)	(99)
Revenues- Systems review				(97)	0	(97)
Discretionary Rate Relief review				(70)	0	(70)
				(441)	(69)	(510)
Total Customer & Financial Services 2017/18				6,644	(3,477)	3,167

CORPORATE RESOURCES - ESTIMATES 2017/18

HOUSING BENEFITS

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing Benefits	85,660	(86,066)	(406)	80,665	(80,665)	0
Section 2 - Savings				0	0	0
				0	0	0
Total Housing Benefits 2017/18				80,665	(80,665)	0

CORPORATE RESOURCES - ESTIMATES 2017/18

ICT SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
ICT Services	4,485	(1,947)	2,538	5,463	(2,214)	3,249
Section 2 - Savings						
<u>Customer Services, Property and Technology</u>						
Voice and data Wide Area Network savings				(104)	0	(104)
MFD new contract savings				(50)	0	(50)
3 year multi-year licence for EDM and Workflow IT from Civica				(114)	0	(114)
Carefirst Support/FTP server/Kemp Load balancer/VMWare Agreements				(45)	0	(45)
				(313)	0	(313)
Total ICT Services 2017/18				5,150	(2,214)	2,936

CORPORATE RESOURCES - ESTIMATES 2017/18

OTHER SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2016/17			2017/18		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Capital Financing	28,604	0	28,604	26,931	0	26,931
Trading & Investment Income	0	(2,620)	(2,620)	0	(2,333)	(2,333)
Contingencies	3,875	0	3,875	6,926	0	6,926
Other Services	1,908	(183)	1,725	1,775	(951)	824
Total	34,387	(2,803)	31,584	35,632	(3,284)	32,348
Section 2 - Savings						
<u>Trading and Investments</u>						
Repairs and maintenance contract contribution				0	(300)	(300)
Creation of Funeral Director service				0	(60)	(60)
Property income				0	(250)	(250)
<u>Democratic Core</u>						
Insurance insourcing				(100)	0	(100)
				(100)	(610)	(710)
Total Other Services 2017/18				35,532	(3,894)	31,638

SUMMARY OF BUDGET SAVING PROPOSALS BY THEME	AMOUNT £000s
Health and Social Care Budget Saving Proposals	(8,305)
Customer Services, Property and Technology Budget Saving Proposals	(1,070)
Trading and Investments Budget Saving Proposals	(1,033)
Communities Budget Saving Proposals	(855)
Environment Budget Saving Proposals	(800)
Democratic Core Budget Saving Proposals	(650)
Local Economy and Growth Budget Saving Proposals	(477)
TOTAL	(13,190)

Health and Social Care	(8,305)
Social Work - Children & Families	(328)
Children's Social Care Reduced Demand Model through Early Help investment	(220)
Management delayering	(58)
Review of the approach to Adoption Services	(50)
Early Help & Education	(1,389)
Early Help review	(432)
Early Years Childcare Service - charge into Early Years block of DSG	(363)
Review of commissioning approach to all respite/ family support requirements, with introduction of direct payments where appropriate	(269)
Management delayering	(240)
Parent Partnership - fund from DSG	(52)
Children's centre establishment reduction - vacancy deletion	(22)
The Avenues building closure	(11)
Commissioning & Quality Assurance	(435)
Review of commissioned arrangements	(410)
Management delayering	(25)
Learning & Schools	(630)
Fully fund Educational Psychology from High Needs funding and trading income	(402)
School Improvement service income and efficiencies	(150)
Management delayering	(21)
E-learning - full traded model	(33)
Governors Support - fully trade	(24)
Adult Social Care	(3,856)
Reduction in Residential Care Admissions	(1,350)
Trading and income generation	(1,000)
Recommission Learning Disability Care Packages	(825)
Recommission Independent Supported Living Schemes	(650)
Management delayering	(31)
Public Health	(1,667)
Reducing funding for the LiveWell Gateshead programme	(811)
Remodelling 0-5 (Early Years) and Children's Public Health Services	(459)
Reducing elements of the Drug and Alcohol programme	(147)
Public Health Team efficiencies	(94)
Reduction in the GUM tariff element of the contract	(81)
Reducing funding for NHS health checks	(30)
Reduction in the GUM block element of the contract	(28)
Reductions in Sexual Health funding – MESMAC and sexual health tariff	(17)

Customer Services, Property and Technology	(1,070)
Legal, Democratic & Property Services	(147)
Property Services - income generation	(147)
Facilities Management	(100)
Reduction in cleaning of buildings	(50)
Staff Costs	(50)
Customer & Financial Services	(510)
Benefits and Financial Assessments - Organisational and efficiency review	(244)
Payroll and HR Support- Traded income, service review and development of systems	(99)
Revenues- Systems review	(97)
Discretionary Rate Relief review	(70)
ICT Services	(313)
3 year multi-year licence for EDM and Workflow IT from Civica	(114)
Voice and data Wide Area Network savings	(104)
MFD new contract savings	(50)
Carefirst Support/FTP server/Kemp Load balancer/VMWare Agreements	(45)

Trading and Investments	(1,033)
Council Housing, Design & Technical Services	(250)
Full impementation of the current District Energy Scheme/Solar PV and further expansion	(141)
Development and implementation of house building business case	(109)
Facilities Management	(173)
Increased trading surplus though increased meal uptake and growth of customer base	(173)
Other Services	(610)
Repairs and maintenance contract contribution	(300)
Property income	(250)
Creation of Funeral Director service	(60)
Communities	(855)
Culture, Communities, Leisure & Volunteering	(855)
Implementation of the Library Review - reducing the library network to 8 Council run libraries	(450)
Management arrangements at Gateshead International Stadium	(300)
Reduction in contribution to Baltic	(33)
Reduction in contribution to Sage Gateshead	(40)
Reduction in contribution to Shipley and TWAM	(32)
Environment	(800)
Development, Transport & Public Protection	(314)
Income generation	(148)
Redundancies / restructure - Transport	(146)
Removal of surveys budget	(20)
Commissioning & Business Development	(30)
Staff changes	(25)
Reduction in consultants fees in STWWMP	(5)
Waste Services, Grounds Maintenance & Fleet Management	(456)
Increase charges for Green Waste	(168)
Increase in fees and charges; supporting asset transfer and consolidating and closing sites and facilities in relation to bowling greens and football pitches	(75)
Street lighting energy savings	(71)
Reduce the provision of winter maintenance services to second priority roads	(52)
Increase in bereavement fees by 2%	(30)
Increased income from Trade Waste	(30)
Reduction in Countryside Rangers	(30)
Democratic Core	(650)
Policy, Performance & Communications	(100)
Staffing restructure	(100)
Legal, Democratic & Property Services	(149)
Review of establishment - Development and Commercial Law reduction 2.4 FTE and Property Services reduction 1.92 FTE	(149)
Human Resources & Litigation	(120)
Review of Human Resources and Litigation	(104)
Reduction in supplies and services	(16)
Corporate Commissioning & Procurement	(40)
Procurement team staffing reduction - 1FTE	(40)
Corporate Finance	(141)
Staffing reduction and increased trading income	(141)
Other Services	(100)
Insurance insourcing	(100)
Local Economy and Growth	(477)
Development, Transport & Public Protection	(159)
Redundancies / restructure - Development and Public Protection	(109)
External funding for Trading Standards post	(50)
Council Housing, Design & Technical Services	(38)
Increase in contribution from the HRA to offset costs of activities carried out within the service	(38)
Economic & Housing Growth	(280)
Reduce capacity	(280)
Total	(13,190)

Feedback in relation to Gateshead Council's Budget Consultation 2017/18

Introduction

1. The Council continues to adopt a long term approach to its strategic and financial planning, using the policy directions from the Council Plan 2015 to 2020 to inform and direct priorities.
2. With an estimated funding gap of £22m identified for 2017/18, the Council developed its draft budget proposals taking into consideration every aspect of council business, being clear on what the Council is best placed to do; what can be done in a different way and what could be done by others.
3. The draft budget proposals for the period 2017/18 were presented for consultation at the Cabinet meeting on 8 November 2016. The consultation closed on 6 January 2017.

