

TITLE OF REPORT: Budget and Council Tax Level 2011/12**REPORT OF: Roger Kelly - Chief Executive**
Derek Coates - Strategic Director, Finance and ICT**Purpose of Report**

1. To request Cabinet to recommend to Council on 3 March 2011 the Budget and Council Tax level for 2011/12. 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 18 January 2011, Cabinet noted the initial responses to consultation on the Council's draft spending plans for 2011/12.
3. On 18 January 2011, Cabinet agreed the Council Tax Base for 2011/12.
4. On 25 January 2011, Cabinet agreed the revised estimate for 2010/11.
5. Council agreed the Medium term Financial Strategy (MTFS) for 2011/12 to 2013/14 on 16 February 2011.
6. This report represents the final stage of the budget cycle in determining the budget and council tax level for 2011/12.

Proposal

7. The base budget for 2011/12 is £240.6m, an increase of £8m (3.4%) on the current year's budget. Funding for 2011/12 in the MTFS is £204.3m, a gap of £36.3m. The report proposes a budget of £204.865m for 2011/12 which includes the use of £3.1m NHS funding, £32.7m budget savings (of which £31.7m is expected to be achieved in 2011/12) and an additional one-off contribution from reserves of £0.5m. A budget of £204.865m also allows for a council tax freeze in 2011/12.

Recommendations

8. Cabinet is requested to make the following recommendations to the Council:
 - (1) That Gateshead's Band D council tax for 2011/12 is frozen at £1,443.1966.
 - (2) The revenue estimates of £204.865m for 2011/12 be approved.
 - (3) The use of general reserves of £2.5m and earmarked reserves of £8.803m in 2011/12 be authorised.

- (4) That the recommendations of the Strategic Director, Finance and ICT in respect of the robustness of estimates and adequacy of reserves be noted.
- (5) That the prudential indicators set out in Appendix 6 to this report be agreed.
- (6) That the method of calculating the Minimum Revenue Provision (MRP) for 2011/12 as set out in Appendix 7 be approved.
- (7) That it be noted that at its meeting on 18 January 2011, Cabinet calculated the following amounts for the year 2011/12 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:-
 - (a) 59,242 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax base for the year;
 - (b) 1,288 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.
- (8) That the following amounts be now calculated by the Council for the year 2011/12 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 ('the Act'): -
 - (a) £574,747,642 being the aggregate of the amounts, which the Council estimates for the items, set out in Section 32(2) (a) to (e) of the Act
 - (b) £383,315,446 being the aggregate of the amounts, which the Council estimate for the items, set out in Section 32(3) (a) to (c) of the Act
 - (c) £191,432,196 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year
 - (d) £105,926,844 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non domestic rates, revenue support grant, additional grant or relevant special grant increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with Section 97(3) of the 1988 Local Government Finance Act, and pursuant to the Collection Fund (Community Charge) Directions under Section 98(4) of the Local Government Finance Act 1988 made on 7 February 1994

- (e) £1443.3232 being the amount at (c) above less the amount at (d) above, all divided by the amount at (7)(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year
- (f) £7,500 being the aggregate amount of all special items referred to in Section 34(1) of the Act
- (g) £1443.1966 being the amount at (e) above less the result given by dividing the amount at (f) above by the amount at (7)(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 relates

- (h) Part of the Council's area

Lamesley
Parish

£1449.0196

being the amounts given by adding to the amount at (g) 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 (7)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i)

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	3.8820	962.1311
B	4.5290	1122.4862
C	5.1760	1282.8414
D	5.8230	1443.1966
E	7.1170	1763.9070
F	8.4110	2084.6173
G	9.7050	2405.3277
H	11.6460	2886.3932

being the amounts given by multiplying the amounts at (g) and (h) 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.

- (9) That it be noted that for the year 2011/12, the Northumbria Police Authority and Tyne and Wear Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below: -

Precepting
Authority

Valuation Band	Northumbria Police Authority £	Tyne and Wear Fire and Rescue Authority £
A	55.7873	48.7733
B	65.0852	56.9022
C	74.3831	65.0311
D	83.6810	73.1600
E	102.2768	89.4178
F	120.8726	105.6756
G	139.4684	121.9333
H	167.3620	146.3200

- (10) That, having calculated the aggregate in each case of the amounts at (8)(i) and (9) 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 2011/12 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1070.5737	1066.6917
B	1249.0026	1244.4736
C	1427.4316	1422.2556
D	1605.8606	1600.0376
E	1962.7186	1955.6016
F	2319.5765	2311.1655
G	2676.4434	2666.7294
H	3211.7212	3200.0752

For the following reason:

- To fulfil the Council's statutory duty to set the budget and Council Tax for 2011/12.

Policy Context

1. The proposals in this report support the vision for Gateshead as set out in Vision 2030 and the Corporate Plan. In particular the budget will ensure that resources are focussed on the delivery of the Council's priorities, thus ensuring a sustainable financial position.

Background

2. Council approved the MTFS 2011/12 to 2013/14 on 16 February 2011. The Council's budget estimates for 2011/12 attached at Appendix 2 have been prepared in accordance with the MTFS framework.

Considerations

3. In finalising the budget and council tax for 2011/12, the following issues require consideration:-
 - principles of the Medium Term Financial Strategy
 - the final Local Government Finance Settlement for 2011/12
 - the likely outturn for 2010/11
 - proposals for savings which have been subject to consultation with Councillors and stakeholders
 - statutory requirements
 - reserves
 - risk assessment
 - council tax capping
 - approval of prudential indicators for 2011/12
 - Minimum Revenue Provision (MRP).

Medium Term Financial Strategy

4. The MTFS is based on the following principles:
 - 1) The overall financial strategy will be to ensure that the Council's resources are directed to achieving Vision 2030 and the six Big Ideas:-
 - City of Gateshead
 - Gateshead Goes Global
 - Gateshead Volunteers
 - Creative Gateshead
 - Active and Healthy Gateshead
 - Sustainable Gateshead
 - 2) The Council recognises that it will not be able to continue to resource current levels of service without putting an extra burden on council taxpayers and will ensure that budget savings are identified to minimise the impact on frontline services.

- 3) Overall Council spending should be contained within original estimates. If, following monthly revenue monitoring, service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates.
- 4) The Council will maintain its general reserve at a minimum of 3% of its net budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- 5) The Council will maintain earmarked reserves for specific purposes, which are consistent with achieving its key priorities. The use of earmarked reserves will be in line with the principles set out in the MTFS and reviewed annually.
- 6) The Council will continue to improve its approach to efficiency, value for money and procurement to minimise the impact of budget savings.
- 7) The Council recognises the impact of increases in council tax levels in an area of relatively low income and low wealth (as measured by property values) and will balance the need for council tax increases against the delivery of Vision 2030.
- 8) The Council will apply the framework in the Fees and Charges Policy to ensure that fees and charges are set at an appropriate level in line with the delivery of Vision 2030 and take into account comparative levels of charge and ability to pay.
- 9) The Council will consider ways in which it can maximise its powers of well-being including the consideration of trading opportunities and new charges to maximise income to deliver priorities.
- 10) The Council will consider the use of prudential borrowing to support capital investment to deliver Vision 2030 and will ensure that an agreed revenue income stream is identified to meet the borrowing costs when investment decisions are taken.
- 11) The Council will continue to contribute to reviews of the local government finance system, both in its own right and as a member of lobbying groups, such as ANEC and SIGOMA.
- 12) The Council will ensure that specific school resources earmarked in the Dedicated Schools Grant are distributed in line with the formula for Local Management of Schools and this distribution is regularly reviewed by the Gateshead Schools Forum. The Pupil Premium will be distributed in line with government guidelines.
- 13) The Council's service planning process will inform the review of the MTFS on an annual basis. The annual review will include an update of the three year budget forecast, expected developments in services and changes to legislation.

- 14) Opportunities for securing external funding to support Vision 2030 will be sought. The implications of the cessation or withdrawal of funding will also continue to be reviewed so that options can be considered on the future of funded schemes.
- 15) Opportunities for working in collaboration and partnership will be identified and developed where this will support the Council's priorities and improve service efficiency and delivery.

Final Local Government Finance Settlement 2011/12

5. The provisional local government finance settlement was announced later than usual on 13 December 2010. Following a period of consultation, the final settlement was published on 31 January 2011 followed by a debate in the House of Commons on 9 February 2011 which resulted in minor changes to the provisional settlement.
6. The settlement covers the two year period 2011/12 to 2012/13. The government plans to make changes to the local government finance system for 2013/14 and will begin a review of local government funding in 2011. The Council's formula grant for 2011/12 has reduced by £13.724m, equivalent to 11.5% when compared to the 2010/11 adjusted grant. This is well above the national average of 9.9% despite the Council being in the top 15% of deprived authorities. The provisional formula grant for 2012/13 reduces by a further £8.032m (7.6%).
7. In addition, as reported in the MTFs, a number of targeted funding streams have been withdrawn completely, the most significant being Working Neighbourhood Fund, Housing Market Renewal and a number of education related grants.
8. The Council will receive approximately £130.4m Dedicated Schools Grant (DSG), ring-fenced to schools spending, subject to confirmation of the January 2011 pupil census. In addition, there is a new specific grant for 2011/12 called the Pupil Premium. For 2011/12 this will be £430 per pupil entitled to a free school meal and Looked After Children who have been in care for more than six months.

Revised Estimate 2010/11

9. The agreed revenue budget for 2010/11 was set at £232.589m. On 25 January 2011 Cabinet received a report on projected spending taking into account performance to 31 December 2010. The 2010/11 projected outturn is consistent with this Cabinet report at £238.757m, an over spend of £6.168m as outlined in Appendix 2. Once additional income is taken into consideration, this is projected over spend is expected to fall to £5m. Efforts will continue to be made to ensure that the outturn remains within original estimates in line with one of the key principles of the MTFs relating to spending within budgets. The key tool to deliver this outcome are action plans which include continuing the recruitment freeze and stopping all non-essential expenditure.

