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All Members of the Council

My Ref: LCS-DLDS-DS-C-022
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Contact Rosalyn Patterson
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Date: Wednesday, 12 July
2017

NOTICE OF COUNCIL MEETING

You are summoned to attend a meeting of Gateshead Metropolitan Borough Council to be held in the Council Chamber - Civic Centre, at **2.30 pm** on **Thursday, 20 July 2017** to transact the following business:-

1 To confirm the Minutes of the meeting held 16 June 2017 (Pages 5 - 8)

2 Official Announcements

(announcements may be made by the Mayor, Leader of the Council or the Chief Executive)

3 Petitions

(to receive petitions submitted under Council Procedure Rule 10)

4 Questions from Members of the Public

(to consider any questions submitted under Council Procedure Rule 7)

RECOMMENDATIONS FROM CABINET

5 Changes to the Cabinet (Verbal Update)

- 6 Substance Misuse Strategy 2017-2022 (Pages 9 - 54)**
- 7 Revenue Budget - Outturn Position 2016/17 (Pages 55 - 68)**
- 8 Capital Programme and Prudential Indicators 2016/17 – Year End Outturn (Pages 69 - 88)**
- 9 Treasury Annual Report 2016/17 (Pages 89 - 104)**
- 10 Implementation of Procurement Protocols (Pages 105 - 132)**
- 11 Review of Approach to Trading and Commercialisation (Pages 133 - 142)**
- 12 Review of Electoral Arrangements (Pages 143 - 168)**
- 13 Medium Term Financial Strategy 2018/19 - 2022/23 (Pages 169 - 230)**
- 14 Capital Programme and Prudential Indicators 2017/18 - First Quarter Review (Pages 231 - 248)**
- 15 Revenue Budget - First Quarter Review 2017/18 (Pages 249 - 260)**
- 16 Review of the Council's Overview and Scrutiny Arrangements (Pages 261 - 268)**

Report of the Strategic Director, Corporate Services and Governance

17 Review of the Council's Constitution (Pages 269 - 306)

Report of the Strategic Director, Corporate Services and Governance

18 Review of Pay Protection (Pages 307 - 316)

Report of the Strategic Director, Corporate Services and Governance

19 Consultation Response to Gateshead's Special Educational Needs and Disabilities (SEND) Strategy (Pages 317 - 350)

Report of the Service Director, Early Help, Care, Wellbeing and Learning

20 Report from the Cabinet (Pages 351 - 356)

MOTIONS AND QUESTIONS

21 Notice of Motion

(to consider any notices of motion submitted in accordance with Council Procedure Rule 9.1)

21a Notice of Motion - Ethical Care Charter (Pages 357 - 358)

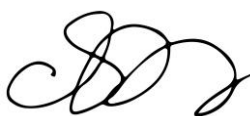
21b Notice of Motion - NJC Pay (Pages 359 - 360)

21c Notice of Motion - Cooperatives and Mutuals (Pages 361 - 362)

21d Notice of Motion - Northumbria Police (Pages 363 - 364)

22 Questions

(to deal with any questions submitted in accordance with Council Procedure Rule 8.1)



Sheena Ramsey
Chief Executive

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GATESHEAD METROPOLITAN BOROUGH COUNCIL

COUNCIL MEETING

Friday, 16 June 2017

PRESENT: THE MAYOR COUNCILLOR P DILLON (CHAIR)

Councillors: J Green, J Adams, R Beadle, D Bradford, M Brain, M Charlton, B Clelland, P Craig, D Davidson, W Dick, S Dickie, K Dodds, C Donovan, A Douglas, D Duggan, John Eagle, K Ferdinand, M Foy, P Foy, M Gannon, A Geddes, B Goldsworthy, M Goldsworthy, T Graham, L Green, S Green, G Haley, S Hawkins, H Haran, J Kielty, L Kirton, J Lee, P Maughan, K McCartney, J McClurey, J McElroy, C McHatton, C McHugh, P McNally, M McNestry, P Mole, R Mullen, B Oliphant, C Ord, M Ord, I Patterson, S Ronchetti, C Simcox, L Twist, J Wallace, N Weatherley and A Wheeler

APOLOGIES: Councillors: C Bradley, L Caffrey, S Craig, J Graham, M Graham, M Hall, M Henry, M Hood, E McMaster, J Simpson and J Turnbull

A minutes silence was observed to remember the victims of the Grenfell Tower fire.

CL8 TO CONFIRM THE MINUTES OF THE MEETINGS HELD 27 APRIL AND 12 MAY 2017

COUNCIL RESOLVED - That the minutes of the meetings held on 27 April and 12 May 2017 be approved.

CL9 OFFICIAL ANNOUNCEMENTS

(A) Institute of Civil Engineers (ICE) Award

The Mayor announced that the Council had been successful as part of the Institute of Civil Engineers North East 125 year celebrations and was awarded a special 125 Robert Stephenson Award for the Gateshead Millennium Bridge. The Bridge was voted as the best civil engineering project of the last 125 years in the North East by ICE members.

In recognition of this achievement the Mayor presented representatives from Communities and Environment with the award.

CL10 PETITIONS

There were no petitions submitted.

CL11 QUESTIONS FROM MEMBERS OF THE PUBLIC

There were no questions submitted by members of the public

CL12 PROVISIONAL OSC WORK PROGRAMMES 2017/18

Consideration was given to a report seeking approval of its Overview and Scrutiny Committees provisional work programmes for 2017/18.

COUNCIL RESOLVED - That the provisional work programmes for the Overview and Scrutiny Committees for 2017/18 be approved.

CL13 SEND POST 16 HOME TO SCHOOL/COLLEGE TRAVEL CONTRIBUTION AND REVIEW OF TRAVEL CARE POLICIES

Council received a report on the urgent action taken by the Strategic Director, Corporate Services and Governance, in approving the SEND Post 16 Home to School/College Travel Contribution and Review of Travel Care Policies.

COUNCIL RESOLVED - That the urgent action taken by the Strategic Director, Corporate Services and Governance, be endorsed.

CL14 CALENDAR OF MEETINGS 2017/18

Consideration was given to a report seeking approval of a revised calendar of meetings for 2017/18.

COUNCIL RESOLVED - That the revised calendar of meetings 2017/18 be approved.

CL15 REPORT FROM THE CABINET

The Leader of the Council reported on a number of key issues currently affecting the Council.

COUNCIL RESOLVED - That the information be noted.

CL16 NOTICE OF MOTION - ARMED FORCES COMMUNITY AND 2021 CENSUS

Councillor S Green moved the following motion:

"This Council notes:

1. That Gateshead Council has played a leading role in highlighting the needs of the Armed Forces community and ensuring these are met, resulting in local and national recognition for the Council.
2. The obligations we owe the Armed Forces community within Gateshead as enshrined in the Armed Forces Covenant; that the Armed Forces community should not face disadvantage in the provision of services and that special consideration is appropriate in some cases, especially for those who have given the most.
3. The absence of definitive and comprehensive statistics on the size or demographics of the Armed Forces community within Gateshead. This includes serving Regular and Reserve personnel, veterans, and their families.
4. That the availability of such data would greatly assist the Council, local partner agencies, the voluntary sector, and national Government in the planning and provision of services to address the unique needs of the Armed Forces community within Gateshead.

In light of the above, this Council moves to support and promote The Royal British Legion's call to include a new topic in the 2021 census that concerns military service and membership of the Armed Forces community. We further call upon the UK Parliament, which will approve the final census questionnaire through legislation in 2019, to ensure that the 2021 census includes questions concerning our Armed Forces community."

On the motion being put it was declared to be carried.

CL17 NOTICE OF MOTION - ANTI -SEMITISM DEFINITION

Councillor N Weatherley moved the following motion:

"This Council notes:

This Council expresses alarm at the rise in anti-Semitism in recent years across the UK. This is one of the oldest, most persistent and insidious forms of racism and includes incidents when criticism of Israel has been expressed using anti-Semitic imagery. Criticism of Israel, like any other state or country can be legitimate, but not if it employs the language and imagery of anti-Semitism.

Council welcomes the announcement by the UK Government last December and other councils since, that they will sign up to the internationally recognised International Holocaust Remembrance Alliance (IHRA) definition of anti-Semitism which is supported by the major representative bodies of the Jewish Community including the Board of Deputies of British Jews, the Jewish Leadership Council and the European Jewish Congress. This defines anti-Semitism as follows:

“Anti-Semitism is a certain perception of Jews, which may be expressed as hatred toward Jews. Rhetorical and physical manifestations of anti-Semitism are directed toward Jewish or non-Jewish individuals and/or their property, toward Jewish community institutions and religious facilities.”

Council hereby adopts the above definition of anti-Semitism as set out by the International Holocaust Remembrance Alliance and pledges to combat this pernicious form of racism.”

On the motion being put it was declared to be carried.

CL18 QUESTIONS

The following question was received from Councillor D Duggan:

“Staff led mutuals for the provision public services offer many potential benefits, including democratising the workplace, and have been embraced by other councils. What plans does this council have to encourage mutual and advance the mutualisation agenda?”

Councillor M Gannon responded.

Mayor.....



COUNCIL MEETING

20 July 2017

SUBSTANCE MISUSE STRATEGY 2017-2022

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to seek approval of the Substance Misuse Strategy and action plans for 2017-2022.
2. The Substance Misuse Strategy has been developed following a consultation process and partnership engagement. The strategy has two chapters; Alcohol and Drugs, to outline the specific work relating to each area.
3. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

4. It is recommended that Council approves the Substance Misuse Strategy 2017-2022.

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TITLE OF REPORT: **Substance Misuse Strategy 2017-2022**

REPORT OF: **Paul Dowling, Strategic Director Communities and Environment**
 Alice Wiseman, Director of Public Health

Purpose of the Report

1. The purpose of this report is to seek endorsement of the Substance Misuse Strategy and action plans 2017-2022.

Background

2. The Substance Misuse Strategy (attached at appendix 2) has been finalised following a thorough consultation process and extensive partnership engagement. The strategy has joined the two issues of drug misuse and alcohol misuse due to the many similarities in the actions required to address this agenda.
3. Although an integrated strategy has been developed, it is acknowledged that some distinctively different approaches are also required to address drug and alcohol harm. Alcohol requires a population approach to address availability, acceptability and safer use. Substance misuse relates to a more specific client group and has a greater crime and disorder focus. This strategy has two chapters; Alcohol and Drugs, to outline the specific work relating to each area.

Proposal

4. Cabinet is asked to endorse the Substance Misuse Strategy as set out in Appendix 2.

Recommendations

5. Cabinet is asked to recommend the Council to endorse the Substance Misuse Strategy 2017-2022 for the following reasons:

To reduce the harms caused by substance misuse and make Gateshead a safer and healthier place, where less alcohol and fewer substances are consumed, and where:

- professionals are confident and well-equipped to challenge behaviour and support change

- recovery is visible bringing about enduring change to local communities
- substances are no longer a driver of crime and disorder
- the health inequalities between socio-economic groups are reduced
- we all work in partnership to identify gaps and work to resolve these
- an integrated and comprehensive approach to tackling harm is employed
- possibilities of pooled budgets and joint commissioning a re-explored.

CONTACT: Peter Wright

extension 3901

Policy Context

1. The proposals support Vision 2030 and the Council's Corporate Plan particularly Live Well Gateshead – A healthy, inclusive and nurturing place for all.

Background

2. The Crime and Disorder Act 1998 places a statutory duty on Community Safety Partnerships to address substance misuse issues. The Substance Misuse Strategy has been produced following a thorough consultation and engagement process with key partners and stakeholders.
3. The joint approach is highlighted by the following shared objectives:

REDUCE DEMAND / PREVENTION ACROSS THE LIFE COURSE

Aim: To ensure that a coordinated 'whole family' approach is taken for initiatives working with children, young people, working age, older people, individuals, families and communities, protecting those most affected by substance misuse.

Aim: To create an environment where people who have never taken drugs continue to resist any pressures to do so and fewer people are using drugs at levels or patterns that are damaging to themselves or others.

REDUCE SUPPLY / PROTECTION AND RESPONSIBILITY

Aim: To ensure all sections of the trade promote responsible retailing to support a reduction in substance misuse-related harm. To mitigate the role of substance misuse in fuelling crime, anti-social behaviour, violence and domestic abuse.

Aim: To ensure a joined up approach to disrupt the drugs trade by targeting activity along the entire supply chain, from organised crime groups that import drugs from source to the dealers that sell drugs in our communities.

BUILD RECOVERY / HEALTH AND WELLBEING SERVICES

Aim: To ensure an evidence based 'health and wellbeing' focused prevention, treatment and recovery approach is employed to address the needs of service users and their families experiencing alcohol related issues.

Aim: To support people who wish to tackle their dependency on drugs and/or alcohol and achieve lives free from substance dependence.

4. The need for high level, strategic action was also identified which has been incorporated within the final strategy document. Multi-agency action plans sit underneath the Substance Misuse Strategy and provide a detailed breakdown of how partners will take forward key actions to deliver the objectives of the strategy.
5. The Substance Misuse Strategy Group will prepare quarterly reports to track progress against the outcomes and indicators set out in this strategy, with remedial action being taken by partners in areas where there is under-performance or blockages. The Substance Misuse Strategy Group is directly accountable to the Community Safety Board.

Consultation

6. Members of the following groups have been consulted:
 - Community Safety Board
 - Health and Wellbeing Board
 - Substance Misuse Strategy Group
 - Cabinet Members for Adult Social Care/Health and Wellbeing and Communities and Volunteering.
7. Key changes/additions made since the first draft strategy was presented to the above groups include:
 - The new Chief Medical Officers guidelines low-risk drinking guidelines and the need to raise public awareness of these revised levels.
 - Increased recognition of the Carers' role and needs in supporting those who misuse substances
 - Further detail of the contribution of the Making Every Contact Count programme
 - A commitment to explore the possibility of pooled budgets and joint commissioning of services.
 - The actions arising from the joint Health and Wellbeing and Community Safety Board meeting.
8. The Substance Misuse Strategy has been developed following the review of the most recent evidence base and data available from a range of sources and partner organisations including:
 - Public Health England
 - National Institute of Health and Care Excellence
 - National Drug Treatment Monitoring System (NDTMS)
 - Community Safety Strategic Assessment

Alternative Options

9. There are no alternative options available to the Council.

Implications of Recommended Options

10. Resources

- a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that there are no financial implications arising directly from this report.
 - b) **Human Resources Implications** – There are no human resource implications arising directly from this report.
 - c) **Property Implications** – There are no property implications.
11. **Risk Management Implications** – There are no risk management implications arising directly from this report.
 12. **Equality and Diversity Implications** – The Equality Impact Assessment found that the Strategy should not have a disproportionate negative impact on any of the protected characteristics. The purpose of the strategy is to improve health and wellbeing, reduce health inequalities and reduce the levels of crime and disorder in Gateshead. The actions identified, therefore are to have no impact or a positive impact on these groups.
 13. **Crime and Disorder Implications** – The Strategy will seek to address some of the crime and disorder issues linked to substance misuse
 14. **Health Implications** – The purpose of the strategy is to improve the health and wellbeing and reduce health inequalities. The strategy and resulting action plans aim is to have a positive impact on health; measuring impact is a key aim of this work.
 15. **Sustainability Implications** – There are no sustainability implications arising directly from this report.
 16. **Human Rights Implications** – There are no human rights implications arising directly from this report.
 17. **Area and Ward Implications** – This strategy will be implemented equally across all wards here are, therefore, no area and ward implications human resource implications arising directly from this report.

Background Information

18. The following reports and documents were used as background information in the preparation of this report:
 - Local Alcohol Profiles for England (PHE)

- NICE Guidelines
- NDTMS reports
- Hospital admissions qualitative and quantitative data
- Government reports on Drug Related Deaths
- EIA
- Community Safety Strategic Assessment
- National Drug Strategy

Preventing Harm Improving Outcomes

Gateshead's Substance Misuse Strategy 2017-22



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Foreword

Gateshead's Substance Misuse Strategy, Preventing Harm, Improving Outcomes, comes at an economically challenging time for all stakeholders. This strategy places its focus on the added value we can bring by working together to deliver on key priority areas.

National policy implementation and overarching strategic objectives are needed to address several determinants of substance misuse related harm, such as supply, availability, pricing, education, and employment. However, there is much that can be done locally to improve the health, safety and wellbeing of our population.

This strategy aims to galvanise partners to collectively reduce the harms of substance misuse. To do this we need a range of measures, which together provide a template for an integrated and comprehensive approach to tackling the harm associated with both drugs and alcohol, addressing short term and long term outcomes.

This strategy will build on and extend current work and outline ambitious strategic aims. The most important aspect of this strategy is to have dynamic and responsive action that reflect our local need and assets. Such an approach, which is built upon existing partnerships and local engagement, will enable local plans to evolve as new data, research and intelligence emerge.

We would like to acknowledge all those whose efforts have been successful in introducing effective programmes of work and policy implementation. We intend that this strategy will go above and beyond the excellent work that we have already progressed across Gateshead. Our focus is to reinforce the strong partnerships and collaborative working that we have here in Gateshead empowering our local population to make decisions and to take control of their own lives, therefore impacting on long term prevention.

Vision

Our vision is to reduce the harms caused by substance misuse and make Gateshead a safer and healthier place, where less alcohol and fewer substances are consumed, and where:

- professionals are confident and well-equipped to challenge behaviour and support change
- recovery is visible bringing about enduring change to local communities
- substances are no longer a driver of crime and disorder
- reduction in the health inequalities between socio-economic groups are reduced
- we all work in partnership to identify gaps and work to resolve these
- an integrated and comprehensive approach to tackling harm is employed
- possibilities of pooled budgets and joint commissioning are re-explored



Councillor John McElroy
Chair of Community Safety Board



Councillor Lynne Caffrey
Chair of Health and Wellbeing Board

Governance

Alcohol and drug misuse remain a cross-cutting theme that requires an on-going, joined-up partnership response. The delivery of the Substance Misuse Strategy is the responsibility of the Substance Misuse Strategy Group and will be supported, from an operational perspective, by the Substance Misuse Sub Group.

The Strategy Group is accountable to the Community Safety Board, but will also work closely with the other statutory partnerships within Gateshead.

A multi-agency Implementation Plan will sit underneath the Substance Misuse Strategy and provide a detailed breakdown of the actions that partners will undertake to deliver the strategy.

The Strategy Group will be required to present quarterly reports to the Community Safety Board in order to track progress against the outcomes and indicators set out in this strategy, with remedial action being taken by partners in areas where there is under-performance or blockages.

ALCOHOL

Introduction

The consumption of alcohol is an established part of life in the UK today. Perhaps contrary to common belief, nationally alcohol sales per head have actually declined since 2004. However, it still leaves them at roughly twice the level of the 1950s; the UK now having one of the highest levels of alcohol consumption in Europe.

It has been suggested that even if everybody stopped drinking above recommended levels tomorrow, demands on hospitals would remain relatively high for a further decade.

The harms caused by drinking are as complex as our relationship with alcohol. Alcohol may cause or exacerbate problems, its harms may be acute or chronic and issues may arise from individuals' binge drinking or addiction.

While many chronic health harms caused by drinking alcohol increase with the level of consumption and often over a period of many years, other harms – such as accidents, crime and the loss of productivity – are associated with other patterns of consumption including binge drinking.

The evidence base is growing:

- **For individuals**, regular drinking increases the risks of a future burdened by illnesses including cancer, liver cirrhosis and heart disease, and a taste for alcohol can turn all too easily into dependence.
- **For families**, alcohol misuse and dependence can lead to relationship breakdown, domestic violence and impoverishment.
- **For communities**, alcohol misuse can fuel crime and disorder and transform town centres into no-go areas.
- **For society** as a whole, the costs of alcohol consumption include both the direct costs to public services and the substantial impact of alcohol-related absenteeism on productivity and earnings. Indeed, it can be a barrier to achieving the outcomes we wish for our local community.

Figure1: Passive Drinking - the harm arising from alcohol

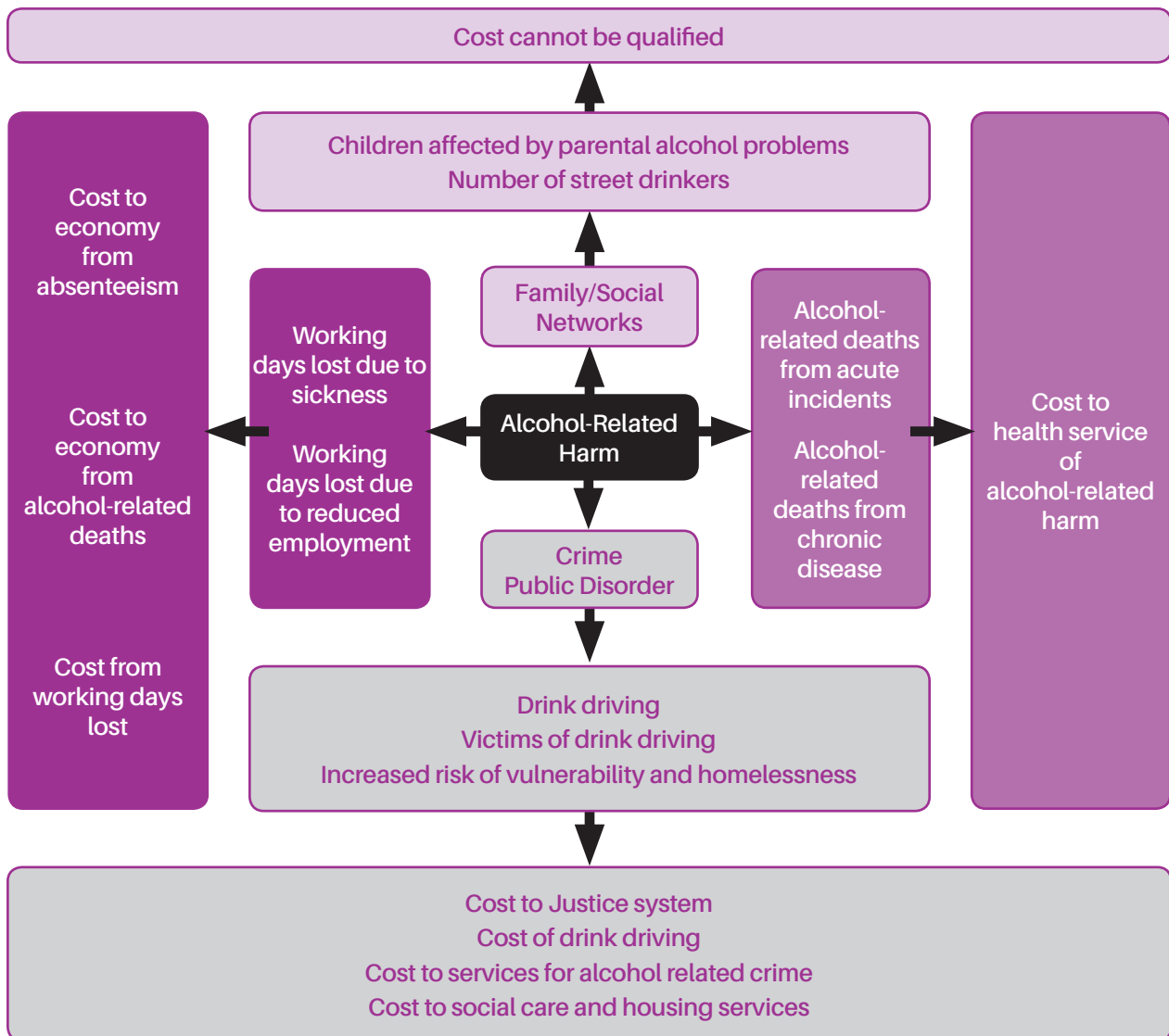
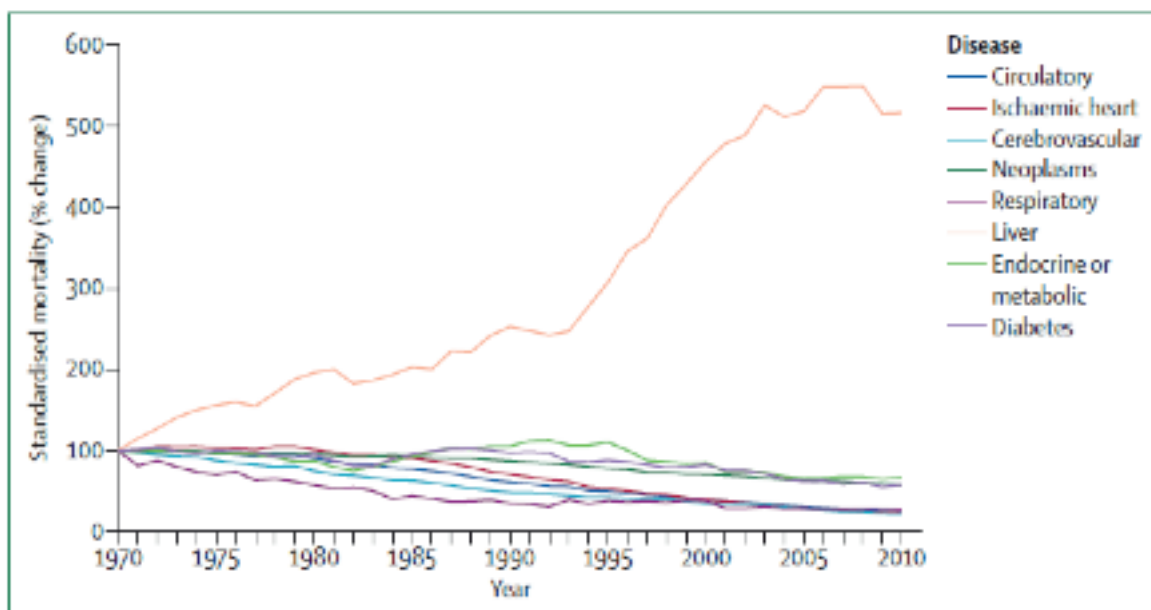


Figure 2: Rising trend in liver disease mortality (Lancet 2015)



Lancet Commission - Liver Disease, The Lancet, Vol. 384, No. 9958, p1953-1997

National context

Policy and evidence

The recent Chief Medical Officers' guidelines (2016) for both men and women are as follows:

- **14 units per week**, to keep health risks from drinking alcohol to a low level it is safest for men and women not to drink more than 14 units a week on a regular basis.
- **Alcohol free days**, it is best to spread this evenly over three days or more and have several alcohol-free days each week. One or two heavy drinking sessions increases the risks of death from long term illnesses and from accidents and injuries.
- **No alcohol during pregnancy**

The National Institute for Health and Care Excellence (NICE) has produced five key evidence guidelines that relate to alcohol:

- Alcohol Use Disorders: Preventing harmful drinking (PH Guidance 24, 2010)
- Alcohol Dependence and harmful alcohol use (G 115, 2011)
- Alcohol use disorders: diagnosis and clinical management of alcohol-related physical complications (CG 100, 2010)
- School-based interventions on alcohol (PH Guidance 7, 2007)
- Behaviour change: individual approaches (PH Guidance 49, 2014)

NICE describe two approaches to reducing alcohol related harm:

1. Population-level approaches are important because they can help reduce the aggregate level of alcohol consumed. They can help those who are not in regular contact with the relevant services; and those who have been specifically advised to reduce their alcohol intake, by creating an environment that supports lower-risk drinking.

2. Individual-level interventions can help make people aware of the potential risks they are taking (or harm they are doing) at an early stage.

NICE evidence based activity focuses on:

- Prevention and education - availability, licensing and education
- Early identification and harm minimisation - whole system approach, community, primary and secondary care especially targeting vulnerable groups
- Treatment and rehabilitation - provision, promotion and referral pathways

The evidence shows that individuals drinking at increasing and higher risk level (but not dependent) benefit from brief intervention, while those drinking at dependent levels are best supported by specialist alcohol services.

The strategy resulting action plans will also incorporate recommendations from the following newly published papers:

- The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies (PHE 2017)
- An independent review into the impact on employment outcomes of drug or alcohol addiction, and obesity (Dame Carol Black 2016)

Local context

Current position

Current methods for estimating levels of alcohol consumption rely on self-reported surveys. Recent research suggests these underestimate the amount we drink, and therefore underestimates the size of the population at risk of alcohol-related harms, which often cannot be further segmented by different population groups, such as ethnicity.

We know that nationally:

- 83% of those who regularly drink above the guidelines do not think their drinking is putting their long term health at risk.
- Only 18% of people who drink above the lower-risk guidelines say they actually wish to change their behaviour.
- External and environmental factors can hugely influence both positively and negatively, the amounts that individuals or groups of the population drink and the ways they drink.

Health related harms in Gateshead are worse than the England and regional average, though there are some positive trends developing including a decline in young people's drinking and resulting hospital admissions.

Under 18s

For young people the rate of admissions has decreased by 54% to 58.8 per 100,000 since 2006/07. However, the rate of admissions is still significantly higher than the England value 36.6 per 100,000.

Alcohol consumption by under 18's continues to fall, however, evidence suggests that though fewer young people are drinking, those who do drink, drink at excessive and harmful levels.

Alcohol related hospital admissions (persons)

Gateshead currently has the 3rd highest rate of alcohol related admissions (2015/16 persons, narrow definition) to hospital in England

Gateshead has the highest rate for alcohol related hospital admissions for males in the North East (2015/16) The rate of admissions to hospital for alcohol related conditions has increased by 23.63% Since 2008/09 For women the rate of admissions to hospital for alcohol related conditions has increased by 34.33% Since 2008/09.

For older people (65 and over), the number of alcohol related hospital admissions has more than doubled in the recent years - 197,000 to 461,000 between 2002-2010. (NHS Information Centre, 2011).

Emerging trends

A number of clear national trends have emerged in recent years, which require a response from local agencies and are addressed in this strategy:

- An increase in the number of women and mid- and older age people drinking to excess
- A rise in consumption of alcohol within the home
- An increase in the mortality rate from liver disease

Cross cutting priority groups

Health inequalities

“There is a social gradient in the harms from alcohol consumption but not in alcohol consumption itself.”

Evidence suggests that while drinking is most common among many of our more affluent communities, those who drink at the greatest levels (and suffer the greatest health harms) live in some of the borough’s most deprived neighbourhoods.

Alcohol and its impact on Children and Young People

“The drinking behaviours of our children are some of the worst in Europe, the health consequences are alarming and this is a situation that must change.”

National guidance recommends that no alcohol at all should be consumed before the age of 15. Drinking at age 15-17 should be confined to no more than one day a week and strictly supervised, as binge drinking at this age may lead to violent behaviour, risky sexual activity, low educational attainment and a drift into crime and drugs.

40% of 13 year olds and 58% of 15 year olds who have drunk alcohol have had a negative experience including taking drugs/having unprotected sex.

It is imperative that we continue to support children and young people to reduce their levels of alcohol consumption, delay the age at which they may choose to start drinking alcohol and support venues to be alcohol free for those young people who choose not to consume alcohol and, provide a family approach to understanding the risks from alcohol consumption.

The issue of parental responsibility also needs to be addressed, with evidence suggesting that most young people do not buy alcohol illegally; they get it from their parents and/or older siblings, often within the home and sometimes without their parents realising.

Further, there is a considerable body of evidence which indicates that parental alcohol issues can lead to risky attitudes among young people and, in turn, risky behaviours can lead to problematic consumption in later adult life.

Children and young people’s perceptions of their parents’ attitudes to their drinking is strongly related to whether or not they have drunk alcohol; if their parents would disapprove, they were less likely to consume alcohol.

Alcohol and families

Alcohol is a teratogen (an agent which causes malformation of an embryo) that freely crosses the placenta. Drinking during pregnancy can cause premature birth, low birth weight, damage to the central nervous system, physical abnormalities and the difficult to diagnose condition Foetal Alcohol Spectrum Disorder (FASD). In turn, this condition may not be identified in future diagnosis including Attention Deficit Hyperactivity Disorder (ADHD) and dyspraxia.

Nationally, it is estimated that only 7% of babies with FASD are diagnosed at birth, the average age of diagnosis being 3.3 years. Earlier diagnosis would help prevent this condition in future siblings. Diagnosis is improving and Gateshead has been a regional leader in this area, but there is much to be done to address the knowledge and skills regarding this disorder and the health and social care system and the stigma associated with this neuro developmental disorder.

Children of parents who drink excessive amounts, i.e. above the recommended limit, may suffer a lack of supportive and consistent parenting, and even be thrust into the role of carer themselves, often without anyone knowing, the so-called 'silent carers', for parents and younger siblings.

Growing up amid the conflict and disharmony associated with alcohol misuse can result in children and young people having increased:

- Anti-social behaviour such as aggression, hyperactivity
- Emotional problems such as bed-wetting, depression
- Problems at school such as learning difficulties, truancy

Alcohol and older people

"Between 2001 and 2031, there is projected to be a 50% increase in the number of older people in the UK. The percentage of men and women drinking more than the weekly recommended limits has also risen, by 60% in men and 100% in women between 1990 and 2006" (NHS Information Centre, 2009a).

Given the likely impact of these two factors on health and social care services, there is now a pressing need to address substance misuse in older people and to understand the picture locally.

As we get older, the negative impact of alcohol on our physical and mental health increases. Ageing slows down the body's ability to break down alcohol and so alcohol remains in the system for longer. This in turn results in the older person reacting more slowly and they tend to lose balance more easily and lead to an increased risk of falls and other accidents, leading to long term injury and can be a cause for residential care.

It may also cause serious complications with any medication(s) the individuals may be taking. Data on numbers of falls and their association with alcohol is limited and further research is needed regarding this.

About a third of older people with alcohol problems develop them for the first time in later life. Bereavement, physical ill-health, becoming a carer, loneliness, difficulty in getting around, unhappiness and depression can all lead to increased alcohol consumption. Social isolation can result from a loss of contact with family members, loss of partners, loss of mobility, less contact with friends and less involvement with, and action in, the community.

The Community Mental Health Survey (2011) found that older adults are one group that is least likely to be asked about their alcohol use, especially older women. Increased alcohol intake is often hidden in the older population and not always identified because:

- Older people do not talk about it, possibly because of the perception of shame, stigma or embarrassment
- Alcohol problem can be mistaken for physical or mental health problem
- Assumed not to be a problem for this population group
- Older people have a poor awareness of lower risk drinking limits

Alcohol across the life course

The life-course approach must be adopted to stop the negative impact of alcohol on children and link with other strategies and developments in addition to alcohol alone.

Due to the complexity of this issue it is important that interventions take a multi-agency and whole-family approach. The relationships between universal and specialist services, adult/child and family services, and drug/alcohol treatment services is crucial as well as the relationship with other activity areas, including health and wellbeing, crime and disorder, housing, planning and licensing.

Early intervention and prevention

There are real opportunities, often under-exploited, for health services to identify those at risk and provide advice and support to those who need it, whether via regular contact with NHS staff, or in particular settings such as A&E and Gastroenterology departments, through well evidenced brief interventions. Identification and Brief Advice (IBA) is a simple, evidence based intervention aimed at individuals who are at risk through drinking above the guidelines, but not typically seeking help for an alcohol problem.

Have a word and making every contact count

Making every contact count, is a train the trainer approach which enables health improving conversations to be delivered at scale, as part of existing job roles across many organisations, facilitating the reach of very brief alcohol interventions. Have a Word is one tool that can be used to support workforce development enabling intervention in a teachable moment.

NHS health checks

Since April 2013, the Department of Health has included alcohol identification and any subsequent brief advice needed within the NHS Health Checks for any adults aged 35-75 years.

A&E departments

A&E departments can be a particular flashpoint for those who have drunk to excess, causing fear and distress to others awaiting and administering treatment. The NHS does not tolerate any violence or disorder in hospitals to its staff and to those waiting for medical attention, which is often fuelled by alcohol consumption. Locally, there is an agreed referral pathway with the commissioned service's outreach worker who works out of the Acute Trust (A and E and Gastroenterology) three times a week.

Alcohol-related assault data

Cardiff Model data is an excellent opportunity to understand the local picture more, and to identify hotspots for violence and excessive alcohol consumption, whether it is a personal home address or, a licensed premise. Work is underway to improve the collection and sharing of this data.

Recovery Orientated Treatment Service

The continued development and promotion of a Recovery Orientated Treatment Service is a positive approach within Gateshead. This puts the person who requests help at the centre, surrounding them with options and choices so that they can design their own support and recovery journey.

People who have experienced alcohol problems and service users themselves have made it clear that recovery is best supported by peers and allies who are trained, competent, and supervised: mutual support and mutual aid groups including the sharing of experiential knowledge and skills, as well as social learning, play an invaluable role in recovery. Those in recovery are 'assets' who contribute to community developments.

Dual diagnosis

Gateshead is currently developing a strategy and action plan in response to the NICE Guidance 58 co existing severe mental illness and substance abuse; community health and social care services, this guidance proposes ways to address the need of co-existing mental health and substance misuse.

Carers

Gateshead has a strong history of understanding and seeking to support the carers of those with an addiction to substances, by commissioning services reflecting this priority. Carers are defined as *'a person who provides, or intends to provide, care for another adult'*.

Like someone with a drug or alcohol problem, those affected also find themselves on a journey which may require different types of support at each stage. Typically, carers first access services at a time of crisis or after stress and strain has been building for some time. Allowing them time to simply talk, express their feelings and be heard in a supportive, non-judgemental environment is important.

Specific information, programmes or interventions, signposting and referring to additional support services (eg debt advice, counselling and support groups) may be offered alongside but it is important to recognise that individuals experiencing high levels of stress may struggle to engage immediately. Feeling heard, learning they are 'not the only one', receiving basic information and perhaps meeting others in similar circumstances all help to provide a level of support and reduce stress so that family members can benefit from other programmes or types of support.

Protected characteristics

It is well recognised that there is often a lack of information available concerning specific groups, e.g. older people, the Jewish Community, those suffering from mental ill health; unfortunately this is sometimes most pronounced in the protected groups, although not exclusive.

Through the development and refinement of the local action plans, we aim to gain intelligence around such barriers and challenges, identifying gaps and opportunities. We must build upon local intelligence and contribute to the refresh of the Joint Strategic Needs Assessment when relevant.

Crime and Disorder

Alcohol misuse places a profound burden on the social fabric of the UK. In addition to the extensive healthcare costs, lost productivity and premature deaths, there are a range of crime and disorder problems associated with excessive consumption of alcohol. This includes alcohol-specific crime, such as being drunk and disorderly in public, criminal damage and, drink-driving.

Many other offences can take place under the influence of alcohol, such as alcohol related violence, anti-social behaviour, domestic violence, property damage and arson. It is well evidenced that alcohol consumption is a risk factor for many types of violence, including child abuse, youth violence, intimate partner violence and elder abuse.

Individuals who start drinking at an earlier age, who drink frequently and who drink in greater quantities, are at increased risk of involvement in violence as both victims and perpetrators (World Health Organization, 2012).

In its report "Alcohol misuse: tackling the UK epidemic" the British Medical Association outlined the extent and impact of alcohol-related crimes and behaviours in the UK:

- Among victims of violent crimes in England and Wales 44% perceived the offender as under the influence of alcohol at the time of the crime.
- Alcohol consumption is strongly associated with anti-social behaviour such as nuisance and rowdy behaviour, noise disturbance, littering, and harassment.
- Nearly half of domestic violence offenders were under the influence of alcohol at the time of their offence, and alcohol-fuelled domestic violence is more likely to result in victim injury and the need for medical care.

Domestic abuse is a priority for the borough; the number of reported incidents of domestic violence has increased to 4,476. A total of 1,558 crimes were generated from these incidents. 677 crimes involved alcohol (43% of domestic abuse crimes).

Nationally, domestic abuse was linked to almost 70% of all child protection cases and victims of domestic abuse are 15 times more likely to abuse alcohol.

Licensing

Nationally, in April 2012, Health was added to the list of 'responsible authorities' invited to comment upon licensing applications. Public Health departments have retained this responsibility since transferring to local government control in April 2013. Listed below are recommendations for licensing, devised by Public Health England:

- Ensure sufficient resources are available to prevent under-age sales, sales to people who are intoxicated, proxy sales (that is, illegal purchases for someone who is under-age or intoxicated), non-compliance with any other alcohol license condition and illegal imports of alcohol.
- Work in partnership with the appropriate authorities to identify and take action against premises that regularly sell alcohol to persons who are under-age, intoxicated or making illegal purchases for others.

- Undertake test purchases (using 'mystery' shoppers) to ensure compliance with the law on under-age sales. Test purchases should also be used to identify and take action against premises where sales are made to people who are intoxicated or to those illegally purchasing alcohol for others.
- Ensure sanctions are fully applied to businesses that break the law on under-age sales, sales to those who are intoxicated and proxy purchases. This includes fixed penalty and closure notices (the latter should be applied to establishments that persistently sell alcohol to children and young people).