Method

4. The use of video and animation films were used to explain why the Council is faced with having to make such massive savings, how services are funded and what future services are likely to look like.
5. The full budget consultation document was available via the Council's website, with feedback enabled via the Council's consultation portal. Paper copies of the budget consultation form were also available on request and placed in the civic centre, leisure centres, libraries and Gateshead Housing Company offices. Alternative formats were also available on request.
6. Promotion of the consultation was carried out using social media, Gateshead TV screens and Gateshead Now and was also publicised through local press and media and through Council News.
7. A series of Corporate Resources Advisory Groups were held for councillors to consider and comment on the context, approach and the draft budget proposals.
8. Discussions have been held with key stakeholders including trade unions, partnerships and community and voluntary organisations, including:
 - Gateshead Diversity Forum
 - Gateshead Youth Assembly
 - Children's Trust Board
 - Gateshead Strategic Partnership Steering Group
 - Newcastle Council for Voluntary Service
 - Jewish Community Council of Gateshead
 - Health and Wellbeing Board
 - Sage Gateshead
 - Baltic Centre for Contemporary Art
 - Tyne and Wear Archives and Museums
 - NewcastleGateshead Initiative
 - Newcastle Gateshead Clinical Commissioning Group
 - Learning Disability Partnership Board
 - North East Chamber of Commerce

Overview of feedback

9. As in previous years, there has been general recognition and appreciation of the financial context within which the Council, and its partners, are operating, and that difficult choices will need to be made.

Councillors

10. There have been a series of Corporate Resources Advisory Groups where councillors have raised queries and commented on the draft budget proposals and the proposed approach to reshaping council services over the next 3 years. A summary of the main points is provided below:
- Councillors voiced their concerns regarding the Council's financial position over the next 3 years and acknowledged that some of the budget proposals would require more time for development and implementation.
 - Many councillors highlighted their own examples of local people not fully understanding why the Council was having to make these difficult decisions, and felt clearer messages and better engagement was needed.
 - Councillors stated their desire to minimise the impact on the voluntary and community organisations, noting the reliance on them to support the Council in areas of service delivery.
 - Councillors were supportive of the intent to focus on key policy directions eg the development of an Early Help Strategy designed to protect, but also to support, people earlier so that they can help themselves; increasing community, individual and council resilience by tackling negative behaviours to support behaviour change especially in relation to the environment; and the need to encourage economic growth within Gateshead as a consequence of the government's decision to no longer provide Revenue Support Grant from 2020 onwards.
 - Councillors were supportive of the approach to identifying sponsoring and trading opportunities and also encouraged the effective use of capital programme to support priorities in the revenue budget.

Public Consultation

11. There were 470 comments made via the consultation portal in relation to the question "How reasonable is this proposal given that the Council needs to save £22m next year?". For the purposes of this report, the response rate of 10 and above has been included.
12. Letters, emails and documents relating to the draft proposals have also been received from members of the public and local organisations, which were forwarded to the appropriate lead officer for their consideration. A summary of the main points can be found under the relevant theme below. (Please note the response figures may exceed 100% due to rounding)

Health and Social Care

13. The health and social care proposals which attracted the majority of comments via the consultation portal related to:
 - support for the proposal to delay the management structure within Care, Wellbeing and Learning (16 responses: 88% yes, 13% no)
 - disagreement with the supporting people/voluntary organisation savings proposal (15 responses: 87% no, 7% yes, 7% don't know), with support for Teams and Bensham Community Care and the Gateshead Jewish Family Service
 - disagreement to reducing funding for the Live Well Gateshead programme (13 responses: 69% no, 31% yes), with comments from employees who would be affected by this proposal if implemented, as well as from people who had benefitted from the programme.

14. The Council received correspondence from Gateshead Carers expressing concern about the impact of the budget proposals on Gateshead residents who are unpaid carers, but also on the organisation itself as they felt the proposals would impact on their ability to meet “the inevitable further additional demand for support we will experience from carers in Gateshead if the proposals are approved”. In particular, they felt the following proposals would impact on Gateshead residents:
 - Recommission Independent Supported Living Schemes
 - Recommissioning Learning Disability Care Packages
 - Review of support for people to live independently
 - Recommission Day Services
 - Reduction in Residential Care Admissions (Adult Services)
 - Adult Social Care trading and income generation including fees and charges
 - Reshape and revise our approach to Home to School Transport
 - Development of Direct Payments approach to respite/family support requirements
 - Reducing elements of the Drug and Alcohol programme

15. Newcastle Council for Voluntary Service provided a detailed response to the budget consultation, including specific feedback on individual budget proposals. The response was based on discussions at meetings of organisations from across the voluntary and community sector, as well as comments from representatives, providers and carers. Newcastle CVS recognised the Council's place as an employer in Gateshead, however, they felt it was important to raise that making savings of £22m, with half in social care, could not be delivered without significant job losses, with the majority being in the voluntary and private sectors. They indicated they “are deeply concerned about the cumulative impact of all of these proposals on the citizens of Gateshead, in particular the most vulnerable residents and communities”. They also stated “There are genuine concerns that the loss of some of these services could not just impact on the people who use them and their carers, but might also result in greater demands on statutory health and social care services and actually cause an increase in costs, not a reduction”.

16. The Jewish Community Council of Gateshead submitted a formal response requesting the Council protects services that improve the lives of the lowest income households and those that will impact on vulnerable people, including children, the elderly and those with special needs. They provided specific comments in relation to:
- a reduction in funding to the Gateshead Jewish Family Service (as part of the proposal to achieve savings in relation to Supporting People/Voluntary organisations) “would be a further blow to local community infrastructure”.
 - the proposals to fund Special Educational Needs services from the High Needs Block of Dedicated Support Grant, rather than council budgets, suggesting this would reduce the support available for special needs through the High Needs block.
 - the reduced funding for the Live Well Programme and the impact on the Council’s neighbourhood management team which have been supportive to individuals and groups within the Jewish Community, and that the loss of this support would be directly felt and exacerbate existing cuts to discretionary funding to community groups and services.
 - the reduction of gritting of second priority roads which they suggested represented a major safety concern.
 - the removal of discretionary rate relief which would increase the financial burden on many charitable and community groups in Gateshead.
17. In their response, Gateshead Health NHS Foundation Trust provided specific comments relating to a number of the Adult Social Care and Public Health proposals that they felt, unless handled with care, could result in an unplanned shift in demand and cost from social care to health care. They suggested a system wide quality and financial risk assessment should be undertaken across all agencies involved and would be happy to work with the Council in any impact assessment or service redesign.
18. The Alzheimer’s Society have indicated their strong support for the continued funding of the Promoting Independence Centres (review the support for people to live independently proposal), “given the positive impact they can have for people with multiple complex needs, including dementia, and the detrimental impact on acute services and service users, which their closure would cause”. The Society welcomed the proposal to reduce admissions to residential care through improved community based services and early intervention, however highlighted the potential impact on family carers. They also indicated their support for transformation towards personalised services (supporting people/voluntary organisation savings proposal). They urged the Council to work closely with the voluntary sector to ensure a viable model for the continuation of the LiveWell Programme.