Base Budget 2011/12

10. The base budget for 2011/12 before budget savings and use of reserves is £240.6m. This is an increase of £8m (3.4%) to reflect the spending pressures in the recently agreed MTFS. Some clarification has now been received on the new NHS funding worth £3.061m for Gateshead in 2011/12. Discussions are continuing with the Primary Care Trust (PCT) on how this funding can be used to support existing spending pressures. Given the uncertainty, £1m of this funding has been provided for in the contingency pending formal agreement of priorities with the PCT.
11. Provision has been made in the budget for the Tyne and Wear Integrated Transport Authority levy of £12.726m and for the Environment Agency of £0.145m. Both of these levies have been confirmed.
12. Growth in the budget has been kept to a minimum with provision being made in a contingency of £7m for an ongoing contribution to the costs of managing the workforce, potential increases in the number of Looked After Children and vulnerable adults and the increasing cost of winter maintenance.
13. Provision has also been made in the contingency for some price increases such as energy costs but no provision has been made for pay awards. This means that if a pay award is agreed for some or all employees, the cost will need to be found from further in-year budget savings.
14. The level of funding available in 2011/12, based on the assumptions in the MTFS, is £204.3m. The gap between funding and the base budget of £237.5m (after NHS grant) is £33.2m and requires consideration of budget savings and further use of reserves.

Budget Savings 2011/12– Outcome of Consultation

15. A refresh of the MTFS following the government's October 2010 Spending Review outlined a significant funding gap as a result of reduced funding and service pressures. This was projected to be £70m over the next three years to 2013/14.
16. Given the funding certainty for the next two years, the MTFS set a strategy to reduce spending by £60m over this period with at least £30m in 2011/12. In November 2010, the Council published draft spending plans for 2011/12 which were subject to extensive consultation. The outcomes from this consultation were reported to Cabinet on 18 January 2011.
17. In addition, in the light of the worsening funding gap following the Spending Review, the Council made an offer of voluntary redundancy to all employees with the exception of those working in schools. Over 1,100 applications for voluntary redundancy have been received and considered as part of the delivery of budget savings.
18. To deliver budget savings of at least £30m in 2011/12 the Council will need to consider the proposals, which have been subject to consultation, of £18.6m and a number of voluntary redundancy applications. A strategy for meeting the costs of redundancies from capitalisation and reserves was agreed as part of the MTFS. The budget savings proposals for approval for 2011/12 include a total of 650 voluntary redundancies providing a permanent saving of £15.7m for the revenue budget. At this stage these figures are an estimate as some

applicants have still not confirmed their acceptance. In addition, there are a number of applicants where no decision will be taken until after the start of the financial year on 1 April 2011. If the full saving from voluntary redundancies cannot be realised, services will need to find alternative savings to compensate.

19. As well as the voluntary redundancies which are part of the proposed budget package, around a further 150 applications are likely to be agreed to meet the pressures on trading accounts such as Construction Services.
20. Following the budget consultation process further consideration has been given to the delivery of the minimum of £30m savings in 2011/12. A paper which brings together the original budget proposals and the service implications of voluntary redundancies has been subject to further consultation with councillors and Trade Unions. A number of issues were raised as a result of this further consultation and responses have been given to these issues.
21. Despite the limited flexibility the Council has to respond to the most severe funding cuts in its history, some mitigation to meet some of the issues raised during consultation has been possible in addition to the responses given on service implications. The key issues raised were:
 - AIRS service – assurance has been given that there will not be any compulsory redundancies for employees delivering the service and the services provided will still be delivered through alternative providers without the current subsidy.
 - Neighbourhood Wardens – a proposal will be developed to strengthen the approach to providing reassurance in communities using a multi agency team targeted on those areas with the greatest need. This proposal will reduce the budget saving to £0.8m, a reduction of £0.2m on the original proposal.
 - School meals retainer pay – it is still proposed that retainer pay is removed, in line with almost all the other councils in the North East, but that it is phased over two years starting in 2012/13. This proposal, if agreed, would mean that 50% of the retainer pay is removed along with 50% of the compensatory payment in 2012/13 and the remaining 50% in 2013/14.
22. After the above mitigation the estimated budget savings total £32.677m, with £31.7m of this sum expected to be achieved in 2011/12. The service implications of these will be developed over the next few months and will also be the subject of two seminars for all councillors on 23 March 2011 and 6 April 2011.

Equalities Impact Assessment

23. A framework for the Equalities Impact Assessment of the Council's spending plans was agreed by Cabinet on 18 January 2011. This allows the Council to meet its obligations under the Equality Act 2010.
24. The assessment against the agreed framework is reported at Appendix 3.

Statutory Requirements

25. Section 30 of the Local Government Finance Act 1992 requires the Council to set an amount of Council Tax for each financial year for each category of dwelling. For a category of dwellings the amount of Council Tax is the aggregate of:-
- (i) the amount of tax that the Authority itself has calculated, and
 - (ii) the sum of the amounts of tax that major precepting authorities have calculated.
26. Sections 32 to 36 of the 1992 Act require the Authority to calculate its own amount of tax for each category of dwellings in its area, reflecting its budget requirement. In calculating its budgetary requirement, the Authority must make the following calculations:-
- (1) 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 for the year (including Parish precepts and levies);
 - (b) such allowance as the Authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year;
 - (c) the financial reserves which the Authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure;
 - (d) such financial reserves as are sufficient to meet so much of the amount estimated by the Authority to be a revenue account deficit for any earlier financial year as has not already been provided for;
 - (e) any amounts the Authority estimates will be transferred from its general fund to its collection fund by virtue of a transfer under legislation.
 - (2) The aggregate of
 - (a) the sums which the Authority estimates 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, other than sums which it estimates will be so payable in respect of redistributed non-domestic rates, revenue support grant, additional grant, or relevant special grant;
 - (b) any amounts which the Authority estimates will be transferred from its collection fund to its general fund pursuant to a direction under Section 98(4) of the Local Government Finance Act 1988 and credited to a revenue account for the year, other than any amounts which it estimates will be so transferred pursuant to a direction under Section 98(4) relating to the difference between

amounts in respect of community charges credited and charged to a revenue account for any earlier financial year;

- (c) the amount of the financial reserves which the Authority estimates that it will use in order to provide for the items mentioned in paragraphs (a), (b) and (e) of (1) above.

If the aggregate calculated under (1) above exceeds that calculated under (2) above, the Council must calculate the amount equal to the difference. This amount is known as the Authority's budget requirement for the year.

Adequacy of Reserves and Robustness of Budget Estimates

27. The Local Government Act 2003 requires the Strategic Director, Finance and ICT to undertake an assessment of the robustness of budget estimates and the adequacy of reserves.
28. In assessing the robustness of the budget, the Strategic Director, Finance and ICT has considered the following issues:
- The general financial standing of the Council
 - The adequacy of the budget monitoring and financial reporting arrangements
 - The adequacy of the Council's internal control system
 - The future budget pressures faced by the Council, as identified in the Council's MTFS
 - The impact of reduced income and funding
 - The proposed Capital programme
 - The delivery of agreed budget savings
29. In addition to the above, the Strategic Director, Finance & ICT has undertaken a risk assessment of the underlying budget assumptions applied to income and expenditure estimates. This includes an assessment of the estimates for pay and price increases. Further details are shown at Appendix 4.
30. The Strategic Director, Finance & ICT has also considered the adequacy of reserves to cover any potential financial risks faced by the Council. Although a significant amount of reserves will be used over the next two years to support the delivery of budget savings, the Council's general and earmarked reserves are maintained at a prudent level and are subject to continuous review. Appendix 5 to this report shows the opening balances as at 1 April 2010 and an estimate of reserves through to 31 March 2014 based on the proposals in this report and the agreed MTFS.
31. The Council's general reserve is expected to be £10.505m at 31 March 2011. This is equivalent to 5.13% of the Council's proposed net revenue budget for 2011/12, and exceeds the minimum level of 3% agreed as a principle in the Council's MTFS. The general reserve is supplemented by £26.073m earmarked reserves at 31 March 2011.
32. The Council's MTFS recognises that it has been necessary, for several years, to support the Council's overall budget by using reserves, and that the use of reserves above this level cannot be sustained in the longer term without placing the Council's financial position at risk. The proposals in this report would mitigate this risk by using £2.5m from the General Reserve to support

the overall budget, allowing savings to be phased over a number of years, and service spending to be aligned to funding. The remaining use of reserves is earmarked to particular areas of spending.

33. The Council, in common with most authorities in the region, faces risks arising from equal pay claims. Some of these risks have been mitigated in Gateshead by the actions taken to agree a compensatory payments scheme, implementation of job evaluation and secure permission to spread the potential costs of some claims through a capitalisation direction. Some equal pay claims have now been settled but there are a significant number still under negotiation with Trade Unions which are likely to require an additional contribution from the revenue budget and/or reserves.
34. 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.
35. In the light of the required savings, the Council made a formal offer of voluntary redundancy to all employees with the exception of those working in schools. This will require a significant one-off cost in terms of redundancy payments and pension costs. Although the Council has been successful in securing a capitalisation direction to enable it to spread the cost over a number of years, the amount awarded through capitalisation is not sufficient to cover the total estimated cost. The majority of voluntary redundancy costs will need to be met from one-off revenue savings or reserves.
36. Over the three year period of the MTFs, cuts in grant funding and service pressures result in a funding gap of £70m, with £60m in the first two years. Beyond these first two years the picture is more uncertain and the Council is vulnerable to any changes arising from the review of local government funding being carried out later this year. Given the Council's continuing reliance on grant funding the review has to be seen as a major risk.
37. Taking into account the risks set out in Appendix 4 of this report which are higher than previous years and the estimated movement in reserves in Appendix 5, a contribution of £2.5m from the general reserve is proposed together with £8.803m from earmarked reserves. Despite the proposals for £31.7m savings in 2011/12, the £2.5m contribution from the general reserve is £0.5m more than expected in the MTFs. This one-off additional contribution reflects the need to support the budget in the short term whilst further budget savings are realised in 2012/13 onwards.
38. When Heritable Bank went into administration in October 2008 the Council had £2.792m invested which was due to mature with interest at the end of 2008/09. To date, dividends totalling £1.399m (50.11p in the £) have been received. Dividends continue to be paid quarterly and despite a prudent view being taken in the 2009/10 Statement of Accounts that 90% of the deposit will be recovered, the prospects for a full recovery are still good. Accounting rules require that the Authority accounts for the anticipated loss on investments during 2010/11. The estimated loss based on recovery of 90% of the deposit is £0.374m, which will be met from the General Reserve.