Locally, we have recently revised Gateshead's Statement of Licensing Policy to increase the emphasis on the licensee to promote the licensing objectives and public health.

Gateshead has recently participated in the Public Health England, Health as a licensing objective pilot, building an analytical data tool and exploring the impact a public health objective might have in licensing representations and decisions.



Our response

Reduce demand/prevention across the life course

Aim: To ensure that a coordinated 'whole family' approach is taken for initiatives working with children, young people, working age, older people, individuals, families and communities, protecting those most affected by alcohol.

Restrict supply / protection and responsibility

Aim: To ensure all sections of the trade promote responsible retailing that supports a reduction in substance misuse related harm, to mitigate the role of alcohol in fuelling crime, anti-social behaviour, violence and domestic abuse.

Build recovery/health and wellbeing services

Aim: To ensure an evidence based 'health and wellbeing' focussed prevention, treatment and recovery approach is employed to address the needs of service users and their families experiencing substance misuse related issues.

THEME 1

Reducing Demand: Prevention across the life-course

To ensure that a coordinated 'whole family' and population approach is taken for initiatives that work with children, young people, working age and older people, families and communities, to lower the population's risk of alcohol-related harm.

What is known to be effective?

NICE Guidance (2013) and PHE Evidence Review (2017) state that population-level approaches are important because they can help reduce the aggregate level of alcohol consumed and therefore lower the whole population's risk of alcohol-related harm. They can help:

- Those who are not in regular contact with the relevant services.
- Those who have been specifically advised to reduce their alcohol intake, by creating an environment that supports lower-risk drinking.

A life course approach, from pre and early pregnancy through to older age, should be taken to address health and social consequences of alcohol use/misuse.

IBA has been proven to reduce drinking, leading to improved health and reduced calls on hospital services. At least one in eight 'at risk drinkers' reduce their drinking as a result of IBA.

The National Institute for Health and Clinical Excellence (NICE) recommends that NHS health professionals routinely carry out alcohol screening as an integral part of their practice, focusing on groups at increased risk.

Action needs to be taken to address this increasingly significant issue, such as developing the skills of frontline workers to be aware of the needs of the ageing population and to 'Make Every Contact Count' with this and every group. It must also be ensured that services are accessible for older people especially those with disabilities.

At the service delivery level, access to prevention and treatment should be enhanced by removing barriers, training of healthcare staff, use of valid screening instruments and developing closer working models – including innovative paradigms – between services at all levels.

In Gateshead we will:

Employ a population approach to address the needs and issues of all population groups by:

- Challenging drinking culture by increasing awareness of the harms of alcohol
- Communication/engagement activities, eg Dry January, FASD Day, Balance campaigns
- Further develop the Council's work supporting the Alcohol Declaration
- Ensure partner agencies are aware of their safeguarding responsibilities relating to alcohol
- Improve quality and increase access to low level interventions (further development of IBA, increased training and clear referral pathways to support)
- Routine enquiry (including NHS Health Checks)

Use a targeted approach to address the needs and issues of specific groups/communities by:

- Supporting local people to understand the true long term health impact of alcohol

- Explore needs of various groups (Jewish Community, dual diagnosis, isolated older people)
- Empowering local people to understand the impact of alcohol misuse on their mental health and wellbeing, in particular those living in more disadvantaged areas
- Workforce development - raising awareness of the harms and the opportunities for alcohol brief interventions e.g. 'Have a Word'
- Address issues of intergenerational drinking and proxy purchasing by parents and siblings
- Introducing interventions to reduce the cycle of harm

THEME 2

Reducing Supply: Protection and Responsibility

To ensure all sections of the alcohol trade promote responsible retailing that supports a reduction in alcohol-related harm and to mitigate the role of alcohol in fuelling Crime, Anti-Social Behaviour, Violence and Domestic Abuse.

One of the biggest challenges that we face is the availability of the 'off trade' sales, i.e. the low cost sales within local supermarkets/local shops, which can be open 24 hours a day, as opposed to more controlled purchases through 'on-trade' sales, i.e. pubs/clubs.

Because alcohol is so cheaply available off-trade, and the strength of alcoholic drink products has increased over time, people are frequently drinking more units of alcohol at home, often without realising it.

The numbers of people drinking at home are increasing, which includes those who are pre-loading (where a person drinks large amounts of alcohol before going out for the evening).

Alcohol misuse is a risk factor for many types of violence including child abuse, violence in public settings, youth violence, sexual violence, intimate partner violence and elder abuse.

In England and Wales, alcohol is thought to play a part in approximately 1.2 million violent incidents per year - almost half of all violent crimes, with devastating health consequences for victims, their family, friends and the wider community.

While health, police and other public services deal with the consequences of alcohol-related violence, the same workers are also victims; for example, 116,000 NHS staff are assaulted each year, primarily by patients and relatives.

What is known to be effective?

Controls on price and availability have been identified by the World Health Organization (World Health Organization Europe, 2011) as the most effective measures that governments can implement to reduce the harm caused by alcohol. Minimum Unit Price for Alcohol (MUP) is considered the most effective approach to reduce the levels of consumption of very low cost alcohol.

Other initiatives have been found to have a positive impact on reducing the harm caused by low cost, high alcohol content drinks, i.e. reducing the strength.

There is evidence that initiatives which: prevent under-age sales and Challenge 25; sales to people who are intoxicated; proxy sales (i.e. illegal purchases for some-one who is under-age or intoxicated); non-compliance with any other alcohol license condition and preventing illegal imports of alcohol, are effective (NICE PH 24, 2010).

In Gateshead we will:

Ensure that there is commitment to address the problems associated with very cheap and high alcohol content drink; encouraging availability to be restricted in areas of most need by:

- Supporting and lobbying (locally, regionally and nationally) for a minimum unit price for alcohol (MUP).

- Exploring the opportunities to reduce the availability of super-strength alcohol that is on sale in Gateshead, focusing on the off-trade licensees, and learning from other areas.
- Reinforcing 'Challenge 25' as a whole system wide approach and, proxy sales messages.

Ensure that we continue to develop and implement robust systems and have procedures in place to support a positive and responsible alcohol trade by:

- Supporting the use of 'Challenge 25' policies.
- Working with Trading Standards to address the sale of illicit and below duty alcohol.
- Ensure robust proactive licensing procedures, utilising HALO data to reduce the impact of alcohol related harm for the public.

- Provide training to the Licensing Committee
- Explore the possibilities of implementing a Gateshead levy in partnership with the Community Safety and Health and Wellbeing Boards.
- Use tools and powers within the Criminal Justice System to take appropriate and robust action on those who cause harm.

THEME 3

Building Recovery: Health and Wellbeing Services

To ensure an evidence based 'health and wellbeing' focussed treatment and recovery approach is employed to address the needs of people and their families experiencing alcohol related misuse.

The complex and problematic behaviour associated with alcohol misuse impacts negatively on the lives of others, placing significant pressures to bear on their own family life, reducing their ability to function positively within society, and our public service provision. They also affect a range of provisions and increase demands faced by our accident and emergency departments, hospitals and other emergency services, families and wider communities.

Local Authorities, Clinical Commissioning Groups, the wider NHS, the Police and other statutory bodies and the voluntary, faith and community sector must work together to address local needs.

Treatment services which take a recovery orientated approach are already being commissioned in Gateshead and excellent services are provided.

Furthermore, interventions aimed at individuals can help make people aware of the potential risks they are taking (or harm they may be doing) at an early stage. This is important, as they are most likely to change their behaviour if tackled early. In addition, an early intervention could prevent extensive damage.

Involvement in service planning and delivery by people who are able to contribute to the growth of innovative recovery focussed projects that are developed and underpinned by volunteer advocates is crucial. This ensures positive influence and role model opportunities to contribute to the on-going support needs of others, many of whom place high demands on their families, communities, hospitals, the criminal justice system, and other universal services.

Recovery orientated community support which goes beyond addressing the medical or mental health complexities associated with alcohol related behaviours also needs to be promoted.

By reinforcing responsibility and resilience among recovery focussed networks we should promote awareness, information and advice within communities to ensure improved outcomes for all.

The extension of alcohol screening involves identifying people who are not seeking treatment for alcohol problems but who may have an alcohol-use disorder; the scope for delivering these brief (and often low level) interventions is vast, for example, community pharmacists, wellbeing services, community assets.

What is known to be effective?

Promoting and enabling the delivery of effective specialised treatment and recovery services is important to improve public health and social outcomes.

In Gateshead we will:

- Ensure that we have high quality services for individuals and families, developed in partnership, with service user representation and volunteer advocates, which enhance the wider developing recovery system of support that is asset based.
- Continue to develop and increase the effectiveness of the drug and alcohol treatment and recovery services including on-going opportunities to enhance outcomes, including working collaboratively with community treatment services.
- Address the needs of complex, hazardous and harmful drinkers to improve outcomes.
- Support and champion the development of knowledgeable Health and Wellbeing services that promote and deliver prevention, sensible drinking and abstinence programmes as their core business, as appropriate.
- Ensure the involvement and support of carers in the treatment and recovery process in line with the responsibilities outlined in the Care Act 2014.
- Work with emergency services to encourage alcohol screening and brief interventions and referrals to reduce the risk within alcohol abusing client's homes.
- Continue to the development of the Dual Diagnosis strategy and Action Plan

Outcome and Indicators

The overall success of this strategy will be measured through the achievement of a number of high-level performance indicators including:

- Reduction in young people's alcohol consumption/Increase the age young people start to drink (Balance surveys)
- Increased awareness of alcohol-related harm across the whole population (Balance surveys)
- Reduction in alcohol related hospital admissions
- Minimum Unit Prices in place
- Test purchasing scheme continued
- Reduction in under-age sales
- HALO data used to inform licensing
- Reduction in number of alcohol related complaints from residents.
- Reduction in alcohol related crime
- Increased numbers accessing the treatment, successful discharge
- Increase referrals from secondary care to Specialist Recovery and Treatment Service
- Increase in number of interventions 'protected groups'

Public Health Outcome Framework

- Hospital admissions for alcohol-related conditions (narrow definition), all ages, directly age standardised rate per 100,000 population European standard population.
- Number of alcohol only clients that left substance misuse treatment successfully who do not then re-present to treatment within 6 months as a proportion of the total number of alcohol only clients in treatment.
- Age-standardised rate of mortality from liver disease in persons less than 75 years of age per 100,000 population.
- Age-standardised rate of mortality that is considered preventable from liver disease in persons less than 75 years of age per 100,000 population.

The Multi-Agency Substance Misuse Strategy Group will monitor performance against outcomes and take remedial action where improvement is needed.

Alcohol causes **60** medical conditions and contributes to over **22,000** deaths a year

Effects of **ALCOHOL** abuse in the UK



Social care **£7.5m**

NHS **£18.4m**

Crime and licensing **£15.3m**

Workplace **£26.2m**

£67.2m

Overall cost of alcohol harm



4,182

Alcoholic liver disease

7,634

Cancers

2,195

Cardiovascular disease

3,335

Injuries

Equivalent to **£763** cost to each taxpayer per year

How **drinking** affects Gateshead



55%

residents drink at increasing and high risk levels



Over **1 in 2** people have been harmed by someone else's drinking in the last 12 months



11-15 year olds become regular drinkers every year

5,106

alcohol related hospital admissions - over 20 are children with alcohol specific conditions



11,735

estimated number of alcohol related crimes

Challenges	Priority Actions	Key Outcomes
<p>Cultural acceptance include high level of lifestyle risk</p> <p>Low aspirations for good health behaviour</p> <p>Historic high drinking levels</p>	<p>Reduce demand</p> <ul style="list-style-type: none"> • Ensure all agencies are aware of their safeguarding role re: children, young people and alcohol • Raise awareness of the harms of alcohol with all population groups • Increase awareness of the needs of most vulnerable groups and alcohol • Increase understanding of the alcohol consumption in these groups • Support national and develop local communications, campaigns, and engagement work • Increase the quality/effectiveness/uptake of brief interventions in all settings • Lobby locally, regionally and nationally for minimum unit price (MUP) and increased health information on labels eg units, calories, no drinking in pregnancy • Increased dissatisfaction amongst residents regarding price and availability of alcohol 	<p>Reduction in young people's alcohol consumption</p> <p>Increase the age young people start to drink</p> <p>Increased awareness of alcohol related harm across population</p> <p>Reduction in alcohol related morbidity and mortality</p>
<p>Increase opportunities for early interventions in the wider community</p> <p>The industry: eg advertising and cheap sales</p> <p>Reduce availability of cheap and high alcohol drinks</p>	<p>Restrict Supply</p> <ul style="list-style-type: none"> • Support Balance as a regional and national leader to build appetite and understanding for MUP and increased taxation on alcohol • Membership of proactive Responsible Authorities Group to influence licensing reviews • Training to Licensing Committee to increase use of alcohol related harm data in licensing hearings • Use local health, crime and social care data to inform licensing policy and decisions • Undertake and extend alcohol test purchasing operations • Reinforce 'Challenge 25' • Target and prosecute sellers of illicit alcohol and less than duty sales • Explore the possibilities of implementing a Gateshead levy • Use tools/powers within the Criminal Justice System to take appropriate and robust action on those who cause harm • Encourage and challenge the council to model behaviour eg alcohol endorsed events/advertising via alcohol declaration • (Facilitate, support and commission recovery services/support groups including mutual aid) 	<p>Minimum Unit Price in place regionally and/or nationally</p> <p>Test purchasing scheme continued</p> <p>Reduction in under-age sales</p> <p>Increase in use of HALO data to inform licensing</p> <p>Reduction in number of alcohol related complaints from residents.</p> <p>Reduction in alcohol related crime and disorder</p>
<p>Alcohol declaration commitment</p> <p>Address the needs of the most vulnerable groups e.g. older people</p> <p>Historic high drinking levels</p> <p>Complexities of addiction</p>	<p>Build Recovery</p> <ul style="list-style-type: none"> • Challenge developing drinking culture within Gateshead • Further more develop the recovery oriented treatment service for all population groups, provide training and monitor the effects on practice. • Increase reach and monitor effectiveness of drug and alcohol treatment and recovery services in secondary care and ensure referral pathways are effective • Alcohol advocates active in communities, raising awareness and delivering brief interventions Identify and increase support and training to those who need it most, including 'protected groups' i.e. offenders, Jewish community and children and young people etc. • Ensure support and involvement of carers in recovery process • Work with emergency services to encourage alcohol screening and brief interventions and referrals to reduce the risk within alcohol abusing clients homes • Promote activities and events to ensure recovery is visible in Gateshead 	<p>Increased numbers accessing and successfully completing treatment</p> <p>Increase referrals from secondary care to Specialist Treatment & Recovery Service</p> <p>Reduction in alcohol related alcohol admissions.</p> <p>Increase in number of interventions 'protected groups' & reduce demand on housing services</p>

DRUGS

Introduction

Drug misuse is a significant issue for individuals, families and communities alike. The estimated annual cost of drug-related harm in England is estimated to be around £15.4 billion.

While most people do not use drugs, drug misuse can be found across all communities in society. From heroin and crack use among adults, to cannabis use amongst young people, to the use of novel psychoactive substances ('legal highs') used by the most vulnerable, drugs are available and misused by a wide range of people.

The harms caused by drugs are wide-ranging. Drug misuse may cause or exacerbate existing problems, its harms may be acute or chronic, and issues may arise from recreational use as well as dependency or problematic use.

Drug misuse is strongly related to crime, but harms are not just related to crime. Substance misuse can be found amongst homeless populations and those with mental health problems.

Problematic drug use is associated with unemployment, domestic abuse, poor living conditions, ill-health and safeguarding concerns.

Whilst drug dependence can affect anyone, we know that those in our society with a background of childhood abuse, neglect, trauma or poverty are disproportionately likely to be affected. In turn, the children of those dependent on drugs have to cope with the impact on their own lives and some may end up in care.

Some drug concerns are familiar and long-standing - for example inter-generational substance misuse and the negative impact of parental drug use on children. However, there are new concerns as well, especially around young adults and the purchasing of drugs over the internet.

Finally, a number of trends have emerged in recent years, which require a response from local agencies:

- An ageing opiate population with chronic health and social care needs
- A secret/undisclosed addiction
- A slowly growing market of novel psychoactive substances (NPS) sometimes known as 'legal highs'
- An increase in the number of people misusing medicines such as Gabapentin and Pregabalin
- An increase in drug related deaths
- Dual diagnosis - patients who have both substance misuse and mental health problems



National context

Policy and evidence

Public Health England took responsibility of drug and alcohol treatment in 2012 and their work builds on the work of the National Treatment Agency, which spent ten years building the evidence base for treatment in the UK.

With data collected via the National Drug Treatment Monitoring System (NDTMS), the UK now has a robust evidence base for treatment and interventions.

Treatment in the UK is underpinned by clinical advice and quality standards provided by **NICE (National Institute for Health and Care Excellence)** in a number of key documents:

- Drug misuse: psychosocial interventions (CG51) 2007
- Drug misuse: opioid detoxification (CG52) 2014
- Interventions to reduce substance misuse among vulnerable young people (PH4) 2007
- Needle and syringe programmes (PH52) 2009
- Drug misuse – naltrexone (TA115) 2007
- Drug misuse – methadone and buprenorphine (TA114) 2007
- Drug use disorders (QS23) 2012
- Coexisting severe mental illness and substance misuse: Community health & social care services (NG58)

Drug misuse and dependency can lead to a range of harms for the user including:

- Poor physical and mental health
- Unemployment
- Homelessness
- Family breakdown
- Criminal activity

But drug misuse also impacts on all those around the user and the wider society.

The National Drug Strategy, published in 2010, outlined the ambition to provide recovery-focused treatment in the UK rather than a maintenance programme focused on harm minimisation as previously advocated. It also strengthened the focus on families, carers and communities.

The cost to society

The Home Office estimated in 2010-11 that the cost of illicit drug use in the UK is £10.7bn per year, this figure includes:

- 8% health service use
- 10% enforcement
- 28% deaths linked to eight illicit substances
- 54% drug related crime

The annual cost to family members and carers of heroin and/or crack cocaine users is estimated to be £2bn.

The economic costs to society from drug misuse are high and there is a strong invest-to-save argument for providing drug treatment. Research has shown that for every £1 invested in drug treatment results in a £2.50 benefit to society.

The changing treatment population and its impact on outcomes

Around 75% of people in drug treatment in England are receiving help for problems related to the use of opiates, mainly heroin. Public Health England estimates that the proportion of people in treatment with entrenched dependence and complex needs will increase, and the proportion who successfully complete treatment, will therefore continue to fall.

The proportion of older heroin users, aged 40 and over, in treatment with poor health has been increasing in recent years and is likely to

continue to rise. An ageing cohort of heroin users (many of whom started to use heroin in the 1980s and 1990s) is now experiencing cumulative physical and mental health conditions. Older heroin users are also more susceptible to overdose.

Drug misuse harms families and communities

Risk factors are all negatively associated with health status and there is a complex and reciprocal association between social factors and illicit substance misuse. Homelessness, for example, is a complex problem that occurs for many different reasons. Some individuals may later turn to addiction as a means of coping with their lack of a fixed home.

There have also been recent increases in the number of people rough sleeping, the number of statutory homeless applications accepted and the number of households in temporary accommodation.

Drug misuse can cause social disadvantage and socioeconomic disadvantage may lead to drug use and dependence. In addition, risk factors associations with drug misuse often lead to other adverse outcomes such as poor physical or mental health, often offending or risky behaviour.

- Parental drug use is a risk factor in 29% of all serious case reviews.
- Heroin and crack addiction causes crime and disrupts community safety.
- A typical heroin user spends around £1,400/month on drugs (2.5 times the average mortgage).

Drug related deaths

The drug related death rate in England is substantially higher than elsewhere in Europe. The number of drug misuse deaths has increased over the past 20 years, with a significant rise in the last three years, to the highest number on record. In the next four years, PHE estimates that there will be an increase in

the proportion of people in treatment for opiate dependence who die from long-term health conditions and overdose.

Drug use and drug dependence are known causes of premature mortality. There were 3,674 drug poisoning deaths involving both legal and illegal drugs registered in England and Wales in 2015, the highest since comparable records began in 1993. Of these, 2,479 (or 67%) were drug misuse deaths involving illegal drugs only. The mortality rate from drug misuse was the highest ever recorded, at 43.8 deaths per million population.

Males were almost three times more likely to die from drug misuse than females (65.5 and 22.4 deaths per million population, for males and females respectively). Deaths involving heroin and/or morphine doubled in the last 3 years to 1,201 in 2015, and are now the highest on record. Deaths involving cocaine reached an all-time high in 2015 when there were 320 deaths - up from 247 in 2014.

People aged 30 to 39 had the highest mortality rate from drug misuse (98.4 deaths per million population), followed by people aged 40 to 49 (95.1 deaths per million).

Within England, the North East had the highest mortality rate from drug misuse in 2015 for the third year running (68.2 deaths per million population), while the East Midlands had the lowest (29.8 deaths per million).

The overall increase in drug-related deaths is largely made up of the increase in deaths among older drug users, with significant rises seen in those aged 30-70. It is likely that many of these deaths occurred in people who were long-term users of heroin and are more susceptible to the risk of a drug overdose because of their poor health.

Public Health England recently published the findings of an inquiry into the recent increases in drug-related death and concluded that the factors responsible are multiple and complex. The most notable factor was the ageing cohort of heroin users experiencing cumulative physical and mental health conditions that make them more susceptible to overdose.

Other factors included increasing suicides, increasing deaths among women, improved reporting, an increase in poly-drug and alcohol use, and an increase in the prescribing of some medicines.

Novel Psychoactive Substances

The number of individuals presenting with problematic use of NPS or a so-called 'club drug' has dramatically increased in recent years (below 500 presentations in 2013/14 to more than 2000 in 15/16). Robust data on the prevalence of NPS use in England is limited, as is evidence on long-term harms.

There is increasing evidence that NPS are being used by increasingly diverse groups, many of who are from vulnerable groups, including the homeless and people with coexisting mental health problems. NPS have also been identified as a significant issue in some prisons and attributed to significant mental health and behavioural reactions among users.

Synthetic cannabinoids (which mimic the effects of cannabis) are increasingly prevalent in England, with widespread reports of severe mental and physical health problems associated with its use. There is evidence that they are increasingly used by vulnerable groups, particularly the homeless and prison populations. Prison staff consistently express concern about high rates of synthetic cannabinoid use, including by prisoners without a prior history of drug misuse. Controlling the availability of NPS in prisons is a significant challenge.

The number of people recorded by NDTMS who have reported problems with NPS increased significantly in 2015-2016. Mephedrone is the mostly widely used NPS among those presenting for drug treatment. The number of presentations for treatment for ecstasy-related problems has been falling since 2009-2010. Though this partly reflects an increase in use of these substances, it is also because new reporting codes for NPS were introduced in the previous year.

There are also concerns that some NPS are injected. This appears to be linked to members of three distinct populations: those who only use NPS but do so frequently; older drug users who appear to be supplementing or switching from established drugs that are prepared for injection; and those engaging in 'chemsex'.

A frequent pattern of NPS injecting among all these groups represents a significant concern for BBV transmission and health damage.

Prescription and over-the-counter medicines

Problems of misuse and dependency of some prescribed medicines (principally benzodiazepines), have been reported in England since at least the 1980s. Drug treatment services and primary healthcare have developed interventions to meet local need but self-help and patient-led groups have also provided specialist support. Drug related deaths from prescription and over the counter medicines have increased in the past few years.

Statistics from the National Drug Treatment Monitoring System (NDTMS) 15/16

In all, 288,843 individuals were in contact with drug and alcohol services in 2015-16; this is a 2% reduction on last year. Of these, 138,081 commenced their treatment during the year, with the vast majority (97%) waiting three weeks or less to do so.

Individuals that had presented with a dependency on opiates made up the largest proportion of the total numbers in treatment in 2015-16 (149,807, 52%). This is a fall of 2% in the number since last year and substantial reduction (12%) since a peak in 2009-10, when there were 170,032 opiate clients in treatment.

The decrease in opiate clients in treatment is most pronounced in the younger age groups with the number of individuals aged 18-24 starting treatment for opiates having reduced substantially from 11,351 in 2005-06 to 2,367 now, a decrease of 79%.

Alcohol presentations make up the second largest group in treatment, with a total of 144,908 individuals exhibiting problematic or dependent drinking. Of these, 85,035 were treated for alcohol treatment only and 59,873 for alcohol problems alongside other substances.

Specialist substance misuse services saw fewer young people in 2015-16 than in the previous year (17,077, a drop of 1,272 or 7% compared to 2014-15). This continues a downward trend, year-on-year, since a peak of 24,053 in 2008-09.

Just under two-thirds of the young people accessing specialist substance misuse services were male (65%), and just over half (52%) of all persons were aged 16 or over. Females in treatment had a lower median age (15) than males (16), with 26% of females under the age of 15 compared to 20% of males.

The most common drug that young people presented to treatment with continued to be cannabis. More than four-fifths (87%) of young people in specialist services said they have a problem with this drug compared to 86% in 2014-15. The numbers in treatment for cannabis as a primary substance have been on an upward trend since 2005-06, although numbers have dipped slightly in the last two years. Alcohol is the next most commonly cited problematic substance with just under half the young people in treatment (48%) seeking help for its misuse during 2015-16.

Alongside cannabis and alcohol, young people in specialist substance misuse services used a range of substances. Of those who were in contact with services, 1,605 cited problematic ecstasy use (9%), 1,477 cocaine use (9%), 1,152 amphetamine use (7%), and 1,056 (6%) with concerns around the use of new psychoactive substances (NPS).

Although the proportion of young people reported by specialist services as having problems with NPS rose for the second year (from 5% in 2014-15 to 6% in 2015-16), it is still relatively small. Specialist services will want to remain alert to the possibility that young people may develop problematic use of NPS in the future and ensure that services continue to be accessible and relevant to their needs.

Local context

Young people

There were 145 young people in treatment in 15/16, 117 of these were new presentations.

- The majority were male (66%).
- 75% of young people in treatment were classed as living with parents or other relatives.

Alcohol and cannabis were joint highest substances with 71% of young people listing these as the primary substance they need help with.

In terms of vulnerabilities disclosed at first assessment:

- 12% were Looked after Children
- 29% disclosed domestic abuse
- 31% disclosed self-harm
- 20% disclose NEET
- 35% disclose anti-social behaviour or criminal acts

NPS use continues to be low. While wider services cite the increase in the use of NPS in young people there were only eight referrals into the service in 15/16 where NPS were disclosed as one of the misused drugs.

The 2015 Health Related Behaviour Survey was completed by 11 primary schools. It had the following key drug related indicators:

- 42% of pupils said their parents have talked with them about drugs; 29% said their teacher has talked with them in school lessons.
- 11% of pupils responded that they are 'fairly sure' or 'certain' that they know someone who uses drugs (not as medicines).
- 1% of pupils responded that they have been offered cannabis. 8% said they 'don't know' if they have been.

- 3% of pupils responded that they have been offered other drugs (not cannabis). 4% said they 'don't know' if they have been.

Adults

The number of people in treatment in Gateshead is increasing, there were 1989 clients in treatment in 15/16 compared to 1826 in 2014/15. The majority are male (69.6%), aged between 30-34 (19.8%).

The primary referral source in 15/16 was self, family and friends with 55.2% of all new presentations to treatment coming from this referral source compared to 2014/15 where it was 50.4% of all new presentations from self, family and friends.

There has been a notable shift in the main substances that people seek help for. In 15/16 alcohol was the main reason for treatment (54.1%) compared to 53.2% in 14/15. In 15/16 47.1% of clients cited opiates compared to 51.6% in 14/15. 16.8% of people sought help for Cannabis in 15/16.

In 15/16 New Psychoactive Substances accounted for only 1.2% of the substances cited for treatment; however since Q4 14/15 this rate has gone up from 0.7% to 1.2% (12 clients to 22 clients). This rate has increased by 84% in the percentage of clients citing this type of substance as one of the reasons for being in treatment over the last 3 quarters.

In contrast to the national picture where only 0.8% of all users cited these as their reason for treatment. This is the highest overall percentage increase of any of the substances cited as a reason for treatment.

Drug related deaths

The local picture is reflective of the national picture. Deaths in Gateshead have more than tripled since 2012.

The characteristics of the deceased remain similar – with the majority of deaths continuing to be male, white, aged 25-34yrs and male. A number of other trends have also been identified:

- Living alone
- Single
- Unemployed
- In substance misuse treatment
- Using a cocktail of drugs
- Involvement with mental health services
- Previous overdoses
- Complex/chaotic lifestyle

Gateshead's Drug Related Death annual report 2016 gives additional information.

Cross cutting priority groups

While efforts to reduce the harms caused by drug use must be delivered across the whole population, interventions must be targeted on those who need it most.

Intervening early, with at-risk groups and when people are in greatest need of support is critical. 'At risk' groups include a diverse range of individuals who are particularly susceptible to drug use and are more likely than others to experience adverse outcomes and would include:

- Children from households where there is drug use;
- Looked After Children;
- Offenders;
- People with mental health problems; and
- People from deprived neighborhoods.

It is well-known that while drug use can affect anyone, problematic heroin and opiate use is concentrated in areas of deprivation, where residents tend to have lower levels of recovery capital (supportive friends, family, educational qualifications, mental strength, money, employment, and so on).

In light of this, the following main groups will be prioritised across all three of the strategy's priority themes:

- Children and young people
- Opiate and crack users
- Residents of priority (most deprived) neighbourhoods
- Families involved in the 'Troubled Families' programme

In addition to the above, Gateshead will also look to focus efforts and resources to the following:

- Adults with complex health and social problems
- Dual diagnosis patients (mental health problems and substance misuse problems)
- Offenders
- Vulnerable individuals, including rough sleepers and the homeless
- Young adults (16-24)

Our response

Reduce Demand

Aim: To create an environment where people who have never taken drugs continue to resist any pressures to do so and fewer people are using drugs at levels or patterns that are damaging to themselves or others

Restrict Supply

Aim: To ensure a joined up approach to disrupt the drugs trade by targeting activity along the entire supply chain, from organised crime groups that import drugs from source to the dealers that sell drugs in our communities.

Build Recovery

Aim: To support people who wish to tackle their dependency on drugs and/or alcohol and achieve lives free from substance dependence.

THEME 1

Reduce Demand

To create an environment where people who have never taken drugs continue to resist any pressures to do so and fewer people are using drugs at levels or patterns that are damaging to themselves or others.

In Gateshead we will:

- Provide specific education and information for targeted groups e.g. Troubled Families, Looked After Children, in an effort to divert or stop potential drug use.
- Take a whole system approach and support individuals in treatment on a range of issues including training, employment, housing, family relationships.
- Support schools and other youth settings in their efforts to challenge young people's attitudes to drugs.
- Recognise the importance of early intervention and intensive support for young people, those at risk of becoming involved with crime and families where there is drug misuse, and provide appropriate support and help to those who need it, in times and places which suit individuals.
- Establish and promote clear pathways into services to ensure those using substances receive the most appropriate support.
- Raise awareness about the harms of drugs and encourage agencies to put measures in place to support those individuals at risk.
- Implement approaches to modify risky behaviours amongst high prevalence or high risk groups.
- Gain a better understanding of prescription and non-prescription medication.
- Provide effective substance misuse treatment in the criminal justice system including prisons, and ensure that support is in place to reduce the chances of re-offending and encourage a successful reintegration into society.

THEME 2

Restrict Supply

To ensure a joined up approach to disrupt the drugs trade by targeting activity along the entire supply chain, from organised crime groups that import drugs from source to the dealers that sell drugs in our communities.

In Gateshead we will:

- Improve the quality of data collection to understand the full impact of drugs on crime, health, offending, re-offending and the community.
- Improve our ability to develop and share data/intelligence to support evidence informed approaches to drug misuse and better target services or schemes, focussing on those in greatest need.
- Work with primary care to ensure that prescription drugs and over the counter medication are not misused or causing patient's problems.
- Protect vulnerable residents by providing local housing which is safe and drug free.
- Lobby for change and work in partnership to tackle supply and drug dealing in Gateshead, ensuring a tough local stance.
- Tackle organised crime groups and drug dealing and undertake robust offender management to those who have committed drug related crime, making best use of positive disposals/requirements.
- Encourage housing providers to take appropriate action when drugs are sold/cultivated in their properties.
- Undertake clinical audit of prescribing arrangements in Gateshead.

THEME 3

Build Recovery

To support people who wish to tackle their dependency on drugs and/or alcohol and achieve lives free from substance dependence.

Research literature suggests that investment in drug treatment is likely to substantially reduce social costs associated with drug misuse and dependence.

Social factors are important influences on treatment effectiveness. Drug use and misuse tend to be clustered; for example, areas of relatively high social deprivation have a higher prevalence of illicit opiate and crack cocaine use and larger numbers of people in treatment.

Unemployment and housing problems have a marked negative impact on treatment outcomes and exacerbate the risk that someone will relapse after treatment. Alongside other benefits, employment support and achieving good employment may lead to improvements in treatment outcomes and reduced relapse.

Today, drug misuse and dependency is associated with a range of harms including poor physical and mental health, unemployment, homelessness, family breakdown and criminal activity. The health and wellbeing of family members and carers can also be affected. Heroin and cocaine are associated with the majority of social costs associated with drug misuse and heroin dependence continues to be the most common problem treated in England. People with heroin dependence usually develop a tolerance through daily use, which can result in an expensive addiction and a motivation to commit crime.

In Gateshead we will:

- Commission effective, accessible treatment and support services for drug users, carers and families.
- Further develop recovery orientated treatment services and workforce that is focussed on all aspects of recovery - housing, employment, mental health, family life - and not just medical treatment.
- Make a commitment to the roll out of substance misuse awareness and overdose awareness training for frontline staff, partner agencies, carers and family members.
- Tackle dual-diagnosis to ensure those who mental health and substance misuse issues receive the most appropriate and effective treatment.
- Increase the visibility of, and access to, a wide range of recovery communities across the borough.
- Facilitate peer support and mutual aid networks so communities become empowered and individuals who have exited services can continue to receive support that enables them to sustain their recovery.
- Establish a recording, monitoring and referral pathway to reduce the number of overdoses.

Outcomes and indicators

The overall success of this strategy will be measured through the achievement of a number of high-level performance indicators, including:

- Increases in number of young people leaving treatment with reduced drug use or drug free
- Increase in number of young people leaving treatment with reduced risky behaviours
- Increase in the number of people leaving treatment and not representing
- Reduction in number of young people presenting with complex issues
- Increase in proportion of adult opiate & crack users exiting treatment successfully
- Increase in the number of new referrals into treatment services
- Decrease in the number of those offending/re-offending linked with drugs
- Increase in number of people in treatment
- Decrease the number of people who think drug dealing is an issue

Public Health Outcome Framework

- Number of users of opiates that left drug treatment successfully (free of drug(s) of dependence) who do not then re-present to treatment again within six months as a proportion of the total number of opiate users in treatment.
- Number of users of non-opiates that left drug treatment successfully (free of drug(s) of dependence) who do not then re-present to treatment again within six months as a proportion of the total number of non-opiate users in treatment.
- The rate of drug misuse deaths per million population over a three year period.
- Adults with a substance misuse treatment need who successfully engage in community-based structured treatment following release from prison'.

The multi-agency Substance Misuse Strategy Group will monitor performance against outcomes and take remedial action where improvement is needed.

Effects of **DRUG** harm in the UK

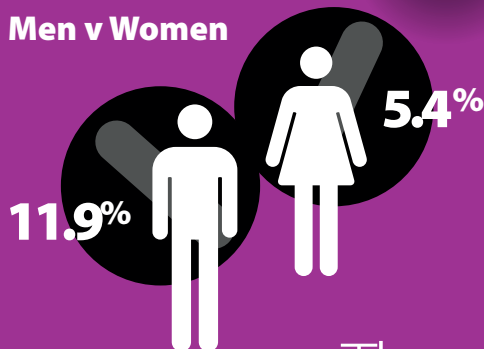
In one year **2.8m** people aged 16-59 used illicit drugs:

6.7% cannabis
2.3% powder cocaine
1.7% ecstasy

279,000

adults used a NPS ('Legal highs')

Men v Women



Young people are more likely to take drugs



The **cost** of drug harm in UK

Overall cost of drug harm **£15.4bn**

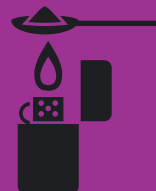


NHS **£488m**

Crime **£13.9bn**

Annual cost of deaths **£2.4bn**

A typical heroin user spends around **£1,400** per month on drugs (2.5 times the average mortgage)



4% of crime was drug related

How **drug harm** affects Gateshead



Average of **300** visits each month to needle exchange



80%

of drug offences were possession

18 drug related deaths
145 young people in treatment
1,989 adults in treatment

Challenges	Priority Actions	Key Outcomes
<p>Inequality and deprivation</p> <p>Low aspirations for good health behaviour</p> <p>Unemployment and rise in homelessness</p>	Reduce demand <ul style="list-style-type: none"> Target specific education/information in an effort to divert/stop potential drug use Take a whole system approach and support individuals in treatment on a range of issues Support schools/youth settings to challenge young people's attitudes to drugs Recognise importance of early intervention/intensive support for young people, those at risk of becoming involved with crime and families where there is drug misuse, providing appropriate support Establish and promote clear pathways into services so users receive support Raise awareness about drugs and encourage agencies to put measures in place Implement approaches to modify risky behaviours in high prevalence/high risk groups Gain a better understanding of prescription and non-prescription medication Provide effective substance misuse treatment in the criminal justice system including prisons with support in place to reduce chances of re-offending and encourage successful reintegration into society 	<p>Reduction in Drug Related Deaths</p> <p>Reduction in overdoses</p> <p>Reduction in number of young people presenting with complex issues</p> <p>Increase in the number of people presenting for treatment</p>
<p>Recent spike in drug related deaths</p> <p>Ageing population of drug users</p> <p>Availability of drugs and diversion of prescription</p>	Restrict Supply <ul style="list-style-type: none"> Improve the quality of housing data collection to understand the full impact of drugs on crime, health, offending, re-offending and the community Improve development/sharing of data/intelligence to support evidence informed approaches to drug misuse and better target services/schemes, focussing on those in greatest need Work with primary care to ensure that prescription drugs and over the counter medication are not misused or causing patients problems Protect vulnerable residents by providing local housing which is safe and drug free Lobby for change working in partnership to tackle supply/drug dealing, ensuring a tough local stance Tackle organised crime groups and drug dealing and undertake robust offender management making best use of positive disposals/requirements Encourage housing providers to take action when drugs are sold/cultivated in their properties Undertake clinical audit of prescribing arrangements in Gateshead 	<p>Decrease in the number of those offending/re-offending linked with drugs</p> <p>Increase in drug seizures</p> <p>Decrease the number of people who think drug dealing is an issue</p>
<p>Dual diagnosis and healthcare system issues</p> <p>Complex and chaotic lifestyles</p> <p>Under developed recovery community</p> <p>Secret / undisclosed addiction</p>	Build Recovery <ul style="list-style-type: none"> Commission effective, accessible treatment and support services for drug users, carers and families Further develop recovery orientated treatment services/workforce focussed on all aspects of recovery Commit to roll out of awareness training for frontline staff, partners/carers/family members Tackle dual-diagnosis to ensure those with mental health and substance misuse issues receive the most appropriate and effective treatment Increase visibility of and access to a wide range of recovery communities across Gateshead Facilitate peer support and mutual aid networks to empower communities/individuals who have exited services so they can continue to receive support that enables them to sustain their recovery Establish a recording, monitoring and referral pathway to reduce the number of overdoses 	<p>Increase in number of people in treatment</p> <p>Increase in the number of people leaving treatment</p> <p>Increase in number of young</p> <p>Reduced demand on housing support services</p> <p>Increase in number of tenancies sustained</p>

Contact information

If you require further information of Gateshead's Substance Misuse Strategy, please contact Gateshead Council on the contact details below.

Public Health
Gateshead Council
Telephone: 0191 433 2421

Community Safety
Telephone: 0191 433 3910

Website: www.gateshead.gov.uk



COUNCIL MEETING

20 July 2017

REVENUE OUTTURN 2016/17

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to inform of the Council's revenue outturn position for the financial year 2016/17 prior to audit, and also appropriations to and from reserves.
2. Council agreed the original revenue budget for 2016/17 at £198.883m. The final revenue outturn on services compared with budget is £197.453m. There was also a reduction in funding from original budget which results in an under spend of £1.305m after proposed movement of reserves.
3. Further detail on the outturn position is outlined in Appendix 1 of the attached report. The appropriations to and from reserves are detailed in the attached report.
4. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

5. It is recommended that Council:
 - (i) Note the 2016/17 revenue outturn position of the Council as an under spend of £1.305m, subject to audit.
 - (ii) Approve the appropriations to and from reserves outlined in paragraphs 12-17 of the attached report.