APPENDIX 3 Continued

19. The Learning Disability Partnership Board welcomed the new video format for the budget consultation, and suggested a more user-friendly approach for people with learning disability could be undertaken for future consultations. In relation to Health and Social Care proposals, they shared their concerns and provided comments on the following:
- Recommissioning Learning Disability Care Packages and recommission Independent Supported Living Schemes – the partnership felt that access to advocacy could be an issue if there was a sharp increase in referrals. They requested better information about personal budgets, indicating people did want choice but wanted the assurances that safeguards were in place.
 - Supporting people/voluntary organisations – there was a view that reductions may result in crisis for people and that this proposal was a false economy.
 - Recommission Day Services – there was a concern that if day services were stopped, this would impact on carers who value building based day provision. It was recognised there was an opportunity to do something better but that it would take time.
20. The Health and Wellbeing Board noted agencies needed to work together to tackle the challenges that are faced locally. It was noted that there could be significant implications for voluntary organisations if the proposals were to be implemented in their current form. It was also noted that it would be important to clarify any new risks relating to the safeguarding of vulnerable children and adults.
21. Newcastle Gateshead Clinical Commissioning Group (CCG) made specific comments for two of the budget proposals. In relation to the review of support for people to live independently, they felt there was the potential for a significant impact to the CCG in respect of placing a reliance on NHS community services including primary care, increasing the workload as more people are cared for at home. The CCG has been supportive of the Live Well Gateshead Programme and suggested that should a reduction in funding be necessary, then they would support Option 2 as detailed in the consultation document.
22. The budget consultation team received a small number of letters and telephone calls from service users and/or their relatives indicating their support for the Council's adult social care services.

Local Economy and Growth

23. Historic England provided a formal response noting the proposed reduction in capacity in the Development and Public Protection service. They commented that “effective historic environment services play a positive role in local enhancement and regeneration, generating inward investment and sustainable jobs and growth”.

Environment

24. The environment proposals which attracted the majority of comments via the consultation portal were all in disagreement to:
- an increase in the Garden Waste scheme fee (43 responses: 56% no, 44% yes), with comments from people on low incomes indicating the scheme was becoming unaffordable; that residents would no longer recycle but also some respondents indicated they would be willing to pay an increase if the collection timetable was extended.
 - the proposal to reduce the winter maintenance programme (29 responses: 90% no, 10% yes), with most comments received based on residents experience of where they live and how difficult it has been for them in the past during a bad winter. A petition has been received for the reducing winter maintenance budget proposal with 162 signatures.
 - the proposal to reduce weed control treatment to once per year, followed by cessation of the service in year two. (24 responses: 84% no, 16% yes), with most comments citing there would be an obvious deterioration of the environment across the borough.
 - a reduction in countryside rangers and maintenance of public rights of way (20 responses (75% no, 15% yes, 10% don't know), with most comments suggesting this proposal if implemented would have a detrimental impact on the countryside environment and accessibility of footpaths.
 - the streetlighting energy savings (16 responses: 63% no, 38% yes), with most comments suggesting the current streetlighting is not of good quality and that streets would be darker and therefore unsafe.
25. In their letter to the Council, the Gateshead Green Party said supporting people who have been the hardest hit in recent years should be a priority. They were in agreement with the Council's proposals relating to streetlighting energy and weed control savings and offered suggestions relating to how the Council could improve on energy efficiency, trading and commercialisation and ways of working.
26. The Learning Disability Partnership Board commented on their concerns that the potential reduction in gritting services would isolate people, and there would be issues for people in wheelchairs. They also said people are more likely not to recycle their Garden Waste if the charges are increased, and also mentioned there needed to be a simpler way to pay. They suggested better ways of encouraging composting.
27. A letter from a Gateshead resident was received in support of retaining the current Countryside Ranger Service.
28. The Jewish Community Council of Gateshead shared their concerns about the reduction of gritting services, indicating older people would be particularly vulnerable, as well as children and young people in the densely populated urban core areas.

Communities

29. The proposals relating to Communities which attracted the majority of comments via the consultation portal were:
- disagreement to the reductions in contributions to Sage Gateshead, BALTIC, Tyne and Wear Archives and Museums, and NewcastleGateshead Initiative (71 responses: 56% no, 38% yes, 6% don't know), with many comments from people who enjoy accessing these facilities, as well as employees who are worried about the impact on their jobs.
 - support for the proposal to withdraw the subsidy to leisure which could result in the closure of facilities if it is not possible to generate the required income (16 responses: 50% yes, 44% no, 6% don't know), comments ranged from no impact, to the need to keep facilities open as people attend to improve their health and wellbeing.
 - disagreement to the implementation of the library review (10 responses: 70% no, 30% yes), with comments suggesting libraries provide a social lifeline to many older people and others who use the computer and printing facilities for employment purposes.
30. The Council received responses from the Managing Director of Sage Gateshead, the Chair of NewcastleGateshead Initiative, the Director of BALTIC Centre for Contemporary Art and from Tyne and Wear Archives and Museums.
31. The Learning Disability Partnership Board shared their concerns and provided comments on the following:
- Leisure Services – the partnership suggested ways in which the Council could improve accessibility of the leisure facilities, without the need to close them.
 - Implementation of the library review – it was felt that Gateshead library was well used and that staff “go out of their way to help people”. The partnership queried whether the Council would continue to support volunteer libraries, and suggested the mobile library was important to people. They also suggested that if more self-service options were to be considered, they would need to user friendly.
32. **Customer Services, Property and Technology**
- There were a number of responses from the voluntary and community sector identified below, in relation to the proposal to remove the award of Discretionary Rate Relief to all eligible organisations, citing the burden this would place on organisations in terms of increased costs.
- Gateshead Carers
 - The Learning Disability Partnership Board
 - Newcastle Council for Voluntary Service
 - Jewish Community Council of Gateshead

The Council has undertaken a separate consultation relating to the Discretionary Rate Relief Policy, the outcome of which is reported separately on this agenda.

33. **Council Tax**

A question was asked via the Budget Consultation relating to whether people would accept an increase in Council Tax to assist in the provision of services. 81 respondents answered this question via the consultation portal, with 37% indicating they would accept a rise, and 63% indicating they would not.

34. Other public consultation

There have been other public consultation and engagement activities throughout the past twelve months that have informed the development of the Council's budget planning, including:

- Proposed changes to Gateshead's Local Council Tax Support Scheme – each year the Council is required to review this scheme which helps people on low incomes pay their Council Tax. The scheme needs to reflect the needs of the community and make it as fair as possible with the funding available to the Council.
- Proposed changes to Charging and Financial Assessment for Adult Care and Support Services – with the aim of being transparent, consistent and fair when setting charges.
- You and Your Local Area Survey – the Council sought residents' views about the area in which they live, their views on the council and getting involved in their local area, as well as views on waste and recycling services.
- Support for Unpaid Carers Survey – the Council and NewcastleGateshead Clinical Commissioning Group are working together to review the provision of services for unpaid carers in Gateshead.
- Flood Risk Management Strategy – the Council is the lead local flood authority for Gateshead and has a duty to create and maintain a flood risk management strategy. Views were sought on the strategy which outlined the responsibilities of the Council and how it intended to deliver them.
- Gateshead Council Library Service Review – this consultation presented a range of options for potential changes to Gateshead library service and aimed to find out what impact these changes would have on local people.
- Swimming Facilities in Gateshead – the Council wanted to hear from both users and non-users of the 5 council run swimming pools, to understand what people liked or disliked about the pools, and reasons why some may choose not to use them. The survey examined opening times, barriers to swimming and the facilities on offer.