39. The Strategic Director, Finance and ICT confirms that, after taking account of these issues, the Revenue Estimates are considered robust and that the level of reserves is considered adequate to cover the financial risks faced by the Council in the medium term. This assessment is based on the requirement that spending will be reduced by at least £60m over the period 2011/12 and 2012/13 as any shortfall, given the significant use of reserves, will put the Council's sustainable financial position at risk.

Capping

40. Under the Local Government Finance Act 1992 the Secretary of State has the power to designate or nominate an authority which has calculated a budget requirement for a financial year which is excessive. The Government then reserves the right to take capping action.
41. The Secretary of State must decide whether to exercise these powers by reference to a set of principles and, under section 52B(4) of the act, those principles must include a comparison between:
- The amount calculated by the authority as its budget requirement for the year under consideration, and
 - The amount calculated by the authority as its budget requirement for a financial year falling before the year under consideration
42. Under section 52C of the act the Secretary of State has the power in relation to the year under consideration to make a report specifying an Alternative Notional Amount which should be used in place of the amount calculated by the authority as its budget requirement for a financial year falling before the year under consideration.
43. When considering the level of council tax for 2011/12, the Council needs to consider the implications of the Government using its reserve capping powers. On 9 February 2011 the Secretary of State announced the capping principles that will apply in 2011/12. These are that an authority's budget requirement in 2011/12 will be excessive if:
- a) The amount calculated by the authority as its budget requirement for 2011/12 is more than 92.5% of the authority's Alternative Notional Amount (adjusted budget for 2010/11); **AND**
 - b) The amount calculated by the authority as its Band D council tax for 2011/12 is more than 3.5% greater than the same amount calculated for 2010/11.
44. The consequences of the Government capping an individual Authority would result in a reduced budget and council tax. This would require the Authority to issue revised council tax bills to all taxpayers in the Borough, which could have significant financial implications. Accurate costs are not available, but guidance from the Local Government Association suggests a figure of approximately £1.50 per household. This would equate to a cost of around £138,000 for Gateshead before taking account of lost interest on bills being delayed. As well as being a financial risk for the Council, the consequences of capping would also be a risk to the Council's reputation.

Council Tax Freeze

45. Following the Spending Review, the Secretary of State confirmed that the Government would work with local authorities to meet its commitment to deliver a council tax freeze in 2011/12. The key principles are:
- The scheme will be voluntary and will apply separately to each billing and major precepting authority in England (including police and fire and rescue authorities) rather than to each council tax bill issued. Local precepting authorities such as parish councils will not be included in the scheme.
 - If an authority sets its basic amount of tax for 2011/12 at a level which is no more than its basic amount of tax for 2010/11, it will be eligible to receive a grant equivalent to a 2.5% increase in its 2010/11 basic amount of tax multiplied by the authority's tax base for 2011/12.
 - The Spending Review has concluded that funding can only be provided to support a council tax freeze for 2011/12, however, the Government intends to provide supplementary funding to local authorities in subsequent years of the Spending Review to compensate them for the council tax foregone during the period of the freeze.
46. Each 1% increase in Council Tax generates approximately £0.85m.
47. This report recommends that the Council freeze Gateshead's Council Tax for 2011/12 meaning the Council will be eligible for a Council Tax Freeze Grant of £2.137m in 2011/12 and will be exempt from the Government's capping principles outlined above.

Budget Requirement 2011/12

48. The Council's Budget for 2011/12 totals £204.865m after budget savings (net of schools spending). The use of £8.803m earmarked reserves, £2.5m from the general reserve and the Council Tax Freeze Grant of £2.137m reduces this to £191.425m.
49. In calculating the Council's budget requirement as required by the legislation, the Lamesley Parish precept must be added to the figure above.
50. The Parish of Lamesley has issued a precept for 2011/12 of £7,500, the same level as the current year.
51. In arriving at the Council's council tax requirement, Formula Grant, (Revenue Support Grant and redistributed Non-domestic Rates) must be deducted. The Formula Grant final figure for 2011/12 is £105.904m.
52. Any amount transferred from the collection fund to the general fund must also be deducted. For 2011/12 this figure has been estimated to be £23,000.

53. The net expenditure to be met by Gateshead's council tax can now be summarised as follows: -

		£
Net Budget 2011/12 Gateshead Council		204,865,142
<u>Less</u> Council Tax Freeze Grant		<u>2,137,446</u>
		202,727,696
<u>Less</u> Use of reserves		
- General Reserve	2,500,000	
- Earmarked Reserves	<u>8,803,000</u>	<u>11,303,000</u>
		191,424,696
<u>Add</u> Lamesley Parish Precept		<u>7,500</u>
Budget Requirement 2011/12 (including Lamesley Parish Precept)		191,432,196
<u>Less</u> Formula Grant		105,903,844
Transfer from Collection Fund		<u>23,000</u>
Council Tax Requirement (including Lamesley Parish Precept)		<u>85,505,352</u>

Council Tax

54. The Council Tax for Gateshead is calculated by dividing the council tax requirement by the Council Tax base of 59,242 (agreed at the Cabinet meeting on 18 January 2011). This calculation gives a Band D Council Tax of £1,443.3232. However, from this figure, the legislation requires the Parish element to be deducted (£0.1266). This gives a Band D Council Tax for Gateshead of £1,443.1966. Section 36 of the Local Government Finance Act 1992 requires the Council Tax to be calculated by reference to Band D, although 91% of households in Gateshead are in Bands A to C.
55. The amount payable for dwellings in different valuation bands is calculated using the following proportions: -

Valuation Band

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

This gives the following Council Tax amounts for the Gateshead area (excluding precepts).

Valuation Band	Gateshead Council £
A	962.1311
B	1,122.4862
C	1,282.8414
D	1,443.1966
E	1,763.9070
F	2,084.6173
G	2,405.3277
H	2,886.3932

56. 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 18 January 2011). This calculation gives a Band D Council Tax of £5.8230 for Lamesley Parish area (£5.9571 in 2010/11). The reduction for Lamesley is as a result of the same precept as 2010/11 divided by an increased Council Tax base.
57. These result in the following additional Council Tax amounts for the Lamesley Parish area (excluding Police and Fire precepts).

Valuation Band	Lamesley Parish £
A	3.8820
B	4.5290
C	5.1760
D	5.8230
E	7.1170
F	8.4110
G	9.7050
H	11.6460

58. To these must be added the precepts of the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority. The precept for the Police Authority was agreed on 16 February 2011 and the precept for the Tyne and Wear Fire and Rescue Authority was agreed on 28 February 2011, both at the same level as 2010/11. These are as follows:-

Valuation Band	Northumbria Police Authority £	Tyne and Wear Fire and Rescue Authority £
A	55.7873	48.7733
B	65.0852	56.9022
C	74.3831	65.0311
D	83.6810	73.1600
E	102.2768	89.4178
F	120.8726	105.6756
G	139.4684	121.9333
H	167.3620	146.3200

These precepts result in a Band D Council Tax (excluding Lamesley Parish Precept) of £1,600.04 which represents a freeze on the overall equivalent figure for 2010/11.

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,070.5737	1,066.6917
B	1,249.0026	1,244.4736
C	1,427.4316	1,422.2556
D	1,605.8606	1,600.0376
E	1,962.7186	1,955.6016
F	2,319.5765	2,311.1655
G	2,676.4434	2,666.7294
H	3,211.7212	3,200.0752

Prudential and Treasury Indicators

60. CIPFA's Prudential Code is a professional code of practice to support local authorities in taking decisions about capital investment. All local authorities are required to have regard to the Prudential Code under Part 1 of the Local Government Act 2003 and the Code of Practice for Treasury Management in the Public Services (2009). The Prudential Framework for Local Authority Capital Investment was introduced from 1 April 2004.
61. 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.
62. The Prudential Code and the revised Code of Practice for Treasury Management in the Public Services (2009) sets out a range of prudential and treasury indicators that need to be agreed by the Council.
63. 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.
64. 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 (2009) for approval.

Minimum Revenue Provision (MRP)

65. MRP is the amount that needs to be charged to revenue to reflect the repayment of debt. New regulations came into effect from March 2008 requiring councils to prepare an annual MRP Statement. It is proposed that the Council continue to use the annuity method for charging MRP in respect of PFI contracts and the asset life approach for all non PFI transactions. The annual statement for 2011/12 is attached at Appendix 7.

Consultation

66. In November 2010, the Council published draft spending plans for 2011/12 which were subject to extensive consultation with:
- Residents
 - Councillors
 - Head teachers
 - Gateshead Strategic Partnership
 - Voluntary and Community Sector
 - Youth Assembly
 - Older People's Assembly
 - Diversity Forum
 - Physical Disability and Sensory Impairment Partnership
 - Involvement Forum
 - Learning Disability Partnership
 - LGBT Forum
 - Chamber of Commerce
 - Trade Union representatives
 - Council employees
67. The outcome of the initial consultation was reported to Cabinet on 18 January 2011. The report also outlined a framework for an Equalities Impact Assessment. Further details are outlined in Appendix 3.
68. Further consultation was undertaken with all councillors and Trades Unions during January and February 2011 and will continue as budget proposals are implemented.

Alternative Options

69. There are no alternative options.

Implications of Recommended Option

70. **Financial Implications** – The Strategic Director, Finance and ICT confirms that these are set out in the report and appendices.
71. **Risk Management Implications** – Appendix 4 to this report is a financial risk assessment of the budget.
72. **Human Resources Implications** – Equalities Impact Needs Assessments have been undertaken for all of the Council's Human Resources policies.
73. **Equality and Diversity Implications** – These are set out in Appendix 3.
74. **Crime and Disorder Implications** – Nil.

75. **Sustainability Implications** – The proposals in this report will ensure a sustainable financial position for the Council.
76. **Human Rights Implications** – Nil.
77. **Area and Ward Implications** – The proposals in this report cover the whole of Gateshead.