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TITLE OF REPORT: Revenue Outturn 2016/17

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. This report sets out the Council's revenue outturn position for the financial year 2016/17 prior to audit.
2. This report also recommends to Council appropriations to and from reserves consistent with previous decisions, accounting policies, the principles set out in the Medium Term Financial Strategy (MTFS) and requirements of the Accounting Code of Practice.

Background

3. Cabinet has received quarterly reports throughout the year on the revenue budget so that any variances can be identified and addressed. This report sets out the final revenue outturn position for 2016/17 on a consistent basis to the revenue budget monitoring framework.

Revenue Outturn 2016/17

4. Council agreed the original revenue budget for 2016/17 on 23 February 2016. This was set at £198.883m.
5. Monitoring during the year projected an over spend of £1.359m as reported to Cabinet on 24 January 2017 although it was concluded that the outturn would be delivered within budget.
6. The final revenue outturn on services compared with budget is £197.453m. There was also a reduction in funding from original budget of £0.125m which results in an under spend of £1.305m after proposed movement of reserves.
7. In addition to the monitored outturn position and as previously reported in the quarterly revenue monitoring updates, the council has secured dividend income in year in respect of Newcastle Airport of £2.897m.
8. The under spend will result in an increase in the level of General Fund reserves of £0.456m, and a decrease in the level of Earmarked reserves of £2.692m. The Council's reserves position and strategy will be reviewed as part of the Medium Term Financial Strategy (MTFS) to be reported to Cabinet on 18 July 2017.
9. Whilst the outturn position is positive, it should be noted that some one-off areas of under spend and additional income have contributed to this position:

- There is a £1.276m under spend on Capital Financing which is due to active management of debt including deferral of borrowing by using cash balances which has resulted in reduced borrowing costs during 2016/17, as well as some slippage on the programme itself.
 - Traded and Investment Income overachieved budget by £2.750m due to savings delivered by the Insurance Fund, a higher surplus than projected within Construction Services, and income received in relation to the Trinity Square Partnership with Northumbria University.
 - An under spend of £2.750m on Other Services and Contingencies was mainly a result of an under use of Contingency funding.
10. The outturn position includes a provision for workforce management totalling £1.412m.
11. Further detail on the outturn position can be found in Appendix 1.

Appropriations to/from Reserves

12. The proposed movement of Earmarked reserves is outlined below:
- The agreed budget framework allows flexibility to carry forward appropriate underspent balances for reinvestment the following year. A total of £2.171m is proposed to be transferred from this reserve to match expenditure incurred with £0.969m appropriated into this reserve.
 - Appropriations to and from the Revenue Grants and Receipts Unapplied reserve reflect the requirements of the Accounting Code of Practice whereby unused grants and contributions, without conditions attached, should be appropriated to reserves to fund future expenditure rather than creating creditors on the Balance Sheet. A total of £1.156m is proposed to be transferred from this reserve to match expenditure incurred with £0.539m appropriated into this reserve
 - Public Health expenditure was £0.659m under budget and so it is proposed that this be appropriated into the ring-fenced Public Health reserve.
 - Appropriate expenditure totalling £0.176 is proposed to be funded from the Discretionary Social Fund reserve.
 - Receipts from Section 106 and Section 38 agreements should be appropriated into the Developers' Contributions reserve which can then be used to fund specific development expenditure. A total of £0.373m was received in year to be appropriated to the reserve with £0.472m being used to fund expenditure incurred in the current year.
 - Appropriate expenditure totalling £0.067m is proposed to be funded from the Economic Growth reserve.
 - Appropriate expenditure totalling £1.191m is proposed to be funded from the Strategic Change reserve.

13. These proposals would result in a reduction in Earmarked reserves of £2.692m.
14. The proposed movement of General Fund reserves is outlined below:
 - In the Budget and Council Tax Level 2016/17 report on 23 February 2016 Council approved the use of the General Fund to mitigate the impact of budget proposals in 2016/17. In line with this a total of £3.746m is required to mitigate savings within Care, Wellbeing and Learning.
 - The Council received a dividend of £2.897m from Newcastle Airport arising from a refinancing exercise. It is proposed that this is transferred to the General Fund reserves pending the full review of reserves which will be part of the Medium Term Financial Strategy (MTFS) to be reported to Cabinet on 12 July 2017.
15. These proposals would result in a movement from General Fund reserves of £0.849m. It is proposed that the overall under spend against budget of £1.305m is moved to the General Fund reserve which therefore results in a net overall increase of £0.456m.
16. In addition to this it is proposed that the over spend on schools budgets in 2016/17 of £1.573m is appropriated from the ring-fenced Schools LMS Budget Share reserve and the over spend of £0.190m on Dedicated Schools Grant (DSG) be transferred from the Earmarked DSG reserve.
17. There is an overall surplus on the Housing Revenue Account (HRA) of £3.250m. The HRA is ring-fenced and does not form part of the General Fund reserve. It is proposed that the surplus be transferred to the HRA reserve.
18. The outcomes set out in this report have been reflected in the draft Statement of Accounts for 2016/17 that is subject to audit.

Recommendations

19. Cabinet is requested to:
 - (i) Note the 2016/17 revenue outturn position of the Council as an under spend of £1.305m, subject to audit.
 - (ii) Recommend to Council the appropriations to and from reserves outlined in paragraphs 12-17.

For the following reason:

- To contribute to the sound financial planning and management of the Council to ensure financial sustainability.

CONTACT: Deborah Clark - Extension 2093

Policy Context

1. This report meets the standards required to comply with the Accounts and Audit Regulations 2015. It is also consistent with Vision 2030 and the Council Plan of ensuring a sustainable financial position for the long term.

Background

2. The Accounts and Audit Regulations 2015, which represent financial management good practice, recommend that councillors should receive regular reports on performance against revenue and capital budgets. The frequency of the reports is determined following a risk assessment of the budget, and Cabinet currently receives a report on a quarterly basis.
3. This report sets out the final outturn position on the 2016/17 revenue budget.
4. Council agreed the original revenue budget for 2016/17 on 23 February 2016. This was set at £198.883m.
5. Appendix 2 details the agreed budget for 2016/17 compared to the outturn for the year, along with the proposed movement of General Fund and Earmarked reserves.
6. Appendix 3 provides further details the expected use of reserves for 2016/17. The actual year end proposed use of reserves is £9.978m compared with an estimated use of £11.431m. It is also proposed that £6.742m be transferred to reserves which gives a net movement of £2.236m

Revenue Outturn 2016/17

7. Monitoring during the year projected an over spend of £1.359m as reported to Cabinet on 24 January 2017 although it was concluded that the outturn would be delivered within budget.
8. The final revenue outturn on services compared with budget is £197.453m. There was also a reduction in funding from original budget of £0.125m which results in an under spend of £1.305m after proposed movement of reserves and excluding the airport dividend receipt. This outcome, subject to the approval of proposed appropriations to and from reserves, means that there would be a reduction in Earmarked reserves of £2.692m, and an increase in General Fund reserves of £0.456m in the 2016/17 financial year. The overall reserves position will be considered further with a review of the Council's reserve strategy as part of the Medium Term Financial Strategy (MTFS) to be reported to Cabinet on 18 July 2017.
9. Service outturn is shown in Appendix 2. Although the outturn is positive, it masks over spends in some services and also includes a number of areas of one-off additional funding. The positive outturn remains a significant achievement given the financial pressures faced by all services and enables the Council's sound financial position to be maintained within an extremely challenging economic and financial context.

10. Quarterly reports to Cabinet have identified that the Council's budget has continued to face increasing pressures in a number of areas. The main variances to budget on a group basis are outlined below:

Care, Wellbeing and Learning

11. The over spend of £2.469m on Social Work - Children and Families relates mainly to placement expenditure for Looked After Children in Independent Fostering and Supported Accommodation, and higher than expected staffing costs.
12. The over spend of £0.594m on Early Help and Education relates mainly to Home to School/College transport costs.
13. The over spend of £0.958m on Commissioning and Quality Assurance relates to higher than budgeted employee costs and over spends in relation to voluntary organisations and Mental Capacity Act Deprivation of Liberty Safeguards.
14. The under spend of £0.438m on Learning and Schools relates to an overachievement of income within Adult Learning.
15. The over spend of £1.380m on Adult Social Care relates to an over spend on employee expenditure, higher than expected care costs for Direct Payments, and one off reductions in income.
16. Public Health expenditure benefitted from lower than expected contract costs. It is proposed that the under spend of £0.659m be moved to the ring fenced Public Health reserve.

Communities and Environment

17. The over spend of £0.833m on Housing General Fund mainly relates to delays in the delivery of agreed savings.
18. The under spend of £0.349m on Council Housing, Design and Technical Service relates to an overachievement in grant income and under spends on staffing costs.
19. The over spend of £0.469m on Culture, Communities, Leisure and Volunteering relates mainly to an underachievement of income across all leisure facilities which is offset by under spends within other service areas.
20. The under spend of £0.480m on Facilities Management relates to an overachievement of income for School Meals and Building Cleaning.
21. The under spend of £0.311m on Waste Services, Grounds Maintenance and Fleet Management relates to reductions in utility charges and additional income for trade waste.

Corporate Services and Governance

22. The under spend of £0.420m on Human Resources and Litigation relates to an overachievement of income in relation to elections, litigation and registrars.

Corporate Resources

23. The over spend of £0.423m on Housing Benefits relates mainly to an increase in the bad debt provision due to the ongoing impact of Welfare Reform on the Council.

Other Services and Contingencies

24. An amount of £3.597m of Contingency remained unused at the end of the year. This relates to savings mitigation, invest to save, winter maintenance and workforce management. Within Other Services £1.412m was moved to the redundancy provision to cover the expected costs for the next two financial years. The dividend from Newcastle Airport of £2.897m is shown within Other Services and it is proposed that this be appropriated to the General Fund reserves pending a review of reserves.

Capital Financing Costs

25. The under spend of £1.276m on Capital Financing Costs is mainly due to active management of the Council's cash balances.

Traded and Investment Income

26. The under spend of £2.061m relates to an increase in expected income from the Trinity Square Partnership with Northumbria University and an increase in the expected surplus from Construction Services. The Insurance Fund also delivered a saving against budget due to an overall reduction in claim costs.

Schools

27. Schools reserves have decreased from £7.046m to £5.473m as there was an over spend on schools of £1.573m for 2016/17 which is proposed to be funded from the LMS Schools reserve. This forms part of the total General Fund reserve.
28. The Dedicated Schools Grant (DSG) also over spent in 2016/17 by £0.190m and it is proposed that this be met from the DSG reserve which is a ring-fenced Earmarked reserve.

Housing Revenue Account

29. There is an overall surplus on the Housing Revenue Account (HRA) of £3.250m. The HRA is ring-fenced and does not form part of the General Fund reserve. It is proposed that the surplus be transferred to the HRA reserve which will increase from £24.109m to £27.359m.

Savings

30. The overall target for revenue savings in 2016/17 was £18.795m. The final outturn for achieved savings was £16.579; a shortfall of £2.217m, the majority of which relates to the delivery of the Social Care re-organisation saving. This shortfall formed part of the approach to the financial planning underpinning the setting of the 2017/18 revenue budget.

Reserves

31. A summary of the proposed movements to and from reserves is attached at Appendix 3. It was estimated that £11.431m would be required to support the revenue budget in 2016/17 and the actual proposed usage of reserves for the year is £9.978m. In addition it is also proposed that £6.742m is moved to reserves; this includes the £2.897m dividend from Newcastle Airport, the £1.305m budget surplus, £0.969m budget flexibility and £1.571m ring-fenced reserves.
32. The final position on reserves will be reflected in the 2016/17 Financial Statements. The overall reserve position and strategy will be reviewed as part of the Medium Term Financial Strategy (MTFS) to be reported to Cabinet on 18 July 2017. The 2016/17 Financial Statements are subject to audit.

Consultation

33. The Leader of the Council has been consulted on this report.

Alternative Options

34. There are no alternative options proposed.

Implications of Recommended Option

35. Resources

- a. Financial Implications** – The Strategic Director, Corporate Resources confirms these are as set out in the report and Appendix 2 and 3.
- b. Human Resource Implications** – There are no direct Human Resource implications as a consequence of this report.
- c. Property Implications** – There are no direct property implications as a consequence of this report.

36. Risk Management Implication

Regular budget monitoring and the associated action planning that arise from this activity assists in reducing the risk of the Council overspending its agreed budget. This enables effective financial planning which allows the Council to deploy resources in line with priorities over the medium and long term and deliver sustainable budgets.

37. Equality and Diversity Implications - Nil.

38. Crime and Disorder Implications - Nil.

39. Health Implications - Nil

40. Sustainability Implications – Regular budget monitoring and allocated actions contributes to the financial sustainability of the Council.

41. Human Rights Implications - Nil.

42. **Area and Ward Implications** - Revenue spending supports the delivery of services across the whole of Gateshead

Appendix 2 - Revenue Outturn Summary 2016/17

Service	Revised Budget	Outturn Before Reserves	Proposed Movement of General Fund Reserves	Proposed Movement of Earmarked Reserves	Final Outturn Position	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Care, Wellbeing & Learning						
Social Work - Children & Families	19,929	22,996	(598)	0	22,398	2,469
Early Help & Education	7,430	8,141	(216)	99	8,024	594
Commissioning & Quality Assurance	7,364	8,472		(150)	8,322	958
Learning & Schools	2,162	1,826		(102)	1,724	(438)
Adult Social Care	56,749	61,707	(2,932)	(646)	58,129	1,380
Public Health	17,380	16,721		659	17,380	0
Communities & Environment						
Housing General Fund	(149)	684		0	684	833
Development & Public Protection	2,380	2,555		(71)	2,484	104
Council Housing, Design & Technical Services	(796)	(1,145)		0	(1,145)	(349)
Transport Strategy	1,808	1,816		(132)	1,684	(124)
Culture, Communities, Leisure & Volunteering	7,115	7,849		(265)	7,584	469
Commissioning & Business Development	3,645	3,562		(28)	3,534	(111)
Facilities Management	3,374	2,954		(60)	2,894	(480)
Waste Services, Grounds Maintenance & Fleet Management	9,849	9,808		(270)	9,538	(311)
Construction General Fund	3,817	3,928		(111)	3,817	0
Economic & Housing Growth	1,404	853		381	1,234	(170)
Office of the Chief Executive						
Policy, Performance, Communications and Change	1,233	2,329		(1,163)	1,166	(67)
Corporate Services & Governance						
Legal, Democratic & Property Services	815	624		0	624	(191)
Human Resources & Litigation	2,936	2,516		0	2,516	(420)
Corporate Commissioning & Procurement	426	485		0	485	59
Corporate Resources						
Corporate Finance	1,344	1,342		0	1,342	(2)
Customer & Financial Services	3,352	3,595		(176)	3,419	67
Housing Benefits	(406)	17		0	17	423
ICT Services	2,599	2,416		(17)	2,399	(200)
Other Services & Contingencies	5,307	(340)	2,897	0	2,557	(2,750)
Capital Financing Costs	30,500	29,224		0	29,224	(1,276)
Traded and Investment Income	(2,620)	(4,040)		(641)	(4,681)	(2,061)
Expenditure Passed outside the General Fund	(1,896)	(1,732)		0	(1,732)	164
Levies	11,832	11,832		0	11,832	0
NET BUDGET	198,883	200,995	(849)	(2,693)	197,453	(1,430)
Financed By						
Settlement Funding Assessment (SFA)	(91,427)	(91,138)		0	(91,138)	289
Other Grants	(12,829)	(12,993)		0	(12,993)	(164)
Public Health	(17,380)	(17,380)		0	(17,380)	0
Council Tax	(77,236)	(77,236)		0	(77,236)	0
Collection Fund (Council Tax)	(11)	(11)		0	(11)	0
TOTAL FUNDING	(198,883)	(198,758)	0	0	(198,758)	125
PROJECTED (UNDER) / OVER SPEND	0	2,237	(849)	(2,693)	(1,305)	(1,305)

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Appendix 3 - Useable General Fund Reserves Summary 2016/17 (prior to review)

	Opening Balance	Estimated Use	Movement to	Movement from	Net Movement	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000
GENERAL FUND RESERVES (excl Schools)						
General Reserve Savings Mitigation:						
Adult Social Care	0	2,933		3,932	2,932	0
Children's Services	0	814		814	814	0
Communities and Environment	0	174		0	0	0
Governance and Resources	0	50		0	0	0
Total General Reserve Savings Mitigation	0	3,971		4,746	3,746	0
Airport Dividend	0	0	(2,897)		(2,897)	0
Under spend on Revenue Budget 16/17	0	0	(1,305)		(1,305)	0
TOTAL GENERAL FUND RESERVES (excl Schools)	(16,341)	3,971	(4,202)	4,746	(456)	(16,797)
EARMARKED FUND RESERVES						
Strategic Reserves						
Budget Flexibility Reserve	(2,996)	2,563	(969)	2,171	1,202	(1,794)
Economic Growth Reserve	(3,456)	500		67	67	(3,389)
Discretionary Social Fund Reserve	(957)	250		176	176	(781)
Strategic Change Reserve	(2,500)	1,600		1,191	1,191	(1,309)
Total Strategic Reserves	(9,909)	4,913	(969)	3,605	2,636	(7,273)
Ring-fenced Reserves						
Unapplied Revenue Grants	(4,259)	1,252	(539)	1,155	616	(3,643)
Developer's Contributions	(2,036)	446	(373)	472	99	(1,937)
Public Health Reserve	(1,772)	849	(659)		(659)	(2,431)
Total Ringfenced Reserves	(8,067)	2,547	(1,571)	1,627	56	(8,011)
TOTAL EARMARKED FUND RESERVES	(17,976)	7,460	(2,540)	5,232	2,692	(15,284)
TOTAL GENERAL FUND AND EARMARKED RESERVES	(34,317)	11,431	(6,742)	9,978	2,236	(32,081)

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COUNCIL MEETING

20 July 2017

CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2016/17 – YEAR END OUTTURN

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to inform of the 2016/17 capital programme and the impact of CIPFA's Prudential Code on the programme as well as the monitoring of performance against the statutory Prudential Indicators.
2. Changes within the capital programme during the final quarter of 2016/17 are detailed in the attached report.
3. Capital outturn for the financial year 2016/17 was £65.061m. The capital expenditure represents a significant contribution to the delivery of Vision 2020 through investment in a number of high priority schemes, as detailed in the attached report.
4. CIPFA's Prudential Code advises the regular monitoring of performance against the prudential indicators which regulate borrowing and investment. Targets and limits for the prudential indicators for 2016/17 were agreed at Council in February 2016. Borrowing and investment levels have remained within the limits set by Council.
5. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

6. It is recommended that Council:
 - (i) Approves all variations to the 2016/17 capital programme as detailed in Appendix 2.
 - (ii) Approves the financing of the 2016/17 capital programme.
 - (iii) Confirms that the capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and that none of the approved Prudential Indicators set for 2016/17 have been breached.

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TITLE OF REPORT: Capital Programme and Prudential Indicators 2016/17 – Year End Outturn

REPORT OF: Darren Collins Strategic Director, Corporate Resources

Purpose of the Report

1. This report presents the 2016/17 capital programme which included capital expenditure of £65.061m. The report assesses reasons for the variances from the third quarter review and details the proposed financing of the capital programme. In addition the report considers the impact of CIPFA's Prudential Code on the capital programme and the monitoring of performance against the statutory Prudential Indicators.

Background

2. The original budget for the capital programme for 2016/17 as agreed by Council on 25 February 2016, totalled £71.069m. The projected year end expenditure was revised to £69.614m at the end of the third quarter, reflecting changes to project delivery programmes.
3. The outturn of £65.061m is £4.553m less than the third quarter review, with the main variances summarised in Appendix 2 and shown in detail in Appendix 4.
4. The reduction from the position reported at the third quarter comprises of the following movements:

	£m
Acceleration of resources from 2017/18	1.570
Additional external funding	0.786
Re-profiling of resources and slippage to future years	(6.455)
Other increases/reductions to planned expenditure	(0.454)
Total Capital Programme Variance	(4.553)

5. A total of £1.4m of investment originally planned in 2017/18 relating to energy infrastructure was brought forward into the 2016/17 financial year reflecting the good progress made in scheme delivery. This included £0.8m towards the Council's District Energy Scheme which became operational during 2016/17 and almost £0.6m towards the expansion of the associated battery storage infrastructure, which will help to store and release the electricity generated by the District Energy Scheme to improve the resilience of the network and enhance commercial returns.
6. Other significant changes within the capital programme during the final quarter included the following:

- Slippage of almost £2.8m relating to planned improvements to the Council's housing stock within the HRA. This included almost £0.9m of investment in an energy efficiency improvement scheme at Fell, Lough and Beacon Court which has required additional design work, given the complexity of the scheme, and following programme delays due to access issues. The scheme is expected to complete during the second quarter of 2017/18. In addition, there has been slippage in a number of ongoing investment programmes within the HRA including £0.7m relating to decent homes improvement works and £0.4m relating to the estate regeneration programmes at Clasper Village, Dunston and Bleach Green;
 - Re-profiling of almost £2.0m relating to investment in the Council's ICT infrastructure. This has occurred as a result of a more competitive market from a price perspective and the implementation of alternative solutions, which have led to a combined reduction of £0.75m, as well as from a number of changes to the timings of initial investment programmes to reflect the latest delivery programmes and installation timescales;
 - Re-profiling of £0.5m of resources as part of the construction of Ravensworth Terrace Primary School due to technical difficulties encountered on site in the latter stages of the financial year. These issues have since been resolved and the school is expected to be completed by the Autumn term as expected;
 - The inclusion of additional external funding received during the final part of the year, primarily the School devolved formula capital (£0.5m) and developer contributions towards fixed play equipment (£0.2m).
7. The use of available external capital resources and capital receipts to fund the 2016/17 Capital Programme has been maximised and this means that the Council has not lost any of the external funding that it has been awarded.

Proposal

8. The report identifies a capital outturn of £65.061m for the 2016/17 financial year. The resources required to fund the 2016/17 capital programme are as follows:

	£m
Prudential Borrowing	28.358
Capital Grants and Contributions	12.642
Major Repairs Reserve (HRA)	18.839
Capital Receipts	2.394
Revenue Contributions	2.828
Total Capital Programme	65.061

9. Capital expenditure of £65.061m represents a significant contribution to the delivery of Vision 2030 and this includes investment in a number of high priority schemes as follows:
- £19m in the Council's Housing stock, including energy efficiency improvements and investment to maintain decency in over 1,900 homes;

- £13m in sustainability projects to reduce carbon emissions and generate ongoing revenue benefits including the Energy Network (£12m), which became operational during the year, and associated Battery storage infrastructure (£1m);
 - £9.5m in Transport Infrastructure within Gateshead, including highway maintenance, street lighting column replacement and sustainable transport improvements;
 - Over £5.5m of improvements to the Council's Schools, including the ongoing construction of Ravensworth Primary School in Birtley to provide additional capacity;
 - £2.5m in the Council's ongoing fleet replacement programme, primarily relating to Refuse Collection vehicles;
 - £2.3m in improvements to the Council's ICT infrastructure including the programmed replacement of desktop equipment, improvements to the network infrastructure to improve resilience, security and capacity as well as the development of the Council's digital platform;
 - £2.1m in the Council's Non Operational property portfolio, including the acquisition of retail and residential units at St Mary's Green, Whickham as well as improvements aimed at enhancing the level of rental income that is generated by the portfolio.
 - £1.4m of investment in providing Disabled Facilities Grants, helping over 300 people to undertake adaptations to their properties to continue to live independently within their homes.
10. In addition to the above investment, the Council has continued to utilise capital resources to encourage housing growth and development in Gateshead. During 2016/17 the Council has invested:
- £2.7m in the Council's Accelerated Development Zone helping to bring forward development at Gateshead Quays and Baltic Business Quarter, where the Council is progressing the Northern Centre for Emerging Technologies scheme to establish dedicated research and design testing facilities and workshop space for technology driven SME's;
 - £2.7m of investment targeted at bringing forward housing development, including the conclusion of the ten year Saltwell and Bensham acquisition and clearance programme to prepare sites for development as part of the Council's Housing Joint Venture as well as the provision of loans to Keelman Homes and settlement of the S106 obligations at Northside Birtley to release a Council owned site for further development;
 - £0.7m investment in two housing renewal sites at Clasper Village and Bleach Green in Blaydon, to prepare the sites for the future development of a significant number of family homes.
11. CIPFA's Prudential Code advises the regular monitoring of performance against the prudential indicators which regulate borrowing and investment. Targets and limits for the prudential indicators for 2016/17 were agreed at Council on 25 February 2016. Borrowing and investment levels have remained within the limits set by Council.

Recommendations

12. Cabinet is asked to:

- (i) Recommend to Council that all variations to the 2016/17 capital programme as detailed in Appendix 2 are agreed.
- (ii) Recommend to Council the financing of the 2016/17 capital programme.
- (iii) Confirm to Council that the capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and that none of the approved Prudential Indicators set for 2016/17 have been breached.

For the following reasons:

- (i) To ensure the optimum use of the Council's capital resources in 2016/17.
- (ii) To accommodate changes to the Council's in-year capital expenditure plans.
- (iii) To ensure performance has remained within the approved Prudential Limits.

APPENDIX 1

Policy Context

1. The proposals contained within this report are consistent with the objectives contained within the Council's corporate Capital Strategy and will contribute to achieving the objectives set out in Vision 2030 and the Council Plan.

Background

2. The original budget for the capital programme for 2016/17, as agreed by Council on 25 February 2016, totalled £71.069m.
3. The projected year-end expenditure was £69.614m at the end of the third quarter.
4. The actual capital payments for 2016/17 were £65.061m. This represents a reduction of £4.553m from the third quarter.
5. The £4.553m variance from the third quarter is due to a combination of slippage occurring within the current programme, reviewing existing schemes, the receipt of additional resources and other variances. All variations which have occurred in the programme during the fourth quarter are detailed in Appendix 2.
6. Appendix 3 summarises the original budget and actual year end payments by Corporate Priority. The third quarter forecasts, year end payments and comments on the progress of each scheme are detailed in Appendix 4.
7. The Prudential Code sets out a range of Prudential Indicators that were agreed by the Council on 25 February 2016. None of these indicators were breached during 2016/17 and performance against the indicators for 2016/17 is set out in Appendix 5.

Consultation

8. The Leader of the Council has been consulted on the contents of this report.

Alternative Options

9. The proposed financing arrangements are the best available in order to ensure the optimum use of the Council's capital resources in 2016/17.

Implications of Recommended Option

10. **Resources:**
 - a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that the financial implications are as set out in the report.

- b) **Human Resources Implications** – There are no human resources implications arising from this report.
 - c) **Property Implications** - There are no direct property implications arising from this report. Capital investment optimises the use of property assets to support the delivery of corporate priorities. The property implications of individual schemes are considered and reported separately.
11. **Risk Management Implication** - Risks are assessed as part of the process of monitoring the programme and treasury management. This assessment concludes that the increased uncertainty over the level of resources means that Cabinet should continue to receive quarterly reports for recommendation of any issues to Council, together with any necessary action to ensure expenditure is managed within available resources.
 12. **Equality and Diversity Implications** - There are no equality and diversity implications arising from this report.
 13. **Crime and Disorder Implications** - There are no direct crime and disorder implications arising from this report.
 14. **Health Implications** - There are no health implications arising from this report.
 15. **Sustainability Implications** - The works will help to make the environment more attractive and reduce health and safety hazards.
 16. **Human Rights Implications** - There are no direct human rights implications arising from this report.
 17. **Area and Ward Implications** - Capital schemes will provide improvements in wards across the borough.
 18. **Background Information**
 - i. Report for Cabinet, 23 February 2016 (Council 25 February 2016) - Capital Programme 2016/17 to 2020/21.
 - ii. Report for Cabinet, 12 July 2016 - Capital Programme and Prudential Indicators 2016/17 – First Quarter Review.
 - iii. Report for Cabinet, 8 November 2016 - Capital Programme and Prudential Indicators 2016/17 – Second Quarter Review.
 - iv. Report for Cabinet, 24 January 2017 - Capital Programme and Prudential Indicators 2016/17 – Third Quarter Review.

APPENDIX 2

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Reason for Movement	Vision 2030	Group	Project Title	Variance (£'000)	
Other Increases	City of Gateshead	CAE	Housing JV - Brandling	1	
			Urban Core - Creative Quarter	4	
			Urban Core - Retail Quarter	3	
	Sustainable Gateshead	CAE	Gateshead Millennium Bridge Strategic Maintenance	24	
			Highways Strategic Maintenance	551	
			Infant Free School Meals Funding	10	
			Metrogreen	5	
			Quay Wall	2	
			Strategic Maintenance	484	
			Street Lighting Column Replacement	15	
			Team Valley Flood Alleviation	2	
			CWL	ASC System	1
			HRA	Boiler Replacement Investment (Including Back Boiler Renewal)	61
		Decent Homes – Backlog/Ad-hoc Works		39	
		Door Entry System Upgrades		1	
		Heights		52	
		Timber Replacements		1	
		Warden Call	1		
Accelerated from 2017/18	Sustainable Gateshead	CAE	Battery Storage	585	
			Gateshead Energy Network Extension - Gateshead Leisure Centre	20	
			Gateshead Town Centre District Energy Network	824	
			Land of Oak and Iron	19	
			Replacement of Fleet and Horticultural Equipment	100	
			Funeral Director Premises	22	
Additional External Funding	Active & Healthy Gateshead	CAE	Fixed Play S106	220	
	Sustainable Gateshead	CAE	Salix Energy Efficiency Works	51	
		CWL	Schools Devolved Formula Funding	515	
Total Increases				3,613	
Other Reductions	Active & Healthy Gateshead	CAE	Equality Act 2010 (former DDA)	-42	
			Falls Prevention	-1	
		CWL	Disabled Facilities Grants (DFGs)	-44	
	City of Gateshead	CAE	City Boulevard	-11	
			Housing JV - Bensham & Saltwell	-52	
	Creative Gateshead	CRS	Broadband Delivery UK	-14	

APPENDIX 2

Reason for Movement	Vision 2030	Group	Project Title	Variance (£'000)
Other Reductions	Sustainable Gateshead	CAE	Bus Based Major Transport Scheme	-12
			CIL System	-9
			Civic Centre Workspace Strategy	-101
			Leisure Centres ICT Infrastructure	-5
			Street Lighting Phase 3 LED Lanterns	-34
		CRS	Agresso Development	-37
			Technology Plan: Infrastructure	-750
		HRA	Aids and Adaptations	-55
			Risers (Services)	-34
			Strategic Maintenance	-491
			Window Replacement	-18
Slippage to 2017/18	Active & Healthy Gateshead	CAE	Chase Park Restoration	-181
			Secondary Disinfection Systems in all five Leisure Pools	-101
	City of Gateshead	CAE	ADZ Investment – BBQ	-405
			ADZ Investment - Gateshead Quays	-83
			Coatsworth Road Regeneration - THI	-153
			Development Site Preparation Works	-202
			Empty Property Programme 2015/18	-25
			Urban Core - Exemplar Neighbourhood	-12
		CSG	Non Operational Portfolio - Strategic Investment Plan	-103
	Creative Gateshead	CAE	GRP Public Art	-14
	Gateshead Goes Global	CAE	Ravensworth Terrace Primary School	-504
		CWL	Additional Childcare Provision	-75
	Sustainable Gateshead	CAE	Flood Alleviation Investment	-269
			Great North Cycleway	-11
			Health & Safety	-22
			Local Transport Plan	-89
			Public Realm Improvement	-22
			s106 Highways Works Boroughwide	-37
			Street Lighting LED Replacement - Phase 4	-10
			Waste Infrastructure Grant	-39
		CRS	Digital Gateshead	-120
			Technology Plan: Infrastructure	-575
			Technology Plan: Transformation Through Technology	-474

APPENDIX 2

Reason for Movement	Vision 2030	Group	Project Title	Variance (£'000)
Slippage to 2017/18	Sustainable Gateshead	HRA	Decent Homes - Investment Programme	-659
			Equality Act Works	-37
			Estates Regeneration	-390
			External Wall Insulation Works to Non-Traditional Properties	-2
			Fire Safety Works - General	-50
			Improvement Works - Boiler Plant Renewal	-22
			Lift Replacement / Refurbishment	-269
			New Build	-205
			Regent Court Improvement Works	-145
			Replacement of Communal Electrics	-77
			T-fall Insulation	-73
			Tower Block Energy Efficiency Improvements	-870
			CWL	School Capital Improvements
		Total Reductions		
Total Variance from Q3				-4,553

Vision 2030	Revised Forecast Q3 31 December 2016	Actual Spend Q4 31 March 2017	Variation From Q3
	£000	£000	£000
Active & Healthy Gateshead	4,363	4,212	-151
City of Gateshead	7,021	5,984	-1,037
Creative Gateshead	110	81	-29
Gateshead Goes Global	3,274	2,695	-579
Sustainable Gateshead	54,846	52,088	-2,758
TOTAL	69,614	65,061	-4,553

Vision 2030	Group	Project Title	Revised Budget at Q3 (£'000)	Outturn 16/17 (£'000)	Comments
Active & Healthy Gateshead	CAE	Chase Park Restoration	355	174	Slippage to 17/18 (Borrowing / External Funding)
		Equality Act 2010 (former DDA)	150	108	Reductions (Borrowing)
		Falls Prevention	100	99	Reductions (Borrowing)
		Fixed Play S106	70	290	Increases (External Funding)
		Secondary Disinfection Systems in Leisure Pools	120	19	Slippage to 17/18 (Borrowing)
	CSG	Northside Birtley	1,733	1,733	
	CWL	Changing Lives	280	280	
		Disabled Facilities Grants (DFGs)	1,480	1,436	Reductions (External Funding)
		Telecare Equipment	75	75	
	Active & Healthy Gateshead Total		4,363	4,212	
Page 11 City of Gateshead	CAE	ADZ Investment – BBQ	3,039	2,634	Slippage to 17/18 (Borrowing)
		ADZ Investment - Gateshead Quays	150	67	Slippage to 17/18 (Borrowing)
		City Boulevard	130	119	Reductions (Borrowing)
		Coatsworth Road Regeneration - THI	215	62	Slippage to 17/18 (Borrowing / External Funding)
		Development Site Preparation Works	370	168	
		Empty Property Programme 2015/18	106	81	Slippage to 17/18 (Borrowing / External Funding)
		Housing JV - Bensham & Saltwell	250	198	Reductions (Borrowing)
		Housing JV - Brandling	0	1	Increases (Borrowing)
		Keelman Homes - Affordable Housing Development	500	500	
		Urban Core - Creative Quarter	10	14	Increases (Borrowing)
		Urban Core - Exemplar Neighbourhood	21	9	Slippage to 17/18 (Borrowing)
		Urban Core - Retail Quarter	0	3	Increases (Borrowing)
	CSG	Non Operational Portfolio - Strategic Investment Plan	2,230	2,127	Slippage to 17/18 (Borrowing)
	City of Gateshead Total		7,021	5,984	
Creative Gateshead	CAE	GRP Public Art	25	11	Slippage to 17/18 (External Funding)
	CRS	Broadband Delivery UK	85	71	Reductions (Borrowing)
	Creative Gateshead Total		110	81	
Gateshead Goes Global	CAE	Ravensworth Terrace Primary School	3,060	2,556	Slippage to 17/18 (Borrowing)
	CWL	Additional Childcare Provision	214	139	Slippage to 17/18 (DSG Resources)
	Gateshead Goes Global Total		3,274	2,695	

Vision 2030	Group	Project Title	Revised Budget at Q3 (£'000)	Outturn 16/17 (£'000)	Comments
Page 8 Sustainable Gateshead	CAE	All Round Camera System for Collection Vehicles	88	88	
		Battery Storage	340	925	Accelerated from 17/18 (Borrowing)
		Bus Based Major Transport Scheme	25	13	Reductions (Borrowing)
		CIL System	30	22	Reductions (Borrowing)
		Civic Centre Workspace Strategy	400	299	Reductions (Borrowing)
		Flood Alleviation Investment	452	183	Slippage to 17/18 (External Funding)
		Gateshead Energy Network Extension - Gateshead Leisure Centre	124	144	Accelerated from 17/18 (Borrowing)
		Gateshead Millennium Bridge Strategic Maintenance	53	77	Increases (Borrowing)
		Gateshead Town Centre District Energy Network	10,800	11,624	Accelerated from 17/18 (Borrowing)
		Great North Cycleway	827	816	Slippage to 17/18 (External Funding)
		Health & Safety	500	478	Slippage to 17/18 (Borrowing)
		Highways Strategic Maintenance	750	1,301	Increases (Borrowing)
		Infant Free School Meals Funding	40	50	Increases (External Funding)
		Land of Oak and Iron	184	203	Accelerated from 17/18 (External Funding)
		Leisure Centres ICT Infrastructure	60	55	Reductions (Borrowing)
		Local Transport Plan	4,825	4,736	Slippage to 17/18 (External Funding / Borrowing)
		Metrogreen	0	5	Increases (Borrowing)
		Public Realm Improvement	113	91	Slippage to 17/18 (Borrowing)
		Quay Wall	90	92	Increases (Borrowing)
		Replacement of Fleet and Horticultural Equipment	2,410	2,510	Accelerated from 17/18 (Borrowing)
		s106 Highways Works Boroughwide	73	36	Slippage to 17/18 (External Funding)
		Salix Energy Efficiency Works	210	261	Additional External Funding (SEELS)
		Strategic Maintenance	1,050	1,534	Increases (Revenue Contributions)
		Street Lighting Column Replacement	1,900	1,915	Increases (Borrowing)
		Street Lighting LED Replacement - Phase 4	10	0	Slippage to 17/18 (Borrowing)
		Street Lighting Phase 3 LED Lanterns	250	216	Reductions (Borrowing)
		Team Valley Flood Alleviation	11	13	Increases (Borrowing)
		Waste Infrastructure Grant	125	86	Slippage to 17/18 (External Funding)
		Funeral Director Premises	0	22	Accelerated from 17/18 (Borrowing)
	CRS	Agresso Development	230	193	Reductions (Borrowing)
		Digital Gateshead	300	180	Slippage to 17/18 (Borrowing)
		Technology Plan: Infrastructure	2,537	1,212	Reductions / Slippage to 17/18 (Borrowing)
		Technology Plan: Transformation Through Technology	1,074	600	Reductions / Slippage to 17/18 (Borrowing)

Vision 2030	Group	Project Title	Revised Budget at Q3 (£'000)	Outturn 16/17 (£'000)	Comments
Sustainable Gateshead	CWL	ASC System	75	76	Increases (Revenue Contributions)
		School Capital Improvements	2,100	1,971	Slippage to 17/18 (External Funding)
		Schools Devolved Formula Funding	400	915	Additional External Funding (School Devolved)
	HRA	Aids and Adaptations	1,500	1,445	Reductions (HRA)
		Boiler Replacement Investment (Including Back Boiler Renewal)	1,660	1,721	Increases (HRA)
		Decent Homes – Backlog/Ad-hoc Works	235	274	Increases (HRA)
		Decent Homes - Investment Programme	7,710	7,051	Slippage to 17/18 (HRA)
		Door Entry System Upgrades	160	161	Increases (HRA)
		Equality Act Works	296	259	Slippage to 17/18 (HRA)
		Estates Regeneration	1,400	1,010	Slippage to 17/18 (HRA)
		External Wall Insulation Works to Non-Traditional Properties	990	988	Slippage to 17/18 (HRA)
		Fire Safety Works - General	100	50	Slippage to 17/18 (HRA)
		Heights	485	537	Accelerated from 17/18 (HRA)
		Improvement Works - Boiler Plant Renewal	300	278	Slippage to 17/18 (HRA)
		Lift Replacement / Refurbishment	535	266	Slippage to 17/18 (HRA)
		New Build	400	195	Slippage to 17/18 (HRA)
		Programme Management	1,000	1,000	
		Regent Court Improvement Works	150	5	Slippage to 17/18 (HRA)
		Replacement of Communal Electrics	495	418	Slippage to 17/18 (HRA)
		Risers (Services)	34	0	Reductions (HRA)
		Strategic Maintenance	2,000	1,509	Reductions (HRA)
		T-fall Insulation	170	97	Slippage to 17/18 (HRA)
		Timber Replacements	105	106	Increases (HRA)
		Tower Block Energy Efficiency Improvements	1,840	970	Slippage to 17/18 (HRA)
		Warden Call	250	251	Increases (HRA)
		Window Replacement	575	557	Slippage to 17/18 (HRA)
	Sustainable Gateshead Total			54,846	52,088
Total Capital Investment 2016/17			69,614	65,061	

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Prudential Indicators 2016/17

The 2016/17 Prudential Indicators were agreed by Council on 23 February 2016. This is now compared with the 2016/17 actual position as at 31 March 2017.