Equality Impact Assessment

The Public Sector Equality Duty requires public bodies to have due regard to the need to: eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010; advance equality of opportunity between people from different groups; and foster good relations between people from different groups.

The Council's budget planning framework is supported by the development of Equality Impact Assessments (EIAs) relating to the individual budget proposals. The EIAs identify any disproportionate impact in relation to the protected characteristics as described within the Equality Act 2010. The assessments will also identify mitigation where applicable.

EIAs help the Council to arrive at informed decisions and to make the best judgements about how to target resources.

An overarching assessment of how the protected characteristics may be disproportionately affected by the Council's Budget 2017/18 is provided below. The budget proposal relating to the **implementation of the Library Review** is subject of a separate report on the Cabinet agenda, which includes a statement on equalities implications:

Age

Children and Young People

The key focus of the proposal to **Remodel 0-5 (Early Years) and 5-19 Children's Public Health** is to improve health and wellbeing and reduce inequalities in outcomes for children and young people. This function relates to a two year proposal, with a saving already achieved in 2016/17. Withdrawal of additional funding may impact upon the service's ability to deliver the healthy child programme and may affect the best start in life for children. The Council is working with the current provider to determine the impact of the budget reduction and agree the core elements of service delivery that must continue for 2017-2018.

Adults

The following proposal was initially consulted on as part of the planning for the 2016/17 budget with additional savings for 2017/18:

- The **reduction in residential care admissions** proposal means that people are being supported in a different way in their own homes for example through the use of assistive technology and alternative housing solutions such as extra care. The Promoting Independence Centres are also being used for further assessment once people have been discharged from hospital, in order to better understand their needs.

The **Live Well Gateshead** model is accessible to individuals and families (the service will only work with under 18's as part of the family intervention) who require a service to improve their health and wellbeing. Any reduction in funding for this programme is likely to impact on the 18 – 64 year age group who were the biggest proportion of service users who accessed Live Well Gateshead during the first six months of 2016. A redesigned model will take into account disproportionate impact and how the service redesign can minimise this impact.

There are two elements of the **Supporting people/voluntary organisations savings** that impact on people aged 55 and over who live in extra care schemes and sheltered accommodation within the borough. Whilst there is no data available to confirm whether these tenants have a disability, it is likely there are people who access this service who do have a physical, sensory or mental health disability.

The proposal relating to extra care schemes would potentially affect 131 people who currently live in these schemes. The Council is reviewing the extra care delivery models with the intention of having new contracts in place by the end of summer 2017. Future delivery models will take account of all required services and therefore the subsidy will end by September 2017. This would mean that if tenants require any additional services after this date, they would be expected to pay without subsidy.

There are 231 people living in sheltered accommodation across the borough, who receive funding because they are receiving housing benefit. The Council is consulting with Providers to develop delivery models that would take effect from 1 April 2017 which enable the required services for tenants to continue, however the tenants will be expected to pay for these services in the future without any subsidy from the Council.

The proposal relating to **Supporting People/voluntary organisation savings** also relates to a range of Support Services that provide support for vulnerable adults aged 18+ to maintain a tenancy and live independently. The main impact of reducing funding to these services would be for the age group 25 to 55. Should funding be reduced, the Council will look to reshape these services to ensure all vulnerable adults receive support or signposted to other local services which can support people to maintain a tenancy and live independently.

Disability

The following two proposals were initially consulted on as part of the planning for the 2016/17 budget, with additional savings for 2017/18:

- The Council runs a small number of **independent supported living schemes** that currently support 15 people with learning disabilities to live independently in shared homes. Taking into account responsibilities to safeguard vulnerable people, the Council is introducing a commissioning framework for the provision of Independent Supported Living for people with learning disabilities, physical disabilities and mental health needs. The new framework will have a clear structure with fair pricing for care.

- The Council is introducing a Commissioning Framework for the provision of support at home and in the community for people with a learning disability and/or autism. The new framework will have a clear structure with fair pricing for care. Using this framework, the Council will look to **recommission the learning disability care packages** it has with the independent sector, which currently supports approximately 600 people with learning disabilities.

Whilst the **Live Well Gateshead** proposal is likely to have a disproportionate impact on the 18-64 age group, it is considered that it will also impact on people with a disability. Between the period 1 April 2015 to 1 November 2016, 29% of all service users who accessed the Live Well programme identified themselves as disabled.

A redesigned model will take into account disproportionate impact and how the service redesign can minimise this impact.

The proposal relating to **Supporting People/voluntary organisation savings** relates to a range of Support Services that provide support for vulnerable adults aged 18+ to maintain a tenancy and live independently. One provider offers outreach support services to clients and their families where a diagnosis of HIV/AIDS has been made, and three providers offer support services in the community for people with low level learning disabilities. Should funding be reduced, the services will be reshaped to ensure sustainability.

Religion or belief

There is a component of the **Supporting People/Voluntary Organisation savings** that will solely impact on members of the Jewish community in Gateshead. The proposal is to reduce funding to the Gateshead Jewish Family Service which facilitates the early identification of individuals and families in need of additional social care support and ensure swift referral to statutory services, where appropriate. The Council will work with the Jewish Family Service to identify how alternative support could be delivered for example through community mobilisation and building greater responsiveness in other programmes and services.

The Council currently funds a range of Support Services that provide support for vulnerable adults aged 18+ to maintain a tenancy and live independently. One small local provider offers outreach support services within the Jewish community. Should funding be reduced, the Council will look to reshape these services to ensure all vulnerable adults receive support or signposted to other local services within the community.

Equality Impact Assessments are available for the budget proposals, via the Council's website [here](#).

Carers Impact Assessment

The Council is acutely aware of the practical and emotional support provided by carers to the people they care for. The 2011 Census identifies 22,220 people providing unpaid care in Gateshead which equates to 11.1% of the population. Almost 22% of unpaid carers are 65 years of age or older and almost 8% are aged 24 or under.

A number of organisations provided information relating to carers as part of their response to the Council's budget proposals, including:

Alzheimer's Society stated their research¹ has found that carers of people with dementia are providing £11.4 billion of unpaid care each year nationally. They felt that any proposal which increases demands on family carers, needed careful consideration of the impact on carers' own health and wellbeing, particularly in the context of future uncertainty of services.

Gateshead Carers Association informed the Council it is currently engaged with over 4,000 unpaid carers living in Gateshead, and predicted² that between 1,400 and 1,600 additional carers would be seeking to access their support services for the first time in 2017. They wanted to ensure councillors were aware of the link between cuts and reviews to services affecting carers and those they care for and the growth in demand for their organisation's support. The Association pointed out the danger in assuming they could maintain the level of support and services they currently offer carers, and that based on current funding levels, they would "absolutely not be able to meet the protected increase" in demand for support from carers as a result of the budget proposals.

Newcastle Council for Voluntary Service indicated that all impacts on carers should be taken into account and carers offered independent advocacy and support through any reassessment process.