Background Information

78. (i) Report to Cabinet, 8 February 2011 – Medium Term Financial Strategy 2011/12 to 2013/14.
- (ii) Report to Cabinet, 18 January 2011 – Council Tax Base 2011/12.
- (iii) Report to Cabinet, 18 January 2011 – Response to consultation on the Council's draft spending plans for 2011/12.
- (iv) Report to Cabinet, 25 January 2011 – Revenue Monitoring at 31 December 2010 and revised estimate for 2010/11.
- (v) Final Local Government Finance Settlement – 31 January 2011.

APPENDIX 2

	Original Budget 2010/11 £000	Revised Estimate 2010/11 £000	Budget 2011/12 £000
<u>Learning and Children (Net of Schools)</u>			
Access and Inclusion	3,731	3,682	3,268
Raising Achievement	2,494	2,647	2,407
Children and Young Peoples Service	5,821	5,524	1,443
Early Years	514	572	1,096
Business Support	4,850	5,402	432
Children and Families	19,760	20,569	18,860
Youth Offending Team	1,162	1,132	738
<u>Community Based Services</u>			
Adults' Social Care	56,076	60,567	31,807
CBS Business Support	2,458	2,360	1,459
Libraries and Arts	6,606	6,634	5,608
Sport Wellbeing and Independence	6,881	7,359	20,335
Housing General Fund	4,399	4,612	2,766
Safer Stronger Communities	4,857	4,705	3,907
<u>Development and Enterprise</u>			
Transport Strategy	4,829	4,761	3,027
Development and Public Protection	2,168	2,683	2,141
Environment and Regeneration	2,000	2,085	2,265
Property and Design	(1,991)	(2,278)	(2,865)
Economic Development	2,647	3,100	2,179
<u>Local Environmental Services</u>			
Waste Services & Grounds Maintenance	22,308	22,775	19,205
Community Protection	907	841	(108)
Fleet	(185)	54	(596)
Catering	62	84	4
Building Cleaning	136	198	66
Construction	(157)	(157)	0
Construction - General Fund	7,238	7,420	5,489
School Meals	128	320	(159)
Facilities Management	3,481	3,662	3,266
<u>Central Services</u>			
Chief Executives and Communications	4,297	4,342	3,686
Legal and Corporate Services	7,573	7,956	7,310
Finance and ICT	14,975	14,951	13,266
Other Services and Contingency	18,911	17,596	19,766
Capital Financing Costs	22,280	21,982	30,902
Investment Income	(580)	(1,336)	(824)
Support Services	(10,688)	(10,688)	(10,152)
NET EXPENDITURE	219,948	226,116	191,994
<u>Levies</u>			
Tyne and Wear ITA	12,500	12,500	12,726
Environment Agency	141	141	145
Total Budget	232,589	238,757	204,865

LEARNING AND CHILDREN - ESTIMATES 2011/12

SCHOOLS

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Education Schools ISB	95,735	119,223
Centrally Held DSG	13,163	11,269
DSG	(108,898)	(130,492)
TOTAL SCHOOLS BUDGET	0	0

LEARNING AND CHILDREN - ESTIMATES 2011/12

ACCESS AND INCLUSION

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Access and Inclusion	3,731	3,768
Section 2 - Savings		
L&C 1 Operational Support		(7)
L&C 2 Minority Support Service Teacher and Bilingual Assistant		(70)
L&C 3 Psychological Service Staffing		(104)
L&C 4 Therapies (non-staffing budgets)		(33)
L&C 5 Pupil and Parent Services Staffing and non-staffing budgets		(53)
L&C 6 Education Welfare Service EWO posts		(129)
L&C 7 Behaviour Support Service - Supply Teachers and Courses Budget		(26)
L&C 8 A&I Senior Management Savings		(78)
		(500)
TOTAL ACCESS AND INCLUSION BUDGET		3,268

LEARNING AND CHILDREN - ESTIMATES 2011/12

RAISING ACHIEVEMENT

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Raising Achievement	<u>2,494</u>	<u>3,031</u>
Section 2 - Savings		
L&C 42 Adult Learning Management - income generation or loss of 1 FTE		(22)
L&C 43 Governing Bodies Team - income generation or loss of 1 FTE		(23)
L&C 44 Music Service Management Staffing		(22)
L&C 45 SF1 SEN - reduction in devolved funds		(80)
L&C 46 Primary Strategy posts		(86)
L&C 47 Secondary Strategy posts		(97)
L&C 48 Education Health Partnerships budget reduction		(8)
L&C 49 Behaviour and Attendance budget reduction		(48)
L&C 50 Excellence in Cities budget reduction		(187)
L&C 51 School Support Staff budget reduction		(51)
		<u>(624)</u>
TOTAL RAISING ACHIEVEMENT BUDGET		<u><u>2,407</u></u>

LEARNING AND CHILDREN - ESTIMATES 2011/12

CHILDREN AND YOUNG PEOPLES SERVICES

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Children and Young Peoples Service	<u>5,821</u>	<u>3,673</u>
 Section 2 - Savings		
L&C 1 Operational Support		(7)
L&C 9 Teenage Pregnancy		(141)
L&C 10 Teams After School Care Staffing		(19)
L&C 11 Bangladeshi Outreach Worker		(29)
L&C 12 Connexions PAYP - grant aid, PAYP workers and Dev Budget		(205)
L&C 13 Volunteer Mentoring - change funding stream		(61)
L&C 14 Youth Service Review 5 FTE Posts		(185)
L&C 15 YP Sessional Staff - 6 PT Workers		(13)
L&C 16 Substance Misuse - Vacant Post and NECA Contract		(80)
L&C 17 Jewish Community Schemes		(74)
L&C 19 Creche Mobile Project - income generation		(40)
L&C 20 WinG - income generation or 1 FTE		(35)
L&C 21 Community Health Development Workers Posts		(50)
L&C 22 Extended Services Staffing		(100)
L&C 23 Thomas Hepburn Funding		(35)
L&C 24 Youth Service - Staff and Running Costs		(42)
L&C 25 Connexions Posts and reduction in Hub Costs		(216)
L&C 26 Strategic Management Team Posts		(90)
L&C 27 Active Kidz Easter - Reduce sessions, staff training and running costs		(30)
L&C 28 Active Kidz Summer - Mgt post and programme reduction		(50)
		<u>(1,502)</u>
 Section 3 - Workforce Management Reductions		(157)
 Section 4 - Other Savings		
Early Intervention Grant		(571)
 TOTAL CHILDREN AND YOUNG PEOPLES SERVICES BUDGET		<u>1,443</u>

LEARNING AND CHILDREN - ESTIMATES 2011/12

EARLY YEARS

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service Early Years	514	1,856
Section 2 - Savings		0
Section 3 - Workforce Management Reductions		(560)
Section 4 - Other Savings Early Intervention Grant		(200)
TOTAL EARLY YEARS BUDGET		<u>1,096</u>

LEARNING AND CHILDREN - ESTIMATES 2011/12

BUSINESS SUPPORT

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Business Support	<u>4,850</u>	<u>645</u>
Section 2 - Savings		
L&C 1 Operational Support		(14)
L&C 31 Group Secretariat and Support - staffing and non-staffing budgets		(40)
L&C 58 Senior Management Post and non-staffing admin budgets		<u>(159)</u>
		(213)
TOTAL BUSINESS SUPPORT BUDGET		<u>432</u>

LEARNING AND CHILDREN - ESTIMATES 2011/12

CHILDREN AND FAMILIES

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Children and Families	19,760	19,992
<hr/>		
Section 2 - Savings		
L&C 1 Operational Support		(133)
L&C 29 Every Child Matters Commissioning post		(35)
L&C 30 Workforce Development - Management Costs		(12.5)
L&C 32 Supporting Families Workers - 3 posts		(100.5)
L&C 33 Children's Rights Service - 1 Vacant post		(22)
L&C 34 LAC - Personal Education Allowances reduced		(30)
L&C 35 Disabled Children's Service - reduced support packages		(40)
L&C 36 REALAC Team post moved to External Funding		(26)
L&C 37 Sponsored Day Care - reduced care packages		(24.5)
L&C 38 Family Support Services - 6 FTE posts, close 2 Family Centres		(213.5)
L&C 39 CAMHS Grant Funding - service review		(41)
L&C 52 Children's Fund - Children North East commissioned service		(17)
L&C 53 Children's Fund - Barnardo's Access Service		(40)
L&C 54 Children's Fund - Barnardo's Resource Centre		(44)
L&C 55 Children's Fund - BME and Jewish Communities		(19)
L&C 56 Children's Fund - Home to School Liaison Pilot		(30)
L&C 57 Children's Fund - Vacant Anti-Bullying Post		(31)
		<hr/> (859)
Section 3 - Workforce Management Reductions		(33)
Section 4 - Other Savings		
Early Intervention Grant		(240)
TOTAL CHILDREN AND FAMILIES BUDGET		<hr/> 18,860 <hr/>

LEARNING AND CHILDREN - ESTIMATES 2011/12

YOUTH OFFENDING TEAM

	2010/11	2011/12
	£000s	£000s
Section 1 - Net Cost of Current Levels of Service		
Youth Offending Team	1,162	1,075
Section 2 - Savings		
L&C 18 YOT Prevention - 4 Grade H posts		(142)
L&C 40 YOT - accommodation costs (relocation to Civic Centre)		(25)
L&C 41 Remand and Bail Support - reduction in Sungate Project		(30)
		<u>(197)</u>
Section 3 - Workforce Management Reductions		0
Section 4 - Other Savings		
Early Intervention Grant		(140)
TOTAL YOUTH OFFENDING TEAM BUDGET		<u>738</u>

COMMUNITY BASED SERVICES - ESTIMATES 2011/12

ADULTS' SOCIAL CARE

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Adults' Social Care	<u>56,076</u>	<u>35,998</u>
Section 2 - Savings		
CBS44 Voluntary Sector Contracts		(330)
CBS45 Commissioned Services Arrangements		(300)
CBS46 Palatine Beds		(100)
CBS47 Rationalise management structures in Assessment and Personalisation and implement workforce transformation plan		(300)
CBS48 Review level of care packages offered		(600)
CBS49 Relocate staff from Shibdon House		(46)
CBS50 Operational Budgets		(50)
		<u>(1,726)</u>
Section 3 - Workforce Management Reductions		(840)
Section 4 - Other Savings		
CBS44 Voluntary Sector Contracts		(75)
CBS45 Commissioned Services Arrangements		(200)
CBS50 Operational Budgets		(100)
Social Care Reform		(996)
Fees and Charges Increase		(50)
Talking Books		(4)
Benefits Review		(200)
		<u>(1,625)</u>
TOTAL ADULTS' SOCIAL CARE BUDGET		<u>31,807</u>