Certain Treasury Management indicators must be monitored throughout the year on a regular basis in order to avoid breaching agreed limits. The capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and none of the other approved Prudential Indicators set for 2016/17 have been breached.

Capital Expenditure		
	2016/17 £000 Reported Indicator	2016/17 £000 Actual
Non-HRA	48,799	45,914
HRA	22,270	19,147
Total	71,069	65,061
To reflect the reported capital monitoring agreed by Council during the year		

Ratio of Financing Costs to Net Revenue Stream		
	2016/17 Reported Indicator	2016/17 Actual
Non-HRA	13.77%	11.41%
HRA	46.36%	43.44%

Capital Financing Requirement		
	2016/17 £000 Reported Indicator	2016/17 £000 Actual
Non-HRA	317,655	301,792
HRA	345,505	345,505

There were no breaches to the Prudential Indicators set for 2016/17.

Authorised Limit for External Debt	
	2016/17 £000 Reported Indicator
Borrowing	750,000
Other Long Term Liabilities	0
Total	750,000
Maximum YTD £617,319	

Operational Boundary for External Debt	
	2016/17 £000 Reported Indicator
Borrowing	725,000
Other Long Term Liabilities	0
Total	725,000
Maximum YTD £617,319	

The Council's actual external debt at 31 March 2017 was £610,189. 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.

Estimated Incremental Impact on Council Tax and Housing Rents

This indicator is set at the time the Council's budget is set. Therefore, there is no requirement for this Indicator to be monitored on a quarterly or annual basis.

Adherence to CIPFA code on Treasury Management

The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

Upper Limit on Fixed and Variable Interest Rates Exposures		
Range	2016/17 £000 Reported Indicator	2016/17 £000 Actual Position
Fixed Rate	Max 624,164 Min 357,170	500,817 <i>Max 512,154</i> <i>Min 468,307</i>
Variable	Max 152,227 Min -30,000	40,500 <i>Max 41,000</i> <i>Min 18,000</i>
All within agreed limits. (Max and Min YTD)		

Upper / Lower Limits for Maturity Structure of Fixed Rate Borrowing				
	2016/17 Reported Indicator		2016/17 Actual Position	
	Upper Limit	Lower Limit	Actual Percentage	Maximum YTD
Under 12 months	20%	0%	3.25%	6.91%
12 months to 24 months	20%	0%	4.01%	10.50%
24 months to 5 years	50%	0%	19.47%	20.51%
5 years to 10 years	50%	0%	6.98%	8.06%
10 year to 20 years	50%	0%	14.71%	15.39%
20 years to 30 years	50%	0%	0.00%	0.00%
30 years to 40 years	50%	0%	12.92%	12.92%
40 years to 50 years	60%	0%	28.17%	29.13%
50 years and above	30%	0%	1.97%	2.05%
All within agreed limits.				

On 8 March 2007, Council agreed to the placing of investments for periods of longer than 364 days in order to maximise investment income before forecasted cuts in interest rates. An upper limit was set and agreed as a new Prudential Indicator.

Upper Limit on amounts invested beyond 364 days			
	2016/17 £000 Reported Indicator	2016/17 £000 Actual Position	2016/17 £000 Maximum YTD
Investments	15,000	0	0

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COUNCIL MEETING

20 July 2017

TREASURY ANNUAL REPORT 2016/17

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to seek approval of the Treasury Annual Report for 2016/17.
2. In line with best practice the Council must consider a Treasury Annual Report each year. The report has been prepared taking into account relevant legislation and guidance and is consistent with the Council's approved Treasury Management Policy and Strategy.
3. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

4. It is recommended that Council approves the Treasury Annual Report for 2016/17.

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Title of Report: Treasury Annual Report 2016/17

Report of: Darren Collins – Strategic Director, Corporate Resources

Purpose of the Report

1. Cabinet is asked to recommend to Council the attached Treasury Annual Report for 2016/17.

Background

2. In line with what the Government defines as best practice and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the Council must consider a Treasury Annual Report each year.
3. The attached Treasury Annual Report has been prepared taking into account the Local Government Act 2003, Communities and Local Government's (CLG) Guidance on Local Government Investments, CIPFA's Prudential Code for Capital and CIPFA's Code of Practice on Treasury Management. The document is also consistent with the Council's approved Treasury Management Policy and Strategy, which require an annual report to be presented to Council prior to the end of September each year.

Proposals

4. Cabinet is asked to recommend to Council the Treasury Annual Report attached at Appendices 2 and 3 in order to ensure that the Council fully complies with the requirements of good practice.

Recommendation

5. Cabinet is asked to recommend to Council the Treasury Annual Report for 2016/17.

For the following reason:

To ensure that the Council fully complies with the requirements of Financial Regulations and good practice as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Code of Practice on Treasury Management.

Policy Context

1. The proposals in this report are consistent with the vision and key priorities as set out in the Council Plan to deliver Vision 2030 and in particular contribute to maintaining a sustainable financial position.

Background

2. The Council fully complies with the requirements of good practice as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Code of Practice on Treasury Management and its Prudential Code for Capital and the Department for Communities and Local Government (CLG) Guidance on Local Authority Investments, which include the:
 - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
 - Creation and maintenance of Treasury Management Practice Statements which set out the manner in which the Council will seek to achieve those policies and objectives;
 - Receipt by the Council of an annual strategy report for the year ahead and an annual review report of the previous year;
 - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions; and
 - Delegation by the Council of the role of scrutiny of treasury management strategy and policies and receipt of a mid-year review report to a specific named body which in this Council is the Audit and Standards Committee.
3. Comprehensive details of procedures in place to ensure compliance with the Code are included within the Council's Treasury Management Practices and these procedures are followed without exception.
4. Treasury Management in this context is defined as:

“The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”
5. Taking into account the annual reporting requirements stipulated in the Code of Practice, this Annual Treasury Report covers:
 - The strategy for 2016/17 (including investment and borrowing strategies);
 - Treasury Management approach to risk;
 - Outturn 2016/17 performance measurement (including market interest rates, investment and borrowing performance and compliance with treasury limits set prior to the start of the financial year as Prudential Indicators);
 - Debt restructuring and repayment; and
 - Summary of Treasury Management performance for the year 2016/17.

Consultation

6. Consultation on the production of the Treasury Annual Report has taken place with the Council's treasury advisors Capita Asset Services. The outcome of the consultation process, along with guidance issued by CIPFA, has informed the format and content of the annual report.

Alternative Options

7. There are no alternative options, as the Treasury Annual Report is required in order to comply with CIPFA's Code of Practice on Treasury Management.

Implications of Recommended Option

8. Resources:

- a) **Financial Implications** - The Strategic Director, Corporate Resources confirms that there are no direct financial implications associated with this report. The Annual Report sets out a financial summary of Treasury Management activity for the 2016/17 financial year end and compares this to budget.
- b) **Human Resources Implications** - There are no human resources implications arising from this report.
- c) **Property Implications** - There are no property implications arising from this report.

9. Risk Management Implications

The Treasury Annual Report has been prepared to report on performance against the annual Treasury Policy and Strategy. These are prepared with the primary objective of safeguarding the Council's assets and a secondary objective of maximising returns on investments and minimising the costs of borrowing.

10. Equality and Diversity Implications

There are no equality and diversity implications arising from this report.

11. Crime and Disorder Implications

There are no crime and disorder implications arising from this report.

12. Sustainability Implications

There are no sustainability implications arising from this report.

13. Human Rights Implications

There are no human rights implications arising from this report.

14. Area and Ward Implications

There are no direct area and ward implications arising from this report.

15. Background Information:

The following documents have been relied on in the preparation of the report:

- Local Government Act 2003
- CLG Guidance on Local Government Investments
- CIPFA's Prudential Code for Capital
- CIPFA's Code of Practice on Treasury Management
- Council's approved Treasury Policy & Strategy Statements 2016/17 to 2018/19
- Council's approved Treasury Management Practice Statements

Treasury Management Annual Report 2016/17

The Strategy for 2016/17

1. The 2016/17 Treasury Management Strategy was approved by Council on 17 March 2016.
2. The formulation of the 2016/17 Treasury Management Strategy involved determining the appropriate borrowing and investment decisions with the primary objective of safeguarding the Council's assets and a secondary objective of maximising returns on investments and minimising the costs of borrowing.
3. The Treasury Management Strategy fully complies with the requirements of CIPFA's Treasury Management Code of Practice and covered the following:
 - prospects for interest rates;
 - treasury limits in force including prudential indicators;
 - the borrowing strategy;
 - the extent of debt rescheduling opportunities; and
 - the investment strategy.

Investment Strategy

4. Part 1 of the Local Government Act 2003 relaxed the constraints under which local authorities can invest. These investment regulations came into force on 1 April 2004 and in conjunction with supplementary guidance are considered best practice.
5. Investments are managed in-house using counterparties listed in an approved lending list. Investments are placed over a range of periods and are dependent on the assessed security of the counterparty, the liquidity requirements of the cash flow, interest rate expectations and the interest rates actually on offer.
6. The expectation for interest rates within the Treasury Management Strategy for 2016/17 anticipated a low but rising Bank Rate, (starting in quarter 1 of 2017), and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
7. In this scenario, the Treasury Strategy was to delay borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

Borrowing Strategy

8. Based on the advice of Capita Asset Services and other information the borrowing strategy for 2016/17 was as follows:
 - When 25 year Public Works Loan Board (PWLB) rates fall back to or below 3.20% borrowing should be considered, with preference given to terms of less than 35 years to enhance the diversity of the borrowing portfolio.

- Consideration will be given to borrowing market loans which are at least 20 basis points below the PWLB target rate.
9. Any potential opportunities for repaying debt before the maturity date to reduce borrowing costs was monitored and assessed throughout the year. However, the cost of premiums on any early repayment of debt was considered prohibitive for any debt restructuring.

Treasury Management Approach to Risk

10. The primary objective is to protect funds and minimise risk. Procedures have been put in place to ensure this takes place and these are fully documented in the Council's Treasury Management Practice Statements (TMPS), which are constantly kept under review. These procedures are followed without exception. The most recent Internal Audit report concluded that Treasury Management control systems and procedures are operating well. All funds were safeguarded in 2016/17.

Outturn 2016/17 – Performance Measurement

11. It should be noted that procedures in relation to the Prudential Code were effective from 1 April 2004 and continue to apply to this report on 2016/17 performance. The performance, against limits in respect of borrowing set prior to the start of the financial year as Prudential Indicators, will be reported to Cabinet on 20 June 2017 as part of the Capital Monitoring process. None of the approved Prudential Indicators set for 2016/17 were breached in the year. For completeness the Prudential Indicators are shown at Appendix 4.

Market Interest Rates

12. Performance must be considered in conjunction with actual rate movements over the financial year which were as follows:
- **Shorter-term interest rates** – Following the EU referendum in August 2016 the Monetary Policy Committee (MPC) reduced the Base Rate to 0.25% and it remained at that level for the rest of the year.
 - **Longer-term interest rates** – Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August (MPC) meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.

Investment Performance

13. The major issue for treasury management in 2016/17 has been ensuring the security of investments whilst generating a reasonable rate of return. Due to the difference between the cost of borrowing and investment interest and the reduction in suitable counterparties the Council has continued to use investment balances to temporarily fund the capital programme. This has resulted in a saving on borrowing costs.

14. The Council's investment policy is governed by CLG guidance, which has been implemented in the annual investment strategy approved by the Council on 14th March 2017. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.) The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
15. There has been a continued use of a range of investment instruments in order to increase flexibility, spread risk, maximise liquidity and obtain attractive rates. There has been an increased use of Notice Reserve accounts, and money market funds with high rated banks to maintain the security of the funds and enhance the rate of return on investments.
16. A summary of the year's activity is shown at Appendix 3. The investment interest earned in the year was £0.413m (2015/16 £0.582m) with an average interest rate of 0.55% (2015/16 0.54%). Interest earned on loans to third parties, agreed as part of the capital programme, increased total interest to £1.667m which was £0.042m less than the original budget of £1.709m. This includes £0.887m interest relating to Newcastle International Airport.
17. The overall return for the year of 0.55% exceeds the accepted benchmark for 2016/17, which was 0.20%. This benchmark is the 7-day London Interbank Bid Rate (LIBID), which is traditionally linked to the base rate.
18. Furthermore, the Council is a member of Capita Asset Services Investment Benchmarking Group which assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across other local authorities. The Council achieved an average return of 0.42% on its investments for Quarter 4 2016/17 which is in line with the risk adjusted expectations defined in the Benchmarking Report. The Council is between the lower (0.34%) and upper (0.46%) performance boundaries which compares to other Local Authorities in the group against an expected rate of return based on the amount of risk applied.

Heritable Bank

19. The Council had a deposit of £2.792m at risk in Heritable Bank, a wholly owned subsidiary of an Icelandic bank, Landsbanki, when it entered administration in October 2008. The full deposit in Heritable was due to mature by the end of 2008/09 with interest.
20. To date dividends totalling £2.736m (98.00p in the £) have been received. This is an overachievement against the estimated return of 90p in the £. As the original investment was impaired in 2010/11 to reflect the expected return, all additional income above 90p in the £ is revenue income. The additional 8.00p in the £ recovered to date equates to £283,049 revenue income.
21. The most recent update from the administrators, Ernst and Young, in March 2017, provided detail of all dividends received to date and advised that no further dividend is expected until the conclusion of the matter. Ernst and Young intend to issue a further report early within the next accounting period.

Borrowing Performance

22. The total external borrowing at 31 March 2017 was £610.189m, which was within the operational borrowing limit of £725m. This is a net reduction of £7.131m from the opening figure of £617.320m. The reduction is represented by £31m of new borrowing offset by £38.131m repayment of borrowing.
23. Investment returns/interest rates were low during 2016/17 and were well below long term borrowing rates. Therefore value for money considerations indicated that best value could be obtained by delaying new external borrowing by using internal cash balances to finance new capital expenditure in the short term (this is referred to as internal borrowing). In 2016/17 there was £37.108m of internal borrowing. Any short term savings gained from adopting this approach was weighed against the potential for incurring additional long term costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be higher.

	31 March 2016 Actual	31 March 2017 Actual
CFR General Fund (£m)	286.125	301.792
CFR HRA (£m)	345.505	345.505
Total CFR (£m)	631.630	647.297

24. The details of the borrowing taken during 2016/17 are as follows:

Date	Term (years)	Amount £m	Interest Rate (%)	Source
14/06/2016	45	5.000	2.62	PWLB
21/02/2017	48	6.000	2.33	PWLB
28/02/2017	11	10.000	2.08	PWLB
28/02/2017	36.5	10.000	2.56	PWLB
		31.000		

25. At 31 March 2017 £490.189m of the total borrowing was from the PWLB and £120m was in the form of market loans. The average interest rate on borrowing has reduced from 4.49% in 2015/16 to 4.37% during 2016/17 which will reduce borrowing costs.
26. There was no short-term borrowing taken during 2016/17. The majority of the loans taken in 2016/17 were over 35 years which lengthens the life of the debt portfolio and provides long term security in terms of borrowing costs by securing loans at historically low rates.
27. The overall revenue cost of borrowing in 2016/17 was £26.284m. As a consequence of the level of capital expenditure and the application of the Treasury management Strategy this was £1.441m less than the budget.

Debt Restructuring & Repayment

28. Due to the reintroduction of redemption rates on the early repayment of PWLB debt it was anticipated that there would be little scope to restructure PWLB debt.
29. The rates payable on the early redemption of debt was monitored throughout the year. The cost of early repayment outweighed any savings and therefore there was no early redemption of debt.

Summary of Treasury Management Performance for the Year 2016/17

30. Total interest income was £0.042m less than the budget, which was mainly due to using internal cash balances to finance new capital expenditure in the short term, resulting in lower balances available to invest.
31. Borrowing costs were £1.441m less than budget due to borrowing being taken at lower interest rates than estimated and the decision to temporarily fund the capital programme from cash balances.
32. There were no opportunities for restructuring debt during 2016/17.
33. Overall Treasury Management performance against budget for 2016/17 generated net savings of £1.399m, this is summarised in the following table:

	Budget	2016/17 Actual	Saving
	£m	£m	£m
Cost of Borrowing	27.725	26.284	(1.441)
Interest Income	(1.709)	(1.667)	0.042
Net Position	26.016	24.617	(1.399)

34. Treasury Management remained challenging throughout 2016/17 with the continuation of the lowest bank interest rate in history and continuing pressure on available counterparties.

Appendix 3

Investment Activity

	2015/16	2016/17
Number of investments made in 2014/15 maturing in 2015/16	8	n/a
Number of investments made in 2015/16 maturing in 2015/16	44	n/a
Number of investments made in 2015/16 maturing in 2016/17	n/a	14
Number of investments made in 2016/17 maturing in 2016/17	n/a	41
Total number of investments maturing in year	52	55
Number of investments made in 2016/17 maturing in 2017/18	n/a	14
Average duration of investments (including overnight)	5 days	4 days
Average duration of investments (excluding overnight)	102 days	84 days
Non-specified investments:		
Rated non-high		
Approved limit	55%	55%
Maximum level invested	34%	41%
Not Rated		
Approved limit	0%	0%
Maximum level invested*	0.14%	0.06%
Investments greater than 364 days		
Approved limit	£15m	£15m
Maximum level Invested	£0m	£0m

*Relates to local authority investments greater than 364 days and the impaired investment with Heritable Bank.

Prudential Indicators 2016/17

The 2016/17 Prudential Indicators were agreed by Council on 23 February 2016. This is now compared with the 2016/17 actual position as at 31 March 2017.

Certain Treasury Management indicators must be monitored throughout the year on a regular basis in order to avoid breaching agreed limits. The capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and none of the other approved Prudential Indicators set for 2016/17 have been breached.

<i>Capital Expenditure</i>		
	2016/17 £000 Reported Indicator	2016/17 £000 Actual
Non-HRA	48,799	45,914
HRA	22,270	19,147
Total	71,069	65,061
To reflect the reported capital monitoring agreed by Council during the year		

<i>Ratio of Financing Costs to Net Revenue Stream</i>		
	2016/17 Reported Indicator	2016/17 Actual
Non-HRA	13.77%	12.82%
HRA	46.36%	43.44%

<i>Capital Financing Requirement</i>		
	2016/17 £000 Reported Indicator	2016/17 £000 Actual
Non-HRA	317,655	301,792
HRA	345,505	345,505

There were no breaches to the Prudential Indicators set for 2016/17.

Authorised Limit for External Debt	
	2016/17 £000 Reported Indicator
Borrowing	750,000
Other Long Term Liabilities	0
Total	750,000
Maximum YTD £617,319	

Operational Boundary for External Debt	
	2016/17 £000 Reported Indicator
Borrowing	£725,000
Other Long Term Liabilities	0
Total	£725,000
Maximum YTD £617,319	

The Council's actual external debt at 31 March 2017 was £610,189. 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.

Estimated Incremental Impact on Council Tax and Housing Rents

This indicator is set at the time the Council's budget is set. Therefore, there is no requirement for this Indicator to be monitored on a quarterly or annual basis.

Adherence to CIPFA code on Treasury Management

The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

Upper Limit on Fixed and Variable Interest Rates Exposures		
Range	2016/17 £000 Reported Indicator	2016/17 £000 Actual Position
Fixed Rate	Max 624,164 Min 357,170	500,817 Max 512,154 Min 468,307
Variable	Max 152,227 Min -30,000	40,500 Max 41,000 Min 18,000
All within agreed limits. (Max and Min YTD)		

Upper / Lower Limits for Maturity Structure of Fixed Rate Borrowing				
	2016/17 Reported Indicator		2016/17 Actual Position	
	Upper Limit	Lower Limit	Actual Percentage	Maximum YTD
Under 12 months	20%	0%	3.25%	6.91%
12 months to 24 months	20%	0%	4.01%	10.50%
24 months to 5 years	50%	0%	19.47%	20.51%
5 years to 10 years	50%	0%	6.98%	8.06%
10 year to 20 years	50%	0%	14.71%	15.39%
20 years to 30 years	50%	0%	0.00%	0.00%
30 years to 40 years	50%	0%	12.92%	12.92%
40 years to 50 years	60%	0%	28.17%	29.13%
50 years and above	30%	0%	1.97%	2.05%
All within agreed limits.				

On 8 March 2007, Council agreed to the placing of investments for periods of longer than 364 days in order to maximise investment income before forecasted cuts in interest rates. An upper limit was set and agreed as a new Prudential Indicator.

Upper Limit on amounts invested beyond 364 days			
	2016/17 £000 Reported Indicator	2016/17 £000 Actual Position	2016/17 £000 Maximum YTD
Investments	15,000	0	0

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COUNCIL MEETING

20 July 2017

IMPLEMENTATION OF PROCUREMENT PROTOCOLS

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to seek approval for the adoption of two new protocols for Off Payroll Working and Trade Union Commissioning and Procurement and to approve an amendment to the Constitution to reflect the change.
2. The Council has a legal duty to satisfy itself that any individuals engaged by the Council pay the correct amount of tax and National Insurance Contributions in line with legislation that came into effect from 6 April 2017.
3. In January 2017 Cabinet approved implementation of an overarching Protocol for the Procurement of all Services which provides basic guidance for procuring any service that the Council may require.
4. The Off Payroll Working protocol clarifies the processes relating to the engagement of individuals by the Council to ensure the Council remains compliant with HMRC regulations.
5. The Trade Union Commissioning and Procurement protocol clarifies the trade unions role within commissioning and procurement activity.
6. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

7. It is recommended that Council:
 - (i) Adopt and implement the Protocols across the Council.
 - (ii) Approves an amendment to the Constitution to provide for the Protocols.
 - (iii) Agrees training, which will be linked to the Workforce plan, is developed and will be mandatory for all officers involved in procurement.
 - (iv) Gives approval to the Service Director, Corporate Commissioning and Procurement, to make minor amendments to the protocols and also

dual badges them with the name of the Council and also the name of the Gateshead Housing Company if appropriate.

TITLE OF REPORT: Implementation of Procurement Protocols

REPORT OF: Mike Barker, Strategic Director, Corporate Services and Governance

Purpose of the Report

1. To seek approval for the adoption of two new procurement protocols for Off Payroll Working (IR35) and Trade Union Commissioning and Procurement and request Cabinet to recommend that Council approve an amendment to the Constitution to reflect this change.

Background

2. Off Payroll Working legislation came into effect from 6 April 2017 to ensure that individuals engaged by public sector bodies pay the correct amount of tax and National Insurance Contributions.
3. HMRC regularly inspect the records of organisations and has the power to impose substantial penalties and require the repayment of lost revenues with interest for failure to comply with regulations and guidance in relation to employment status and IR35.
4. The Council therefore has a legal duty to satisfy itself that any individuals engaged by the Council pay the correct amount of tax and National Insurance Contributions in line with this new legislation. This must happen in a consistent and objective way following corporate procedures.
5. In January 2017, Cabinet approved the adoption and implementation of an overarching Protocol for the Procurement of all Services, supplemented by specific protocols for Works and Construction related activity, ICT and Forestry and Grounds Maintenance. This protocol provides basic guidance for procuring any service that the Council may require and the specific protocols highlight the requirements of officers when engaging Construction Contractors, the considerations and processes relating to the procurement of ICT hardware, software and services together with the considerations and processes relating to the procurement of all forestry and grounds maintenance activity
6. The Off Payroll Working (IR35) protocol is required to clarify the considerations and processes relating to the engagement of individuals by the Council to ensure that the Council remains compliant with HMRC regulations and guidance in relation to employment/IR35 status. It is intended to be read in conjunction with the Protocol for the Procurement of all Services.

7. The Trade Union Commissioning and Procurement protocol is a way of improving our working with trade unions and clarifies the trade unions role within commissioning and procurement activity.

Proposal

8. It is proposed that:
- The Off Payroll Working (IR35) protocol is adopted for the engagement of all contractors that may fall within this legislation.
 - The Trade Union Commissioning and Procurement protocol is adopted in the key stages of any commissioning activities, service reviews, service transformation and/or procurement process involving changes to the number or terms and conditions of existing employees.
9. The Contract Procedure Rules within the Constitution will require amendment to provide for the application of the Protocols to all services, works and construction related activity and the engagement of individuals. The proposed amendment is detailed in Appendix 2.
10. Discussions are currently taking place with representatives from The Gateshead Housing Company to encourage them to adopt the same protocols. Should the Board of the Housing Company agree to adopt the protocols it would be beneficial to dual badge them with the name of the Council and also the name of the Gateshead Housing Company.
11. Approval is sought to authorise the Service Director, Corporate Commissioning and Procurement to make minor amendments to the Protocols to ensure that they remain current and comply with best practice guidance that is still emerging from Central Government as a result of the Public Contract Regulations 2015.

Recommendations

12. It is recommended that:
- (i) The Protocols are adopted and implemented across the Council.
 - (ii) Council is recommended to approve an amendment to the Constitution to provide for the Protocols.
 - (iii) Training, which will be linked to the Workforce plan, is developed and will be mandatory for all officers involved in procurement.
 - (iv) Approval be given to the Service Director, Corporate Commissioning and Procurement to make minor amendments to the protocols and also dual badge them with the name of the Council and also the name of the Gateshead Housing Company if appropriate.

For the following reasons:

- (i) To ensure the Council remains compliant with HMRC regulations and guidance in relation to employment/IR35 status.
- (ii) To clarify the trade union role within commissioning and procurement activity.

APPENDIX 1

Policy Context

1. The Council has a legal duty to satisfy itself that any individuals engaged by the Council pay the correct amount of tax and National Insurance Contributions in line with this new legislation. This must happen in a consistent and objective way following corporate procedures.
2. The Trade Union Commissioning and Procurement protocol provides a consistent and common approach to involving and consulting the recognised unions appropriately in the commissioning and procurement cycle and before any key decisions are made that may have an impact on employees.

Background

3. On 6 April 2017 Off Payroll Working legislation came into effect to ensure that individuals engaged by public sector bodies pay the correct amount of tax and National Insurance Contributions.
4. Building on the success of the adoption and implementation of the Procurement Protocols approved by Cabinet in January 2017 for Services, supplemented by specific protocols for Works and Construction related activity, ICT and Forestry and Grounds Maintenance it is considered appropriate to extend this approach to the engagement of all individuals to ensure the Council remains compliant with HMRC regulations and guidance in relation to employment/IR35 status.
5. The Protocol has been developed using expertise and knowledge from a number of services and key officers from across the Council to ensure that it is robust and practical.
6. It is proposed that further protocols may be added where deemed necessary.
7. The implementation of the Protocol would tighten the procedures around the engagement of individuals and reduce the risk of failure to comply with regulations and guidance in relation to employment status and IR35.
8. The Corporate Commissioning and Procurement Strategy included a commitment to collaborate with trade union representatives to develop a Trade Union Agreement for Commissioning and Procurement.
9. A working group was established and a protocol has been developed in consultation with representatives from Unison and GMB to enable improved consultation between officers of the Council and trade union representatives on all matters relating to commissioning and procurement.

Consultation

10. Consultation has taken place with representatives from Unison and GMB.

Alternative Options

11. There are no alternative options.

Implications of Recommended Option

12. Resources:

- a) **Financial Implications** – The Council will be responsible for the payment of employers National Insurance contributions where IR35 applies.
 - b) **Human Resources Implications** – Specific tasks or procedures will be required by services as a result of the protocols.
 - c) **Property Implications** – There are no property implications with the implementation of the protocols.
13. **Risk Management Implication** – The Off Payroll Working protocol minimises the risk of failure to comply with regulations and guidance in relation to employment status and IR35.
 14. **Equality and Diversity Implications** - Nil.
 15. **Crime and Disorder Implications** – Nil.
 16. **Health Implications** - Nil.
 17. **Sustainability Implications** - Nil.
 18. **Human Rights Implications** - Nil.
 19. **Area and Ward Implications** - Nil.

Background Information

20. The documents that have been relied on in preparation of the report include:
The Protocols are attached as Appendix 3.

PROPOSED ADDITION TO THE CONSTITUTION

Page	Previous Wording	New Wording	Reason
160	N/A	<p>Part 3 – Rules of Procedure</p> <p>Contract Procedure Rules</p> <p>3. Consolidated Procurement Principles</p> <p>Amend paragraph 3.2:</p> <p>3.2 All procurement for services, works and construction related activity and the engagement of individuals are subject to the Council's Procurement Protocols.</p>	To make provision for the application of the Procurement Protocols.

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APPENDIX 4 - PROTOCOL FOR OFF PAYROLL WORKING (IR35)

Version 1

Definitions	
Off Payroll Working	Payment for services provided by an individual by any means other than through the corporate payroll system
Employment Status Service (ESS)	HMRC tool to determine the employment/IR35 status for the purposes of PAYE tax and National Insurance
Employees	Contract of service relationship as determined by the ESS Tool
HMRC	Her Majesty's Revenue and Customs
Self Employed	Contract for service relationship as determined by the ESS Tool
Office Holders	Appointment to a statutory position that will last beyond the tenure of one person
PAYE	Pay as you Earn
IR35	Legislation to ensure the appropriate payment of PAYE tax and National Insurance for engagements through third parties
Personal Service Company	HMRC do not provide a definition for this term but it can be taken to mean a company that sells the work of an individual or group of individuals, and which is owned and operated by that individual or group of individuals

1. Background

- 1.1 This protocol describes the procedure to be followed when engaging an individual to ensure that the Council remains compliant with HMRC regulations and guidance in relation to employment/IR35 status.
- 1.2 Before a decision is taken to engage a third party, services should ensure that all options are considered and explored so that the most appropriate solution is identified. This would include determining whether either a solution could be provided in-house within existing resources or by establishment of new positions where this is

appropriate. Other alternatives may include the appointment of agency workers on a short term basis. Advice can be sought from Strategic HR as required.

- 1.3 It should be noted that the Council's recruitment policy must be followed for appointments to established posts. Advice can be sought from Strategic HR as required.
- 1.4 Where it is deemed that recruitment is not the appropriate way of engaging a person then it becomes a procurement matter. Where this is the case and the value of work is expected to be more than £25,000, advice must be sought from Corporate Commissioning and Procurement to ensure all procurement requirements are met prior to proceeding any further.
- 1.5 As it will not always be known at the beginning of a procurement exercise if the delivery of the service(s) will result in the engagement of an individual, the procedure at section 4 includes the procurement stages which must be followed.
- 1.6 Whenever an individual is engaged to undertake work it is necessary to ascertain the employment status of that individual or, if the engagement is through an intermediary such as a personal service company, to determine whether IR35 rules apply.
- 1.7 IR35 rules (often known as off payroll rules or intermediaries legislation) ensure that individuals who work through their own company pay broadly equivalent taxes as employees.
- 1.8 Prior to 6th April 2017, where an organisation engaged an individual through an intermediary, such as a Personal Service Company or a limited company, the intermediary would be responsible for determining whether IR35 rules applied and where this was the case deduct tax and National Insurance accordingly.
- 1.9 From 6th April 2017, where a public sector body enters into such an arrangement, it must determine whether IR35 rules apply and where the rules do apply, calculate, deduct and report PAYE to HMRC. Where the public sector body engages an individual through an agency and IR35 rules apply, the agency will be responsible for the PAYE calculation, deduction and reporting. However, it is the public sector body which must determine whether IR35 rules apply and notify the agency accordingly.
- 1.10 HMRC regularly inspect the records of organisations and has the power to impose substantial penalties and require the repayment of lost revenues with interest for failure to comply with regulations and guidance in relation to employment status and IR35. During an inspection HMRC will wish to interview officers responsible for engaging individuals and will expect them to be able to fully justify decisions on employment/IR35 status.

1.11 Some of the factors which HMRC use to determine employment/IR35 status are:

- Control – where, when and how the work is done
- Personal Service – can the worker send a substitute
- Equipment – does the worker supply equipment
- Economic Reality – is the worker responsible for the success or failure of their business
- Mutuality of Obligation – is there an obligation to use an individual on a committed regular basis and is there an obligation on the individual to provide committed and continuous service
- Length of Engagement – longer engagements tend to point toward employment

This is by no means an exhaustive list and no single factor will determine employment/IR35 status.

2. Scope & Responsibilities

2.1 The Council requires that this protocol is followed for all engagements where the Council's recruitment policy does not apply to ensure that all corporate and legal requirements are considered and risks identified and managed appropriately. This includes the engagement of:

- Office Holders, (see section 3 for further details)
- Self Employed Workers, (see section 4 for further details)
- Individuals through an intermediary such as a Personal Service Company (PSC), limited company, partnership or other individual, (see section 4 for further details)
- Other Workers, (see section 4 for further details)

2.2 This protocol does not apply for engagements via an employment agency. In these circumstances see the document "Procedure for the Engagement of Agency Workers and Appointment of Interims" held by Strategic HR.

2.3 This protocol does not detail all of the checks which must be carried out when engaging an individual as these can vary depending on the circumstances. The engager must ensure that checks such as the right to work in the UK, DBS, identity etc. are carried out as appropriate to the engagement. Strategic HR can be contacted for more detail as required.

2.4 The legislation equally applies to small value, ad-hoc pieces of work or service provision undertaken on behalf of the Council, which would not normally follow a formal process due to its value.

3. Office Holders

- 3.1 There is no statutory definition of the word 'office'. It has been judicially defined as a 'permanent, substantive position which had an existence independent from the person who filled it, which went on and was filled in succession by successive holders.' (Rowlatt J in *Great Western Railway Company v Bater* 8TC231).
- 3.2 An office may be created by a charter, statute, or other document which is, or forms part of, the constitution of an organisation or which governs its operation. It is a separate and independent position to which duties are attached; it does not owe its existence to the incumbent or the discretion of an organisation. An office holder is not an employee.
- 3.3 Within the Council, office holders include the following:
- Elected Members
 - Chair of the Local Safeguarding Board (LSCB) (Children's Act 2004)
 - Members of Fostering and Adoption Panels (Fostering Services (England) Regulations 2007) (Adoption and Children's Act 2002)
 - School Improvement Partners (The Education (Schools Improvement Partners) England Regulations 2007)
 - Coroners (Coroners Act 1988)
 - Best Interest Assessors (The Mental Capacity Regulations 2008)
- 3.4 There may be other examples of office holders which arise over time due to statutory, regulatory or other changes. In order to establish whether or not a position holds the status of 'office holder', this will be determined by reference to the relevant legislation, regulations or other documentation and HMRC guidance. Service Directors must seek advice from Payroll and Human Resources in relation to any new positions which they consider may fall within the definition of an 'office holder'.
- 3.5 Any fees payable to office holders shall be subject to PAYE and NIC and deductions in this respect will be made via the Council's payroll. Payment of expenses should be in accordance with Council policy on expense payments to employees. All expenses must be properly receipted and will be assessed for PAYE. This paragraph applies whether the office holder is paid direct or through an intermediary.

4. Procedure for Engaging Individuals other than via a Recruitment Process

- 4.1 Seek approval for the engagement from Service Director in writing.
- 4.2 In line with the Contract Procedure Rules, competitive quotations or tenders are to be obtained using the approved electronic e-tendering

system(s). Corporate Commissioning and Procurement can be contacted for advice if required.

- 4.3 The following wording must be contained within the Quotation or tender documentation to ensure suppliers know what they are bidding for and on what basis they will be paid. *“The Council reserves the right to carry out the Employment Service Status test to determine your status in accordance with HMRC guidance and deduct and make payment of tax and NI contributions accordingly.”*
- 4.4 In order to assess PAYE status each bidder must complete a “PAYE Status Questionnaire” which can be found at the end of this protocol. The answers provided on the questionnaire are for information purposes only and will not form any part of the evaluation process.
- 4.5 Terms and Conditions must be included with the quotation documentation and must include the following wording. *“The Council reserves the right in relation to the Contractor to carry out H.M. Revenue and Customs’ (“HMRC”) PAYE status test and, in accordance with HMRC Guidance, to deduct from the Price and pay to HMRC such sums in respect of tax and National Insurance as it may be required to deduct and pay in accordance with that guidance.”* Standard Terms and Conditions are available and are held within the NEPO Portal, the Council’s electronic tendering system. Where the standard Terms and Conditions are not appropriate, you must consult with Corporate Commissioning and Procurement and/or Legal.
- 4.6 Following evaluation of quotations or tenders if the preferred bidder is an individual, whether supplied by an intermediary or not then approval to appoint must be granted by Strategic Director, Corporate Services and Governance and the Service’s Business Partner in Corporate Finance using form HR141. A copy of form HR 141 is attached to this protocol.
- 4.7 Once approval has been granted, as outlined in 4.6 above, issue an Intention to Award letter/notification which must include the following words *“The Council may carry out the Employment Status Service (ESS) check to determine PAYE status in accordance with HMRC guidance and it shall be a condition of your contract that the Council may deduct and make payment of tax and NI contributions if required to do so in accordance with the outcome of that test.”* A standard template Intention to Award letter is obtainable from Corporate Commissioning and Procurement upon request, together with advice on how to adapt the template for this purpose.
- 4.8 Prior to awarding the contract or engaging the individual you must arrange to meet with a member of Payroll and HR Support who will determine whether an ESS check is required. The Payroll and HR Support officer will record their decision on form HR141. Where an ESS check is required, it is the result of the check that determines the

employment /IR35 status. It is not for Officers to make judgement on the result.

- 4.9 Where Payroll and HR Support have determined that an ESS check is required, use of the ESS tool is compulsory when engaging an individual whether that individual is appointed directly or through a third party such as those described above. The ESS tool must be completed by the engaging officer in the presence of the officer from Payroll and HR Support. There must be no reliance on ESS results provided by the individual or other third party. Any wilful non-compliance may result in disciplinary action being taken.
- 4.10 If the ESS tool determines that the Council must apply PAYE it will state either “The engagement should be classed as employed for tax purposes” or “The intermediaries legislation applies to this engagement.” Issue an Award letter stating the outcome of the ESS check and that tax and NI contributions will be deducted at source. Go to section 5 of this protocol.
- 4.11 If ESS determines that the Council does not need to operate PAYE it will state either “This engagement should be classed as self-employed for tax purposes” or “The intermediaries legislation does not apply to this engagement”. Issue an Award letter stating the outcome of the ESS check and that tax and NI contributions will not be deducted. Go to section 6 of this protocol.
- 4.12 On occasion the ESS tool may state “Unable to determine the tax status of this engagement”. In these circumstances Payroll and HR Support will work with you to determine the appropriate outcome.
- 4.13 The preferred bidder may not change their pricing as a result of the outcome from the ESS check. Contact Corporate Procurement and Commissioning for advice if this situation occurs.
- 4.14 If Payroll and HR Support determine that no ESS check is required issue an award letter and go to section 6 of this protocol.

5. Payroll Procedure

- 5.1 Payroll will require a copy of the HR141 approval form, the Employment Status Service results including the questions and answers, the first invoice from the worker, and the covering HR142 form. A copy of form HR142 is attached to this protocol. In addition if the worker is claiming any travel or expenses payment, receipts will be required.

The invoice should be itemised to show:

- Payment for Services
- Expenses

- Travel – including home to work travel

Paperwork can be submitted via post or email – email @ CS Paymaster Global

- 5.2 Workers will receive a payslip to confirm payment and the breakdown of statutory deductions. Pay date is 19th of each month- except in cases where 19th falls on a weekend when pay day will be the Friday before. Payroll will require invoices no later than the 9th of the month in order for payment to be received in the next available pay date.

6. Exchequer Procedure

- 6.1 If the process deems that an individual is self-employed and IR35 does not apply then all invoices for payment should be sent to Exchequer Services, Corporate Resources.
- 6.2 Invoices can be submitted via post or email (CS Creditor Invoices).
- 6.3 Before approving the payment in Agresso the budget holder must ensure that the proper procedure has been followed and confirm that IR35 does not apply to this engagement.
- 6.4 Payments will then be made via the Council's Financial System and a remittance advice will be sent to the contractor.