The budget proposals that may have a disproportionate impact on carers who care for adults and those with a disability or health need are identified below:

- Reduce Residential Care Admissions
- Recommission Independent Supported Living schemes
- Recommission Learning Disability Care Packages
- Supporting People/voluntary organisations savings

The Council will undertake carer's assessments and take into account their:

- choices, i.e. how much care they are able and want to offer to the person they care for, so they have a genuine choice regarding the caring role;
- ability to stay in work, or return to work, education or training;
- wellbeing, and access to leisure; and
- their quality of life

The Council and Newcastle Gateshead Clinical Commissioning Group are working together to review the provision of services for unpaid carers in Gateshead. As part of the engagement plan, a consultation was held between 1 December and 15 January 2017 and further engagement sessions are planned between now and the end of March 2017.

¹ Alzheimer's Society: Dementia 2014

² Gateshead Carers Association prediction based on growth in demand over the last 4 years

Voluntary and Community Sector Impact Assessment

Against a backdrop of challenging budget choices over recent years, the Council has maintained its recognition that a thriving and vibrant Voluntary and Community Sector (VCS) is vital to ensuring that residents enjoy a higher quality of life with opportunities:

- to improve their own health and wellbeing,
- the wellbeing of their families, friends and neighbours, and
- the wellbeing of the communities they live in.

It has maintained this via its community support and engagement work; supporting the growth and development of community organisations through the Gateshead Fund; ensuring access to specialist advice, advocacy and representation through its funding to Newcastle Council for Voluntary Service; and through the commissioning of independent and voluntary sector organisations to provide a range of support services to local people.

The feedback received from the VCS to the budget proposals has highlighted a number of issues, including:

- the worsening cumulative impact as a result of reductions in funding that affect vulnerable individuals, carers and groups;
- the increasing pressure placed on council services and the VCS in terms of Central Government policy e.g. impact of Welfare Reform and changes in benefits;
- increased demand from service users for their support;
- changes in contracts with VCS organisations; and
- an assumption the VCS can fill gaps created by reductions in council services.

In April 2016, the Council entered into an agreement with Newcastle CVS to support the Council's desire to sustain a vibrant third sector in Gateshead. Newcastle CVS is focused on providing the lead representative and influencing role for Gateshead's VCS; supporting and developing the capacity and skills of the VCS, including providing funding advice to help increase income; and providing an online presence to promote engagement, marketing and communication across the sector in Gateshead. This complements the ongoing support provided by services within the Council.

Director of Public Health Statement of Assessment of Impact on Health and Wellbeing of Gateshead Council's Budget Proposals (2017/18)

Purpose of report

The Council is required to reduce its budget for 2017/18 by approximately £22m, and proposals towards achieving this have been subject to public consultation. The report to Cabinet, on 8 November 2016, setting out the budget proposals recognised these proposals could impact on the Council's ability to improve the health and wellbeing of Gateshead's residents. It also committed the Council to assessing this impact in order to inform the Budget and Council Tax Level 2017/18 report to be considered by Cabinet on 21st February 2017.

This paper:

- Provides an overview of the health impact of all the Council's budget proposals;
- Highlights areas where there are specific risks to health and wellbeing, and outlines, where relevant, proposed mitigating actions;
- Comments on the overall impact of the proposals on the delivery of the Council Plan, and sets out some key areas relevant for mitigation.

Background

Despite the progress that has been made in recent years in such areas as reducing smoking prevalence and tackling cardiovascular disease, the health of the people of Gateshead continues to be poor in comparison to most other areas of England on many measures across the life course – smoking prevalence, obesity, breastfeeding initiation, hospital admissions for alcohol-related conditions, life expectancy at birth and mortality rates for cardiovascular disease and cancer etc. The Joint Strategic Needs Assessment and previous annual reports from the Director of Public Health (DPH) has provided local evidence of this to the Health & Wellbeing Board, the Care, Health & Wellbeing and Families Overview and Scrutiny Committees.

An individual's health is the result of very many factors – age and genetic inheritance are key determinants, along with the opportunities people have and the choices they make. These choices and opportunities are greatly influenced by where a person lives, their family and social environment, their education, their income, and the services or support they can access, including but not limited to the NHS. Many of the Council's activities impact on health and wellbeing, some more directly than others, by shaping the environment (for example through housing or economic development), or by providing or commissioning services (for example for the most vulnerable).

The "Due North" report (Public Health England, August 2014) highlighted the impact of austerity and welfare reform, noting that *"...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."*

The recent NECA Commission's report 'Health and Wealth' also highlighted the fact that although the north east has had the fastest increase in life expectancy of any region of the UK, the health and wellbeing gap with the rest of the UK and health inequalities within the region itself remain high. This translates to continuing, significant pressures on our health and care system – pressures that will increase further in the future due to such factors as a growing elderly population, many of whom suffer from multiple and complex long term needs, the financial challenges facing our local health and care economy and people's rising expectations. It also highlighted the strong links between health, wellbeing and productivity and the need ensure access to good quality work opportunities.

It is within this context that this assessment of the impact of the Council's budgetary proposals has been undertaken.

However, if we are to tackle inequalities in health and improve the health of the population, we must not only focus on those in greatest need, but combine universal approaches that reach the whole population with the targeting of those in greatest need – Sir Michael Marmot has described this as “proportionate universalism”.

The budget choices assessed in this statement are as set out in Appendix 3 to the Budget Consultation report to Cabinet, on 8 November 2016.

Overview of health impact assessment

The health impact assessment (HIA) analysis has been completed to help the Council consider the positive and negative impact of the budget proposals on health and wellbeing in the widest sense. This includes:

- Direct impact on health, mental health and wellbeing – e.g. it would cause ill health, or affect social inclusion, independence and participation;
- Impact on social, economic and environmental living conditions that would indirectly affect health – e.g. it would affect housing, transport, child development, education, good employment opportunities, green space or climate change;
- Affecting people's ability to improve their own health and wellbeing – e.g. it will affect their ability to be physically active, choose healthy food, reduce drinking and smoking; or
- Leading to a change in demand for or access to health and social care services – e.g. Primary Care, Hospital Care, Community Services, Mental Health and Social Services

Impacts may be anticipated in the short, medium or long-term depending upon the nature of the activity itself. Impacts may be specific to individuals, or experienced across entire communities.

Impacts of proposals on health and wellbeing

1. Health and Social Care

Adult Social Care:

The range of proposals relating to adult social care are consistent with the change in strategic direction for these services at a time when demand can be expected to rise due to socio demographic factors and the increasing complexity of people's needs e.g. the recommissioning of Independent Supported Living Schemes and Learning Disability Care Packages, and reducing admissions to residential care. The transition to new models of care inevitably gives rise to uncertainty and potential anxiety for current users and their carers. Funding pressures and changes to service delivery arrangements could also lead to extended hospital stays, particularly during the transition to new ways of working. They could also lead to demands on other services, such as GPs.

It is noted, however, that the emphasis on prevention, early intervention and rehabilitation should have a positive impact on the health and wellbeing of the local population in the longer-term. The key mitigation for these proposals will therefore be the success in developing alternative models of provision, working across health and social care, the development of preventive and rehabilitation services, for example through joint and integrated work with the CCG and increased community resilience through working in partnership with local communities and groups to support people to help themselves and reduce the demand on services through the Council's Achieving More Together approach.