COMMUNITY BASED SERVICES - ESTIMATES 2011/12

BUSINESS SUPPORT

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Business Support	2,458	1,779
Section 2 - Savings		
CBS51 Central Operational Support		(25)
		<u>(25)</u>
Section 3 - Workforce Management Reductions		(145)
Section 4 - Other Savings		
CBS51 Central Operational Support		(150)
		<u>(150)</u>
TOTAL BUSINESS SUPPORT BUDGET		<u>1,459</u>

COMMUNITY BASED SERVICES - ESTIMATES 2011/12

LIBRARIES AND ARTS

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Libraries and Arts	<u>6,606</u>	<u>6,560</u>
Section 2 - Savings		
CBS20 Tyne and Wear Museums and Archives		(54)
CBS21 Cessation of AIRS service		(158)
CBS22 Review of programming of cultural venues		(12)
CBS23 Rationalisation of tourism staffing		(10)
CBS24 Stop providing schools library service		(56)
CBS25 ExploreMusic		(138)
CBS26 Implement lone working arrangements		(104)
CBS27 Janitorial team management reduction		(25)
CBS28 Bookfund		(20)
		<u>(577)</u>
Section 3 - Workforce Management Reductions		(275)
Section 4 - Other Savings		
Libraries Review		(100)
		<u>(100)</u>
TOTAL LIBRARIES AND ARTS BUDGET		<u>5,608</u>

COMMUNITY BASED SERVICES - ESTIMATES 2011/12

SPORT WELLBEING AND INDEPENDENCE

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Sport Wellbeing and Independence	<u>6,881</u>	<u>24,390</u>
Section 2 - Savings		
CBS10 Increase GLC income target to reflect growth in GO membership sales		(150)
CBS11 Reduction in operational expenses budget		(12)
CBS12 Transfer of responsibility of GIS athletics hall to Gateshead College		(53)
CBS13 Reduce staffing - events		(25)
CBS14 Management review of Sport, Physical Activity and Health Development Team		(110)
CBS15 Don't pay for Active People Survey Boost		(8)
CBS16 Reduction in Development Budget		(18)
CBS17 Cancel vehicle lease at Bill Quay Farm		(9)
CBS18 Management restructure		(75)
CBS19 Review of maintenance and leisure operations facilities		(80)
CBS32 Care Call - stop nil charging to 419 tenants		(71)
CBS33 Care Call - operational changes to service		(19)
CBS34 Meals Service/ Shopping service		(150)
CBS35 Domiciliary Care Service		(500)
CBS36 Restructure of Dom Care management		(173)
CBS37 Warwick court - reduce budget		(1)
CBS38 Flexible hours service - reduce budget		(5)
CBS39 Directions supported employment service		(230)
CBS40 Community base - delete vacant post		(27)
CBS41 Birtley Centre - delete post		(35)
CBS42 Operational changes at Fosdyke		(134)
CBS43 Lanchester Avenue - operational changes		(40)
		<u>(1,925)</u>
Section 3 - Workforce Management Reductions		(1,745)
Section 4 - Other Savings		
CBS10 Increase GLC income target to reflect growth in GO membership sales		(150)
CBS42 Operational changes at Fosdyke		(100)
TW Sport Contribution		(10)
Events		(10)
Fees and Charges Increase		(35)
Day Services		(80)
		<u>(385)</u>
TOTAL SPORT WELLBEING AND INDEPENDENCE BUDGET		<u>20,335</u>

COMMUNITY BASED SERVICES - ESTIMATES 2011/12

HOUSING GENERAL FUND

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Housing General Fund	<u>4,399</u>	<u>4,351</u>
Section 2 - Savings		
CBS29 Reduce Occupational Therapy Assistant		(66)
CBS30 Homeless Prevention		(10)
CBS31 Supporting People		<u>(729)</u>
		(805)
Section 3 - Workforce Management Reductions		(130)
Section 4 - Other Savings		
CBS31 Supporting People		(500)
Adaptations Review		<u>(150)</u>
		(650)
TOTAL HOUSING GENERAL FUND BUDGET		<u>2,766</u>

COMMUNITY BASED SERVICES - ESTIMATES 2011/12

SAFER STRONGER COMMUNITIES

	2010/11	2011/12
	£000s	£000s
Section 1 - Net Cost of Current Levels of Service		
Safer Stronger Communities	4,857	4,811
<hr/>		
Section 2 - Savings		
CBS1 Rationalise management arrangements		(52)
CBS2 Reduce financial support to community centres		(34)
CBS3 Community centres review		(53)
CBS4 Reduce community engagement budget		(40)
CBS5 Reduce funding to Gateshead community network		(30)
CBS6 Remove funding to problem solving		(30)
CBS7 Reduction of partnership support grant		(25)
CBS8 Reduction of Safer Gateshead Grant aid. To be reduced year on year		(45)
CBS9 Review of Safer Communities Admin Support		(30)
		<hr/>
		(339)
Section 3 - Workforce Management Reductions		(315)
Section 4 - Other Savings		
CBS8 Reduction of Safer Gateshead Grant aid. To be reduced year on year		(80)
Safer Gateshead Review		(20)
Neighbourhood Management Review		(87)
Safer Stronger Communities Management Review		(63)
		<hr/>
		(250)
TOTAL SAFER STRONGER COMMUNITIES BUDGET		<hr/>
		3,907

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2011/12

TRANSPORT STRATEGY

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Transport and Highways	<u>4,829</u>	<u>3,575</u>
Section 2 - Savings		
DE4 Reduction of 0.4 FTE for Senior Engineer (Highways Management)		(18)
DE19 Deletion of vacant school crossing patrols		(10)
DE20 Deletion of vacant school crossing patrols		(20)
DE21 Deletion of vacant civil engineering apprenticeship post		(15)
DE22 Deletion of 2 civil engineering apprenticeship posts		(15)
DE23 Deletion of Road Safety Officer		(41)
DE24 Delete Highway Maintenance Team Leader post		(48)
DE25 Delete child pedestrian training officer post		(10)
DE45 Reduction in structural maintenance to cross Tyne bridge		(4)
DE46 Reduction of revenue based traffic regulation orders		(2)
DE47 Reduction in Road Safety Education, training and publicity		(5)
DE48 Reduction in general revenue expenditure		(7)
DE58 Reduction in structural maintenance of Gateshead bridges		(16)
DE59 Reduction of highway maintenance of residential streets		(68)
DE60 Reduction in maintenance of public car parks		(17)
DE61 Reduction in verge maintenance		(152)
		<u>(448)</u>
Section 3 - Workforce Management Reductions		(100)
Section 4 - Other Savings		0
TOTAL TRANSPORT AND STRATEGY		<u>3,027</u>

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2011/12

DEVELOPMENT AND PUBLIC PROTECTION

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Development and Public Protection	<u>2,168</u>	<u>2,546</u>
Section 2 - Savings		
DE3 Reduction in working hours for a number of development management staff		(30)
DE12 Deletion of Building Control Managers - replace with Development and Building Control Manager		(40)
DE33 Increased income by charging for pre application enquiries		(10)
DE34 Reduce number of air quality monitoring stations from 5 to 2		(8)
DE35 Reduce Benzene monitoring at Dewhurst Terrace Sunnyside		(2)
DE36 Reshaping of trading standards service		(5)
DE37 Stop use of 1 fleet vehicle		(3)
DE38 Reduction in publications, and stationary		(7)
DE39 Reduction in technical equipment budget		(12)
DE41 No longer use food contractor		(14)
DE42 Reduce sampling budget		(5)
DE43 Replace enforcement officer post with an enforcement technician		(8)
DE44 Minerals monitoring income		(1)
		<u>(145)</u>
Section 3 - Workforce Management Reductions		(260)
Section 4 - Other Savings		0
TOTAL DEVELOPMENT AND PUBLIC PROTECTION BUDGET		<u>2,141</u>

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2011/12

ENVIRONMENT AND REGENERATION

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Environment and Regeneration	<u>2,000</u>	<u>2,543</u>
Section 2 - Savings		
DE1 Salary savings from 4 reducing permanent hours		(30)
DE5 Delete post of Environmental Sustainability manager and reshape management		(45)
DE6 Delete post of Senior Support Asst in Private Sector housing		(21)
DE7 Delete project co-ordinator post		(42)
DE9 Delete Environmental Health Officer (EHO) post in Selective Licensing		(42)
DE29 New income stream from Gateshead Private Landlords Association		(5)
DE30 New income stream from Selective Landlord Licensing		(10)
DE31 Reduce Vehicles used from 2 to 1		(2)
DE32 Explore possibility of sharing a depot with another service		(1)
		<u>(198)</u>
Section 3 - Workforce Management Reductions		(80)
Section 4 - Other Savings		0
TOTAL ENVIRONMENT AND REGENERATION BUDGET		<u>2,265</u>

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2011/12

PROPERTY AND DESIGN

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Property and Design	(1,991)	(1,793)
Section 2 - Savings		
DE13 Deletion of manager post		(42)
DE14 Deletion of 1 team leader following amalgamation of Property Development and VAD teams		(48)
DE16 Deletion of post in Property Inspectorate		(34)
DE17 Delete 2 posts on retirement of post holders - Further review of Architectural Design		(20)
DE27 Restructure and amalgamation of Property and Design Services		(270)
DE28 Stonehills - ancillary savings accruing from closure		(8)
DE49 Implement garage review - increase income		(10)
DE50 Additional income from advertising		(5)
DE51 Film licensing - charge TV and film companies for 'location work'		(5)
DE52 Increased income from Clerk of Works		(100)
DE53 Maintain current Architectural Design Tech cost Surplus		(150)
DE62 Renegotiate management arrangements for TWEDCO properties		(10)
DE63 Increased income from ground leases		(150)
		(852)
Section 3 - Workforce Management Reductions		(220)
Section 4 - Other Savings		0
TOTAL PROPERTY AND DESIGN BUDGET		(2,865)