7 Ongoing Reviews

- 7.1 Payroll and HR Support must be contacted if the engagement is extended beyond its original term to determine whether a further ESS check is required.
- 7.2 Each contract should be regularly reassessed by the engaging service to ensure that ongoing work is in accordance with the original contract. Any variation will require that a further ESS check is carried out with a representative from Payroll and HR Support.

8 Status Enquiries

- 8.1 The Council must inform the intermediary with whom they have a contract to provide services that the contract falls within the IR35 rules or that it does not. This should be included in the contract.
- 8.2 If the intermediary asks how the IR35 determination has been reached, the Council Officer responsible for the engagement must answer such an enquiry within 31 days of receiving the request. Failure to comply may result in the Council becoming responsible for the PAYE tax and NIC.

9 Data Collection and Record Keeping

- 9.1 It is essential that services keep full records including forms HR 141 / HR 142 and ESS evaluation forms which can be used as evidence during an HMRC inspection. Records must be kept for a minimum of the previous 6 years plus the current year.

PAYE STATUS QUESTIONNAIRE

Whenever an individual is engaged to undertake work it is necessary to ascertain the employment status of that individual. The individual may be engaged as a sole trader or a self-employed person and may not have any employment rights. However, this does not necessarily mean that they fall outside the scope of PAYE tax and national insurance. There may still be a requirement to deduct tax and national insurance contributions from payments made.

Tax legislation also exists in relation to the engagement of individuals through their own company. This is known as IR35 legislation (sometimes called intermediaries' legislation or off payroll working) and it ensures that individuals engaged through an intermediary pay taxes similar to employees, where they would be employed were it not for the company or other intermediary that they work through.

The intermediary can be:

- Your own limited company
- A service or personal company
- A partnership

The Council reserves the right to carry out the Employment Service Status test to determine your status in accordance with HMRC guidance and deduct and make payment of tax and National Insurance contributions accordingly.

In order to ensure compliance with Intermediaries legislation, it is necessary for the Council to fully understand the circumstances in which the work specified in the tender document will be carried out. Please complete the following questions accordingly. These questions are asked for information purposes only and will not form any part of the evaluation process.

No	Question	Response
1	Will you be carrying out the work as a sole trader/self-employed person (if you indicate "Yes" no further questions need to be answered)	Yes <input type="checkbox"/> No <input type="checkbox"/>
2	This Section should be completed if any part of the work will be carried out by the organisation bidding for the work	
2 (a)	<p>If the organisation is a company (not a partnership): In respect of any individual providing work through the company:</p> <p>i. does the individual have beneficial ownership of, or the ability to control, directly or through the medium of other companies or by any other indirect means, more than 5% of the ordinary share capital of the company; or</p> <p>ii. does the individual have possession of, or entitlement to acquire, rights entitling the holder to receive more than 5% of any distributions that may be made by the company; or</p> <p>iii. where the company is a close company, does the individual have possession of, or entitlement to acquire, rights that would in the event of the winding up of the company, or in any other circumstances, entitle the holder to receive more than 5% of the assets that would then be available for distribution among the participators?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
2 (b)	<p>If the organisation is a partnership: If any individual is providing the work through a partnership then in relation to any payment or benefit received or receivable by the worker as a member of the partnership:</p> <p>i. is that worker alone or with one or more relatives, entitled to 60% or more of the profits of the partnership; or</p> <p>ii. do most of the profits of the partnership concerned derive from the provision of services under engagements a) to a single client or b) to a single client together with associates of that client to which Part 2, Chapter 8 of the Income Tax (Earnings and Pensions) Act 2003 applies; or</p> <p>iii. under the profit sharing arrangements, is the income of any of the partners based on the amount of income generated by that partner by the provision of services under engagements to which Part 2, Chapter 8 of the Income Tax (Earnings and Pensions) Act 2003 applies.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>

3	This section should be completed where some or all of the work is sub-contracted by the bidder.
	Name each sub-contractor carrying out the work
	<p>Bidders must now complete section 3.1 A separate form must be completed for each sub-contractor.</p>

No	Question	Response
3.1 (a)	Is the sub-contractor a sole trader/self-employed person (if yes no further questions need to be answered)	Yes <input type="checkbox"/> No <input type="checkbox"/>
3.1 (b)	<p>If the sub-contractor is a company (not a partnership): In respect of any individual providing work through the company:</p> <p>i. does the individual have beneficial ownership of, or the ability to control, directly or through the medium of other companies or by any other indirect means, more than 5% of the ordinary share capital of the company; or</p> <p>ii. does the individual have possession of, or entitlement to acquire, rights entitling the holder to receive more than 5% of any distributions that may be made by the company; or</p> <p>iii. where the company is a close company, does the individual have possession of, or entitlement to acquire, rights that would in the event of the winding up of the company, or in any other circumstances, entitle the holder to receive more than 5% of the assets that would then be available for distribution among the participators?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
3.1 (c)	<p>If the sub-contractor is a partnership: If any individual is providing the work through a partnership then in relation to any payment or benefit received or receivable by the worker as a member of the partnership:</p> <p>i. is that worker alone or with one or more relatives, entitled to 60% or more of the profits of the partnership; or</p> <p>ii. do most of the profits of the partnership concerned derive from the provision of services under engagements a) to a single client or b) to a single client together with associates of that client to which Part 2, Chapter 8 of the Income Tax (Earnings and Pensions) Act 2003 applies; or</p> <p>iii. under the profit sharing arrangements, is the income of any of the partners based on the amount of income generated by that partner by the provision of services under engagements to which Part 2, Chapter 8 of the Income Tax (Earnings and Pensions) Act 2003 applies.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>

HR 141: Request for approval to engage an Individual to carry out a service

Group	
Service	
Function	
Engaging Manager	
Nature of service to be provided	
Reason	
Budget/Estimated Cost	
Estimated Duration of work	

I certify that in house service provision has been fully explored and the service required cannot be carried out by any in house provider.

Signature of Engaging Manager.....

Service Director Approval		Date	
Strategic Director, Corporate Services & Governance Approval		Date	
Corporate Finance Business Partner Approval		Date	

If approved please refer to appendix 4 of the 'Protocol for Procurement of all Services' document which details the procedure to be followed for payment to the individual engaged to carry out the work

To be completed by Payroll and HR Support

Based on the information detailed on the PAYE Questionnaire, does an Employment Status Service Check (ESS) need to be completed for this engagement?

Yes ☐ No ☐

Name of Payroll and HR Support Officer.....

Date.....

HR 142 - Payment authorisation for Individuals engaged to carry out a service

Engaging Manager: _____ Group & Service: _____
 Extension Number: _____

Is this Initial payment?	Yes	Attached to this form must be a copy of the approval form HR 141, ESS tool results - including questions and answers, Invoice for the work along with any other evidence for payment i.e. receipts etc.
	No	Attached to this form must be a copy of the invoice for work along with any other evidence for payment i.e. receipts etc.

Please note invoices must be clearly itemised to show payment for services, expenses and travel
 - including home to work travel. All receipts for travel and expenses will be required.
 Failure to submit all relevant paperwork will result in a delay of payment

Contractor Details										
Name										
Nature of service										
Address (including post code)										
Contact Number										
Email Address										
BACS Payment details	Account Name									
	Account Number									
	Sort Code			-			-			
NI Number										
Date of Birth										
Is employment deemed or does IR35 apply in this case?	<input type="checkbox"/> Yes Please forward to Payroll for payment along with the relevant invoice and any other necessary paperwork- email to CS Paymaster Global									
	<input type="checkbox"/> No Please forward to Exchequer services for payment along with the relevant invoice and any other necessary paperwork - email to CS Creditor Invoices									
Cost of service										
Cost of expenses										
Other payments										
Total Cost										
Cost code										
Engaging officer details	Name					Signature				

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APPENDIX 5 - TRADE UNION COMMISSIONING AND PROCUREMENT PROTOCOL

Version 2

Definitions	
Strategic Commissioning	Describes a cycle of activity that begins by considering what evidence is telling us about our community, and then leads us to determine the needs of our local population and analyse what must be done to achieve the best possible outcomes within our available resources.
Service Commissioning	Incorporates an inclusive approach to the design, prioritisation, management, delivery and monitoring of services and is an ongoing, cycle which should focus on outcomes. It is not to be confused with outsourcing, however if service provision is potentially to be satisfied via a source external to the Council, it is often <i>procured</i> .
Procurement	Means the process by which we acquire goods, works, services and assets from external providers, spanning the whole life cycle from the identification of need (usually via a commissioning process), to the end of the useful life of an asset or contract or of the need for an activity
Outsourcing	Is where the Council has determined that service provision is to be satisfied by a source external to the Council or any of its associated companies.

1. Background

- 1.1 Gateshead Council will involve and consult the recognised trade unions appropriately in the commissioning and procurement cycle and before any key decisions are made that may have an impact on employees.

- 1.2 The Council and the trade unions are committed to providing affordable, high quality services that meet the needs of local communities. The Council recognises that trade union involvement is positive for facilitating change (including transformational change), protecting the workforce, reducing costs, encouraging positive staff engagement and raising service standards.
- 1.3 There will be regular engagement and consultation with the trade unions throughout the commissioning process and trade unions will have an opportunity to input and comment on all aspects before key decisions are made. The parties will seek to agree structures and timetables that enable this to happen.
- 1.4 The Council will provide the trade Unions with access to any equality impact assessments, which include consideration of the impact on staff and on equal pay, to ensure 'due regard' to equalities considerations is taken.
- 1.5 A consistent and common approach, based on the principles of this protocol, will be applied by all Service and Strategic Directors to activities relating to commissioning that impact on employees.

2.0 Scope & Responsibilities

- 2.1 All officers are required to follow this protocol in the key stages of any commissioning activities, service reviews, service transformation and/or procurement process involving changes to the number or terms and conditions of existing employees.

3 Service Review and Options appraisals

- 3.1 Services will carry out a full options appraisal on a wide range of delivery models before any formal procurement process is commenced. Trade unions will be consulted over the appraisal method and assessment criteria as set out in the Commissioning Toolkit, and be consulted on the results of the options appraisal itself.
- 3.2 Prior to deciding to outsource any service, the Council will consider the implementation of a properly resourced in-house service improvement plan. This will form part of the options appraisal exercise.

4 The Procurement Process

- 4.1 The Service Director for Corporate Commissioning and Procurement will send copies of the procurement work plan to the trade unions on a quarterly basis.
- 4.2 In the event that the Council decides to outsource a service, Trade unions will be invited to participate in the appropriate elements of the

selection or award process of contractors. The trade unions will be given the opportunity to play a role in the evaluation of specific and agreed areas of the tender, where the Council considers it appropriate to do so. This must be agreed upfront and potential bidders must be notified as part of the procurement process. Should any provider raise an objection to trade union representatives being involved in the appropriate elements of the selection or award process, the Service Director, Corporate Commissioning and Procurement will review this situation and if necessary facilitate their removal from the process.

5 Access to Information

- 5.1 The trade unions will be given timely access to all of the relevant information at each stage of the service review options appraisal process.
- 5.2 Gateshead Council will seek agreement with bidders that will ensure appropriate and timely access by the trade unions to all relevant information following contract award for appropriate outsourced contracts.
- 5.3 Information that is provided to the trade unions, on the basis that they may use it for reasonable communication of relevant issues with their members and advisers will be clearly marked as such. All other information shared with the trade unions will remain confidential unless agreed otherwise with the relevant Service Director. The trade union(s) will be required to agree to ensure all information is kept securely.
- 5.4 Where the Council considers that any information is commercially confidential the union(s) will be informed that the information is being withheld and the reasons.
- 5.5 The Council will provide assistance to the trade unions in the interpretation of information and proposals if required.

6 Workforce Issues

- 6.1 The Council is committed to workforce development which maximises opportunities for affordable training and development and recognises the positive role of trade unions and union learning reps in workforce development. A similar approach will be required from bidders for the local authority's contracts to provide services.
- 6.2 The Council will support its own compliance with the statutory public sector equality duty and its own equalities scheme(s) by including specific requirements for contractors to comply with equality legislation and improve equality for the workforce providing public services. Compliance with this requirement will be monitored as part of the overall contract monitoring arrangements.

- 6.3 Should the trade unions become aware of serious workforce issues between employees and their employing contractors, they will inform the Service Director, Corporate Commissioning and Procurement who will determine what, if any, action might be taken.
- 6.4 The Council will seek to ensure that employing contractors have appropriate methods of managing employee relations, to the extent permissible having regard to s.17 of the Local Government Act 1988 and the Local Government Best Value (Exclusion of Non-commercial Considerations) Order 2001/909,
- 6.5 The Council must ensure that where TUPE applies all contractors have Admitted Body Status (ABS) to the Local Government Pension Scheme (LGPS) or a pension scheme broadly comparable to, or better than the LGPS, in advance of the commencement of any contract.



COUNCIL MEETING

20 July 2017

REVIEW OF APPROACH TO TRADING AND COMMERCIALISATION

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to seek approval of new arrangements to promote and advance an enhanced strategic approach to trading and commercialisation across the Council.
2. It is proposed that the prioritisation of activity is best delivered through the reconfiguration of current responsibilities and the establishment of a service director post with specific responsibility for trading and commercialisation across the Council at a corporate level. The post would sit within the Corporate Resources service group and report to the Strategic Director, Corporate Resources.
3. This approach will enable continued improvement in the co-ordination of Council functions, the organisation of its staff, and to enable Council services to be delivered in a more efficient and effective way.
4. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

5. It is recommended that Council approves the management structure changes detailed in the attached report, to be effective from 1 August 2017, or such later date determined by the Chief Executive following further consultation with the Council's recognised trade unions and the Leader of the Council.

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TITLE OF REPORT: **Review of Approach to Trading & Commercialisation**

REPORT OF: **Sheena Ramsey, Chief Executive**

Purpose of the Report

1. To seek Cabinet approval to recommend to Council new arrangements to promote and advance an enhanced strategic approach to trading and commercialisation across the Council, including a restructure of senior management to focus additional capacity within the Leadership Team on this important policy priority area, at both the strategic and operational level.

Background

2. As head of paid service, it is the duty of the Chief Executive to ensure the Council's discharge of its many functions is co-ordinated and to manage the organisation of its staff. This requires regular consideration of whether the Council's management structure and distribution of functions among its service groups optimises the Council's ability to pursue its policy priorities and deliver efficient and effective services, particularly in times of significant financial pressure and increasing demand.
3. The Council continues to face a number of challenges managing significant budgetary pressures, whilst meeting increasing demand as a consequence of demographic changes and a rapidly changing policy context. It is anticipated that the scale and depth of these changes will continue throughout the timeframe of the Council Plan (i.e. until at least 2020) so the Council needs to ensure it can adapt with pace and purpose to continue to provide the best possible services to its residents.
4. A fundamental review of the Council's approach to deliver change at the scale and depth required (the Change Programme) has been undertaken in order to provide greater focus and prioritisation on the key areas of change that are required across the organisation. This review is aimed at streamlining and clarifying responsibilities and accountability for delivering change, and will be supported by changes in culture and ways of working that will achieve the objective of a more flexible approach to the deployment of leadership capacity across the organisation.
5. The focus on priorities within the Change Programme will remove the existing Change Programme architecture of People, Place and Trading and Commercialisation, and allow for a more prioritised alignment across the Council on the key strategic areas of Economic Growth, Income Generation, Cost Reductions and Demand Management. The proposed approach will place a greater reliance on the Council's mainstream management and governance processes in the delivery of change across the whole organisation.

6. As identified in the Council Plan, income generation is fundamental to the delivery of the Council's MTFs and the achievement of a sustainable financial position. Trading and commercialisation activity is key to this, and the proposed approach therefore embraces the entire Council in promoting and supporting this policy priority area.

Proposal

7. It is proposed that this prioritisation of activity is best delivered through the reconfiguration of current responsibilities and the establishment of a service director post with specific responsibility for trading and commercialisation across the Council at a corporate level. The post and service would sit within the Corporate Resources service group and report to the Strategic Director, Corporate Resources.
8. It is proposed that the scope of the post incorporates the following areas:
 - Providing strategic and operational leadership across the Council in respect of trading and commercialisation;
 - Deputise for the Strategic Director, Corporate Resources in his role as strategic lead for Trading & Commercialisation for the Council;
 - Developing a commercialisation strategy for the Council and supporting the implementation and delivery of projects;
 - Pro-actively identifying and engaging with public sector and industry partners;
 - Embedding a commercial culture across the Council to provide a coherent framework of governance and models of delivery to empower staff to effectively identify and progress income generation proposals supporting the Council's long term financial sustainability; and
 - Achieving increased income across Council services over 5 years, to 2022, to support the strategic approach to income generation.
9. The post would also be responsible for providing key support and leadership in the development of a strategic approach to traded Services to Schools across the Council, and to Social Care trading activity, including provider services. This would align and support the proposed refocusing of activity on these two priority areas following the review of the existing Change Programme.
10. It is essential that the overall approach to commercialisation and wider income generation fits within the Council's values and priorities and this would be facilitated by the corporate and strategic approach.
11. It is also felt important that the Service Director, Trading & Commercialisation has direct operational responsibility for the following specific traded services that will enable a corporate approach to review and transformation of these services:
 - Leisure services
 - Cultural services
 - Civic, corporate, and school catering
 - Facilities Management (including Building Cleaning Service; Schools Caretaking Support, CCTV, security and property protection)
 - Operational and technical building maintenance
 - Supporting Independence Service

The post would also have responsibility, on a temporary basis, for the library service, pending a review of this service area and a further report to Cabinet and Council with recommendations covering future structure and approach.

12. The alignment of the Service Director, Trading & Commercialisation post within the Corporate Resources service group recognises the critical corporate Council wide nature of the role and its importance and link with the delivery of the Council's medium term financial strategy. The role will provide a strategic focus on income generation and this will be fundamental in maintaining the financial sustainability of the Council. Further to this the positioning within Corporate Resources will help facilitate linkages with the overall Council approach to risk management.
13. The review and refocusing of Council wide trading and commercial activity will:
 - Provide a corporate strategic focus and prioritisation for Trading and Commercialisation activity across the entire Council;
 - Assist delivery of the key strategic area of income generation to contribute to the financial sustainability of the Council;
 - Enable a clearer focus in approach to be adopted for other key strategic areas: for example, economic growth;
 - Deliver a clarity on lines of accountability and responsibility and outcomes;
 - Join up and streamline trading and commercialisation activity across the Council by supporting a strengthened focus on the customers;
 - Provide a corporate approach and framework that will enable the consideration of appropriate and innovative service delivery in areas of Council traded activity; and
 - Encourage and support flexible team working across the Council.
14. The scope of the new approach will also extend to understanding the relationship between the existing trading companies and any proposed changes, as well as identifying opportunities for using existing trading vehicles.

Recommendations

17. It is recommended that Cabinet:

Agrees and recommends to Council approval of the management structure changes detailed in this report, to be effective from 1 August 2017, or such later date determined by the Chief Executive following further consultation with the Council's recognised trade unions and the Leader of the Council.

For the following reasons:

To enable continued improvement in the co-ordination of Council functions, the organisation of its staff, and to enable Council services to be delivered in a more efficient and effective way.

CONTACT: Mike Barker ext: 2100

APPENDIX 1

Policy Context

1. The Council is operating in a challenging national policy context which has been compounded by government funding reductions and announcements that indicate further significant reductions in resources available for local government.
2. The reconfiguration of services resulting from this reorganisation will assist in the delivery of Vision 2030 and in the implementation of the Council's Corporate Priorities as set out in the Council Plan 2015-2020 and its policy framework, in particular: income generation from increased trading activity to support the sustainability of the Council.

Background

3. A fundamental review of the approach to the Change Programme has been undertaken to provide a greater focus and prioritisation on the key areas of change that are required across the organisation. This will streamline and clarify responsibilities and be supported by changes in culture and ways of working that will achieve the objective of a more flexible approach to the deployment of leadership capacity across the organisation.
4. The focus of priorities within the Change Programme will remove the existing Change Programme architecture of People, Place and Trading and Commercialisation and allow for a more prioritised alignment across the Council on the key strategic areas of Economic Growth, Income Generation, Cost Reductions and Demand Management. The proposed approach will place a greater reliance on the Council's mainstream management and governance processes in the delivery of change across the whole organisation.
5. Income Generation is fundamental to the delivery of the Council's MTFS and the achievement of a sustainable financial position. Trading and Commercialisation activity is key to this delivery and the proposed approach embraces the entire Council and supports delivery of the Council Plan, MTFS and the requirement for income generation and sustainability. It is proposed that this prioritisation of activity is best delivered by a reconfiguration of current responsibilities to establish a post of Service Director of Trading and Commercialisation within Corporate Resources reporting to the Strategic Director, Corporate Resources. This role will need to be supported by a review of current service management activity that will be undertaken with full engagement and involvement of current managers and Trade Unions.
6. It is proposed that the scope of the post incorporates the following areas:
 - Providing strategic and operational leadership across the Council in respect of trading and commercialisation.
 - Deputise for the Strategic Director Corporate Resources in his role as strategic lead for Trading and Commercialisation for the Council.
 - Developing a commercialisation strategy for Gateshead Council.
 - Pro-actively identifying and engaging with public sector and industry partners.

- Overseeing the development of the commercialisation strategy and support the implementation and delivery of projects.
 - Embedding a commercial culture across the organisation to provide a coherent framework of governance and models of delivery to empower staff to effectively identify and progress income generation proposals supporting the Council's long term financial sustainability.
 - Achieving increased income across Council services over 5 years, 2022 to support the strategic approach to income generation.
7. The post would also be responsible for providing key support and leadership in the development of a strategic Council wide approach to Services to Schools across the Council and the development of a strategic approach to Social Care trading activity including provider services. This would align and support the proposed refocusing of activity on these two priority areas following the review of the existing Change Programme. It will be important that the overall approach to commercialisation fits within the Council's values and priorities and this would be facilitated by the corporate and strategic approach.
 8. It is also felt essential that the Service Director of Trading and Commercialisation has direct operational responsibility for a number of specific traded services that will enable a corporate approach to review and transformation in these areas. The proposed post will cover current responsibilities from existing Service Director posts.
 9. The alignment of the Service Director of Trading and Commercialisation post within the Corporate Resources Directorate recognises the critical corporate Council wide nature of the role and its importance and link with the delivery of the Council's medium term financial strategy. The role will provide a strategic focus on income generation and this will be fundamental in maintaining the financial sustainability of the Council. Further to this the positioning within Corporate Resources will help facilitate linkages with the overall Council approach to risk management.
 10. The review and refocusing of Council wide trading and commercial activity will:
 - Provide a corporate strategic focus and prioritisation for Trading and Commercialisation activity across the entire Council.
 - Assist delivery of the key strategic area of income generation to contribute to the financial sustainability of the Council.
 - Enable a clearer focus in approach to be adopted for other key strategic areas for example economic growth.
 - Deliver a clarity on lines of accountability and responsibility and outcomes.
 - Join up and streamline trading and commercialisation activity across the Council by supporting a strengthened focus on the customers.
 - Provide a corporate approach and framework that will enable the consideration of appropriate and innovative service delivery in areas of Council traded activity.
 - Encourage and support flexible team working across the Council.
 11. The scope of the new approach will also extend to understanding the relationship between the existing trading companies and any proposed changes as well as identifying opportunities for using existing trading vehicles.

12. A range of different trading delivery models have been established by the Council. Importantly each of these was established to further the Council's ability to achieve outcomes for local people. These include:
- **The Gateshead Housing Company** to manage the Council's housing stock and enable investment in homes as well as delivery of the Housing Repairs and Maintenance contract.
 - **The South Tyne and Wear Waste Management Partnership** with Sunderland City Council and South Tyneside Council to procure an "Energy from Waste" solution – producing electricity and diverting over 95% of non-recyclable waste from landfill.
 - **Gateshead Regeneration Partnership** – a joint housing venture with Home Group and Galliford Try to deliver over 2,500 high quality new homes, supporting skills, jobs and local supply chains.
 - Three trading companies: **Gateshead Trading Company** (also trades under Gateway), **The Energy Services Company**, and **Regent Funeral Services**.

Consultation

13. The Council's recognised trade unions are engaged in consultation on the proposals within this report. In their initial response, they recognise the need to take forward the development of all the Council's traded services to increase income generation as a fundamental element of our Medium Term Financial Strategy and the Council Plan. They have raised concerns regarding the capacity of a single service director to effectively oversee the delivery of such a wide range of traded services, and have highlighted the necessity for teams delivering these services, but particularly the middle managers, to be empowered and supported to develop the services which they know well and are well positioned to deliver. These concerns are recognised, and proposals are being developed to ensure the current management is duly supported, developed, and rewarded appropriately, so that they can, with the Service Director's support, deliver the challenging business plans for each of these services. Further, the development of all employees will be advanced through the Council's new appraisal framework (A&D) and our emerging approach to talent management at all levels of the workforce.
14. The unions have also highlighted the need to ensure that proposals do not inadvertently create 'potential delays and blockages' to the smooth running of these traded services. Assurances have been given that part of the rationale for the proposal is to ensure any such limitations on the successful delivery of these services, from any part of the Council, are quickly identified and swept away through better 'joined-up' working across the organisation.
15. The unions have also taken the opportunity to raise concerns over the impact on the viability of our traded services of 'corporate on-costs'. Further assurances have been provided that the transfer of these services to within the Corporate Resources service group is likely to improve our understanding of the true cost of delivering our traded services and enable greater focus on bringing those down to improve marketability and generation of income.

16. While there are currently no plans for changes to staffing structures within the affected services beneath the service director level, any proposals for such changes will be in consultation with the employees and their trade union representatives.
17. Further communications are taking place with the service directors and managers responsible for our traded services, as requested by the trade unions. Further responses are therefore anticipated, which will be given due consideration in consultation with the Leader and Deputy Leader of the Council. In the meantime, the Leader and Deputy Leader of the Council have been consulted on the proposals set out in this report and are supportive of the recommendations.

Alternative Options

18. The proposals are put forward by the Strategic Director as the optimum response to the demands placed on the Council, as set out in this report. While one alternative option would be to make no change to the current organisational structure of the Group, this would not make the positive contribution toward achieving the aims set out within this report.

Implications of Recommended Option

19. Resources:

- a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that cost of the proposals contained within the report and specifically the creation of the post of Service Director, Trading and Commercialisation will be met from within existing resources. Following job evaluation of the post there may be some limited increase in cost associated with additional responsibility of the Service Director role but it is expected that these would be more than offset by consequential revenue budget savings elsewhere.

The objective of the changes to structure will be to enhance the Council's ability to generate income from its traded activity and this will form an important part of the medium term financial strategy that will maintain and secure the future financial sustainability of the Council.

- b) **Human Resources Implications** – The proposals involves the transfer of a range of existing services under a new service director role. The majority of these services are currently held by two service director posts: Culture, Communities, Leisure & Volunteering and Facilities Management. It is therefore proposed that the post be 'ring-fenced' to the existing postholders. The new service director role will need to be supported by a review of current service management activity that will be undertaken with full engagement and involvement of current managers and Trade Unions. The proposals within this report will have an impact on a number of employees as they will transfer between the Communities & Environment and Corporate Resources service groups, otherwise they will be unaffected by the proposals.
- c) **Property Implications** – there are no property implications arising directly from the proposals in this report.

20. **Risk Management Implication** - The Service Director, Trading & Commercialisation will have a specific responsibility to promote effective risk management arrangements across the Council in the context of developing business cases and sustainable business plans for all traded services, and for maintaining market share in a competitive commercial environment. Robust risk management is a fundamental element of taking a more effective and commercialised approach in service planning and improvement.
21. **Equality and Diversity Implications** - There are no specific equality and diversity implications arising from this report.
22. **Crime and Disorder Implications** – There are no specific crime and disorder implications arising from this report.
23. **Health Implications** - There are no specific health implications arising from this report.
24. **Sustainability Implications** - There are no specific sustainability implications arising from this report.
25. **Human Rights Implications** - There are no specific human rights implications arising from this report.
26. **Ward Implications** - There are no specific ward implications arising from this report.



COUNCIL MEETING

20 July 2017

REVIEW OF ELECTORAL ARRANGEMENTS

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to determine whether it is appropriate to take action to effect changes to the Council's current electoral arrangements.
2. Council agreed a motion on 2 February 2016 to review electoral arrangements.
3. The review looked at changing to a 'whole council' scheme of elections and the option to reduce the number of Councillors. The review is detailed in Appendix 2 of the attached report.
4. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

5. It is recommended that Council does not pursue a change to a whole council scheme of elections nor promote via a request to the Boundary Commission for England for an electoral review, or reduction in the number of councillors.

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TITLE OF REPORT: **Review of Electoral Arrangements**

REPORT OF: **Sheena Ramsey Chief Executive**

Purpose of the Report

1. To present a review of the Council's electoral arrangements with a request that, following full consideration, Cabinet make appropriate recommendations to Council.

Background

2. At its meeting on 2 February 2016 Council agreed the following motion:

“Council requests the Chief Executive to investigate and report on the financial, operational and governance implications for the authority of a review of election arrangements. Such a review should be comprehensive and consider all options to reduce cost, including the number of councillors and the frequency of elections”.

3. The review has been completed and is attached as Appendix 2.

Changing to a ‘whole council’ scheme of elections

4. The Council can, at any time, pass a resolution in full Council, to change its electoral scheme from its current, ‘by thirds’ arrangement to a ‘whole council’ scheme.
5. The process involves a period of consultation followed by a specially convened Council meeting at which a majority of two-thirds of those voting must do so in favour for the resolution to be passed.
6. The first election under the new scheme must be held in one of the existing election years under the current ‘by thirds’ scheme. The most cost effective year to effect the change would be 2020. This would ensure that, as a minimum, ‘whole-council’ and PCC elections would be held in the same years and there would be a joint Parliamentary, whole-council’ and PCC election every 20 years.

Reducing the number of councillors

7. The Council cannot, of its own volition, reduce its number of elected councillors but can invite the Local Government Boundary Commission (the Commission) to carry out an electoral review.
8. An electoral review determines the total number of councillors to be elected to a council (council size), the number, boundaries and names of its wards and how many councillors should represent those wards.
9. Where a council elects 'by thirds' the Commission starts with a presumption that they will recommend a uniform pattern of three member wards and by inference a council size that is divisible by three. Should the Council be minded, as part of an electoral review, to propose anything other than three member wards it would be advisable to move to a 'whole council' scheme of elections in advance of the review.
10. The Council does not currently meet the criteria which would add it automatically to the Commission's work programme but this does not preclude the Council from inviting the Commission to undertake an electoral review.
11. Schedule 2 to the Local Democracy, Economic Development and Construction Act 2009 sets out the statutory criteria to which the Commission must have regard in conducting a review. In broad terms, the Commission must have regard to the need to secure equality of representation, reflect the identity and interests of local communities and secure effective and convenient local government.
12. In determining the right size for a council the Commission will look at its governance and scrutiny arrangements and any anticipated changes to those arrangements. They will also consider the representational role of councillors in the local community including the number of external bodies on which councillors sit to represent the council.
13. Although the Commission will determine a council size which is appropriate for the individual characteristics of a local authority they will need strong evidence before proposing a council size which differs to a significant extent from similar authorities.
14. The Commission will consult for 12 weeks on its initial conclusions on council size before determining the number, boundaries and names of wards and the number of councillors to be elected to each ward. At this stage councils are invited to submit 'warding' proposals.
15. In practice reviews do not result in wards of equal size as the approach to electoral equality is tempered by other considerations which reflect the particular characteristics of an area and its communities. The Commission will, for example, take into account geographical considerations, community identity and interest and the need to ensure that wards are internally coherent.

16. 'Warding' proposals submitted by a council need, therefore, to be well reasoned and to clearly demonstrate the individual characteristics and needs of that council and its communities and how its circumstances relate to the number of councillors it suggests are elected.
17. The Commission will consult for eight weeks on its draft recommendations and will only enter into further consultation if it is minded to significantly change those recommendations. The Commission give effect to their proposed changes by making a statutory instrument or order and a council would then conduct its local elections on the basis of the new arrangements.
18. There would be a cost saving of approximately £15,420 for every councillor reduction effected as a result of an electoral review. These savings would need to be balanced against the needs of the Council for swift and effective decision making and the ability and capacity for councillors to undertake their role within the community, including sitting on a number of outside bodies where the Council has an important stake on behalf of its residents.

Proposal

19. Cabinet is asked to consider the implications of seeking to effect any changes to the Council's electoral arrangements and make appropriate recommendations to Council.

Recommendations

20. It is recommended that Cabinet consider the implications of the review and, after full consideration, make appropriate recommendations to Council.

For the following reason:

To determine whether it is appropriate to take action to effect changes to the Council's current electoral arrangements.

APPENDIX 1

Policy Context

1. The review has considered the implications of any changes to the Council's electoral arrangements in terms of its resources and its ability and capacity to take decisions and effectively manage the business of the Council including supporting delivery of Vision 2030 and the Council Plan.

Consultation

2. The Leader, Deputy Leader and the Corporate Resources Advisory Group have been consulted on the review. Their views are attached as Appendix 3.

Alternative Options

3. There are no alternative options

Implications of Recommended Option

4. **Resources:**

- a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that the following budget savings are achievable based on the options highlighted:
 - i. £150,000 to move to a 'whole council' scheme of elections in 2020, with the saving recognised in 2020/21;
 - ii. £15,420 for each councillor reduction the Commission recommends as a result of an electoral review.
- b) **Human Resources Implications** – Moving to a 'whole council' scheme of elections would mean fewer council employees would be required to man polling stations, open postal votes etc, but this would not be achieved until 2023 (and only every three years thereafter) given that employees would be needed to support delivery of intervening PCC and General Elections.
- c) **Property Implications** - Moving to a 'whole council' scheme of elections would mean less disruption to public buildings used as polling stations but this would not be achieved until 2023 (and only every three years thereafter) given that public buildings would still be needed to deliver the intervening PCC and General Elections.

5. **Risk Management Implication** - Nil
6. **Equality and Diversity Implications** – Nil
7. **Crime and Disorder Implications** – Nil

8. **Health Implications – Nil**
9. **Sustainability Implications - Nil**
10. **Human Rights Implications - Nil**
11. **Area and Ward Implications - Any changes to the Council's electoral arrangements would impact on all wards.**
12. **Background Information**
The Local Democracy, Economic Development and Construction Act 2009.
The Local Government Boundary Commission – Electoral Reviews Technical Guidance.
The Local Government Boundary Commission – An Introduction to the Local Government Boundary Commission for England and electoral reviews

Appendix 2

Review of Electoral Arrangements

1. Background

- 1.1 This report has been written in response to the following motion agreed by Council at its meeting on 2 February 2016:

‘Council requests the Chief Executive to investigate and report on the financial, operational and governance implications for the authority of a review of election arrangements. Such a review should be comprehensive and consider all options to reduce cost, including the number of councillors and the frequency of elections’.

2. The current position

- 2.2 The Council is composed of 66 councillors. There are 22 wards across the borough, each returning 3 councillors. Each councillor serves a four year term, with elections for one third of council seats taking place in three years out of four.

3. This report looks at:

- The process, advantages/disadvantages and cost implications of moving to a ‘whole council’ scheme of elections; and
- The process involved in seeking to achieve a reduction in the number of councillors and the advantages/disadvantages and cost implications associated with such a change.

4 Changing to a ‘whole council’ scheme of elections (‘all out’ elections every four years)

- 4.1 Under the provisions of the Localism Act 2011, the Council can, at any time, pass a resolution in full Council to change its electoral scheme from its current ‘by-thirds’ arrangement to a ‘whole council’ scheme.
- 4.2 The Council cannot pass such a resolution unless it has taken reasonable steps to consult such persons as it thinks appropriate on the proposed change. Once appropriate consultation has taken place, a special council meeting must be convened for the purpose of deciding the resolution. Notice of the purpose of the meeting must be given in advance. A majority of two-thirds of councillors voting at the meeting must do so in favour for the resolution to be passed.
- 4.3 The Localism Act determines that the first election under the new scheme can be held in any of the existing election years under the current ‘by-thirds’

scheme. As 2017 is not an election year under Gateshead's present scheme, the first 'whole council' elections could not be held until May 2018.

4.4 As soon as possible after the passing of the resolution the Council would need to comply with a number of legal requirements in order to publicise the change. This would be achieved by making an explanatory document available for public inspection at the Civic Centre and through any other means deemed appropriate.

4.5 The Council would also need to publicise the following matters:

- That it has become subject to the scheme for 'whole council' elections;
- When the first elections under this scheme will take place; and
- Where and how the explanatory document is available.

4.6 As soon as practicable after a resolution is passed, notice of the change of scheme must also to be given to the Electoral Commission.

4.7 Having resolved to make the change from the existing 'by-thirds' scheme to one of 'whole council' elections, no further resolution to revert back can be made until a period of five years from the initial resolution has elapsed.

5. Advantages/disadvantages

5.1 Electing 'by thirds':

- Avoids large scale changes to a council's composition which could be caused by a 'protest' vote to an unpopular government policy – 'all out' elections are a snap shot in time and leave the possibility that in one bad year dissatisfaction can lead to a result that is an anomaly that cannot be altered for four years;
- Avoids the potential of appointing a large number of new/inexperienced councillors. Continuity of councillors avoids disruption to ongoing direction, policies, strategies etc.;
- Councillors who lose their seat are presented with an earlier opportunity to stand again;
- One councillor is elected for each ward at a time, allowing the electorate to focus on the particular candidates being put forward in their ward;
- Encourages people into the habit of voting and voting for one person is well understood by voters. Voting for three councillors under 'whole council' elections could cause confusion;
- Allows judgement of a council annually rather than every four years and allows the electorate to react sooner to local circumstances – thereby providing more immediate political accountability; and

- More likely to be influenced by local rather than national politics – this national influence will increase given the trend towards national elections/referenda being held on the same day as local elections.

5.2 'Whole-council' elections

- The Council has a four year mandate allowing it to adopt a strategic approach to policy and decision making in line with its medium term financial strategy;
- Increased continuity and certainty enabling strong leadership as a result of a four year mandate;
- The Council has a longer term to deliver its mandate before being judged by the electorate;
- Ability for electors to completely change the political leadership of the council and therefore its direction;
- Holding elections less frequently may increase turnout for local elections – it avoids election fatigue.
- The Electoral Commission suggests that electorates associate more clearly with 'whole council' elections. The results are simpler and more easily understood;
- Reduced expenditure by political parties because of fewer elections and less campaigning required; and
- 'Whole council' elections would mean better and more efficient use of council resources – less disruption to public buildings used as polling stations etc.

6. Cost implications

- 6.1 Parliamentary, European and Police and Crime Commissioner (PCC) Elections and all national referenda are funded by central government. Local elections and referenda are funded by the Council. In the event of combined elections, costs are shared.
- 6.2 If the Council moved to 'whole council' elections in 2018 there would be no other elections with which the local elections could be combined and the Council would not recover a contribution to election costs. Save for 2022, when there would be a combined local and General Election all subsequent 'whole council' elections would be stand- alone and, therefore, at full cost to the Council until 2042.
- 6.3 There would be savings associated with this; however, a budget saving of £150,000 could be made if the Council moved to 'whole council' elections, beginning in 2020 as this would coincide with a PCC election, maximising the potential for sharing costs and potentially providing greater value for money for the residents of Gateshead.

- 6.4 This would ensure that, as a minimum, ‘whole-council’ and PCC elections would be held in the same years and there would be a joint Parliamentary, ‘whole-council’ and PCC election every 20 years. The potential cycle of elections associated with moving to ‘whole council’ elections starting in 2018 or in 2020 is set out in Appendix1.

7. Reducing the number of councillors

- 7.1 The Council cannot, of its own volition, reduce its number of elected members. The Council can, however, invite the Local Government Boundary Commission for England (the Commission) to carry out an electoral review either because it has moved to a ‘whole council’ scheme or simply because it wishes to effect a change to its number of elected members.

- 7.2 An electoral review is an examination of a council’s electoral arrangements.

This means:

- The total number of members to be elected to the council;
- The number and boundaries of electoral areas (wards) for the purpose of the election of councillors;
- The number of councillors for any electoral area of a local authority; and
- The name of any electoral areas.

- 7.3 It is important to note that as part of an electoral review the Commission cannot make recommendations about how often local authorities hold elections (the electoral cycle) and, by law, must have regard to the desirability of recommending that the appropriate number of councillors is returned for each ward: where councils elect by thirds this is three. As such the Commission starts with a presumption that for local authorities that elect by thirds they will recommend a uniform pattern of three-member wards (and by inference a council size that is divisible by three) so that every elector has the same opportunity to vote whenever local elections take place.