Children & Young People's Services:

As with Adult Services, the proposals, in respect of children and young people's services, are consistent with the change in strategic direction for these services. The proposed emphasis on a whole system approach to early intervention and measures to prevent the escalation of issues could have a positive impact on the health and wellbeing of the local population in the longer-term. This would see services structured around the individual and the family, supported by joint working across health, social care and other partners e.g. a reduced demand model for children's social care through early help investment and efficiencies, and development of the direct payments approach. However, there is the potential for negative impacts, if the risks around individual cases are not robustly managed, with children not achieving their potential and not becoming independent adults in stable and loving families. As success or otherwise will influence the outcomes for some of the most vulnerable people in our community, this is an important consideration.

The proposal relating to the school improvement team could have had a negative impact on its contribution to the early help model as it has a key role in ensuring that support is given at the earliest opportunity in order to avoid more costly and often less successful interventions later. However, it is noted that the Council would still retain a strong School Improvement Team.

The key mitigations for the proposals relating to children and young people will be in the effective management of risk, the targeting of effort towards those in greatest need, the development of an enabling role and robust commissioning model, communication with those affected, and strong partnership working.

Public Health:

The proposal to reduce funding for the Live Well Gateshead programme, which currently delivers 1:1, group and family support as well as support to communities through the capacity building team, would entail the implementation of an alternative delivery model. Services currently commissioned to deliver the Live Well Gateshead model would therefore be primarily affected by this proposal and there will be a reduction in specific 1:1 and group support for a range of lifestyle issues. The new model would be developed through building capacity for health improvement, and lifestyle advice, across the VCS and within communities. This would be supported through the delivery of Making Every Contact Count across health, social care and third sector agencies. It would also be consistent with the Achieving More Together approach. This change in approach does carry the risk of a reduction in the short term of health improvement contacts as this approach may take time to embed across the workforce in Gateshead. A robust communication strategy will be a critical aspect of mitigating the risk.

The remodelling of children's services, which incorporates a reduction in funding for the 0 to 19 public health healthy child programme, may impact upon the health and wellbeing of children and young people. However, a key focus of service delivery is to reduce inequalities in outcomes as part of an integrated multi-agency approach to supporting and empowering children and families.

The proposed budget reduction for the drug and alcohol treatment service is not expected to have a significant impact on service users as the core programme will be maintained. The proposed funding reduction for NHS Health Checks will be achieved through changes in the way we contract with GPs and others that provide health checks.

Other proposals, such as efficiencies in the Public Health function may impact upon the capacity of the team to support implementation of the Council Plan. However, steps will be taken to ensure there is sufficient specialist public health capacity and capability within the team and that a robust offer to the system is in place, including the provision of public health advice to commissioning (NHS and LA). The proposed reductions in sexual health funding will largely be realised through savings from the successful tender process bid for the sexual health service in 2015, thereby minimising the impact upon service users.

The impact of the Public Health proposals will be mitigated by working in collaboration with other Council services (such as Children's & Young People's services and Adult Social Care Services) and the NHS to secure the best value we can from the resources available, and to tackle the wider determinants of health, taking a strategic approach to prevention and early intervention and targeting those communities with the highest rates of early death.

2. Environment

Whilst several of the Environment proposals should have little or no impact on health, for example increased charging for Garden waste and trade waste etc., other proposals can be expected to have a negative effect.

Increased fees and charges for bowls and football pitches may have some negative impacts on physical health through lower levels of activity and on overall wellbeing as well, impacting on both young and old. It is noted, however, that there are a range of potential options for the clubs that could reasonably result in no impact at all, such as the transfer of assets to club management and the potential for proactive work by clubs in volunteering, increased membership and donations.

Similarly, access to green spaces and the countryside contribute to people's overall health and wellbeing. Well-maintained public rights of way are more likely to be used, particularly in areas where there are concerns about crime or safety, so the planned reductions in this area can be expected to have some negative impacts.

Reduced winter maintenance could lead to more accidents, for example trips and falls.

3. Communities

Generally, participation in public life through arts, culture and learning is seen to improve health and mental wellbeing, reduce social isolation and improve an individual's sense of purpose and worth. It is noted that a continued reduction in contributions to cultural, arts and heritage organisations could impact on their future sustainability.

Libraries promote and enable activities that support health and wellbeing, such as providing access to information and supporting social inclusion. The health impacts associated with implementing the library review will depend on the localities that will be affected, with the potential that this could increase the inequalities that already exist in Gateshead. However, it is noted that the reduction in the Council library network has previously been mitigated by the establishment of volunteer operated libraries. The Digital Strategy could also provide some mitigation, by enabling alternative means of access to information.

4. Local Economy and Growth

The health of the local economy is a key influence on the health of the population of Gateshead, and any proposal, likely to have a negative impact upon the local economy, is therefore also likely to have an adverse impact upon health, particularly among groups already suffering from financial exclusion and reduced likelihood of employment (e.g. people living with disabilities, those from some racial and/or faith communities). The recent NECA Commission report 'Health and Wealth' highlighted the inter-relationship between productivity and health, as mentioned above. It is noted that a reduction in capacity of the economic and housing growth service will mean that targets for homes, jobs, employment, household income and poverty reduction will need to be reviewed and revised.

Public protection services such as Trading Standards contribute positively to ongoing enforcement around age-controlled sales and trade in illicit alcohol and tobacco. Any loss of capacity for such enforcement would have a negative impact on health, and this would be most likely to affect poorer communities.

5. Trading and Investment

No specific comments.

6. Customer Services, Property and Technology

It is noted that the changes to ways in which customer and financial services are delivered, such as less reliance on face to face contact and telephony, may be mitigated by investment in ICT and implementation of the Digital Strategy. However, it is often people from communities with the highest levels of health inequalities who rely most on these services. They may also have less direct access to alternative technologies to allow customer self-service, as may older people generally. Similarly, a reduction in cash operations by moving customers to more efficient modes of payment such as direct debit or on line routes may impact more on these groups, some of whom may not have bank accounts.

7. Democratic Core

No specific comments.

8. Other Factors

The negative impact on health for those staff that will be affected by the changes across the Council, particularly those who will be made redundant, also needs to be acknowledged. The actual impact will depend on whether and how long it takes these individuals to find alternative employment. Work is generally good for people's health and wellbeing – but unemployment puts health at risk, and the risk is higher in regions such as the North East. Unemployment can affect people's health through associated financial problems, anxiety /depression and impacts on health behaviours (e.g. smoking and alcohol consumption and decreased physical exercise). These effects start when people first feel their jobs are threatened.

The impact on staff can be reduced by avoiding compulsory redundancies wherever possible, and providing support and guidance to those at risk. Such measures are planned.

Impact on Council Plan

It is noted that a long term approach is being taken to the Council's strategic and financial planning, using the policy directions from the Council Plan to inform and direct priorities.

However, there are some proposals that may make it more difficult to deliver on the Council Plan's shared outcomes and policy directions: these are the proposals that relate to reduced funding for preventive and early help programmes. Reducing support and investment in these areas is arguably contradictory to the strategic direction for many services – particularly the transformation of Adults Social Care and Children & Young People's Services, which prioritise early intervention and greater community resilience, but there are other examples, highlighted in the impact analysis above, such as reduced maintenance of public rights of way, and changes to the library service.

Conclusion and recommendations

The Council has put forward and consulted on proposals that will help it achieve its savings target for 2017/18. Several of these proposals may have a negative impact on the health and wellbeing of the local population, as described in this paper, although there are mitigating actions that the Council can and will take to reduce this impact. There is also likely to be some impact on the delivery of the Council Plan.

However, it must be acknowledged that the Council has no choice but to reduce spend, and alternative proposals may have a greater impact on health and wellbeing, and on the implementation of the Council Plan.