DEVELOPMENT AND ENTERPRISE - ESTIMATES 2011/12

ECONOMIC DEVELOPMENT

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Economic Development	<u>2,647</u>	<u>2,806</u>
Section 2 - Savings		
DE2 Reduce Snr Ec Dev Officer to 0.6 FTE		(16)
DE10 Delete Grade B/C Support Asst		(16)
DE11 Delete Grade F Support Officer		(26)
DE18 Delete Economic Development Officer Post		(35)
DE26 Closure of Team Valley Business Centre		(40)
DE55 Reduce contribution to Renew NE		(6)
DE56 Reduce contribution to Jewish Community		(4)
DE57 Reduce the pot for grants to unemployed - back to work grants		(60)
Senior Management		<u>(84)</u>
		(287)
Section 3 - Workforce Management Reductions		(340)
Section 4 - Other Savings		0
TOTAL ECONOMIC DEVELOPMENT BUDGET		<u>2,179</u>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2011/12

WASTE SERVICES AND GROUNDS MAINTENANCE

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Waste Services and Grounds Maintenance	<u>22,308</u>	<u>22,484</u>
Section 2 - Savings		
WSGM1 Reconfiguration of bulky waste collection, clinical waste collections and reducing budgets for marketing and communication campaigns		(177)
WSGM3 Reduce street cleansing and litter picking operations during weekends		(100)
WSGM4 Reduce use of mechanical brushes between Monday to Sunday and renegotiate vehicle supply contract		(318)
WSGM6 Reduce dog patrol and extend range of charges associated with pest control and dog kennelling services		(25)
WSGM7 Remove all 'Superloo' public toilet facilities		(123)
WSGM8 Reduce weeding on open spaces, public highways, shrub and rose beds		(45)
WSGM9 Change operational arrangements for crematoria and cemeteries		(34)
WSGM10 Reshaping arboricultural services		(50)
WSGM11 Reduction in planned maintenance and scheme work in parks		(105)
WSGM12 Reduction in grass cutting, pruning of shrubs and hedges, street cleansing and planned environmental maintenance within residential and open space areas.		(936)
WSGM13 Reshaping of technical, support and management functions		<u>(75)</u>
		(1,988)
Section 3 - Workforce Management Reductions		(291)
Section 4 - Other Savings		
WSGM12 Reduction in grass cutting, pruning of shrubs and hedges, street cleansing and planned environmental maintenance within residential and open space areas.		(1,000)
TOTAL WASTE SERVICES AND GROUNDS MAINTENANCE BUDGET		<u>19,205</u>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2011/12

COMMUNITY PROTECTION

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Community Protection	907	1,071
Section 2 - Savings		
FM3 Reduce no of CCTV cameras that are available for public space surveillance and/ or the level of monitoring, or stop the service completely		(168)
FM4 Limit (or stop) coverage by Neighbourhood Wardens by reducing numbers and changing operational working patterns		(800)
		(968)
Section 3 - Workforce Management Reductions		(211)
TOTAL COMMUNITY PROTECTION BUDGET		(108)

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2011/12

FLEET

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Fleet	<u>(185)</u>	<u>(142)</u>
Section 2 - Savings		
TCC1 Work with fleet vehicle users to enable them in reducing the size of the fleet		(342)
Section 3 - Workforce Management Reductions		(112)
TOTAL FLEET BUDGET		<u>(596)</u>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2011/12

CATERING

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service Catering	62	103
Section 2 - Savings		0
Section 3 - Workforce Management Reductions		(99)
TOTAL CATERING BUDGET		4

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2011/12

BUILDING CLEANING

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Building Cleaning	<u>136</u>	<u>66</u>
Section 2 - Savings		0
Section 3 - Workforce Management Reductions		0
TOTAL BUILDING CLEANING BUDGET		<u>66</u>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2011/12

CONSTRUCTION

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Construction	(157)	0
Construction - General Fund	7,238	7,433
	7,081	7,433
Section 2 - Savings		
CON1 Remodel, and reconfigure working practices for Highways and Building Maintenance		(508)
CON2 Reduce service level of Highway Maintenance		(120)
CON3 Reduce service level of Street Lighting Maintenance		(80)
CON4 Reduce service level of building maintenance		(363)
		(1,071)
Section 3 - Workforce Management Reductions		(173)
Section 4 - Other Savings		
CON1 Remodel, and reconfigure working practices for Highways and Building Maintenance		(181)
CON2 Reduce service level of Highway Maintenance		(168)
CON3 Reduce service level of Street Lighting Maintenance		(233)
CON4 Reduce service level of building maintenance		(118)
		(700)
TOTAL CONSTRUCTION BUDGET		5,489

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2011/12

SCHOOL MEALS

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
School Meals	<u>128</u>	<u>142</u>
Section 2 - Savings		0
Section 3 - Workforce Management Reductions		(301)
TOTAL SCHOOL MEALS BUDGET		<u>(159)</u>

LOCAL ENVIRONMENTAL SERVICES - ESTIMATES 2011/12

FACILITIES MANAGEMENT

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Facilities Management	3,481	3,509
Section 2 - Savings		
FM1 Introduce more efficient working practices and review operational provision of this new service		(80)
		(80)
Section 3 - Workforce Management Reductions		(163)
TOTAL FACILITIES MANAGEMENT BUDGET		3,266

CENTRAL SERVICES - ESTIMATES 2011/12

CHIEF EXECUTIVES AND COMMUNICATIONS

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Chief Executive and Communications	<u>4,297</u>	<u>4,326</u>
Section 2 - Savings		
CS1 PACE review identified activities that can be stopped, reduced or improved		<u>(640)</u>
		(640)
TOTAL CHIEF EXECUTIVES AND COMMUNICATIONS BUDGET		<u>3,686</u>

CENTRAL SERVICES - ESTIMATES 2011/12

LEGAL, HR AND CORPORATE PROCUREMENT

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Legal, HR and Corporate Procurement	7,573	8,402
Section 2 - Savings		
CS2 Reductions in staffing and non staffing budgets following operational PACE reviews in Legal and Corporate Services & outcome of FFF Back Office project Senior Management		(501)
		(153)
		(654)
Section 3 - Workforce Management Reductions		(438)
TOTAL LEGAL, HR AND CORPORATE PROCUREMENT BUDGET		7,310

CENTRAL SERVICES - ESTIMATES 2011/12

FINANCE AND ICT

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Finance and ICT	<u>14,975</u>	<u>15,274</u>
Section 2 - Savings		
CS3 Reductions in Financial Management staffing and non staffing budgets following operational PACE review & outcome of FFF Back Office project		(250)
CS4 Reductions in Financial Services staffing and non staffing budgets following operational PACE review & outcome of FFF Back Office project		(570)
CS5 ICT spend analysis to conduct review of corporate core infrastructure spend and commitments. Following completion of ICT operational PACE review, areas of service delivery and organisational structure will be reduced, reshaped or stopped		(364)
		<u>(1,184)</u>
Section 3 - Workforce Management Reductions		(824)
TOTAL FINANCE AND ICT BUDGET		<u>13,266</u>

CENTRAL SERVICES - ESTIMATES 2011/12

OTHER SERVICES, CONTINGENCIES AND FIT FOR FUTURE

	2010/11 £000s	2011/12 £000s
Section 1 - Net Cost of Current Levels of Service		
Other Services	13,241	13,471
Contingencies	5,670	7,000
	18,911	20,471
Section 2 - Savings		
CS7 Land Registry Post		(27)
		(27)
Fit For Future		(678)
TOTAL OTHER SERVICES, CONTINGENCIES AND FIT FOR FUTURE BUDGET		19,766

Equalities Impact Assessment

Equalities Impact Assessment on Budget Proposals 2011/12

1. The framework for the Equalities Impact Assessment on the Council's spending plans for 2011/12 was agreed by Cabinet on 18 January 2011. It is based on three legislative and policy priorities of the Council:
 - The Equality Act 2010.
 - The Improvement and Development Equalities Framework for Local Government (EFLG).
 - The Council's Corporate Plan.

2. The Council's priority in framing its approach to Equality Impact has been to protect vulnerable people and therefore target resources toward vulnerable communities and neighbourhoods. It has identified the following 12 areas of focus which have framed how budget proposals were assessed to minimise the impact on equality groups. The report to Cabinet on 18 January provides further detail, however the areas identified are;
 - Reduce the gap in **life expectancy** between residents of the most deprived and most affluent wards of Gateshead
 - Address the disproportionately **low feelings of safety** amongst vulnerable groups and target hate crime and domestic violence
 - Reduce the prevalence of **pregnancy, obesity, smoking and alcohol misuse amongst children and young people** across the Borough
 - Target and **reduce the differential achievement rates** of young people with Special Educational Needs or those entitled to Free School Meals and the wider population
 - **Reduce the number of children living in poverty** in Gateshead
 - Target areas where **worklessness** is highest and explore any link between ethnicity and/or disability and employment rates
 - **Improve engagement and involvement** to increase the proportion of residents who feel they can influence decision making, targeting the wards who currently feel least able
 - Address the **perceived low levels of cohesion** reported in certain wards of the Borough
 - Target areas from which a disproportionate number of young people become involved in crime and enter the criminal justice system
 - **Improve the accessibility of all services**, e.g. health and social care services to ensure take up is representative of the wider population
 - **Review and monitor the cohort of Children in Need** and adults with safeguarding needs to ensure no groups are over or under represented
 - **Improve the qualification levels** of the Borough's residents and ensure all residents have access to opportunities to learn and achieve

3. Overall, 58 of the Council's draft budget proposals (published for consultation in November 2010) have been identified as potentially having an equalities impact. The impact of the budget proposal either includes a targeted service for vulnerable groups or is a universal service where the impact will be felt more by a vulnerable group than the wider population. Equalities Impact Needs Assessments have been undertaken on each of the identified proposals with a potential impact. These equality impact needs assessments are published online and can be accessed from the Council's website www.gateshead.gov.uk (Cabinet papers).