- 7.4 If, as part of an electoral review, the Council was minded to propose anything other than three member wards it would be advisable to move to a ‘whole council’ scheme of elections prior to the commencement of the review.

- 7.5 The Commission must review the electoral arrangements of every principal local authority from time to time. These are called periodic electoral reviews (PERs) and are undertaken as and when the Commission deem them necessary. The last round of PERs was commenced in 1996 and completed in 2004.

- 7.6 In addition, the Commission monitors the electoral imbalance across all principal local authorities annually and those that meet the following criteria are, at some point, added to their review programme:
- More than 30% of a council's wards have an electoral imbalance of more than 10% from the average ratio for that authority; and/or
 - One or more wards have an electoral imbalance of more than 30%; and
 - The imbalance is unlikely to be corrected by foreseeable changes to the electorate within a reasonable period.
- 7.7 Based on data available following this year's canvass, Gateshead does not meet these criteria. The current ward electoral imbalances are attached at Appendix 2. The 'average ratio' refers to the average number of electors represented per councillor and this is worked out by dividing the electorate by the number of councillors. Appendix 3 sets out Gateshead's 'average ratio' as compared with other similar authorities.
- 7.8 Although Gateshead does not meet the criteria for an electoral review this would not preclude the Council from inviting the Commission to include Gateshead in its review programme. In undertaking an electoral review, whether of its own volition or by request, the Commission is required, by Schedule 2 to the Local Democracy, Economic Development and Construction Act 2009, to have regard to:
- The need to secure equality of representation;
 - The need to reflect the identities and interests of local communities; and
 - The need to secure effective and convenient local government.
- 7.9 The Commission is also required to take into account any changes to the number and distribution of electors that is likely to take place within the five years following the end of the review.
- 7.10 The first part of every review is a consideration of council size i.e. how many councillors should be elected to the council. Up to six months before the formal start of a review the Commission will hold informal dialogue with the council. They will collect electoral data and hold meetings with councillors and officers. At the end of this process the council will be asked to submit its council size proposals for the Commission to consider.
- 7.11 The Commission's aim is to recommend electoral arrangements, including a council size, which is right for the local authority in question. Consistent with its desire to reflect local circumstances, the Commission is not willing to apply strict mathematical criteria or impose a national formula for its calculation.
- 7.12 The council size stage of the review includes a period of public consultation. The Commission aims to recommend a council size that allows the council to

take decisions effectively, manage the business and responsibilities of the council successfully and provide effective community leadership and representation.

7.13 Broadly speaking the Commission will take a view on the right council size by considering three areas:

- The governance arrangements of the council, how it takes decisions across the broad range of its responsibilities and whether there are any planned changes to those arrangements;
- An examination of the council's scrutiny functions relating to its own decision making and the council's responsibilities to outside bodies and whether any changes to them are being considered; and
- The representational role of councillors in the local community and how they engage with people, conduct casework and represent the council on local partner organisations.

7.14 This approach means that, as part of any review, councils need to develop well-reasoned proposals, clearly demonstrating the individual characteristics and needs of their council and its communities and how its circumstances relate to the number of councillors it suggests be elected to the authority.

7.15 An increase in council size due, for example, solely to reflect population growth or a reduction in numbers solely to achieve financial savings are both arguments that have previously failed in trying to persuade the Commission that changes would promote effective and convenient local government.

7.16 Although the Commission will propose a council size which is appropriate for the individual characteristics of a local authority they will seek to put the council's proposal in context. To provide context they will identify the authority's 15 'Nearest Neighbours' authorities and assess where the council size proposal would place the authority compared to its statistical neighbours. Strong evidence would be needed before the Commission would propose a council size which differs to a significant extent from similar authorities.

7.17 Newcastle City Council is the only Tyne and Wear authority to have undergone an electoral review since 2004. The review was triggered because of electoral imbalances across a number of the city's wards (probably due to the student population). The review resulted in no change to the number of councillors or wards but all ward boundaries and some ward names have been changed. The council will hold 'all-out' elections in May 2018 and thereafter revert to voting by thirds.

- 7.18 The Commission will publish and consult for 12 weeks on its initial conclusions on council size and, at that juncture, invite submissions on warding proposals (for local authorities that elect 'by thirds' the Commission will invite proposals based on a uniform pattern of three member wards).
- 7.19 Having determined the council size the Commission will progress to consider the number and boundaries of wards, how many councillors should represent those wards and what the wards should be called.
- 7.20 The optimum number of electors each councillor should represent is worked out by dividing the total number of electors by the number of councillors. In practice, reviews do not result in wards of equal size because the approach to electoral equality is tempered by other considerations which generally reflect the particular characteristics of an area and its communities. This recognises that councillors represent both individual electors and collective communities.
- 7.21 The Commission will, therefore, look for some rationale as to why a particular pattern or set of boundaries is being proposed. They will take into account geographic considerations.
- 7.22 The Commission will also take into account community identity and interest. This is harder to measure, so when putting forward proposals councils need to set out what the community is that they wish to preserve and, more importantly, what defines it and marks it out as distinct from others.
- 7.23 Effective and convenient local government is a further consideration. The Commission will want to ensure that wards are internally coherent; for example, that there are reasonable road links across the ward so that it can be easily crossed and that all electors in the ward can engage in the affairs and activities of all parts of it without having to travel through an adjoining ward.
- 7.24 Councils and their communities are usually able to suggest appropriate names for wards. The Commission aims to avoid causing confusion amongst electors and its approach is usually to retain the existing name where wards remain largely unchanged. This supports continuity of identification with an area and voting processes.
- 7.25 The Commission will consult for 8 weeks on draft recommendations. A further 5 week consultation will only take place where the Commission is minded to make significant changes to its draft recommendations. The Commission will then publish its final recommendations. There is no provision in law for representations to be made on the final recommendations.
- 7.26 The Commission is responsible for putting any changes into effect and does so by making a Statutory Instrument or Order and the local authority then

conducts local elections on the basis of the new arrangements set out in the Order.

8. Advantages/disadvantages associated with a reduction in the number of councillors

- 8.1 Discussions in relation to the optimum number of councillors appear to relate more to assumptions about the process and efficiency of decision making. One school of thought is that a smaller number of people operate as more efficient and effective decision makers. Others, however, believe that having fewer councillors might mean a council cannot take important decisions quickly and the council could lack democratic accountability in some areas of its work.
- 8.2 Any proposal to reduce the number of councillors might mean there were insufficient councillors to appropriately and effectively carry out the responsibilities associated with sitting on local partnerships, trusts and other organisations (e.g. school governing bodies, charities, services delivered with other agencies such as the NHS or Police) where the Council has an important stake on behalf of its community. Appendix 4 shows the total number of appointments the Council and Cabinet make at their annual meetings. If the number of councillors was reduced the average number of bodies to which councillors would be appointed would increase. This would inevitably place additional pressure on councillors especially given the extra demands on their time through the anticipated higher level of case workload from residents
- 8.3 A reduction in the number of councillors might similarly impact on the ability of the council to meet the needs of and effectively represent the diverse communities in its area.
- 8.4 Any reduction in the number of councillors would need to be balanced against the invaluable nature of the role. It has been suggested that a reduction in numbers would impose an unrealistic workload on what is a volunteer, part-time position and reduce the number of people willing to stand as councillors.
- 8.5 The role of the Council has, without doubt, changed significantly since the last electoral review in 2004 as regards its powers and duties, and the resources it has to exercise them in pursuit of its policy priorities. However, a direct comparison between these changes and the number of councillors is extremely difficult to establish. For example, while the academisation of secondary schooling within the borough has had an impact on the Council's role and resources, arguably the need for involvement of councillors in school governance in all the greater; also, new functions and resources have been passed to councils, not least licensing and public health, in the face of overall reduced grant funding from government. Ultimately, however, the spend on

councillors has, as a proportion of gross expenditure, remained consistent at 0.2%.

9. Cost implications

- 9.1 If the Commission made a recommendation to reduce the number of councillors, there would be a saving of approximately £15,420 for each councillor reduction. The modelled saving was calculated by dividing the total cost of councillors' allowances in 2016/17 by the current number of councillors (66) to give an average cost per councillor of £15,420.

Deborah Hill
Service Director
Human Resources and Litigation
19 May 2017

APPENDIX 1

Year	Current Electoral Cycle	Potential All out Elections starting in 2018	% savings	Potential All out Elections starting in 2020	% savings
2017	General	General	100%	General	100%
2018	Local (full cost)	Local (full cost)	0%	Local (full cost)	0%
2019	Local and European	European	100%	Local and European	50%
2020	Local and PCC	PCC	100%	All out Local and PCC	50%
2021	No elections	No elections	100%	No elections	100%
2022	Local and General	Local and General	50%	General	100%
2023	Local (full cost)	No elections	100%	No elections	100%
2024	Local and PCC	PCC	100%	Local and PCC	50%
2025	No elections	No elections	100%	No elections	100%
2026	Local (full cost)	Local (full cost)	0%	No elections	100%
2027	Local and General	General	100%	General	100%
2028	Local and PCC	PCC (100% can be reclaimed)	100%	Local and PCC	50%
2029	No elections	No elections	100%	No elections	100%
2030	Local (full cost)	Local (full cost)	0%	No elections	100%
2031	Local (full cost)	No elections	100%	No elections	100%
2032	Local, PCC and General	PCC and General	100%	Local PCC and General	66%

2033	No elections	No elections	100%	No elections	100%
2034	Local (full cost)	Local (full cost)	0%	no elections	100%
2035	Local (full cost)	No elections	100%	No elections	100%
2036	Local and PCC	PCC	100%	Local and PCC	50%
2037	General	General	100%	General	100%
2038	Local (full cost)	Local (full cost)	0%	No elections	100%
2039	Local (full cost)	No elections	100%	No elections	100%
2040	Local and PCC	PCC	100%	Local and PCC	50%

Average Savings

74.00%

78.64%

APPENDIX 2

Table showing Gateshead ward electoral imbalances of more than/less than 10% of the 'average ratio'

	Ward Name	Electorate	Variance	Equivalent to Average
A	Crawcrook and Greenside	6822	2%	less than 10% over
B	Ryton, Crookhill and Stella	7120	7%	less than 10% over
C	Chopwell and Rowlands Gill	7007	5%	less than 10% over
D	Winlaton and High Spen	6794	2%	less than 10% over
E	Blaydon	7298	10%	less than 10% over
F	Whickham North	6409	-4%	less than 10% under
G	Whickham South and Sunnyside	6525	-2%	less than 10% under
H	Dunston Hill and Whickham East	6808	2%	less than 10% over
I	Dunston and Teams	6319	-5%	less than 10% under
J	Lobley Hill and Bensham	7244	9%	less than 10% over
K	Saltwell	6014	-10%	less than 10% under
L	Low Fell	7049	6%	less than 10% over
M	Chowdene	6932	4%	less than 10% over
N	Bridges	6006	-10%	less than 10% under
O	Deckham	6662	0%	less than 10% over
P	High Fell	6196	-7%	less than 10% under
Q	Felling	5829	-12%	more than 10% under
R	Windy Nook and Whitehills	7309	10%	more than 10% over
S	Pelaw and Heworth	6506	-2%	less than 10% under
T	Wardley and Leam Lane	6163	-7%	less than 10% under
U	Lamesley	7279	9%	less than 10% over
V	Birtley	6213	-7%	less than 10% under

Total Electorate 146504

Average Ratio **2220**

10% of Average Ratio	222
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APPENDIX 3

Gateshead 'average ratio' as compared with other similar authorities

Local Authority	No. of Councillors	Wards	Electorate	No. of electorate/cllrs	By thirds/all out elections
DURHAM	126	63	377,715	5,637	All out
STOKE-on-TRENT	44	37	179,857	4,087	All out
NORTHUMBERLAND	67	66	232,448	3,469	All out
CHESHIRE WEST & CHESTER	75	46	256,498	3,420	All out
CENTRAL BEDFORDSHIRE	59	31	197,493	3,347	All out
PLYMOUTH	57	20	176,755	3,100	By thirds
SOUTH GLOUCESTERSHIRE	69	35	202,593	2,936	All out
BEDFORD	41	27	118,210	2,883	All out
NORTH LINCOLNSHIRE	43	17	119,916	2,788	All out
SUNDERLAND	75	25	205,546	2,740	By thirds
NORTH EAST LINCOLNSHIRE	42	15	112,541	2,679	By thirds
WARRINGTON	58	22	152,989	2,637	All out
N TYNESIDE	60	20	151,045	2,517	By thirds
STOCKTON-ON-TEES	56	26	137,838	2,461	All out
KNOWSLEY	45	15	109,974	2,444	By thirds

BLACKPOOL	42	21	97,419	2,320	All out
NEWCASTLE	78	26	180,183	2,310	By thirds
GATESHEAD	66	22	140,942	2,135	By thirds
S TYNESIDE	54	18	115,022	2,130	By thirds
HARTLEPOOL	33	11	68,201	2,067	By thirds
MIDDLESBROUGH	45	20	90,162	2,003	All out
WINDSOR & MAIDENHEAD	57	23	97,048	1,702	All out
REDCAR & CLEVELAND	59	22	100,365	1,701	All out
DARLINGTON	50	20	74,929	1,499	All out

Near and statistical councils have been identified using a CIPFA tool based on unitary status and population.

Electorate figures are taken from the Parliamentary Boundary Review 2018

APPENDIX 4

The table below shows the number of councillor appointments made by the Council and Cabinet at their annual meetings. This totals 483.

Type of Body	Number of Councillor Appointments
Decision Making Committees	120
Advisory Groups	32
OSCs	90
Partnerships	34
Other Bodies of The Council	40
Joint Committees	27
Outside Bodies	140
Total	483

The average number of bodies that councillors are appointed onto based on 66 councillors is 7.32 bodies per person.

If the Council was to be reduced to 63 councillors this number would increase to 7.67 bodies per councillor.

If the Council was to be reduced to 60 councillors this number would increase to 8.05 bodies per councillor.

If the Council was to be reduced to 44 councillors this number would increase to 10.97 bodies per councillor.

CORPORATE RESOURCES ADVISORY GROUP

Monday, 8 May 2017

Report to Cabinet

Review of Electoral Arrangements

Purpose of Meeting

For Councillors to consider the outcome of the Chief Executive's review of electoral arrangements within Gateshead.

Views were sought on; the possibility of moving to a 'whole council' scheme of elections ('all out' elections every four years); and the requirement to invite the Local Government Boundary Commission for England to examine and determine the total number of members elected to the Council.

Summary of Advice

The group:

- Queried why the identified savings were regarded as 'one off' savings. It was clarified that if there were to be a reduction in the number of councillors and/or a move to a whole council scheme of elections, there would be a budget saving in that initial year. The new arrangements would then be budgeted for in subsequent years and therefore there would be no further saving.
- Noted that there was little or no evidence that a move to a whole council scheme of elections would impact on turnout.
- Agreed that electing by thirds avoids large scale change to the composition of the council and is therefore less disruptive to its operations.
- Agreed that electing by thirds provides voters with an annual opportunity to judge the council and is therefore a more democratic approach.
- Suggested that there was not a strong enough case to either; reduce the number of councillors or move to a whole council scheme of elections due to the resultant impact on democracy.
- Acknowledged that the council cannot, of its own volition, reduce the number of elected councillors but instead can invite the Local Government Boundary Commission for England to carry out an electoral review.
- Considered the changing role of the council, in particular how some duties had reduced and others had increased. It was agreed that objective information in respect of this could be included in the report to Cabinet. It was commented that community need had not diminished.
- Noted the request by one councillor for data to be provided showing the number of residents per councillor and for this to then be compared with that of other similar local authorities.
- Agreed that councillors have a significant workload and warned that a reduction in the number of councillors could see this become unmanageable. It was noted that this would have a detrimental impact on the wellbeing, recruitment and attendance of councillors.

- Agreed with the suggestion by one councillor that before requesting an electoral review there could be an impact assessment undertaken in respect of councillor workloads.

PRESENT: Councillor C Donovan (Chair)

MEMBERS PRESENT: Councillors: R Beadle, M Brain, L Caffrey, M Charlton, S Dickie, P Dillon, D Duggan, John Eagle, T Graham, J Green, L Green, S Green, G Haley, M Hood, J Lee, C McHugh, P Mole, M Ord, I Patterson, J Simpson, J Turnbull, J Wallace, N Weatherley, A Wheeler and D Bradford

OFFICERS PRESENT:

Deborah Hill	Service Director - Human Resources, Litigation and Electoral Services
Mike Barker,	Strategic Director, Corporate Services and Governance
Neil Porteous	Democratic Services



COUNCIL MEETING

20 July 2017

GATESHEAD METROPOLITAN BOROUGH COUNCIL

AMENDMENT TO ITEM 12 – REVIEW OF ELECTORAL ARRANGEMENTS

Councillor J Wallace will move the following amendment:

In recommendation delete “not” in the first line; in 2nd line replace “nor promote” with “and promotes”; in 3rd line replace “or” with “leading to a”.

Proposed by: Councillor J Wallace

Seconded by: Councillor R Beadle

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COUNCIL MEETING

20 July 2017

MEDIUM TERM FINANCIAL STRATEGY 2018/19–2022/23

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to seek approval of the Medium Term Financial Strategy 2018/19 to 2022/23.
2. The Council's current Medium Term Financial Strategy for the period 2017/18 to 2021/22 was approved by Council in July 2016 and was refreshed in January 2017 following the provisional Local Government Finance settlement.
3. The proposed Medium Term Financial Strategy presents a very challenging financial position over the medium term as a result of assumptions concerning future Government and other funding. The indicative budget forecasts show an estimated funding gap of around £88.044m for the next five years to 2022/23 with an estimated gap of £41.876m for the first two years. This position assumes that all previous year savings are fully achieved within the financial year.
4. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

5. It is recommended that Council:
 - (i) Approves the Medium Term Financial Strategy for 2018/19 to 2022/23 including the proposed MTFS principles.
 - (ii) Notes the outcome of the review to both general fund and strategic earmarked Council reserves and approves;
 - a. the remaining of the Development Pool Reserve to Workforce Development Reserve and the increased scope of the reserve to include training and development to support activity within the workforce plan;
 - b. to increase the scope of the deployment of the Economic Growth Reserve to include culture, place shaping and the facilitation to housing growth within the Borough;
 - c. to create a new Strategic Revenue Investment Reserve of £4.206m from the £2.897m Airport Dividend and the £1.309m former Strategic Change Reserve;

- d. to create a new Voluntary Sector Reserve using £0.500m earmarked from the general reserve to support development and activity in this sector;
 - e. to create a new Anti-Poverty Reserve using £1.000m earmarked from the general reserve to mitigate the impact of poverty and social exclusion;
- (iii) Notes that the Strategic Director, Corporate Resources, following consultation with the Chief Executive, will continue to keep under review and update the MTFS as appropriate to respond to Government policy and funding announcements.
- (iv) Notes that the Strategic Director, Corporate Resources, following consultation with the Chief Executive will continue to keep under review and update the MTFS as appropriate to respond to Government policy and funding announcements.

TITLE OF REPORT: **Medium Term Financial Strategy 2018/19 – 2022/23**

REPORT OF: **Darren Collins, Strategic Director, Corporate Resources**

Purpose of the Report

1. To request Cabinet to recommend to Council the approval of the Medium Term Financial Strategy (MTFS) 2018/19 to 2022/23 and the outcome of a review of Council Reserves as set out in this report and appendix.

Background

2. The MTFS is fundamental to effective financial planning within the Council as it sets the financial context for the Council's resource allocation and budget setting ensuring that resources are assigned to priority outcomes within the Council Plan.
3. The current MTFS was agreed by Council on 14 July 2016.
4. A refresh of the funding gap, following the Local Government Finance Settlement 2017/18, was reported to Cabinet on 24 January 2017. Within the 2017/18 settlement the Government provided some details of indicative funding up to 2019/20 which gave a high level indication of revenue support grant funding. However uncertainty still exists in respect of likely Government funding levels in relation to other grants over that period as well as the instability arising from unknown future funding levels from 2020/21 and the outcome of any future finance reforms.
5. The Queens speech on 21 June 2017 did not re-introduce the Local Government Finance Bill which would allow progression towards a new Local Government Finance System and 100% rates retention. Ministers have said they remain committed to local government taking greater control of their income and that they will consider options for future finance reforms without an immediate Bill. Given this announcement the timing and outcome any future reforms is highly uncertain. The refreshed MTFS is based on assumptions around 100% rates retention in 2020/21. In the absence of any clarification around any other funding system being available the assumptions, based on Government intent will remain until such time as these can be superseded.
6. The prospect of continuing reductions in Government funding, remains an increasing challenge to the Council's medium to long term financial sustainability. The current context is that over £143 million of budget savings have been identified and taken from Council budgets since 2010 whilst demand pressures in key services have continued to grow.
7. This report reviews the principles of the MTFS for Cabinet to consider and make a recommendation to Council. It also updates budget forecast models taking into consideration Government funding for 2017/18, assumptions on funding for 2018/19 to 2022/23 based on estimates and assumptions around service and corporate pressures. The MTFS also includes a review of the reserves policy of the Council, the outcome of which is set out in the following sections of this report.

8. The Council will continue to keep the MTFS under review as a consequence of the high degree of uncertainty surrounding the potential impact of Government policies and funding decisions.

Proposal

9. The proposed MTFS for 2018/19 to 2022/23 is attached at Appendix 2. This presents a very challenging financial position over the medium term as a result of assumptions concerning future Government and other funding. The indicative budget forecasts within the MTFS show an estimated funding gap of around £88.044m for the next five years to 2022/23 with an estimated gap of £41.876m for the first two years. This position assumes that all previous year savings are fully achieved within the financial year.
10. To satisfy it's legal requirement to balance the budget the Council must make spending plans affordable by matching them to the estimated funding available over that time. The gap between the two amounts is referred to as the "financial gap". Thus the financial gap is a combination of the Council's best estimate of the future budget needed to cover rising cost pressures and demands for services alongside a reduced amount of income. Action is required now to enable the council to legally balance the budget for both next year and in future years.
11. To assist in meeting the challenges ahead the principles which underpin the MTFS have been reviewed and these are proposed as follows:
 1. The overall financial strategy will be to ensure that the Council's resources are directed to achieving Vision 2030 and the outcomes set out in the Council Plan. The Council's MTFS will be reviewed on at least an annual basis.
 2. Overall Council spending should be contained within original estimates. If, following monthly revenue monitoring, service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates.
 3. The Council will maintain its general reserve at a minimum of 3% of the net revenue budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
 4. The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually.
 5. The Council will continue to improve its approach to efficiency, commissioning and procurement to ensure value for money and minimise the impact of budget savings on priority services as well as effectively managing change.
 6. Opportunities for working in collaboration and partnership and different ways of working will be identified and developed where this will support the delivery of the Council's outcomes and improve service efficiency and delivery. This will include the use of well-being powers, development of trading opportunities and different business models and the sourcing and securing of external funding.

7. The Council will consider a range of delivery mechanisms and funding sources to support capital investment to deliver Vision 2030, including the use of prudential borrowing, and will ensure that the full costs associated with financing the investment are taken into account when investment decisions are taken.
8. The Council will aim to promote and stimulate strong and sustainable economic growth leading to wellbeing and prosperity for residents and communities and this will be supported by a planned approach to strategic investment managed through the Council's capital programme.
9. The Council recognises the impact of increases in Council tax levels and fees and charges in an area of relatively low income and low wealth and will therefore balance the need for increases against the delivery of Vision 2030 and demand for services.

Reserves Review

12. Following the 2016/17 Revenue Outturn, at 31 March 2017, the Council's usable revenue reserves are £56.044m, £16.650m of which are ring-fenced for a specific purpose and cannot be used to support the revenue budget and Council Tax requirement. In line with the Council's policy on reserves a full review of reserves has been carried out as part of the refresh preparation of the MTFS. As a consequence of the review the Council's total general fund reserve will become £17.873m (from £22.270m) and the amount held in strategic earmarked reserves will become £38.171m (from £33.774m) with the remaining balance of £16.650m remaining as ring-fenced. Further information including tables showing the movement, is provided in section 12 of the MTFS document at appendix 2.
13. The following changes to the Council's reserves are proposed for approval;
 - a. The **Development Pool Reserve** (£6.009m) is renamed to Workforce Development Reserve and the scope of the reserve is increased to include training and development to support activity within the workforce plan. The focus on training and development will incorporate activity to reskill the Council workforce where appropriate to improve employability both within the Council and across the wider borough.
 - b. **Economic Growth, Culture and Place Shaping Reserve** (£3.390m) - The Economic Growth Reserve is retained at its current level but the scope of the reserve be increased to include culture and place shaping and the facilitation of housing growth initiated within the Borough. This reserve will be used to stimulate economic growth and to lever investment into the area to support Culture 2030. All investment will need to be clearly linked to outcomes in respect of increased business rates income to the Council or economic growth in the wider Gateshead economy.
 - c. It is recommended that a new **Strategic Revenue Investment Reserve** (£4.206m) is created from the £2.897m Airport Dividend and the £1.309m Strategic Change Reserve. This reserve would be used to support the financial strategy contained within the Council MTFS by allocating investment on a time limited short term basis in order to generate future savings, manage demand through investment in prevention strategies and to generate and maximise income. The intention will be to assist in the delivery of the financial sustainability of the Council in the medium and long term.

- d. It is recommended that a new **Voluntary Sector Reserve** (£0.500m) be created using £0.500m earmarked from the general reserve to support development and activity in this sector. This reserve would be used to mitigate savings in the voluntary sector where appropriate, prepare the sector for increasing demand by increasing capacity and skills, and preparing the sector for the transition to any new operating arrangements. It is recommended that this reserve is administered alongside the existing Gateshead Fund to enable a coordinated approach to be adopted to Council support in this area.
- e. It is recommended that a new **Anti-Poverty Reserve** (£1.000m) is created using £1.000m earmarked from the general reserve to mitigate the impact of poverty and social exclusion within the Borough. The reserve would support a Council Anti-Poverty Strategy and also assist in alleviating the impact of welfare reform and austerity on the residents of Gateshead, consistent with Council priorities

Recommendations

14. Cabinet is requested to recommend to Council:

- (i) the approval of the Medium Term Financial Strategy for 2018/19 to 2022/23 including the proposed MTFS principles;
- (ii) to note the outcome of the review to both general fund and strategic earmarked Council reserves and approve;
 - a. the renaming of the Development Pool Reserve to Workforce Development Reserve and the increased scope of the reserve to include training and development to support activity within the workforce plan;
 - b. to increase the scope of the deployment of the Economic Growth Reserve to include culture, place shaping and the facilitation of housing growth within the Borough;
 - c. to create a new Strategic Revenue Investment Reserve of £4.206m from the £2.897m Airport Dividend and the £1.309m former Strategic Change Reserve;
 - d. to create a new Voluntary Sector Reserve using £0.500m earmarked from the general reserve to support development and activity in this sector;
 - e. to create a new Anti-Poverty Reserve using £1.000m earmarked from the general reserve to mitigate the impact of poverty and social exclusion;
- (iii) to note that the Strategic Director, Corporate Resources, following consultation with the Chief Executive, will continue to produce and monitor on an annual basis, a rolling programme of five-year budget forecasts taking account of the key issues facing the Council
- (iv) to note that the Strategic Director, Corporate Resources, following consultation with the Chief Executive will continue to keep under review and update the MTFS as appropriate to respond to Government policy and funding announcements.

For the following reasons:-

- i) to contribute to the good financial management practice of the Council;
- ii) to assist the financial sustainability of the Council over the medium to long term.

CONTACT: Darren Collins Ext. 3582

Policy Context

1. The MTFS is the mechanism for supporting the redirection of resources to deliver Vision 2030 and the Council Plan. It also ensures a sustainable Gateshead through best use of resources to deliver value for money services and long term financial stability in a very challenging financial environment.

Background

2. The Council's current MTFS for the period 2017/18 to 2021/22 was approved by Council in July 2016 and was refreshed in January 2017 following the Local Government Finance settlement.
3. The MTFS is a key part of the Council's Policy, Service Planning and Performance Management framework, which aims to ensure that all revenue resources are directed towards corporate priorities and the delivery of Vision 2030 and the Council Plan. It is based on a financial forecast over a rolling five-year timeframe which will help ensure resources are aligned to priorities in the refreshed Council Plan. The Strategy describes the financial direction of the Council and outlines the estimated financial pressures over this five year period.
4. Medium term financial planning is taking place against the background of significant funding cuts for local government. The likely continuing requirement and scale of budget savings, over and above the £143m already taken from budgets since 2010, represents an increasing challenge for the Council. The Council, in common with most local authorities, continues to be at risk from financial cost pressures, including workforce management, waste management and increasing demands for services such as social care and welfare reform. This environment will challenge the ability of the Council to respond to the many needs of Gateshead residents and the wider community.
5. Central Government have stated their commitment to long term reforms in the way that Councils are financed. Their stated aim is to significantly reduce reliance on central grants and move local authorities to be self-financing. This has resulted in an expectation that Councils will rely more on locally raised income from council tax, local business rates, fees and charges, trading income as well as contributions towards service costs from third parties.
6. The current MTFS has been reviewed and updated. The MTFS 2018/19 to 2022/23 is attached at Appendix 2 and outlines a strategy to deal with a funding gap of £41.9m for the two year period. The overall five-year funding gap over the life of the MTFS is estimated at around £88.0m. In order to set a balanced budget each year all funding options will need to be considered, including:
 - Budget savings
 - Retained business rates from economic growth
 - Realignment of spending priorities with the Council Plan 2015-20
 - Capacity building within communities
 - Additional external funding
 - Additional income including a review of current and potential areas of trading
 - Council tax increases
 - Use of reserves

7. The Council response to the challenging financial context is aligned to delivery of the Council Plan with a focus on four inter-related areas: economic growth, managing demand, collective responsibility and efficiency by:
- Doing all we can to support economic growth and revenue generation – given reductions in central government funding, success in this area will enable the Council to redirect resource to activities which protect the most vulnerable.
 - Focusing on managing demand (particularly in social care) with a targeted approach, emphasising early intervention and prevention.
 - Increasing collective responsibility – encouraging and supporting local people, partner organisations, businesses and local communities to play a more active role in achieving the outcomes for Gateshead.
 - Continuing to drive efficiencies through changes to the way the Council works, for example, through exploiting new technology, consolidation of buildings and services, reducing complex processes and increased trading.

Consultation and Equalities Impact

8. The MTFS sets a financial context for budget consultation. The Council's budget planning framework is supported by the development of Equality Impact Assessments (EIAs) for any budget proposals, identifying possible disproportionate impact in relation to the protected characteristics as described within the Equality Act 2010. The EIAs will also identify potential mitigation where applicable.
9. The Council maintains its strong commitment to equality, believing that all groups and individuals within the community and its workforce have equal opportunity to benefit from the services and employment it provides. EIAs help the Council to arrive at informed decisions and to make the best judgements about how to target resources.
10. The Leader of the Council has been consulted on this report.

Alternative Options

11. There are no alternative options.

Implications of Recommended Option

12. Resources

- a. **Financial Implications** - the Strategic Director, Corporate Resources confirms that financial implications are as contained within the MTFS document.
- b. **Human Resource Implications** – The need to support Council employees as much as possible through changes arising from the MTFS principles set out in this report is recognised. Any direct implications will form part of the budget planning framework and identification of budget proposals.
- c. **Property Implications** – No direct property implications. Any direct implications will form part of the budget planning framework and identification of budget proposals.
13. **Risk Management Implication** – The MTFS risk implications are contained within Section 16 of the MTFS document. Risks arising from the direct impacts of this strategy will form part of the Council's approach to the budget planning framework.
14. **Equality and Diversity Implications** – An equality impact framework has been developed to assess budget proposals.

15. **Crime and Disorder Implications** – No direct crime and disorder implications. Direct implications arising from the impacts of this strategy will form part of the Council's approach to the budget planning framework and consultation process.
16. **Health Implications** – No direct health implications. Direct implications arising from the impacts of this strategy will form part of the Council's approach to the budget planning framework and consultation process.
17. **Sustainability Implications** – The MTFS provides a framework with the express objective of achieving a sustainable financial position over the medium term.
18. **Human Rights Implications** – No direct human rights implications.
19. **Area and Ward Implications** – All areas of the Borough are covered by the principles set out in this strategy

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2018/19 – 2022/23

Medium Term Financial Strategy

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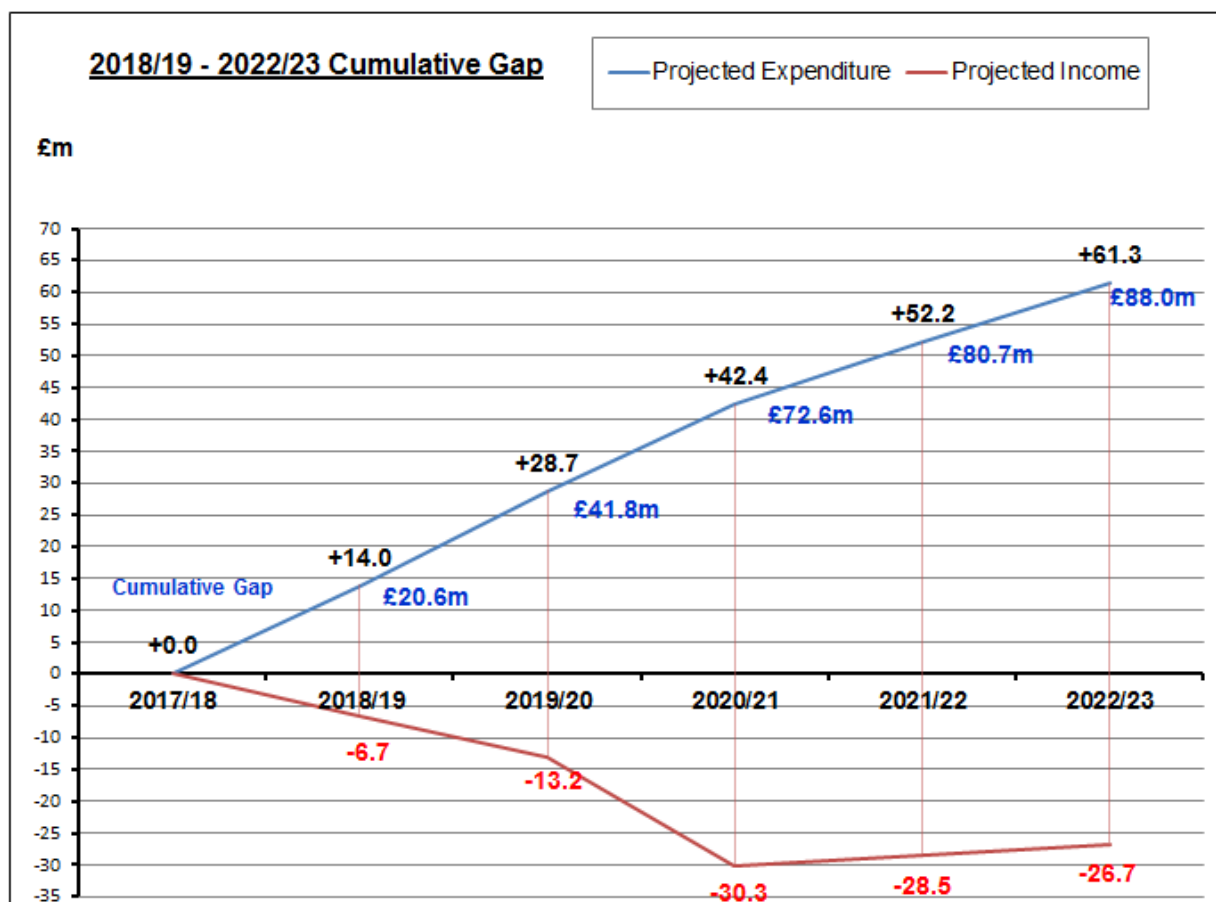
1. Executive Summary

- 1.1 This is the annual review of the Council's Medium Term Financial Strategy (MTFS). It is based on a financial forecast over a rolling five-year timeframe from 2018/19 to 2022/23 which will help ensure resources are aligned to the outcomes in the Council Plan 2015 to 2020. The MTFS sets the financial context for the Council's resource allocation process and budget setting.
- 1.2 The Council is operating within a context of unprecedented pressure on local authority budgets. Medium term financial planning is taking place against the background of significant funding cuts for Local Government alongside Government plans for major Local Government finance reforms. In addition, the Council, in common with most local authorities, continues to be at risk from unfunded financial pressures, including workforce management, waste management, and demand for social care and welfare reform as well as implementation of the national living wage. This environment will challenge the ability of the Council to respond to the needs of Gateshead residents and the wider community.
- 1.3 The UK's recent vote to leave the European Union (EU) is likely to herald more instability in the short to medium term and the consequences are still to be understood over the MTFS period.
- 1.4 At a local level, there are changes in Gateshead's demography with an increasing population and a growing number of our most vulnerable residents requiring complex health and social care support. Although the Council's ranking in the Index of Multiple Deprivation 2015 was an improvement, there are still areas of high deprivation with issues of health inequalities and child poverty. The Council recognises the importance of increasing Gateshead's prosperity; encouraging housing and business growth, as well as revitalising our economy and job opportunities, so that ultimately people's standards of living will improve.
- 1.5 The likely continuing requirement and scale of budget savings, over and above the £143m already taken from budgets since 2010, represents an increasing challenge for the Council.
- 1.6 By 2018/19 the Council's core grant funding will have reduced by approximately 52% from 2010. This equates to over a £400 per head reduction and over a £900 per dwelling reduction in Government funding over the period. Central Government's continued commitment to reduce the overall levels of public debt would indicate significant reductions in grant funding are likely to continue over the medium term. In order to strengthen our financial position the Council will have to consider other ways to generate income and be self-sufficient including changes in local taxation, fees and charges and trading activities as well as prioritising and supporting economic growth within the borough.
- 1.7 Central Government have stated that they remain committed to long term reforms in the way Councils are financed. Their aim is to significantly reduce reliance on central grants and move local authorities to be self-financing. The timeline for this was originally by 2020 however as a result of the election this timetable may well be compromised. If the main Local Government grant is to be phased out then Councils will rely more on income from council tax, local business rates, fees and charges, trading income as well as contributions towards service costs from third parties.

- 1.8 This will be particularly challenging for Council's like Gateshead who have been heavily reliant on central grants to meet local demands and needs for Services. There will be more pressure on the income the Council gets from council tax and business rates to fund vital services. Alternately, the Council will need to find new ways to deliver with partners, communities and residents or possibly stop services altogether.
- 1.9 Reviewing the MTFS remains essential to ensuring the Council's medium term financial sustainability. The Council has responded to the financial challenges in a planned way through an approach based around four inter-related areas: economic growth, managing demand, collective responsibility and efficiencies and has a strong track record of identifying and delivering savings and efficiencies whilst protecting priority services as much as possible. The Council will have to make very difficult choices in the years ahead about which services to prioritise. In order to avoid cuts to services, the Council continues to explore alternative options of service delivery to ensure that services remain fit for purpose in the context of smaller budgets. This may mean revisiting the expectations of residents in order to protect services for the most vulnerable. It is also an opportunity to work with partners and neighbouring authorities to maintain and improve outcomes against a back drop of reducing public spending.
- 1.10 Within the 2017/18 settlement the Government provided some details of indicative funding up to 2019/20 which gives a high level indication of revenue support grant funding. However significant uncertainty still exists in respect of likely funding levels in relation to other grants over the period as well as instability that arises from the volatility of business rates funding and the implications of the potential move towards a new funding regime of 100% rate retention. Further implications arising from the UK's decision to leave the EU are yet to be seen over the next few years.
- 1.11 The funding estimated to be received from Government and from council tax and business rate payers over the next five years is not sufficient to cover current level of spend plus new budget pressures. Local authorities are legally obliged to set a balanced budget each year and to ensure they have sufficient reserves to cover any unexpected events. Therefore, to legally balance the budget the Council must make spending plans affordable by matching it to the estimated funding available over that time. The gap between the two amounts is referred to as the "financial gap". Thus the financial gap is a combination of the Council's best estimate of the future budget needed to cover rising cost pressures and demands for services alongside a reduced amount of income. Action is required now to enable the Council to satisfy the legal requirement to balance the budget both next year and in future years.
- 1.12 Although there exists a great deal of uncertainty, overall it is now estimated that the Council will need to close a funding gap of £88.0m over the five financial years 2018/19 to 2022/23. This funding gap can be summarised as follows:


2017/18 £m	Indicative Budget Forecasts	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
215.839	Estimated Base Budget	216.604	231.330	245.004	254.848	263.984
(202.649)	Estimated Funding Resources	(195.995)	(189.454)	(172.381)	(174.143)	(175.940)
13.190	Cumulative Funding Gap	20.609	41.876	72.623	80.705	88.044
13.190	Annual Funding Gap	20.609	21.267	30.747	8.082	7.339

1.13 The funding gap over the medium term can be further analysed to identify separately increasing cost pressures on expenditure (+£61m) at the same time as the impact of reductions in funding on income (-£27m) This can be presented graphically as follows:



1.14 Government legislation has and will continue to directly impact Local Government. The welfare reform agenda is likely to continue to place additional demands on local authority services as well as significantly impacting on local authority finances. The Social Care Act will also put additional strain on local authority services and while provision has been made to further improve the integration of social care and health services through the Better Care Fund it is unclear whether resources allocated to Local Government will be sufficient to cover additional cost burdens. Government policy in respect of schools and housing will also impact significantly on Council service provision and financial planning.