It is recommended the Council:

- Ensures that in implementing the final budget, the mitigation measures proposed are robustly delivered;
- Notes and monitors the potential impact on health of its budget proposals.

Financial Risk Assessment

Risk	Likelihood	Impact	Risk Management
Collection rates for retained business rates and council tax lower than anticipated	Possible	High	Impact mitigated by the review of bad debt provisions. Proactive approach to stimulating economic growth including pump priming from reserves. Regular monitoring of the collection fund ensures fund performance is reviewed. Collection rates are monitored by senior management.
Volatility of Business Rates funding given uncertainty around impact of appeals	Likely	High	Volatility of funding stream outside of Council control but impact mitigated by establishment of specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform financial planning.
Pay Awards, fee increases and price inflation higher than assumed	Possible	Medium	Impact of potential increases mitigated by central contingency budget for pay, price increases and care fees.
Future spending plans underestimated	Possible	Medium	Service planning process identifies future budget pressures and these have informed the indicative budget forecasts and planned into the MTFS.
Anticipated savings/ efficiencies not achieved	Possible	High	Regular monitoring and reporting takes place but the size of the funding cuts increase the likelihood of this risk. This is mitigated by robust budgetary control. Non-achievement of savings requires compensating reductions in planned spending within services. Contingency sums and general reserve funds are available to cover any significant unforeseen events.
Income targets not achieved	Possible	Medium	Current economic climate likely to impact. Regular monitoring and reporting. Full review of fees and charges is undertaken on an annual basis.
Budget monitoring not effective	Unlikely	High	High risk budgets are monitored monthly. Regular monitoring and reporting in line with corporate framework. Action plans developed to address problem areas. Regular reports to senior management and Cabinet. Track record of delivering budget.
General and earmarked reserve balances are insufficient	Unlikely	High	A strategy to maintain the General Reserve at a minimum of 3% of the net revenue budget. Reserves are reviewed annually both in budget setting and in the Council's MTFS. The General Reserve is supplemented by earmarked reserves that are side aside to cover material risk or events.

APPENDIX 4 Continued

Risk	Likelihood	Impact	Risk Management
Loss of principal deposit	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which prioritise security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions and internal funding.
Interest rates lower than expected	Unlikely	Low	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2017/18 and onwards have been incorporated into the MTFS.
Lack of internal controls	Unlikely	Medium	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. 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.
Revenue implications of capital financing exceed budget	Unlikely	Low	<p>Capital bid framework identifies revenue implications and these are assessed and considered in scenario planning. Reduced capital programme reduces the risk. Monitoring of capital projects funding is reported to Cabinet on a quarterly basis as part of the capital monitoring process.</p> <p>Using the Council's Treasury management advisors to assist in determining the most appropriate time to undertake new borrowing and rescheduling of existing loans.</p>
Changes to Government policy including health and social care integration and welfare reform	Likely	High	Best estimates of funding impacts related to Government policy are factored into the MTFS. Estimates are prudent and based upon consideration of finance networks experience. Any specific areas of uncertainty are identified and subject to focussed activity and review.
Financial impacts of UKs vote to leave the European Union	Likely	Medium /High	Continue to work collaboratively with treasury advisors and financial networks to assess potential budget impacts whilst the Government attempts to ensure a smooth transition to a new economic relationship between the U.K. and the EU, including clarifying the procedures and broad objectives that will guide the process. Any known potential implications will be considered annually as part of the council's MTFS review.

Conclusion;

Although the financial context continues to be increasingly challenging, the Council has a track record of identifying and delivering significant savings and achieving budget out-turn within agreed budget supported by a framework of effective financial planning. This approach will need to continue to ensure that a sustainable medium-term financial position can be maintained.

ESTIMATED USE OF RESERVES

Gateshead Reserves	ACTUAL	-----ESTIMATED PROJECTIONS-----			
	Balance	Balance		Balance	
	01-Apr-16	Movement	31-Mar-17	Movement	31-Mar-18
	£000s	£000s	£000s	£000s	£000s
General Fund					
General Reserve	(16,341)	3,847	(12,494)	0	(12,494)
LMS (School) Budget Share Reserve	* (7,046)	750	(6,296)	750	(5,546)
Total General Fund Reserve	(23,387)	4,597	(18,790)	750	(18,040)
Earmarked Fund Reserves					
Economic Growth	(3,456)	100	(3,356)	1,600	(1,756)
Strategic Change	(2,500)	1,427	(1,073)	1,073	0
Budget Flexibility	(2,996)	2,601	(395)	395	0
Insurance	(3,000)	0	(3,000)	0	(3,000)
Grant Clawback	(1,314)	0	(1,314)	314	(1,000)
Gateshead Development Pool	(6,009)	1,000	(5,009)	2,000	(3,009)
Business Rates	(5,000)	1,000	(4,000)	1,000	(3,000)
Discretionary Social Fund	(957)	250	(707)	250	(457)
Developers' Contributions	* (2,036)	412	(1,624)	446	(1,178)
Dedicated Schools Grant	* (3,357)	0	(3,357)	250	(3,107)
Unapplied Revenue Grants	* (4,259)	919	(3,340)	1,129	(2,211)
Public Health	* (1,772)	489	(1,283)	385	(898)
Total Earmarked Fund Reserves	(36,656)	8,198	(28,458)	8,842	(19,616)
Total Reserves	(60,043)	12,795	(47,248)	9,592	(37,656)

* Ring fenced - not available to support the revenue budget & council tax requirement

General Fund

The General Fund is made up of two reserves:

- The General Reserve exists to protect the Council against unexpected events and to finance future revenue or capital expenditure. A minimum balance of 3% of the net revenue budget has been agreed by Council.
- Schools Reserves which are ring-fenced and cannot be used to support the revenue budget and reduce the council tax requirement.

Strategic Earmarked Reserves

Economic Growth Reserve- This was created to help achieve key objectives of Vision 2030 and the Council Plan to stimulate the local economy. Use of this reserve will enable the Council to support emerging opportunities to accelerate development and incentivise economic growth on a business case basis within the framework of the Gateshead Economic Growth Acceleration Plan 2013-18.

Strategic Change Reserve- This was created in 2015/16 to support the delivery of the refreshed Council Plan over the period to 2020.

Budget Flexibility Reserve- This was created as part of the ongoing work on the budget framework, this new reserve was created to allow flexibility to carry-forward appropriate under spend balances for reinvestment the following year.

Insurance Reserve- This is to allow for possible claims against the Council which are not covered by external policies and to cover insured liability claims falling within the claims excess and policy stop loss. The reserve is based on an assessment of both insured and uninsured liabilities and claims potentially falling on the Council.

Grant Clawback Reserve- This is for grant received which may need to be repaid. The reserve exists to mitigate the risk of potential clawback of funding following the implementation of projects. The risk is particularly high in relation to European funding, including ERDF, where it takes several years to audit and close their funding programmes.

Gateshead Development Pool- This has been used successfully to deliver a number of priorities since 2002. A revised set of principles for the further use of the reserve were agreed in 2007. A significant proportion of this reserve has been used to support the redundancy scheme in previous years and further support to workforce management may be needed in future years.

Business Rates Reserve- This was created in the 2014/15 review to mitigate the risk of current and future business rate valuation appeals and other risks associated with the business rates retention scheme.

Discretionary Social Fund Reserve- This was created to support the social fund as the funding for this initiative ceased from 2015/16 onwards.

Ring Fenced General Fund Reserves

LMS (Schools) Reserve- Combined with the General Reserve, this reserve forms the General Fund but use is ring-fenced to schools.