Equalities Impact Needs Assessment Process

4. 14 of the 58 budget proposals have been highlighted for further analysis to ensure the mitigating action is sufficient.
5. These have been categorised into (i) significant risk and (ii) cumulative risk for further consideration of mitigating actions. Broadly, these impact on areas such as:
 - Community and Voluntary sector
 - Jewish community
 - Youth services for black and ethnic minority groups
 - Targeted mental health
 - AIRS Service (Accessible Information and Reading Service)
 - Services to children with disabilities
 - Employment opportunities for adults with disabilities
 - Short breaks
 - Anti-social behaviour and confidence in some communities (Neighbourhood Wardens)

Mitigating Actions

6. There are two main ways that impact of the proposals will be mitigated:
 - Service improvement through Operational and Cross-cutting reviews.
 - Gateshead Fund – build capacity and efficiency across the Voluntary and Community Sector.

Performance Management and Monitoring Impact

7. Equality impacts will continue to be monitored to ensure mitigating actions successfully prevent differential negative impact upon equality groups. The Council's Corporate Vitality Overview and Scrutiny Committee will receive reports as part of the Vision 2030 and Corporate Plan performance management framework focussing specifically on 14 proposals highlighted in the following table and generally, the outcomes of any Council cross-cutting reviews.

Budget Proposals of SIGNIFICANT Risk

Proposal	Key Service Implications	Saving (£000)	Total Budget (£000)	Groups Impacted	Implications	Actions	Recommendations
Access and Inclusion							
1. L&C 2 - Minority Support Service	Reduction in staffing of one teacher and one specialist bilingual assistant	70	349	Race, age	Reduction in level of support available	Move towards a support, advice and guidance role, rather than direct delivery	Risks can be mitigated through a more targeted approach and by developing capacity of partners.
2. L&C 3 - Psychological Service	Reduction of staff team by 0.6 FTE educational psychologist (EP) and 1 FTE senior EP, and reduction of admin support	104	522	Disability, age, gender (boys over-represented amongst disabled young people)	Reduction in level of support available	Build capacity in mainstream provision, through training. Significant changes to delivery model required	Risks can be mitigated through a more targeted approach and by delivering training to develop the capacity of mainstream delivery.
Support to BME VCS							
3. L&C 17 - Jewish Community	Removal of grant aid to 3 projects in the Jewish Community	74	74	Jewish Community (Race/Religion /Age)	Projects will cease resulting in a significant impact on the community	This proposal is to be reconsidered- Proportionate reduction rather than complete removal	Risks cannot be mitigated entirely at this point as the Jewish community do not currently access mainstream youth work provision.

<p>4. L&C 55 - Area Based Grant to BME and Jewish Communities withdrawal</p>	<p>The 3 year funding for these contracts ends in March 2011</p>	<p>20</p>	<p>20</p>	<p>Jewish Community, BME Voluntary and Community groups (Race/Religion /Age)</p>	<p>Severely reduced capacity of groups to deliver services to vulnerable communities</p>	<p>Risks mitigated through alternative support through Community Centres team</p>	<p>Risks mitigated through alternative support and work with the Voluntary and community sector to build capacity and efficiency</p>
<p>5. CBS 44 - Renegotiate all voluntary sector contracts to realize 10% efficiencies</p>	<p>Budget efficiencies to be aligned across commissioned services in line with value for money assessments and the voluntary sector compact</p>	<p>330</p>	<p>3,300</p>	<p>All</p>	<p>Potential to reduce capacity of VCS organisation supporting vulnerable groups</p>	<p>The Community Centre development team are actively working with management committees to help them to secure funding from alternative charitable sources</p>	<p>It is recommended that the reduction in the budget remains. Work with the Voluntary and community sector to build capacity</p>

Budget Proposals with CUMULATIVE Risk

Proposal	Key Service Implications	Savings (£000)	Total Budget (£000)	Groups Impacted	Implications	Actions	Recommendations
Cessation of AIRS							
6. CBS 21 - Cessation of the Accessible Information and Reading Service	Cessation of in-house transcription service, cessation of accessible library and information service, cessation of talking newspaper	158	158	Residents with a disability	250 residents currently receive talking newspaper. 15 f.t.e. are currently employed, of these 5 are disabled	<p>Extensive work has been undertaken to identify alternative providers of relevant services in the region</p> <p>The Head of Service and HR are working with employees and considering re-deployment.</p> <p>The Council is working with charities who will provide a talking newspaper service at no or minimal cost/charge.</p> <p>The Council will continue to provide accessible</p>	It is recommended to cease the in-house service and commission the service from alternative providers.

						information to disabled people through alternative commissioning	
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Services to Children with disabilities							
7. L&C 35 - Disabled Children's Service	Reduction in service provision to children and their families	40	592	Disability	Potential for service reduction unintentionally resulting in more disabled children being admitted to care	Currently being reviewed as part of an operational PACE review.	Any reduction in funding will be built into the options for change.
8. L&C 45 - SF1 Special Educational Needs	Significantly reduced funding for SEN support to schools, no funding for SEN and early years training, impact on Targeted Training and Consultancy Review, no funding to ensure effective practice in relation to restraint, moving, and handling.	80	114	Disability	Significant impact on capacity to support schools and early years settings to continually improve SEN provision.	Delivery will be reviewed as part of a follow up review of SEN and Children With Disabilities provision	Any reduction in funding will be built into the review
9. L&C 54 - Barnardos Resource Centre	Withdrawal of contribution to the running costs of the centre	44	44	Disability	The service is targeted at disabled Children and their families, withdrawal of funding may result in closure of the centre	The service delivered by the centre is currently being reviewed	Any reduction in funding will form part of the new SLA

10. Targeted Mental Health in Schools	Pilot project comes to an end	157	157	Disability	Pilot projects in schools will end	This project is being evaluated and aspects will be built into the Healthy Schools programme	Reductions will be built into other programmes
11. Short Breaks for Disabled children	Reduction in funding	200	812	Disability		Provision is being reviewed as part of an operational review	Reductions will be addressed in the review of provision
Employment Opportunities for Disabled People							
12. CBS 39 - Directions supported employment service	Reduction of service to deliver the 'Work is an option' strategy and the modernisation of day services	230	245	Disability	Reduced support to learning disabled people to access employment opportunities	Some people may be able to be referred to other organisations to help them to obtain employment or training opportunities.	Risks can be mitigated through alternative support from other agencies

13. CBS 46 - Review of Council contribution to Palatine Beds	Reduction of support to an organisation delivering sheltered employment	100	100	Disability	Reduced support for supported employment in the region impacting on job opportunities for disabled people		Phase implementation to mitigate impact; declining demand from service users and alternatives are available
Community Safety							
14. FM 4 - Stop coverage by Neighbourhood Wardens	The service would stop. Potential impact on police/PCSOs, TGHC, Tyne & Wear Fire and Rescue Service as there will be an increased demand for their services.	1,000	1,000	All	Resident confidence, perception of safety, and reporting rates could all suffer. Particularly amongst the most vulnerable	A new approach to partnership working is being developed. A virtual team providing joined up services across the Council, Police, The Gateshead Housing Company and Tyne and Wear Fire and Rescue Service will enable a multi-agency approach and will mitigate impact	Risks can be mitigated through partnership working

Financial Risk Assessment

1. Savings

There is a risk that the proposed savings for 2011/12 will not be delivered. This is mitigated by robust budgetary control, operational reviews and the Fit For Future programme.

2. General and Earmarked Reserves

The risk that general and earmarked reserve balances may not be sufficient is mitigated by:

- The expected balance on the Council's general reserve is £10.505m as at 31 March 2011. This is 5.13% of the net revenue budget, which is above the minimum level agreed in the Medium Term Financial Strategy.
- The general reserve is supplemented by expected earmarked reserves of £26.073m as at 31 March 2011.
- The positive opportunity by the use of £2.5m from the General Reserve to ensure the sustained delivery of key services through a period of funding reductions and service transformation.

3. Budgetary Control

The risk that expenditure will exceed budget is mitigated by the existence of a robust revenue monitoring framework. Some key features of this framework are:

- Monthly monitoring information is presented to budget holders within 10 working days of the close of each accounting period.
- All projected material variances are investigated and action plans are agreed with budget holders to address any areas of projected overspending.
- Quarterly monitoring reports are presented to Cabinet, which show income, and expenditure variances for each of the Council's service areas including delivery of budget savings.

4. Internal Control

The risk that internal controls are not sufficient is mitigated by the Council's system of internal control, as set out in the Council's Constitution. Some key features include:

- A clear system of delegation incorporated within the Council's Constitution;

- Setting targets to measure financial and other performance;
- The adoption of CIPFA capital expenditure guidelines, including the requirements of the Prudential Code;
- Use as appropriate of formal project management disciplines;
- Strict adherence to the CIPFA Code of Practice for Treasury Management in Public Services;
- Compliance with established policies, procedures, laws and regulations;
- Application of the principles of the CIPFA/SOLACE Guidelines on Corporate Governance through a local Code of Governance and publication of an Annual Governance Statement;
- Risk management framework;
- Maintenance of the Verification Framework for the administration of Council Tax and Housing Benefit; and
- Participation in the National Fraud Initiative.

The system of internal control is continuously reviewed by the Council's Internal Audit service, which reports on its planning and performance to the Audit Committee on a quarterly basis.

5. Financial Planning

The risk that known major liabilities or commitments have not been taken into account is mitigated by the integration of corporate plans into the Council's Medium Term Financial Strategy.

The Medium Term Financial Strategy for 2011/12 to 2013/14 identifies financial pressures in respect of workforce management, waste management, adults social care and Looked After Children.

6. Budgetary Assumptions

Income and expenditure budgets have been compiled on the basis of a set of budgetary assumptions in relation to price and activity levels. The risk that the assumptions, which have been applied, may not be robust is mitigated by the inclusion of a corporate contingency of £7m within the 2011/12 budget.

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

- **Employees' Pay**

The government has outlined a two year public sector pay freeze. No provision for 2011/12 has been included.

- **Investment Income**

The level of investment income, which the Council's projected cash balances will yield, has been modelled on the basis of different projections of movements in interest rates, supplemented by advice from the Council's Treasury Management advisors. The 2011/12 budget for investment income has increased from the 2010/11 budget due to greater certainty of an increase to the base rate during 2011/12.

- **Social Care**

Provisions for changes in demographics are included in central contingency.