1.15 The Council will ensure that it maintains support to priority services, and it will seek to prioritise those services that are most needed. It will continue to review the services it delivers, and the way that it delivers them. This will ensure that reducing resources are used to maximum effect, and allow the Council to continue to deliver new and better ways of working and invest to improve the efficiency of services provided. It is evident however the continuing reductions in funding and increases in demand will have an inevitable impact on both the nature and scope of services that the Council is able to deliver. The Council will aim to manage the process of change to its services effectively.



1.16 The Council will continue to have significant revenue and capital budgets to deliver services consistent with the delivery of priority outcomes. The approach to financial planning over the medium term will include a focus on investment in growth and income generation. The Council recognises that economic growth benefits the residents of Gateshead and the businesses within Gateshead. It also strengthens the position of the Council by developing financial resilience through less exposure to reductions in government funding. The Council will retain its vision for the future of the Borough through promoting development and economic growth and this will assist in maintaining the medium term financial sustainability of the Council.

2. Introduction

The Purpose of the Medium Term Financial Strategy (MTFS)

- 2.1 The MTFS is a key part of the Council's Budget and Policy Framework which aims to ensure that all financial resources are directed towards delivery of the Council Plan and Vision 2030. The Strategy describes the financial direction of the Council for planning purposes and outlines the financial pressures over a five-year period but is reviewed annually to reflect the dynamic nature of Local Government funding.
- 2.2 The review of the MTFS builds on the existing strategy and updates assumptions to reflect known funding announced as part of the Local Government financial settlement for 2017/18 and estimated multi-year settlement figures beyond this. Financial planning assumptions will need to be kept under constant review given the increased level of uncertainty which will continue until more detail is released on funding later in the year and as implications and timing of the move to the new 100% rates retention system are clarified.
- 2.3 The MTFS establishes the likely level of resources available to the Council over the medium term and also estimates the financial consequences of the demand for Council services. It provides the financial context within which the Council budget will be set.

The Benefits of the MTFS

- 2.4 The MTFS assists in:
- Delivering the priorities of the Council Plan and delivering Vision 2030;
 - Improving financial planning and the strategic financial management of the Council's revenue and capital resources;
 - Maximising the use of resources available to the Council, both internal and external;
 - Ensuring that the Council provides value for money and delivers budget savings;
 - Aligning financial resources to the Council's spending priorities and priority outcomes;
 - Reviewing the Council's reserves policy to ensure there is protection against unforeseen events;
 - Responding to external pressures;
 - Developing a sustainable budget over the medium term;
 - Highlighting financial risks and mitigating controls.

The Principles of the MTFS

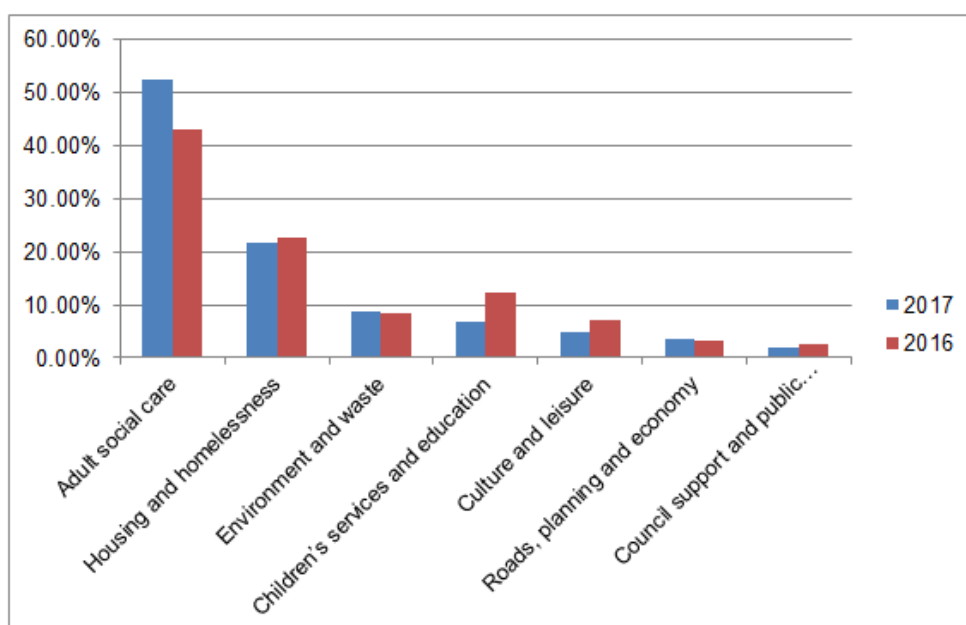
2.5 The principles underlying the MTFS 2018/19 to 2022/23 are as follows:

- 1) The overall financial strategy will be to ensure that the Council's resources are directed to achieving Vision 2030 and the outcomes set out in the Council Plan. The Council's MTFS will be reviewed on at least an annual basis.
- 2) Overall Council spending should be contained within original estimates. If, following monthly revenue monitoring, service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates.
- 3) The Council will maintain its general reserve at a minimum of 3% of the net revenue budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- 4) The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually.
- 5) The Council will continue to improve its approach to efficiency, commissioning and procurement to ensure value for money and minimise the impact of budget savings on priority services as well as effectively managing the programme of change.
- 6) Opportunities for working in collaboration and partnership and different ways of working will be identified and developed where this will support the delivery of the Council's outcomes and improve service efficiency and delivery. This will include the use of well-being powers, development of trading opportunities and different business models and the sourcing and securing of external funding.
- 7) The Council will consider a range of delivery mechanisms and funding sources to support capital investment to deliver Vision 2030, including the use of prudential borrowing, and will ensure that the full costs associated with financing the investment are taken into account when investment decisions are taken.
- 8) The Council will aim to promote and stimulate strong and sustainable economic growth leading to wellbeing and prosperity for residents and communities and this will be supported by a planned approach to strategic investment managed through the Council's capital programme.
- 9) The Council recognises the impact of increases in Council tax levels and fees and charges in an area of relatively low income and low wealth and will therefore balance the need for increases against the delivery of Vision 2030 and demand for services.

3. National Financial Context

- 3.1 The financial outlook for Local Government and public services as a whole remains challenging. Local Government have faced significant funding reductions and these are highly likely to continue into the future. The Autumn statement published in November 2016 outlined a deterioration in public finances compared to March 2016 forecasts in part due to the impacts of Brexit but also wider economic performance. The government confirmed that the aim of achieving an overall budget surplus by the end of Parliament in 2019/20 was no longer feasible and that national budgets would in fact still be running at a deficit in 2020. The scale and duration of public austerity means that some very difficult choices have to be made to ensure that vital services can be delivered within the resources available.
- 3.2 In a recent survey of councils in England and Wales by the Local Government Information Unit (LGIU) thinktank ¹ nearly 80% of councils have little or no confidence in the sustainability of Local Government finances. To cope with immediate and long term pressures around social care, housing and homelessness, 65% said they would be forced to use reserves to balance their budgets while nearly nine in ten councils said it was a high priority or essential to explore other sources of income including commercialising council services. The table below shows opinions as to the greatest pressures to council finances nationally.

Greatest immediate budget pressures



- 3.3 Adult social care remains the greatest pressure on council finances and over half said it was their greatest immediate priority with 40% saying it was their greatest long term priority. Housing and homelessness was the second greatest pressure with 22% of respondents putting it as their greatest immediate pressure and 15% saying it was the greatest long term pressure.

¹ The LGiU and MJ jointly conducted the 2017 *State of Local Government Finance* survey from 5 January-based on 163 responses

- 3.4 There are acute problems nationally in demands for adults and children's social care. The Local Government Association (LGA) have modelled that Local Government face an overall funding gap of £5.8 billion by 2020 and thus all councils will potentially be required to make continued cutbacks to local services, including social care, over the next few years. Adult social care is a vital public service that promotes wellbeing and independence and helps support some of our most vulnerable people. Nationally the care and support system is under enormous pressure, and is one of the biggest challenges facing councils.
- 3.5 The LGA also acknowledge the growing strain on children's social care budgets estimating that the shortfall in children's services budgets will reach £2 billion by 2020 together with population changes meaning extra services that are likely to cost an extra £1.1 billion each year by 2019/20. Tough decisions on how to allocate reducing resources mean early intervention services have been cut. Early intervention can help limit the need for children to enter the social care system, lay the groundwork for improved performance at school and even help to ease future pressure on adult social care by reducing the pressure on services for vulnerable adults. Councils are struggling to invest in this vital early help and support, as a result of the severe funding reductions.
- 3.6 On 13 January 2017 the Government introduced into Parliament the Local Government Finance Bill which made proposals for the legislative framework to deliver the Government's commitment to allow Local Government to retain 100% rates tax retention and move towards greater self-sufficiency by 2020. This would see a shift of reliance from central Government funding to a reliance on locally raised income through business rates and council tax. As part of future reforms Government have said that the main Local Government grant will be phased out and additional responsibilities devolved to local authorities.
- 3.7 Following the general election the Queen's speech on 21 June did not re-introduce the Local Government Finance Bill which would have allowed for the progression towards a new system. At the time of this report correspondence from DCLG indicate that Ministers remain committed to Local Government taking greater control of their income and that they will consider options for future finance reforms without an immediate Bill. Given this announcement the timing and outcome any future reforms is highly uncertain. The refreshed MTFS is based on assumptions around 100% rates retention in 2020/21. In the absence of any clarification around any other funding system being available the assumptions will remain until such time as these can be refreshed. The Government's methodology for funding local authorities is increasingly linked to the performance of the local economy in the local authority area via new homes bonus funding arrangements, business rate retention, council tax revenue and local council tax reduction schemes. This requires a strong local economy able to raise the necessary level of locally raised income to finance all expected services.
- 3.8 In addition due to the UK's intention to leave the EU, all assumptions will be revisited regularly and the financial impacts to the Council's MTFS will be reconsidered in light of changes to the general economy.

4. Local Financial Context

- 4.1 The Council is operating within a context of unprecedented pressure on local authority budgets. Medium term financial planning is taking place against a background of significant funding cuts for Local Government alongside Government plans for major Local Government finance reforms. In addition, the Council, in common with most local authorities, continues to be at risk from unfunded financial pressures, including workforce management, waste management, and demand for social care and welfare reform as well as implementation of the national living wage. This environment will continue to challenge the ability of the Council to respond to the needs of Gateshead residents and the wider community.
- 4.2 As Adults and Children's services now account for over half of Councils' revenue budgets, they are expected to make significant contributions to local authority savings targets. This coincides with a rise in demand for these targeted services which are not used by all residents. Whilst this provides us with a unique challenge, particularly around capacity, it also provides a unique opportunity to revise service provision. That said, there is a particular context in which this Council is operating, as North East Councils have been hit the hardest by the cuts over the last 5 years, and some of the pressures add a particular urgency to ensuring that there is sufficient resource in the system to continue to deliver statutory services and discretionary preventative measures which can help reduce cost pressures across the public sector.
- 4.3 The Government have recognised the need to try and help councils tackle some of the immediate social care pressures they face by allowing England's social care authorities to increase council tax with income from an additional council tax precept to be spent on adult social care as well as making additional funding available through the improved Better Care Fund. This raises some much needed funding in the short term but it does not provide a sustainable funding solution. The transformation of Adult Social Care Services in Gateshead will focus upon managing demand in a different way through better utilisation of universal services and community resources and enabling people to live at home with or without support for longer. The Council will also work with health partners to develop an integrated approach to care services to ensure the effective and efficient use of existing health and social care resources and transform the way services are delivered across the Borough.
- 4.4 Council tax does not cover all the costs of running council services and in fact is only about 19% of Gateshead Council's financing income whereas in other Councils in the south of England this can be as high as 70% of funding. This provides a demonstration of how reliant Gateshead is on grant funding. In addition to the demands of adult social care there are increasing costs of looking after vulnerable children, waste management, costs arising from welfare reform, contractual inflationary increases as well implementation of the national living wage. This Council has historically been reliant on funding from Government grant. Large grant cuts have resulted in the Council having to reluctantly make significant reductions to the local services communities rely on, including filling potholes, collecting waste, maintaining our parks and green spaces, and the consideration of alternative ways of running children's centres, leisure centres and libraries, to plug growing funding gaps.

4.5 Some specific facts to demonstrate the context in Gateshead are highlighted below;

- Gateshead has a population of around 201,000² living in 90,600 households³. The population has reduced by around 13,000 since the 1980s but has grown over the last decade by around 8,000. This growth has been most significant for older age groups with an 11% increase in 45-64 year olds and an 11% increase in those aged 65 and over. In contrast, the number of 0-24 year olds fell slightly by 0.7% over the decade.
- Population projections from the Office for National Statistics (ONS) predict that this ageing population trend will continue into the future, becoming more pronounced as life expectancy continues to increase. Population in Gateshead is projected to increase overall to around 211,500 in 2039 and by this time an increase of 38% in people aged 65 or older. There will also be a slight decrease in the number of children and young people aged 0-15 of around 500 or 1.5%.
- Although the working age population is set to grow by 3.7% by 2039, this is due to the increase in retirement age. Without this, the working age population would be projected to decline by 2.2%.
- Gateshead is ranked 73rd most deprived out of 326 local authorities in England. Within Gateshead there are 15 areas which fall within the 10% most deprived areas in England, equating to almost 23,600 people or 12% of the population of Gateshead. Much of this deprivation is based within the central and eastern urban areas of the borough.
- It is worth noting that when taking into account health and disability, information from the index of multiple deprivation 2015 health and disability domain, shows that Gateshead was ranked 23rd most deprived out of 326 authorities with the metropolitan council's generally being much more deprived.
- Around 73.2% of working age (16-64) Gateshead residents are in employment which compares with an average of 73.9% for England as a whole⁴ and around 2.7% are unemployed claiming jobseekers allowance (DWP Aug 2016).
- The average income in Gateshead is just under £31,000 per year, compared with a national figure of just under £40,000 (Acxiom, 2012). A recent survey of residents indicates that whilst half of residents believe their personal financial circumstances will stay the same over the next year, 34% believe they will get worse and just 9% feel they will improve (Gateshead Residents Survey 2012, Ipsos MORI).
- At 77.8 for males, and 81.2 for females, life expectancy is lower than the England averages of 79.5 and 83.2 respectively. However, life expectancy is improving and has increased by around 2 years for women and more than 3 years for men in the last decade (ONS 2012-14). Around 22% of people in Gateshead reported that their health limits day to day activities compared to around 18% nationally, but only 8% are in bad health (Census 2011).

2 Office for National Statistics (ONS) Mid-Year Estimate 2015

3 DCLG 2012 Based Projections for 2015

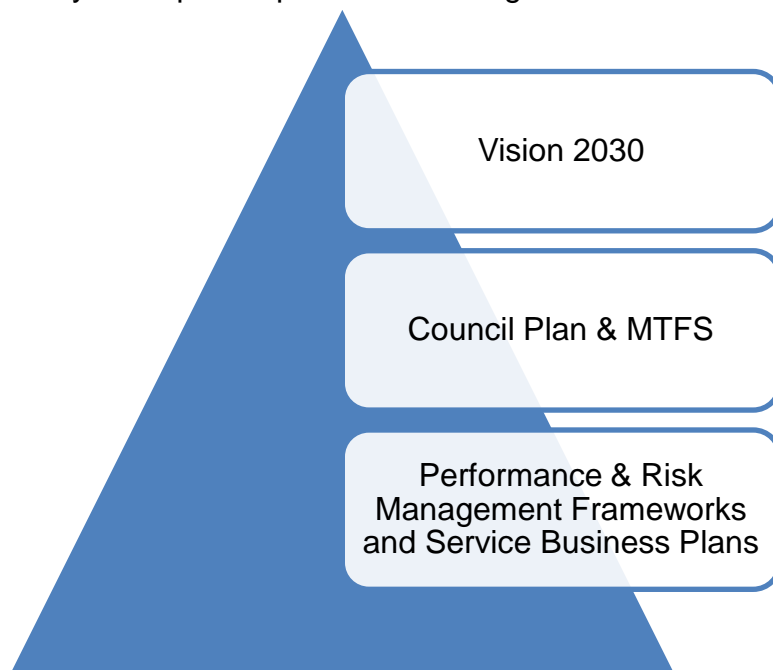
4 Office for National Statistics (ONS) Annual Population Survey Y/E Mar 2016

- 59% of housing is owner occupied, and 22% is managed on behalf of the Council by the Gateshead Housing Company. 13% of housing is rented from a private landlord or letting agency and 6% from a registered social landlord (Census 2011).
- The trajectory of population changes will impact on the cost of social care services in Gateshead. The effect of the changes in all groups except older people is likely to be relatively small, but the scale of the increase in the numbers of older people means the cost of social care is likely to rise substantially, unless there are changes to service models. There are also likely to be some small changes in the numbers of adults with learning disabilities, physical disabilities, mental ill health and substance misuse problems.

4.6 In summary the latest projections suggesting that working age people will likely represent a smaller proportion of the total population in future which could present a challenge to the future economic sustainability of Gateshead. However, it is important to note that ONS' projections are based on the continuation of past trends and do not take account of the impact on population of policy changes, planned large-scale housing developments, external events (such as flu outbreaks etc), or the impact of austerity on mental wellbeing. Through Council intervention the implementation of various initiatives aimed at attracting jobs and encouraging economic growth, it is possible that population growth, particularly among working age residents, can be higher than indicated by these latest projections - to a level that is more capable of delivering a sustainable future for Gateshead.

5. Local Policy Context

5.1 The hierarchy of corporate plans and strategies is shown below:



Plans

- 5.2 Vision 2030 was developed and agreed by the Gateshead Strategic Partnership (GSP) and is the overarching strategy setting out the long term vision and priorities for the future of Gateshead. Vision 2030 aims to improve the wellbeing and equality of opportunity for Gateshead residents so that all residents and businesses in Gateshead can fulfil their potential.
- 5.3 The Council Plan has been refreshed to cover the period 2015 to 2020 and sets the focus for the development of individual business plans for each of the council's services over the next five years as;
- **Maximising Growth** - Doing all we can to support economic growth and revenue generation – given reductions in central Government funding, success in this area will enable the Council to redirect resource to activities which protect the most vulnerable.
 - Focusing on **managing demand** (particularly in social care) with a targeted approach, emphasising early intervention and prevention.
 - **Increasing collective responsibility** – encouraging and supporting local people, partner organisations, businesses and local communities to play a more active role in achieving the outcomes for Gateshead.
 - Continuing to **drive efficiencies** through changes to the way the Council works, for example, through exploiting new technology, consolidation of buildings and services, reducing complex processes and increased trading.

5.4 The MTFS is central to identifying the Council's capacity to deliver its outcomes and across the same time horizon as the Council Plan it reflects:

- The delivery of Vision 2030.
- The Council's current financial position and outlook.
- The Council's overall financial strategy, including use of reserves.
- Internal and external pressures which may influence the Council's financial position.

5.5 A number of key corporate strategies also feed into the MTFS, including the Workforce Strategy, Digital Strategy, Corporate Asset Strategy and Management Plan. All of these strategies are linked to the MTFS through the performance management framework and Business Plans.

5.6 As well as setting out the Council's role, the corporate strategies described above emphasise the work with partners, including the voluntary sector, in the delivery of Vision 2030. In some cases this is achieved through pooling or aligning resources where this can be demonstrated to add value.

6. The Council's Current Financial Position and Outlook

2016/17 Revenue Outturn Position

- 6.1 The agreed net revenue budget for 2016/17 was £198.883m. The final revenue outturn, for 2016/17 was reported to Cabinet on 20 June 2017 stating an overall under spend of £1.305m after proposed movement of reserves. Whilst the outturn position is positive, it should be noted that a number of one off areas of under spend in capital financing costs and unrequired contingency as well as additional traded and investment income have contributed to this position.
- 6.2 The Council's current reserves, as a result of the 2016/17 outturn, are covered in Section 12, along with the outcome of a full reserves review and the Council's policy on the use of reserves.

Budget 2017/18


- 6.3 Council agreed the revenue budget for 2017/18 at its meeting in February 2017. This was set at £197.486m (excluding schools) and included £13.190m savings. In March 2017 the government announced additional funding to be made available for adult social care this was after the budget was set and therefore an adjustment to the 2017/18 budget was approved by Cabinet and Council in June 2017 taking net revenue budget to £202.649m.
- 6.4 The budget includes a number of risk areas which, if not closely monitored and controlled throughout the year, could add further pressure to the funding gap in future years. These include the delivery of agreed savings and achievement of income targets. It is assumed within future sections that all 2017/18 savings are fully achieved before entering 2018/19 otherwise the financial gap would increase. These will be closely monitored throughout the year.

Future Outlook

- 6.5 Medium term financial planning remains extremely difficult due to external economic factors such as the UK's general election and plans to leave the European Union, the financial impacts of which are impossible to predict accurately, coupled with the timing of a new finance system that is still in the design process and without a Parliamentary route. There is great uncertainty in relation to the level of funding beyond 2020 due to the changes in the Local Government finance system resulting in greater risks in relation to the localisation of business rates and the local council tax scheme. This plan has been prepared against the continuing funding cuts for Local Government coupled with increased demand for targeted services such as social care. The unknown impacts alongside the level of risk to finances mean that these forecasts will need to be closely monitored and potentially refreshed more frequently than usual as consequences become clear.
- 6.6 The provisional Local Government finance settlement for 2017/18 was reported to Cabinet on 24 January 2017. The Government's forecast reduction in core spending power over the next four years for Gateshead was quoted as -0.5% compared to an England average of +0.4%. This position is not considered a true reflection of the actual position due to the levels of growth factored into the council tax and rates funding and that the analysis shows only funding and does not include growing cost pressures.

- 6.7 Even projected Government figures highlight significant challenges ahead for Councils who will have to make savings, despite receiving a proposed flat-cash settlement over the next four years. Additional cost pressures include those arising from general inflation, cost pressures in the care sector, increases in the number of adults and children needing support and rising levels of need, increases in demand for everyday services as the population grows, pressure on homelessness budgets and increases in core costs such as national insurance, the National Living Wage and pension contributions.
- 6.8 The 2017 spring budget was delivered on 8 March 2017 by Chancellor Philip Hammond. Future budgets will be delivered in autumn. The key headlines of this budget were;
- £2 billion of additional funds for health / social care over three years
 - Unchanged overall local authority funding 17/18 to 19/20 although the £3.5 billion unallocated efficiency savings remain in departmental budgets
 - £300 million+ of reliefs for business affected by the 2017 business rate revaluation
 - Announcements on schools
- 6.9 The Council is operating in a challenging national policy context which has been compounded by many years of Government funding reductions and unfunded cost pressures. The Government's methodology for funding local authorities is inextricably linked to the performance of the local economy in the local authority areas via New Homes Bonus Funding arrangements, Business Rate Retention and Local Council Tax Reduction Schemes.
- 6.10 The scale of reductions in central funding has required local authorities to focus more on local self-sufficiency through other forms of income generation such as:
- Council tax rate increases, subject to referendum limits;
 - Increases in the rates of fees and charges;
 - Increases in the scope of fees and charges (i.e. charging for services not previously charged for);
 - Economic development measures to increase the funding through tax collected (council tax and business rates);
 - Increasing trading activities to generate surplus for reinvestment in other vital services.
- 6.11 Vision 2030 sets out the following goals under the Prosperous Gateshead theme which aims to support a thriving economy for all over the next five years;
- More and better paid jobs and more people in work
 - Fewer people with low level skills and more with higher level skills
 - More private, public and social investment
 - An increase in the working age population
- 6.12 A significant amount of activity is already being delivered by the Council and its partners, to promote sustainability and growth across the borough and evidence of this is readily visible through the regeneration of the town centres. The Gateshead Economic Growth Acceleration Plan 2013 to 2018 provides a broad framework to direct the investment of the Council's resources, including the Capital Programme and an Economic Growth Reserve, to ensure economic growth and job creation opportunities are maximised.

- 6.13 In the future the urban core will be the focal point for economic growth and transformation, becoming the main contributor to Gateshead's economic prosperity. As well as being the cultural, retail, tourism and leisure hub, it will be a regionally significant office location for professional, financial and business services; particularly within the Accelerated Development Zone. The growing creative and ICT/media industries are already well represented and demonstrate strong growth potential. Investment will also be encouraged within the key employment areas of Team Valley and Follingsby Enterprise Zone, the primary centres for manufacturing industries and distribution services.
- 6.14 In addition the Council's Rural Economic Strategy (2015-2020) supports economic growth in the borough's rural communities, whilst contributing to growth across Gateshead and the region. Working with a range of public, private and voluntary sector partners it supports business development in sectors such as tourism and food and drink, whilst seeking to maximise the use of land and property assets for business purposes, thereby increasing business rates income to the Council. Helping residents develop the skills to access these jobs is a key aspect of the work as is helping to co-ordinate the economic objectives arising from for example the development of new housing, the growth in rural services and improvements to the natural environment.
- 6.15 The reduction in public funding for infrastructure has required consideration of new approaches to regeneration. As part of the Newcastle City Deal in July 2012, an Accelerated Development Zone (ADZ), within Gateshead was agreed. The deal allows for 100% of the business rate income at Gateshead Quays and Baltic Business Quarter to be retained locally, rather than held by the Treasury, to support the delivery of vital economic infrastructure that will boost economic growth in the area. Enterprise Zone status at Follingsby has been secured and came in to effect on 1 April 2017 allowing business rate retention to support infrastructure investment to enable development
- 6.16 The 2014 to 2020 European Structural and Investment Fund (ESIF) programme continues to provide an opportunity to lever funds in to the borough to deliver our ambitions for smart, sustainable and inclusive growth. Almost £9m ERDF funding was secured in 2016/17 to support Council priorities.
- 6.17 The Council's strategic ambitions for economic growth will be supported by the Local Plan for Gateshead which includes the Planning for the Future Core Strategy and Urban Core Plan for Gateshead and Newcastle upon Tyne. This framework will help to create and sustain thriving communities and a more prosperous economy through developments, including the provision of new homes, jobs growth and a portfolio of employment land.
- 6.18 The Council's approach to change is aligned with the Council Plan and is thus focused on four inter-related areas: economic growth, managing demand, collective responsibility and efficiency by:
- Doing all we can to support economic growth and revenue generation – given reductions in Central Government funding, success in this area will enable the Council to redirect resource to activities which protect the most vulnerable.
 - Focusing on managing demand (particularly in social care) with a targeted approach, emphasising early intervention and prevention.

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- Increasing collective responsibility – encouraging and supporting local people, partner organisations, businesses and local communities to play a more active role in achieving the outcomes for Gateshead.
 - Continuing to drive efficiencies through changes to the way the Council works, for example, through exploiting new technology, consolidation of buildings and services, reducing complex processes and increased trading.

7. Looking Ahead: Review of Cost Pressures

7.1 Future budget forecasts include the following cost pressures:

Base Adjustments

- There are no anticipated base adjustments required over the period. These are used at base budget setting where there are transfers of responsibilities.

Inflation

- General inflation pressures for items such as utilities, rates, fuel, insurance etc. are based on 1% average CPI projections up to 7% for utilities budgets have been included per annum over the period. This will be updated to reflect the prevailing rate of inflation during the budget process but will be kept to a minimum. Contractual inflation for care related costs are based on known planning assumptions in each specific area. There is the risk over the period that future price and pay inflation is beyond forecasts. These pressures are not currently recognised in government funding allocations, increasing the real terms cuts required to set a balanced budget.

Council Wide Cost Pressures

- *Pensions* -The Local Government Pension Scheme (LGPS) was last subject to its triennial review in 2017/18 the next revaluation will be in 2020/21 and given performance on the fund in recent years is likely to add an additional cost pressure assuming the fund deficit increases as fewer employees are contributing. Stepped deficiency payments have been included in the 2017/18 budget and estimated funding gap for the MTFS period. The next review will be within the MTFS period and will be subject to performance of the fund at that time.
- *Pay* (including implementation of National Living Wage) – The current LGS pay award of 1% will run through to 31 March 2018. Beyond that assumptions are based on awards being limited to 1% for the remaining period of the MTFS. It is important to note that the MTFS is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council. The new mandatory National Living Wage (NLW) came into effect from April 2016. Based on the OBR's March 2016 earnings forecasts, a NLW target of 60% of median earnings would be £9 in 2020. The cost of implementing the National Living wage becomes more significant where greater stepped changes are required to meet the Governments prescribed wage per hour. The MTFS cost pressure is based on indicative modelling as to how the Council could achieve this target by 2020. This is subject to change to reflect Cabinet agreement of actual implementation.
- *Policy changes* –increased cost pressure to Council budgets arising from unfunded changes in Government policy carry increased financial risk to the Council in areas such as housing and school funding.

Significant loss of Government grant - within service budgets as Government departments cut grant funding levels in year or after the financial settlement date having significant impacts on service budgets such as Housing Benefit & Council Tax Admin Subsidy, Youth Justice Grant and reductions in Independent Living Fund.

- *Workforce Management* - Given the level of savings required to close the funding gap additional resources will be required to be identified to fund potential further workforce management costs. The 2017/18 base budget has funding earmarked within contingency as well as set aside by way of a provision but additional resources may be needed from earmarked reserves. 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 will put pressure on all budgets, including staffing.

The total cost of redundancy to the Council in 2016/17 (excluding schools) was £5.330m, of which £4.778m was funded from provisions. As part of the 2016/17 revenue outturn, a provision of £2.605m was created for redundancies in 2017/18 and 2018/19. The 2017/18 base budget includes a contingency of £1.000m for workforce management costs. There is also earmarked funding available in reserves should costs exceed the provision and contingency.

Service Demand Pressures

Welfare Reform /Housing Demands -The Government's changes to welfare reform including Universal Credit (UC) are likely to have an impact in relation to potential bad debt of council tax income and housing rents. Universal Credit will be fully introduced in Gateshead from October 2017 onwards, which applies to any working-age claimant making a new claim to what would have been any of the six benefits rolled into UC. This means someone moving from one state benefit to another but already on housing benefit could become a UC claimant. In addition the impact of welfare reforms on residents' ability to pay may result in increased demand for services in respect of benefits advice and local welfare assistance. Additional council support will be required for claimants moving to UC from benefits such as Personal Independence Payments (PIPS), Employment Support Allowance (ESA) and Disabled Living Allowance (DLA). This cohort is to be one of the hardest hit by welfare reforms, may already be receiving council support from Adult Social Care and will need increased help to migrate to UC. A shortage of suitably-adapted accommodation may limit the options available to this group and potentially increase pressure on council & NHS services due to a rise in drug & alcohol problems. The administration subsidy received to process HB & UC claims has reduced at a more rapid rate than caseload. In addition, the Benefit Section also administer the Council Tax Support scheme and have found UC cases involve additional work, resulting in a greater strain on available budgets.

Children's Social Care Demand Pressures - The number of Looked after Children (LAC) across England has increased steadily over the past seven years and it is now higher than at any point since 1985. Statistics taken from the 2016 Department for Education (DfE) Statistical First Release on children looked after in England (including adoption and care leavers) show a 2.4% increase of looked after children in England from March 2014 to March 2016 and an overall 7.5% increase when compared to March 2011.

Number of children looked after at 31 March 2010 to 2016	Number of looked after children (England)	Number of looked after children (Gateshead)
2011	65,510	349
2012	67,070	385
2013	68,060	391
2014	68,800	360
2015	69,540	344
2016	70,440	343

Gateshead Council has circa 375 Looked after Children (March 2017) costing on average £35,000 per child annually. Through implementation of the planned Early Help and Demand Management strategy, the hope is to safely reduce these numbers down to around 320, which would place Gateshead below the regional average (336 based on 2016 data). However, the national and local increase in safeguarding pressures are the result of a complex myriad of factors, and these pressures will likely work against the Council's efforts to reduce demand. These include:

- *Population Increases* -projections suggest that the 0-17year old population in North East England will increase by 2% up until 2020, which will undoubtedly have consequences for numbers of children requiring support from children's services. By 2020, the impact for Gateshead of this alone would mean 10 more LAC, 6 more young people subject to Child Protection Plans and 5 more young people living under special guardianship and residence order arrangements. This would cost the authority at least an extra £0.500m per year by 2020 in placement and case management costs.
- *Increases in reported sexual abuse* (online and physical) of young people, linked to high profile national cases in the media, has increased awareness and the importance of reporting potential concerns. This has had the impact of increasing initial contacts and referrals from all sources into local authorities by 35% since 2008/09. Schools and Police remain the main sources of referrals, with over 43% of referrals from them combined nationally. In Gateshead there has been an increase of 13% in the number of referrals received in the last two years, requiring an additional 232 assessments to be undertaken per annum, costing the authority up to £70,000 per annum in Social Worker time.
- *Increases in the level of Child Protection (CP) referrals*, with an average increase of 6.3% in the past year nationally, and an increase of 87% since 2008/09. For Gateshead, there has been an increase of 15% in the past year in the number of young people subject to CPP's, with an associated additional cost to the authority of £0.200m per annum.

- *“Staying Put” policy* - whereby foster children can stay with foster parents up to the age of 21 instead of age 18. National indications are that up to 50% of young people are now choosing to remain with their former foster carers post 18. This results in increased costs for Local Authorities to pay the carers of those young people for longer. It also places a strain on the foster carer capacity, as it reduces the availability of foster carers for new children starting to be looked after. This in turn increases the reliance on independent fostering agency placements, at a significantly higher cost. The Government have also indicated this could also be expanded to those young people in residential provision up to age 25, which based on current projections for Gateshead, could cost the Council an additional of £2.0m per year by 2020, with potentially an additional 96 young people aged between 18 and 25 remaining with their foster carer.
- *Increasing demand for supported accommodation* for those leaving care with additional complex needs.
- *Welfare reform impacts on families* - mainly in terms of the increase in poverty and associated factors. In 2014/15, there were 3.9 million children living in relatively low income, 200,000 (+5%) more than the previous year. There is a projected increase in the proportion of children living in relative low income from 17% in 2013/14 to 26% in 2020/21 (HM Government, 2016). Welfare Reform has increased the prevalence of families with no recourse to public funds (NRPF), where they have no legal entitlement to financial support or assistance from the state. These are increasingly presenting to children’s social care services for support (under section 17) by families with children, or by children or young people themselves who are unaccompanied or separated from their parent or legal or customary caregiver.
- *Increase in prevalence of the “toxic trio”* of domestic abuse, parental mental health and parental substance misuse within families. Research conducted by the ADCS has concluded the toxic trio was present in 65% to 80% of cases. This increases the complexity and intensity of interventions required to manage demand and keep families together.
- *Changes in LAC Age Profiles* - Although LAC nationally is on the increase, there are material differences in the age profile of LAC coming into the system. 62% of children looked after were aged 10 years and over in 2016 compared to 56% in 2012. There has been a reduction in the number and proportion of children aged 0-4 years, from 24% in 2012 to 18% in 2016. There is a higher average cost of looking after an older child compared to a younger child. To maintain and reduce the levels of older young people and adolescents becoming looked after, the new Rapid Response service to commence in September 2017 intends to work with those young people and their families in need or on the edge of care, using evidence based interventions to reduce the number of family breakdowns which then require an episode of care proceedings.

Adult's Social Care Demand Pressures - Gateshead currently has an estimated population of approximately 38,600 people aged 65 and over. This number is predicted to increase by 4.1% by 2020 rising by 23.9% by 2030. Some of the cost pressures arising from this increased demographic are outlined below. Not all have been fully reflected in MTFS figures as to meet this challenge the Council aims to control new demand and reshape the supply base with a strategic shift in resources and culture from intervention at the point of crisis towards prevention and early intervention and targeted support for people with more complex needs. The way services are provided has to be redesigned to make available new, more creative ways of working giving people greater choice and control. This will require a change of mind-set from one that fosters dependency to one founded on enablement. To achieve this requires the development of a market that offers a broad range of care and support options.

- *Transforming Care Plans* - The Government and leading organisations across the health and care system are committed to transforming care for people with learning disabilities and/or autism who have a mental illness or whose behaviour challenges services. Too many people with learning disabilities are admitted to hospital when admission could have been avoided, remaining in hospital too long with instances of poor care remaining too common. Transforming care plans look to ensure that anyone with a learning disability and/or autism in hospital who could be supported in the community is discharged into a community setting and in addition take immediate steps to support discharges and prevent inappropriate admissions, look to see a more fundamental and long-term reshaping of services.

Given the reduction in the numbers of inpatient settings and the need for greater support in the community there are likely to be significant financial burdens for local authorities. The extent of this additional burden will be dependent upon the local population and will require additional work and analysis and as such has not been reflected as yet in the MTFS demand analysis. However based on average package costs and an estimate of the numbers of clients currently in inpatient settings and due to be discharged the additional cost is estimated to be approximately £0.6m by 2019/20.

- *Increasing Older People* - Falls account for 50% of injury related hospitalisations among people over 65 years and older. Gateshead resident's over 65 years of age are 26.7% more likely to be admitted to hospital or suffer injury because of a fall and 24.2% more likely to suffer a hip fracture when compared to the national average for England. More than 2,500 people over the age of 65 are estimated to have dementia in Gateshead and this is expected to increase in the future as the population ages. By 2030 this is projected to rise to 3,735. Prevalence of diagnosed dementia is gradually increasing both nationally and locally. In Gateshead the prevalence has increased from 0.60% in 2010/11 to 0.91% in 2015/16. Providing care for people aged over 65 accounts for approximately 46% of the total spend on Adult Social Care. Approximately 6% of people in this age group are currently receiving services. If we assume this correlation will continue then we could see an increase in cost of £2.4m over the MTFS period and £6.1m by 2030. However, clearly the level of dementia prevalence is set to rise exponentially together with the prevalence of autism thereby increasing the cost further and demand for services.

- *Young Adults with Disabilities* - Providing care and support for people under 65 with disabilities accounts for 41% of the budget and a 2% increase in demand would cost approximately £0.5m. There were 525 adults with learning disabilities in receipt of social care services at the end of March 2015. It is predicted that by 2030 there will be 2% more people aged 18+ with learning disabilities with a level of need requiring statutory social care intervention. There are approximately 3,800 adults with a learning disability in Gateshead; approximately 800 are 65 or older. In Gateshead, an estimated 1,226 adults aged between 18 and 64 are believed to have an autistic spectrum disorder, as well as a further 348 aged 65 and over. Whilst the number aged between age 18 and 64 with autism is expected to remain stable in future years, the number aged over 65 is expected to increase by over 31% by 2030. There is a small reduction expected in the numbers in need of support aged 18-64 who have diagnosed mental health conditions.
- *Carers* - Census 2011 tells us that out of the population of Gateshead, 22,220 people recorded themselves to be providing unpaid care, an increase by almost 1,000 carers since Census 2001. Of these, about 1,670 are Young Carers (aged under 25). The number of people aged 65 or over, living in Gateshead, will be increasing in future. The majority of Carers who live in Gateshead are between the age groups of 25-64 years. More carers are female (58%) than male (42%). In Gateshead a high percentage of Carers live in the most deprived areas of Gateshead. In order to ensure carers services in Gateshead meet their needs a joint review with the Clinical Commissioning Group (CCG) is currently being undertaken. Both organisations commission services for carers and it is essential that the services provide the best outcomes for the carers in Gateshead.
- *Market Stability* - The introduction of the National Living Wage has placed additional financial pressure on the Council especially in the care sector where a significant proportion of the workforce is paid at or near to the minimum wage. The Council is committed to ensuring it commissions quality services with an outcome focus and in doing so it must ensure services are cost effective. The stability of the provider market is essential to ensure services are responsive to the needs of Gateshead residents. The cost of maintaining the planned increase in the NLW is estimated to be £1.5m per annum.