Developers' Contribution Reserve- This is ring-fenced and consists of developer contributions in respect of agreed regeneration schemes following Section 106 agreements. The movement on the reserve will fluctuate depending on the use of the contributions to support regeneration schemes such as play areas in areas of new housing.

Dedicated Schools Grant (DSG) Reserve- This is ring-fenced for schools use and cannot be used for other priorities within the Council. Use of this reserve will be agreed by Schools Forum.

Revenue Grants / Receipts Unapplied Reserve- This 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.

Public Health- Following the transfer of responsibility for Public Health to local authorities on the 1 April 2013, the funding in this reserve is ring-fenced for future Public Health use.

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2015/16 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

	2015/16 £000 Actual	2016/17 £000 Estimate	2017/18 £000 Estimate	2018/19 £000 Estimate	2019/20 £000 Estimate	2020/21 £000 Estimate
Non-HRA	36,100	47,224	65,869	59,232	44,233	19,135
HRA	17,620	22,390	29,340	25,810	16,550	16,400
Total	53,720	69,614	95,209	85,042	60,783	35,535

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2015/16 are: -

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Non-HRA	10.97%	13.77%	14.89%	16.94%	18.31%	18.82%
HRA	41.02%	46.36%	42.53%	44.19%	39.54%	39.71%

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 2016 are: -

	31/03/16 £000 Actual	31/03/17 £000 Estimate	31/03/18 £000 Estimate	31/03/19 £000 Estimate	31/03/20 £000 Estimate	31/03/21 £000 Estimate
Non-HRA	286,124	308,981	340,885	362,536	379,102	375,077
HRA	345,505	345,505	345,505	345,505	345,505	345,505
Total	631,629	654,486	686,390	708,041	724,607	720,582

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 2015/16, 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.

	31/03/16 £000 Actual	31/03/17 £000 Estimate	31/03/18 £000 Estimate	31/03/19 £000 Estimate	31/03/20 £000 Estimate	31/03/21 £000 Estimate
Actual gross debt at 31 March	617,319	641,323	673,226	694,884	711,443	711,443
Capital Financing Requirement	631,629	654,486	686,390	708,041	724,607	720,582
Under / (over) borrowing	14,310	13,163	13,164	13,157	13,164	9,139

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 four 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.

<i>Authorised Limit for External Debt</i>				
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Borrowing	825,000	845,000	855,000	855,000

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>				
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Borrowing	800,000	820,000	830,000	830,000

9. The Council's actual external debt at 31 March 2016 was £617.319m comprising £617.319m 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 2017/18 (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 2017/18 from the totality of the capital and revenue plans recommended in this budget report is £1.49.

12. Forward estimates for the incremental impact on Band D council tax levels for 2018/19 is £1.39, 2019/20 is £1.43 and 2020/21 is £1.43. 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 2017/18 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 2018/19, 2019/20 and 2020/21 are £0.02. 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 2017/18, 2018/19, 2019/20 and 2020/21 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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Fixed Rate	652,940 424,015	669,218 421,541	692,138 380,712	701,139 360,858
Variable	160,751 (15,000)	184,877 (15,000)	242,272 (15,000)	258,101 (15,000)

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	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	50%	0%
20 years and within 30 years	50%	0%
30 years and within 40 years	50%	0%
40 years and within 50 years	60%	0%
50 years +	30%	0%

19. It is recommended that the Council sets an upper limit on its principal sums invested for periods longer than 364 days for 2017/18 ,2018/19, 2019/20 and 2020/21 as follows: -

<i>Upper Limit on amounts invested beyond 364 days</i>				
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Investments	15,000	15,000	15,000	15,000

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2017/18

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

In accordance with regulations and statutory guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003, the Council is required to calculate an amount of MRP each year which is considered to be prudent. The legislation requires the Council to prepare a statement of its policy on making MRP before the start of each financial year.

The guidance includes four options with the broad aim of a prudent provision being to ensure that debt is repaid over a period that is reasonably commensurate with the period where the capital expenditure is expected to provide benefits. The options include:

- Regulatory Method (limited to supported borrowing incurred prior to 1 April 2008);
- CFR Method (limited to supported borrowing incurred prior to 1 April 2008);
- Asset Life Method
- Depreciation Method

The Council is able to depart from the guidance provided it can be demonstrated that the MRP is considered to be prudent. The proposed approach is set out below and is considered to comply with the principles set out in the guidance, being primarily based upon the Asset Life method, and balances long-term affordability considerations and resource constraints.

Supported Borrowing MRP

The Council is proposing to make MRP at 2% of the CFR relating to capital expenditure incurred prior to 1 April 2008. In previous years this was calculated using the Regulatory Method with a formula based annual charge equivalent to 4% of the opening general fund CFR balance. However it is considered that the revised approach represents a prudent provision and will ensure that this element of the Council's CFR is repaid earlier than the previous approach.

Unsupported or Prudential Borrowing MRP

MRP relating to capital expenditure financed from borrowing taken after 1 April 2008 will be calculated using the Asset Life method. This makes provision over the estimated life of the asset for which the borrowing is undertaken.

The MRP will normally commence in the financial year following the one in which the expenditure is incurred, but in accordance with the guidance an additional MRP holiday can be taken until the period in which the asset becomes operational, particularly in the case of complex major projects.

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 satisfies the requirement to make a prudent provision and is considered to reasonably reflect the anticipated period of the benefits arising from the investment.

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. The estimated life of the asset is determined in the year that MRP commences and is not usually subject to further revision.

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.

For assets with an expected life of less than 25 years, MRP is calculated using the Equal Instalment method. This makes a fixed provision each year over the life of the asset.

For assets with an expected life in excess of 25 years, primarily major projects and construction works to significant value assets, MRP is calculated using the Annuity method. This approach is used where the flow of benefits from an asset is expected to increase over time, as the MRP is lower in earlier years and increases over the lifetime of the asset. The MRP is the principal element for the year of the annuity required to repay the capital investment in the asset that has been funded using borrowing.

Housing Revenue Account MRP

In managing the HRA debt and considering the HRA business plan there is no mandatory requirement to make provision in the HRA for annual MRP payments. The provision to repay debt within the HRA is balanced with the need for investment in the stock and any voluntary provision to repay debt will be determined when closing the HRA subject to affordability considerations.

PFI Assets and assets held as Finance Leases

For assets accounted for as on-balance sheet relating to PFI contracts and finance leases the MRP charge is based upon the annual principal payment specified within the financial model. No additional charges are included above those within the contract.

Long-Term Capital Loans

The Council has provided capital loans within the Capital Programme to facilitate additional development within Gateshead, particularly relating to affordable housing. The annual repayments of the principal amounts are treated as capital receipts and set aside to reduce the Council's underlying need to borrow, rather than making a revenue MRP charge.

Voluntary Provision

In accordance with the guidance, the Strategic Director, Corporate Resources has the discretion to make additional voluntary provision, subject to affordability considerations, which can result in reductions to the MRP charge for future years.

Projected MRP Charge

An analysis of the projected MRP Charge for 2017/18 over the different calculation methodologies and components is set out in the table below:

Projected MRP Charge 2017/18		£m
Capital Programme	Investment prior to 1 April 2008	2.6
	Asset Life Method – Equal Instalment	8.2
	Asset Life Method – Annuity Method	0.7
PFI	Annuity Method	3.0
Voluntary Provision	General Fund	0.0
	Housing Revenue Account	0.0
Total Projected MRP Charge		14.5