- **Workforce Management**

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

Taking account of the above, the contingency of £7m is considered adequate to mitigate the risk that some of the assumptions applied may differ from actual events during 2011/12.

7. Capital Financing

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

- Ensuring that the majority of total borrowing is taken as fixed rate loans.
- Using the Council's Treasury management advisors to assist in determining the most appropriate time to undertake new borrowing and rescheduling of existing loans.
- Monitoring of External funding of capital projects is undertaken monthly and reported to Cabinet on a quarterly basis as part of the Capital monitoring process.

8. Loss of Deposit

There is a risk that funds deposited by the Council in banks and building societies could be lost due to the collapse of the financial institution. The risk is mitigated by the controls in the Treasury Management Strategy which focuses on the security and liquidity of deposits rather than returns. The potential impact is limited by the strategy of using a diverse portfolio of highly rated banks and building societies.

APPENDIX 5

Estimated Use of Reserves to Support the Revenue Budget

	Opening Balance at 01/04/10	Estimated Movement During Year		MTFS Review of Reserves	Estimated Closing Balance at 31/03/11	Estimated Movement During Year		Estimated Closing Balance at 31/03/12	Estimated Closing Balance at 31/03/13	Estimated Closing Balance at 31/03/14
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Reserve	(17,505)	7,000			(10,505)	2,500		(8,005)	(6,005)	(6,005)
Strategic Reserves										
Pensions	(6,708)	3,915			(2,793)	2,793		0	0	0
Insurance	(3,000)				(3,000)			(3,000)	(3,000)	(3,000)
Grant Clawback	(1,713)	269			(1,444)			(1,444)	(1,444)	(1,444)
Gateshead Development Pool	(27,896)	17,315		(3,893)	(14,474)	13,460		(1,014)	(654)	(654)
Cultural Development	(751)	(484)		1,000	(235)			(235)	(235)	(235)
Bridge Maintenance	(920)				(920)			(920)	(920)	(920)
Developers' Contributions*	(2,207)				(2,207)			(2,207)	(2,207)	(2,207)
LPSA Reward Grant	(639)	639			0			0	0	0
Dedicated Schools Grant*	(580)	580			0			0	0	0
Economic Downturn	(5,730)	1,837		2,893	(1,000)	250		(750)	(750)	(750)
Total Strategic Reserves	(50,144)	24,071		0	(26,073)	16,503		(9,570)	(9,210)	(9,210)
Total Reserves	(67,649)	31,071		0	(36,578)	19,003		(17,575)	(15,215)	(15,215)

*Ring fenced

General Reserve

The general reserve exists to protect the Council against unexpected events and to finance future revenue or capital expenditure.

Strategic Reserves

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

The **Insurance Reserve** allows for possible insurance claims against the Authority not covered by external policies.

The **Grant Clawback Reserve** represents grant received, which may need to be repaid. The Council is still carrying risks in this area.

The **Gateshead Development Pool** is used to fund initiatives such as Ward Based schemes, the Local Community Fund and 1NG, as well as prudential borrowing into 2011/12. Beyond 2011/12, this reserve will be substantially reduced due to the need to fund redundancies which deliver a permanent saving.

The **Cultural Development Reserve** is used to support key sporting and cultural events.

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

The **Developers' Contributions Reserve** is ring-fenced to fund future play schemes on future residential developments in accordance with Section 106 agreements.

The **Dedicated Schools Grant Reserve** is ring-fenced for schools use and cannot be used for other priorities in the Council.

The **Economic Downturn Reserve** was established at the end of 2008/09 to mitigate against the potential impact on the Council's budget during the economic downturn and to fund short-term initiatives in the Council's Ten Point Plan.

A number of reserves were reviewed as part of the refresh of the Council's MTFS reported to Cabinet on 8 February 2011.

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2009/10 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

<i>Capital Expenditure</i>					
	2009/10 £000 Actual	2010/11 £000 Estimate	2011/12 £000 Estimate	2012/13 £000 Estimate	2013/14 £000 Estimate
Non-HRA	92,172	141,357	58,705	30,914	24,800
HRA	72,740	46,699	34,991	16,546	11,835
Total	164,912	188,056	93,696	47,460	36,635

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2009/10 are: -

<i>Ratio of Financing Costs to Net Revenue Stream</i>					
	2009/10 £000 Actual	2010/11 £000 Estimate	2011/12 £000 Estimate	2012/13 £000 Estimate	2013/14 £000 Estimate
Non-HRA	7.75%	9.80%	14.47%	15.42%	14.71%
HRA	48.76%	91.66%	63.60%	43.14%	42.66%

The estimates of financing costs include current commitments and the proposals in this budget report.

3. Estimates of the end of year Capital Financing Requirement for the Council for the current and future years and the actual Capital Financing Requirement at 31 March 2010 are: -

<i>Capital Financing Requirement</i>					
	31/03/10 £000 Actual	31/03/11 £000 Estimate	31/03/12 £000 Estimate	31/03/13 £000 Estimate	31/03/14 £000 Estimate
Non-HRA	218,336	269,502	283,131	288,146	299,080
HRA	306,381	346,322	367,454	367,454	367,454

4. The Capital Financing Requirement measures the Council's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Council does not associate borrowing with particular items or types of expenditure. The Council has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the Council's underlying need to borrow for a capital purpose.

5. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence: -

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years."

The Strategic Director, Finance and ICT reports that the Council had no difficulty meeting this requirement in 2009/10, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

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

Authorised Limit for External Debt			
	2011/12 £000	2012/13 £000	2013/14 £000
Borrowing	780,000	790,000	800,000
Other Long term Liabilities	0,000	0,000	0,000
Total	780,000	790,000	800,000

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

<i>Operational Boundary for External Debt</i>			
	2011/12 £000	2012/13 £000	2013/14 £000
Borrowing	735,000	745,000	755,000
Other Long Term Liabilities	0	0	0
Total	735,000	745,000	755,000

9. The Council's actual external debt at 31 March 2010 was £475.408m comprising £475.408m 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 2011/12 (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 2011/12 from the totality of the capital and revenue plans recommended in this budget report is £1.60.

12. Forward estimates for the incremental impact on Band D council tax levels for 2012/13 and 2013/14 are £1.60 in each year. These forward estimates are not fixed and do not commit the Council. They are based on the Council's existing commitments, current plans and the totality of the capital and revenue plans recommended in this budget report. There are no known significant variations beyond this timeframe that would result from past events and decisions or the proposals in this budget report.
13. With respect to the Housing Revenue Account (HRA), the average incremental impact on weekly rent that would result for 2011/12 from the totality of the capital and revenue plans recommended in this budget report is £0.06.
14. Forward estimates for the incremental impact on housing rents for 2012/13 and 2013/14 are £0.06 in each year. Again, these forward estimates are not fixed and do not commit the Council. They are based on the Council's existing commitments, current plans and the totality of the capital and revenue plans recommended in this budget report. There are no known significant variations beyond this timeframe that would result from past events and decisions or the proposals in this budget report.
15. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services (2009), which requires three key Treasury Management indicators.
16. The purpose of these indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However, if these indicators were set to be too restrictive, they will impair the opportunities to reduce costs.
17. It is recommended that the Council sets an upper limit on its fixed and variable interest rate exposures for 2011/12, 2012/13 and 2013/14 as follows. The figures are expressed in terms of net outstanding principal sums.

UPPER LIMIT ON FIXED AND VARIABLE INTEREST RATES EXPOSURES			
Range	2011/12 £000	2012/13 £000	2013/14 £000
Fixed Rate	581,104 254,191	555,879 211,575	601,791 215,555
Variable	75,169 -40,000	81,545 -40,000	84,543 -40,000

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

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

19. It is recommended that the Council sets an upper limit on its principal sums invested for periods longer than 364 days for 2011/12, 2012/13 and 2013/14 as follows:

<i>Upper Limit on amounts invested beyond 364 days</i>			
	2010/11 £000	2011/12 £000	2012/13 £000
Investments	30,000	30,000	30,000

GATESHEAD COUNCIL MINIMUM REVENUE PROVISION (MRP) STATEMENT 2011/12

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

Option 1: Regulatory Method

MRP is equal to the amount determined in accordance with the former regulations 28 and 29 of the 2003 Regulations, as if they had not been revoked by the 2008 Regulations. The MRP element of the RSG (Revenue Support Grant) is calculated on this basis.

Option 2: CFR Method

MRP is equal to 4% of the non-housing CFR at the end of the preceding financial year.

Option 3: Asset Life Method

Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the life of the asset.

There are two main methods by which this can be achieved, as described below:

(a) Equal instalment method

MRP is the amount given by the following formula:

$$\frac{A - B}{C}$$

Where:

A is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements;

B is the total provision made before the current financial year in respect of that expenditure;

C is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

(b) Annuity method

MRP is the principal element for the year of the annuity required to repay over the asset life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during the repayment period (e.g. by the application of capital receipts) should be made as necessary.

Under both asset life variations, authorities may in any year make additional voluntary revenue provision, in which case they may make an appropriate reduction in later years' levels of MRP.

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

If no life can reasonably be attributed to an asset, such as freehold land, the life should be taken to be a maximum of 50 years. However, in the case of freehold land on which a building or other structure is constructed, the life of the land may be treated as equal to that of the structure, where this would exceed 50 years.

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

When borrowing to provide an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may postpone beginning to make MRP until the financial year following the one in which the asset becomes operational. "Operational" here has its standard accounting definition. Investment properties should be regarded as becoming operational when they begin to generate revenues.

Option 4: Depreciation Method

MRP is to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment chargeable to the Income and Expenditure Account.

For this purpose standard depreciation accounting procedures should be followed, except in the following respects.

MRP should continue to be made annually until the cumulative amount of such provision is equal to the expenditure originally financed by borrowing or credit arrangements. Thereafter the authority may cease to make MRP.

On disposal of the asset, the charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. But this does not affect the ability to apply capital receipts or other funding sources at any time to repay all or part of the outstanding debt.

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

Proposed 2011/12 MRP Calculation Method

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

In 2011/12, it is proposed that there will be no change to the approach currently used by the Council to calculate MRP.

Gateshead Council will continue to calculate MRP on supported expenditure using the regulatory method (Option 1) and on self-financed expenditure using the asset life (equal instalment method) Option 3(a).

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

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