Strategic Investment (Revenue Cost of Capital)

- The revenue cost implications of the Council's strategic investment programme is outlined in a future section of this report. The primary impact on the revenue budget of supporting capital investment is through the Minimum Revenue Provision (MRP) and external interest charges. Supporting the level of capital investment contained within the Council's capital programme is expected to require £29m of revenue resources in 2017/18 to meet the borrowing costs. Based on current spending plans it is estimated that the annual revenue cost of capital will reach a total of £36.9m by 2022/23.

8. Looking Ahead: Review of Funding and Income

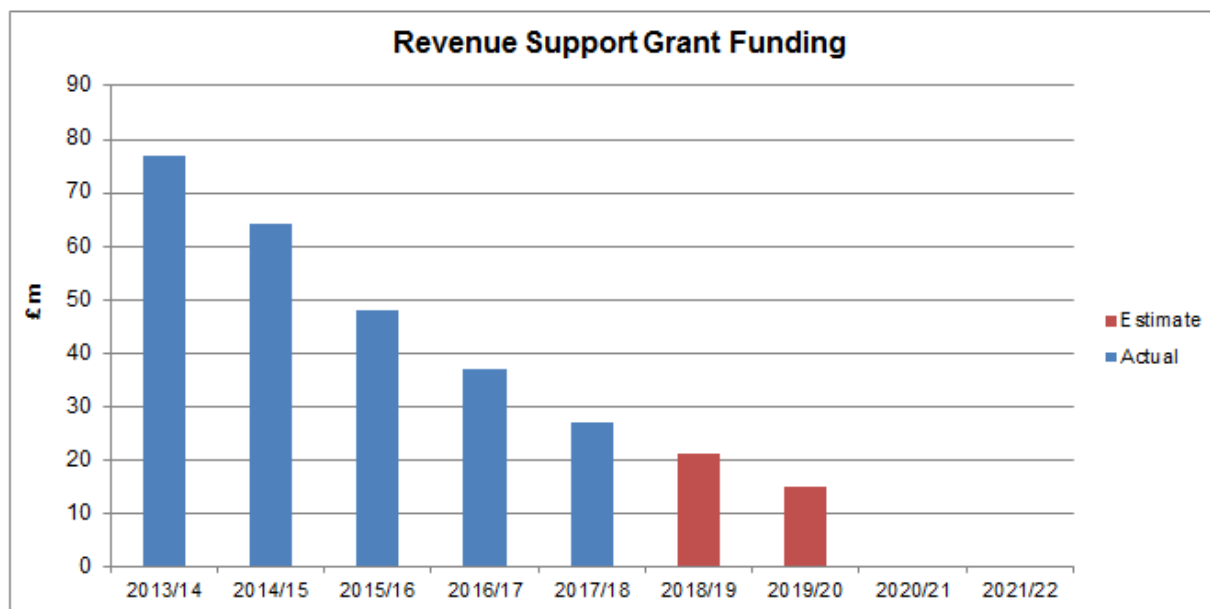
8.1 At the time of the December settlement the Government forecast spending power for Gateshead up to 2019/20. Their forecasted position is not considered a true reflection of the actual position and it is important to note the following points:

- The Government's future council tax figures assume average growth in base for each authority as well as uplifts for council and social care charge each year. Thus a total 6.7% increase in council tax funding each year over the period up to 2019/20 is assumed. The Government figures require that a local area can not only grow its base substantially year on year but that its residents will be willing and able to pay uplifts year on year. This moves the funding for essential council services from Central Government to local residents. This does not take into account the mix of a Council's tax base and residents ability to pay.
- Business rates also include notional projections of growth per year. The retained rates that Gateshead Council will have available for funding will depend on the extent to which business growth can be supported in the area as well being influenced by loss of income through the cost of appeals, refunds, changes in collection rates and the impact of rate avoidance.
- New homes bonus allocations are notional future estimates and cannot be taken with any certainty following reforms to the way the bonus is awarded.
- Figures include the Improved Better Care Fund (IBCF) which aims to redress some balance of need and unlike other BCF monies will be paid directly to local authorities. Including IBCF as additional funding is misleading as this does not identify that spending may also need to increase to meet additional burdens associated with the funding.
- Only potential funding has been considered in the Government projection with no consideration given of the impact of increasing costs in social care from increased demand, contractual inflationary increases and the costs of implementing the national living wage. Similar cost pressures are also seen in children's social care and other council services arising from inflation, pay increases, changes in national insurance contributions and additional transfers of responsibilities.
- Furthermore this type of analysis does not take account of the levels of deprivation or needs of an area resulting in more demand for services such as children's social care, homelessness and welfare support. More affluent areas benefit more from increases in their council tax bases and residents are more able to contribute to the cost of their service provision.

8.2 The funding projections in this strategy are considered more applicable to local assumptions and these are set out below for information.

Revenue Support Grant (RSG)

- 8.3 The 2017/18 settlement figures from the Government include indicative projections of core funding to 2019/20. The funding gap is based on the RSG figures given up to 2019/20 and shows a reduction in RSG over the period of £21.4m (from £21.4m in 2018 to £0m in 2020). The equivalent actual reduction in RSG from 2016/17 to 2017/18 for comparative purposes was £9.4m. This is illustrated in the table below;



- 8.4 The MTFS assumes zero RSG from the year 2020 in line with government announcements of the intention to remove all core grant by the end of parliament. For the purpose of this MTFS it is assumed that the RSG received will be in line with the multi-year settlement figures.

Retained Business Rates

- 8.5 The 2013/14 finance settlement provided each local authority with its starting position under the business rates retention scheme. These baseline calculations were fixed until the first intended reset in 2020. This means that Gateshead Council now retains 49% of any growth in business rates income above the prescribed baseline to reinvest in Services. The Government retains 50% with the remaining 1% being retained by the Tyne and Wear Fire and Rescue Service.
- 8.6 A system of business rate retention would provide opportunities for local authorities to benefit from increased revenue funding raised from growth in local business rates but it would also transfer significant risks from central government to local councils, and in particular the requirement to meet half the cost of backdated appeals which was previously met in full by central government. A further specific risk of the retention system exists in respect of national companies appealing to have one centrally assessed liability which, if successful, can result in 100% of business rates income being retained by central government.

- 8.7 Retained business rates reflect the baseline outlined in the 2017/18 indicative funding. At this stage no further retained business rates from economic growth are included except for a 2% uplift linked to the inflationary multiplier, for the period of the MTFS but this will be one of the key options to close the funding gap and projections have been modelled for internal budget planning.
- 8.8 On 13 January 2017 the Government introduced into Parliament the Local Government Finance Bill which makes proposals for the legislative framework to deliver the Government's commitment to allow Local Government to retain 100% rates tax retention and move towards greater self-sufficiency by 2020. The original timeframe outlined indicated that the intention was for this to happen on 1 April 2019 however, following the general election there will be a delay in this timeframe or a different proposed system. It is important that in any system redesign existing responsibilities are correctly assessed and funded and any new responsibilities transferred under the new system closely align and support the drive for economic growth. The council will play an active role in pressing the Government to ensure the needs assessment is as fair as it can be through any consultations on a new system.

Council Tax

- 8.9 Gateshead Council froze Council Tax for four years from 2011/12 to 2014/15. In 2015/16 the Council took the decision to increase council tax by 1.95% to raise £1.4m to protect the delivery of essential Council services to the residents of Gateshead. Against the backdrop of continued government funding reductions, new burdens and spending pressures which cumulatively are having a significant impact on the Council's ability to deliver its priorities during 2017/18, the Council agreed a council tax increase of 4.99% (including a 3% adult social care charge) resulting in funding towards essential services.
- 8.10 Any increase in tax would need to take into consideration the Government's referendum principles which are set out every year. A 1% increase in Council Tax yields approximately £0.81m. In the 2016 settlement the Government increased the referendum threshold to allow for authorities to charge a 2% adult social care precept. This 2% was included in government funding projections of each local authority up to 2019/20. Subsequently the Government allowed Council's to accelerate this phasing to 3% a year to a maximum of 6% up to 2019/20.
- 8.11 For planning purposes only the MTFS has included a 3% charge for adult social care in 2018/19. Actual council tax increases will be decided on an annual basis taking into account financial circumstances of the Council at the time and the level of resources available. Annual increases remain subject to the decision of both Cabinet and Council.
- 8.12 The Council will continue to seek ways to raise new funding by promoting a growing local economy through new businesses and new housing as well as to increase traded and investment income to help contribute to closing the financial gap alongside the consideration of possible future council tax increases.

Collection Fund

- 8.13 The 2017/18 base budget includes a £2.6m contribution from the Collection Fund arising from previous year's performance. The current gap assumes no further contributions as the position on the Collection Fund will be directly affected by the level of collection rates of both council tax and business rates which could be adversely affected by any economic downturn and changes to welfare reform. The final position on the Collection Fund for 2016/17 will be reflected in the 2016/17 final audited Statement of Accounts.

Other Grants

- 8.14 Other grants include government grants that are used to finance general Council budgets. These include New Homes Bonus, Better Care Fund and Section 31 grant related to refunded costs by government for the business rate system. Given the announcement of reductions on a national basis in non-schools education grant funding assumptions for reductions each year for Education Services Grant have been included in the estimated budget gap. Following Government reforms to New Homes Bonus the original MTFS assumptions have had to be significantly reduced to reflect the anticipated drop in receipt of this grant. A reduction in the number of years for legacy payments will be made from six years to five years in 2017/18 and then four years from 2018/19. A baseline for housing growth was also introduced to be set at an initial baseline of 0.4% of the 2017/18 council tax base rather than the 0.25% illustrated in the original consultation. The Government have also stated that they will retain the option of making adjustments to the baseline in future years in the event of significant housing growth.
- 8.15 The MTFS assumes that by the end of parliament all core grants will taper off to nil to be replaced by the potential new funding regime.
- 8.16 Better Care Funding (BCF) allocations via Health for 2018/19 onwards were unconfirmed at the time of the previous MTFS and have now been reflected in future planning. The BCF planning framework only goes to 2018/19 so no mention of future years funding making it difficult to plan ahead. For planning purposes the MTFS assumes that funding will continue at similar levels into 2019/20.
- 8.17 Improved Better Care Funding (IBCF) is paid directly to the Council and was included in the finance settlement in December 2016. Additional IBCF allocations announced in March 2017, after the finance settlement, relating to adult social care and health pressures have also now been built into the MTFS up to 2019/20. Funding figures from Government are only up to 2019/20 so it is unknown if this funding will continue. This will likely depend on the outcome of future policy direction. Without any published guidance it has been assumed in the MTFS that this grant ceases in 2020. This will need to be kept under annual review.
- 8.18 Whilst there is some certainty over the IBCF allocations to 2019/20 the funding must be pooled as part of the wider BCF and spending plans agreed with the Gateshead Clinical Commissioning Group (CCG). The funding is intended to be used for meeting adult social care needs, reducing pressures on the NHS, including supporting more people to be discharged from hospital and ensuring that the local social care provider market is supported.
- 8.19 Under the BCF Planning requirements 2017-19 national condition 4 requires health and social care partners to work together to implement the High Impact Change Model for managing transfers of care. It is expected that the IBCF will contribute to meeting the NHS ambition to reduce delayed transfers of care (DToC) to no more than 3.5% of hospital bed days. Whilst the DToC rate in Gateshead is already below the government ambition this level has to be maintained against a backdrop of an aging population and higher prevalence of multiple and complex health conditions.

Public Health

- 8.20 Originally the Chancellor announced a reduction in cash terms to the ring-fenced public health grant of 9.6% by 2020. A 2.2% reduction was applied in 2016/17 and a further reduction of 2.5% in 2017/18 taking grant down to £16.9m. In March the public health minister reiterated the Government's commitment to the move of the ring-fenced public health grant to 100% business rate retention stating that this would come into effect from April 2019 with the ring-fence grant continued until then. This was prior to the general election announcements which will impact on this accelerated timeframe and proposal. The MTFS assumes this grant reduces in 2018/19 and continues into 2019/20, ceasing in 2020/21 under the potential new finance system although there remains the possibility of some transitional grant in 2020/21.

Treasury Management

- 8.21 The Council invests money in a wide range of financial institutions and the investment interest earned is used to support the delivery of Vision 2030. The major issue for treasury management continues to be the significant difference between investment rates and borrowing rates.
- 8.22 Emphasis continues to be placed, in line with the Treasury Management Strategy, on mitigating counterparty risk by giving preference to security and liquidity. This has resulted in greater use of investments with higher security and increased liquidity. The Strategy continues to support a policy of limiting the need for external borrowing by the utilisation of internal funds.

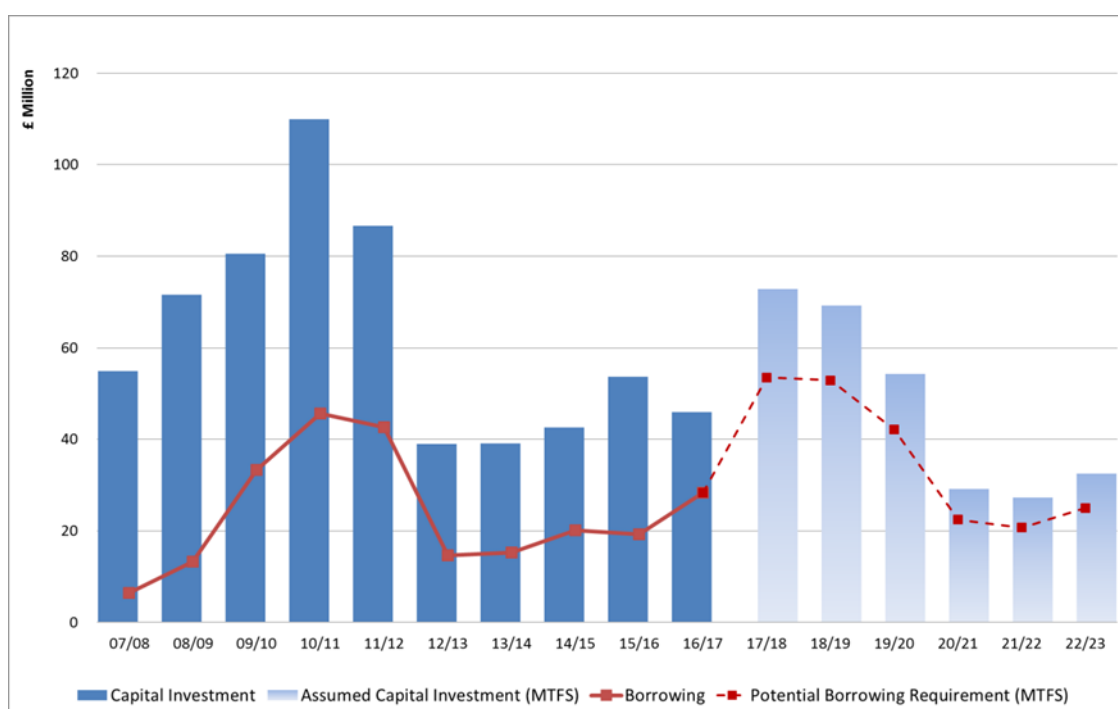
Fees and Charges

- 8.23 The Council currently raises in the region of £18.4m from fees and charges, of which around £3.3m relate to statutory charges and £15.1m relate to non-statutory charges.
- 8.24 It is normal practice for the Council to review fees and charges annually and propose revised and new charges from 1 April each year. This will include the development of any policies in respect of discounts and concessions. As part of the annual review, all fees and charges are considered. Where inflationary increases have been proposed, these have been uplifted with the September 2016 Consumer Price Index (CPI) rate of 1%. Any impact on income budgets arising from these areas are either adjusted at the annual budget setting stage or will be consulted on as part of the budget proposal process.

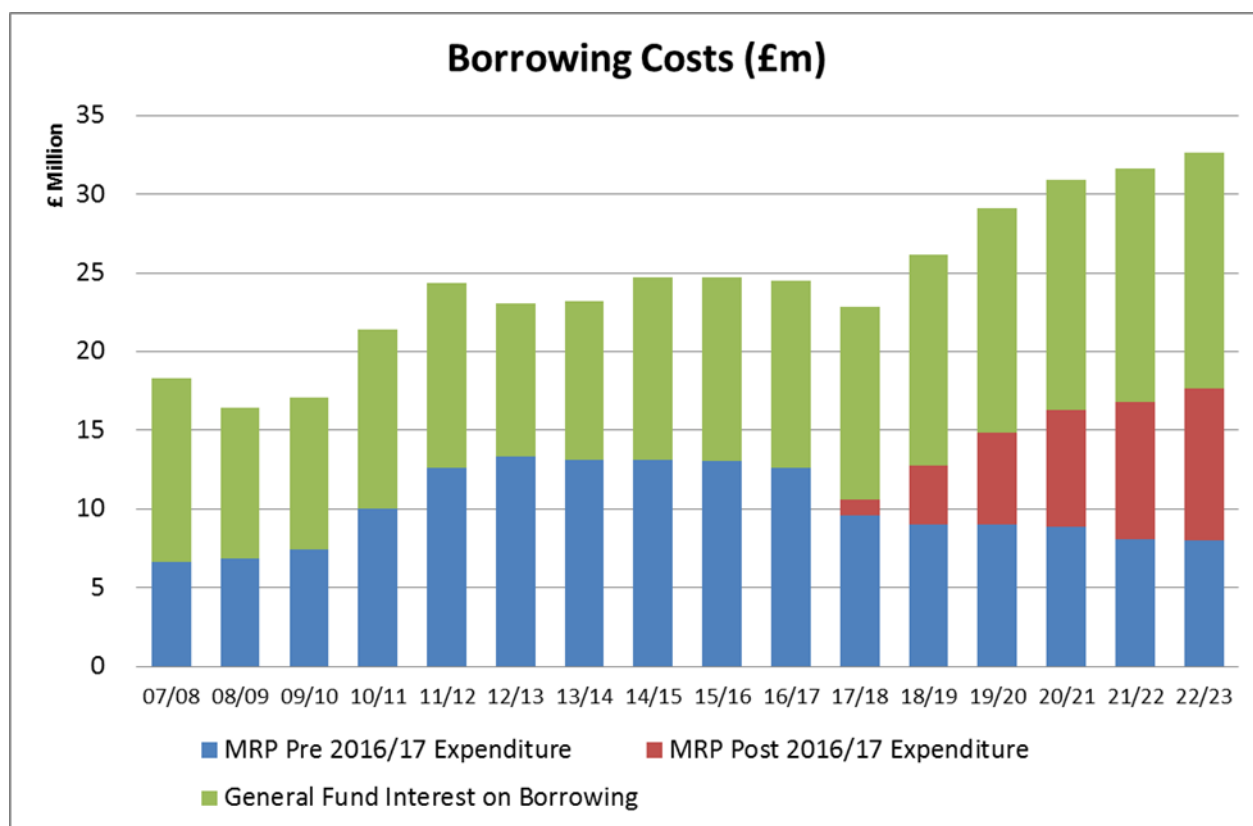
9. Capital and Prudential Borrowing

Capital Investment in Gateshead

- 9.1 The Council's capital investment plans are set out in the capital programme, with the latest approved programme covering the period between the 2017/18 and 2021/22 financial years. The effective use of capital resources, including asset management, is fundamental to the Council achieving its medium and long term strategic objectives. Capital investment has a significant impact upon the local economy and helps to ensure that the Council can continue to provide the best possible services and outcomes within Gateshead.
- 9.2 Any capital investment decision will have implications for the revenue budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within the Council's financial plans and to demonstrate that the capital investment is affordable. Revenue implications may include the costs associated with supporting additional borrowing as well as any changes to the running costs associated with the asset or wider benefits to the Council such as the delivery of ongoing revenue budget savings or additional income through the generation of Business Rates, Council Tax or energy revenues.
- 9.3 Over the the last 10 years the Council has invested almost £1billion in funding capital projects within Gateshead including investment within the HRA, with average annual capital investment amounting to £96m during this period with a maximum programme of £153m in 2009/10.
- 9.4 The availability of resources to support capital investment has had a significant impact upon the level of capital programme that the Council can continue to support and in recent years the General Fund capital programme has fallen dramatically as shown in the following graph:



- 9.5 In 2016/17, the Council spent £65m on capital projects, of which £46m related to the General Fund and the remaining £19m was spent on improving the Council's housing stock. Capital investment in 2016/17 included projects aimed at encouraging economic growth and housing growth within Gateshead in addition to the continued investment in low carbon energy infrastructure such as the District Energy Network, which became operational during the year, and investment in the Council's schools, technology and highway network.
- 9.6 The approved five year Capital Programme for the period 2017/18 to 2021/22 includes a number of ambitious projects and estimates £205m of planned capital investment (excluding Housing). It is envisaged that additional projects and investment opportunities and pressures will emerge over the period as major projects, such as investment in Gateshead Quays, continue to progress towards the delivery phase. Indicative allowances have been included within the MTFS projections to support an additional £65m of borrowing in excess of the allocations within the existing approved programme over the period and this position will be reviewed as the Capital Programme is developed.
- 9.7 At this stage, capital receipts have not been included within the MTFS projections, given concerns around ongoing volatility within the market. The generation of capital receipts can help to provide resources to support additional capital investment or can help to reduce the borrowing requirement and therefore the cost to the revenue budget or to support transformational change.
- 9.8 Supporting capital investment resulted in revenue costs for the Council of almost £24m in 2016/17 excluding PFI projects (£29m including PFI). The graph below highlights the revenue cost to the Council of supporting both historic and planned capital expenditure:



Funding Capital Investment

- 9.9 The Council's capital finance plans must operate in accordance with CIPFA's Prudential Framework. This framework has operated since April 2004 and allows the Council the freedom and flexibility to determine its own plans for capital investment as long as assurance can be provided that investment plans are prudent, affordable and sustainable.
- 9.10 The Council cannot use any capital resources to fund revenue expenditure (apart from some flexibility over using receipts to fund transformational change), but revenue resources can be used to fund capital costs. If expenditure meets the definition of capital then there are opportunities to finance the investment immediately when it is incurred using:
- Capital receipts generated by disposing of existing assets;
 - External funding, grants or contributions from other parties; and
 - Direct contributions from available revenue balances.

If these resources are not available to support capital investment, then the Prudential Framework allows the Council to borrow to fund capital expenditure. The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR) and the Council must set aside resources to repay the borrowing over future financial years, known as the Minimum Revenue Provision (MRP).

- 9.11 The Council aligns the repayment of debt to the useful life of the asset to which it relates and the Strategic Director, Corporate Resources will provide a statement to confirm the Council's MRP policy as part of the budget setting process.
- 9.12 The creation of an Accelerated Development Zone enables the Council to undertake prudential borrowing to fund capital investment in designated areas on Gateshead Quays and Baltic Business Quarter which can be supported by the retention of 100% of future business rate growth generated as a result of the initial investment. The Council is currently working with our development partner, ASK and Patrizia UK, to progress a major development at Gateshead Quays.
- 9.13 Since the introduction of the Prudential Framework, the Council has been required to borrow to fund an increasing proportion of the capital programme over the last 10 years. This is primarily as a result of the significant reductions in the availability of both external funding and capital receipts to support capital investment and means that there is an increasing impact on the Council's revenue resources associated with supporting both historic and planned capital investment.
- 9.14 The Council continues to explore external funding possibilities when developing capital projects to minimise the borrowing requirement as far as possible. Within the MTFS, assumptions have been made around the level of external funding in the future but detailed work programmes will not be committed to until the allocations have been confirmed. Projects and investment plans may therefore be re-prioritised depending on the availability of external funding.

- 9.15 The availability of capital receipts has also reduced in recent years as a result of the property market. The Council has identified a programme of potential asset disposals and the progress is reviewed by the Council's Land Development Group throughout the year. The MTFS projections do not currently include the application of capital receipts, instead assuming that borrowing will be required. If additional capital receipts are generated during the year this provides the Council with the flexibility to consider the introduction of additional projects to the capital programme or the ability to reduce the borrowing requirement.
- 9.16 Following the adoption of the Council's Core Strategy and Urban Core Plan, the Council is likely to secure additional capital receipts for sites as developments come forward. The Council is also likely to secure contributions from developers (including the potential introduction of Community Infrastructure Levy) to help fund the provision of strategic infrastructure that is necessary to support future developments and growth which may be used to support future capital investment, either as an addition to the capital programme or to displace the use of planned borrowing helping to reduce the revenue cost of supporting the capital programme.

Capital Investment Pressures

- 9.17 Significant challenges and priorities for the Council's capital investment over the medium term that are set out in the Council's key strategies include:
- Meeting essential health and safety and mandatory obligations, such as Equality Act improvements, to improve the fire safety, accessibility and sustainability of Council owned assets;
 - Continuing to regenerate the Gateshead Quays and Baltic Business Quarter area as part of the Council's Accelerated Development Zone, working with our Development Partner to build upon the successful delivery of iconic projects such as the Sage Gateshead and Baltic to create a significant new mixed-use development to help unlock economic growth and generate additional business rates and raise the profile of Gateshead;
 - Continuing to support the regeneration of Gateshead Centre to deliver a centre with the stature and vibrancy of a city and continuing to invest in improvements to local centres across Gateshead;
 - Improving the Council's Corporate ICT infrastructure, equipment and systems to improve connectivity, security and resilience and ensure that the Council remains fit for the future and can provide services as efficiently and effectively as possible;
 - Investing in strategic infrastructure to support growth within Gateshead. This includes investment in areas such as transport infrastructure to provide an integrated transport system which meets demand and improves connectivity and accessibility as well as investment in the Council's Schools to help increase capacity;
 - Investing in the provision of energy infrastructure to support the expansion of the Town Centre District Energy network to provide lower cost, lower carbon energy to support regeneration and economic development, generate income and provide long term resilience against rising energy prices;

- Working with our private sector partner, Evolution Gateshead, to provide good quality, energy efficient homes to ensure that our neighbourhoods are sustainable; and
- Rationalising the Council's property portfolio to ensure that the Council operates an efficient and sustainable estate which is aligned to service delivery models, disposing of surplus properties to generate additional capital receipts.

9.18 In addition, the Council is continuing to explore a number of potential capital investment opportunities within Gateshead in order to generate additional revenue income and diversify the future sources of income for the Council to become more resilient. This could include activities such as direct property investment, forward funding of proposed developments or forming joint ventures with partners who are seeking to invest in additional development activity within Gateshead.

9.19 The cost of supporting this additional investment is not currently included within the MTFS projections, however each opportunity will be considered on a commercial basis and would only be progressed if it could be demonstrated that there was sufficient confidence the investment would deliver a net revenue benefit for the Council that would help to close the funding gap and provide additional ongoing revenue resources to support the delivery of the Council's key services.

10. Housing Revenue Account (HRA)

- 10.1 In order to facilitate decision making and plan strategically for Housing in the future the Council continually updates its 30 year HRA Business plan. This plan considers the long term future of the housing stock alongside the short term plans. The plan contains information on estimates regarding the level of capital investment (including estate regeneration and maintaining decency), the anticipated levels of voids and right to buy sales and also the assumed level of income from rents and service charges. It also includes a provision for the Gateshead Housing Company's management fee and plans around borrowing and repaying debt in the future. The HRA has £84.601m worth of loans maturing in the next five years.
- 10.2 The Housing Revenue Account (HRA) end of year position for 2016/17 resulted in an increase to the reserve of £3.250m. The underspend achieved was mainly in relation to slippage in the Capital Programme and contingencies not being required. To protect the Council in a self-financing regime a minimum balance for the HRA of £3m was approved by Council in February 2012.
- 10.3 As at the end of March 2017 the HRA reserve will stand at £27.359m. It is expected that the impact of welfare reform, the required sale of high value properties and other pressures arising from Government guidance the Housing Capital Programme will deplete this reserve in coming years. The current HRA Business Plans estimates that the minimum reserve balance of £3m will be reached by 2023/24.
- 10.4 As a result of the Government policy to reduce rents the capital programme has been reduced in the coming years. The proposed allocation of resources from the HRA to support a Capital Programme for the next five years will be kept under regular review by Cabinet.

11. Schools Funding

- 11.1 Education spending is the second-largest area of public service spending in the UK, representing about 4.5% of national income in 2015/16. The Department for Education is accountable for securing value for money from spending on education services in England. Schools and Education funding has been “flat cash” per pupil since 2010/11, with the Institute of Fiscals Studies estimating a real terms cut of 14% between 2010/11 to 2015/16.
- 11.2 In the 2015 Spending Review, the Government increased the core schools budget by 7.7% in cash terms, from £39.6 billion in 2015/16 to £42.6 billion in 2019/20. However, pupil numbers are expected to increase over the same period by 6.3%. This means the amount that schools receive per pupil will, on average, rise only by 1.3%, resulting in a 6.5% real-terms reduction once inflation is taken into account. The Department estimates that mainstream schools face cost pressures rising from £1.1 billion (equivalent to 3.1% of the total budget) in 2016/17 to £3.0 billion (8.0%) in 2019/20. Schools are now entering a period of reduced spending power and will have to counteract these cost pressures by making economies or efficiency savings.
- 11.3 A report in March 2017 by the House of Commons Public Accounts Committee on the financial sustainability of schools highlights that this brings a number of risks as schools seek to reconcile financial, workforce and quality expectations. The committee concluded that the DfE had failed to assess the impact of cost pressures on schools and had no way of telling whether efficiency savings threaten the quality of education.
- 11.4 Schools are funded through ring-fenced resources (Dedicated Schools Grant and a number of other grants including the Pupil Premium) and children’s services funding is included within the core council funding known as the Settlement Funding Assessment. The impact of the provisional settlement on schools funding was reported to Cabinet on 24 January 2017.
- 11.5 The Government introduced the first national funding formula for the early years block of the Dedicated Schools Grant (DSG) in 2017/18, together with tighter parameters for the local funding formula for early years settings which was introduced from April 2017. Gateshead’s hourly rate for early years funding increased from £4.20 to £4.53, a 7.8% increase. This increase is to help facilitate and fund the increased entitlement for working families from September 2017 from 15 to 30 hour’s free entitlement for early education and childcare.
- 11.6 The Government intends to introduce a national funding formula for mainstream schools from 2018/19, with some local discretion available within formula. There will be some transitional arrangements put in place however the direction of travel is not entirely clear as there has been no response to date to both the Schools Block and the High Needs Block Stage 2 Consultations which closed in March 2017. Transitional arrangements proposed mean that no school will see a cash-terms fall in funding per pupil of more than 3% over the period 2017/18 to 2019/20, and no school can gain more than 5.6%. However, combined with real-terms cuts to school spending power, schools facing losses under the new formula will see an overall real-terms reduction in funding per pupil of close to 10% between 2015/16 and 2019/20. Even those schools seeing increases in funding under the formula will overall get only a real-terms freeze over the same period.

- 11.7 There will also be a new Central Schools Services block grant created from a combination of the retained element of the Education Services Grant (ESG), and the previously centrally held funding within the Schools Block of the DSG. This new block and the high needs block of the DSG will be formula based from 2018/19. The government have announced that no Council will see a cash reduction in high needs funding, and there will be allowable gains of up to 3%. The outcome and the Government's response to a number of consultations is expected later in the year with further detail on funding levels and implications for both schools and local authorities.
- 11.8 National education policy is subject to major change leading to a great deal of uncertainty about the future role of councils in education, and in future levels of funding for schools and councils. Further Government consultation and legislation is expected in the near future.
- 11.9 From 2013/14 funding paid to councils and academies for general education services changed with the introduction of the Education Service Grant (ESG) which replaced funding from the DCLG as part of councils general revenue funding and equivalent funding to academies from the DfE. ESG is not a ring-fenced grant but was for the provision of therapies and other health related services, central support services, education welfare services, school improvement, education asset management, statutory/regulatory duties, premature retirement costs/ redundancy costs and monitoring national curriculum assessment. In 2013/14 £1.04 billion was transferred from Local Government revenue funding into the ESG, and over the period to 2017/18, has been reduced to £252m
- 11.10 The financial year 2017/18 is a transition year with Gateshead seeing a reduction in ESG funding from £1.831m for 2016/17 to £0.511m for 2017/18. The grant will further reduce for 2018/19 to approximately £0.258m, and will be merged with the centrally held DSG to form the Central Schools Services Block.
- 11.11 The DSG is required to be spent directly on the education of children, with the vast majority of funding going into schools, based on an allocation mechanism agreed by Schools Forum, which has minority representation from the Council. Some schools funding is de-delegated from maintained schools and is centrally retained by the Local Authority with the approval of Schools Forum to fund services for schools, such as the Ethnic Minority and Traveller Achievement Service, and the Behaviour Support Service.
- 11.12 At 31 March 2017 the overall reserves balances for all maintained schools in Gateshead totalled £5.473m, a decrease of £1.573m from March 2016. Due to the financial pressures facing schools over the coming years it is expected that school reserves will fall further.
- 11.13 At 31 March 2017 the DSG reserves in Gateshead totalled £3.167m, a decrease of £0.190m from March 2016. Schools Forum must approve any use of DSG reserves, and are currently used to provide contingency funding to schools that are subject to circumstances beyond their control, and are in financial difficulty (which is expected to increase related to the circumstances set out above). It is also anticipated that the pressure on the high needs block will continue due to the increase in special school places, children with special educational needs (SEN) and permanently excluded pupils. DSG reserves will be required to meet in year funding shortfalls within the high needs block to fund these pressures, whilst an urgent review of high needs funded provision is undertaken. These anticipated pressures have been factored into the projected usage of the reserve over the medium term.

12. Reserves

- 12.1 The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. In establishing reserves, the Council must comply with the Code of Practice on Local Authority Accounting in the United Kingdom. The Strategic Director, Corporate Resources is required, as part of the budget setting process, to provide a statement on the adequacy of reserves.
- 12.2 Reserve management is used to help absorb any specific unforeseen expenditure, e.g. for the impact of a large insurance claim, alongside maintaining reserves at a prudent and adequate level over a period of time. Much like using savings to offset monthly household bills the use of financial reserves cannot solve a budget problem outright but allows for smoothing of impacts or allows the Council to ride any short term situations before returning to normal. Thus reserves are mainly used to;
- Soften the impact of cuts over a longer period of time
 - Invest in schemes that allow services to be delivered cheaper
 - Take “one-off hits” for the Council as a whole without the need to further reduce service budgets (e.g. changes to national insurance contributions or local tax regimes)
 - Provide capacity to absorb any non-achievement of planned budget reductions in a given year
 - To temporarily roll over unused portions of grants that can legally be used at a later date
 - To insure against major unexpected events (such as flooding)
 - To guard against general risk (i.e. saving up for unexpected events)
 - To guard against emergent specific risks, such as business rate appeals, council tax support funding cuts and welfare reform. These risks are predicted to continue to increase.

Reserves Policy

- 12.3 The Council’s policy on reserves is outlined within the MTFS principles as follows:
- The Council will maintain its general reserve at a minimum of 3% of the net revenue budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
 - The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed annually.
 - The Council’s general reserve is available to support budget setting over the period of the MTFS and usage should be linked to the achievement of financial sustainability over the medium term.

- 12.4 The Council undertakes a review of all strategic reserves in line with the CIPFA guidance on Reserves and Balances (LAAP Bulletin No 99 July 2014 which recommends at least annually) and the requirements of the Code of Practice on Local Authority Accounting. The review process covers each individual strategic reserve and identifies:-
- The purpose for which the reserve is held.
 - An assessment of the appropriate level of the reserve to meet potential future liabilities in line with the Council's reserves policy and aligned to the risk management framework.
 - Procedures for the reserve's management and control.
 - A process and timescale for future reviews to ensure continuing relevance and adequacy.
- 12.5 The 2016/17 Revenue Outturn position was reported to Cabinet on 20 June 2017, with the underspend position contributing to an increase in the Council's general fund reserve. Following the Outturn, as at 31 March 2017, the Council's usable revenue reserves are £56.044m (subject to external audit of accounts). Of this sum, £22.597m is held in earmarked reserves and £16.797m Council General Reserve. The remaining balance of £16.650m is ring-fenced to specific budget areas and cannot be used to support the general revenue budget and Council Tax requirement.
- 12.6 In support of the reviewed MTFS position a full review of reserves has also been carried out. An explanation of each reserve as at 31 March 2017 is shown below along with the value and an explanation of any changes following review;
- **General Reserve** (£12.400m following review)
The General Reserve acts as a contingency and allows the Council to meet any unforeseen expenditure. It has been assessed at a minimum of 3% of the net revenue budget in line with the Council's reserves policy and MTFS principles and this currently equates to a minimum of £6 million. Due to the positive revenue outturn position in 2016/17 the balance on this reserve increased by £0.456m. Following the review of reserves £4.397m has been transferred from the general reserve to earmarked reserves as outlined in the following paragraphs. This has reduced the balance to £12.400m. A short description of each reserve is given below;
 - **Strategic Earmarked Reserves;**
 - Business Rates** (£5.000m)
This reserve was created to mitigate the risk of current and future business rate valuation appeals and other risks associated with the business rates retention scheme. It is recommended that this reserve is retained and maintained at the current level pending the introduction of 100% rates retention.
 - Insurance** (£3.000m)
This reserve is to allow for possible claims against the Council which are not covered by external policies and to cover insured liability claims falling within the claims excess and policy stop loss. It is recommended that this reserve is retained and maintained at the current level pending a full review of the insurance provision and reserve following the insourcing of claims management and a review of insurance cover.

Grant Clawback (£1.314m)

This reserve is for grant received which may need to be repaid as a result of clawback of externally funded projects, such as ERDF schemes. It is recommended that this reserve is reduced to £0.600m following a review of the potential requirement.

Workforce Development Reserve (£6.009m)

The Gateshead Development Pool reserve is used to support the redundancy scheme and workforce management. It is recommended that this reserve is renamed to Workforce Development Reserve and to increase the scope of the reserve to include training and development in support of the workforce plan.

Discretionary Social Fund (£0.781m)

This reserve supports social fund activities following the end of the discretionary social fund grant. It is estimated that this reserve will be fully utilised by 2020/21. It is recommended that this reserve is retained for the current purpose.

Budget Flexibility (£1.794m)

This reserve was created in 2013/14 to allow for the effective management of budgets across financial years. The reserve is recommended to be retained to support the current approach.

Economic Growth Culture and Place Shaping Reserve (£3.390m)

It is recommended that the £3.390m Economic Growth Reserve balance is used to create a new Economic Growth, Culture and Place Shaping Reserve. This reserve would be used to stimulate economic growth and to lever investment into the area to support Culture 2030. The scope of the deployment of the reserve is to be extended to incorporate the facilitation of housing growth initiated within the Borough. All investment will need to be clearly linked to outcomes in respect of increased business rates and council tax income to the Council or economic growth in the wider Gateshead economy.

Strategic Revenue Investment Reserve (£4.206m following review)

It is proposed that a new Strategic Revenue Investment Reserve is created from the £2.897m Airport Dividend and the £1.309m Strategic Change Reserve. This reserve would be used to support the financial strategy contained within the Council MTFS by allocating investment on a time limited short term basis in order to generate future savings, manage demand through investment in prevention strategies and to generate and maximise income. The intention will be to assist in the delivery of the financial sustainability of the Council in the medium and long term.

Voluntary Sector Reserve (£0.500m)

It is proposed that £0.500m is earmarked from the general reserve to create a Voluntary Sector Reserve to support development and activity in this sector. This reserve would be used to mitigate savings in the voluntary sector where appropriate, prepare the sector for increasing demand by increasing capacity and skills, and preparing the sector for the transition to any new operating arrangements.

Anti-Poverty Reserve (£1.000m)

It is proposed that £1.000m is earmarked from the general reserve to create an Anti-Poverty Reserve to mitigate the impact of poverty and social exclusion. The reserve would support a Council Anti-Poverty Strategy and also assist in alleviating the impact of welfare reform and austerity on the residents of Gateshead, consistent with Council priorities.

- **Ring-fenced;**

Schools LMS (£5.473m)

Combined with the General Reserve, this reserve forms the General Fund but use of this reserve is ring-fenced to schools and there is a duty to report planned use to Schools Forum. The reserve is made up of individual balances relating to each maintained school.

Developer Contributions (£1.937m)

This reserve, which is ring-fenced and not available to support the budget, consists of developer contributions in respect of agreed regeneration schemes following Section 38 and 106 agreements. The movement on the reserve will fluctuate depending on the use of the contributions to support regeneration schemes such as play areas in areas of new housing.

Dedicated Schools Grant (£3.167m)

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

Unapplied Revenue Grants / Receipts (£3.642m)

This reserve was created as a result of changes to the Accounting Code of Practice whereby unused grants and contributions, without conditions attached, should be appropriated to reserves to fund future expenditure rather than creating creditors on the Balance Sheet

Public Health (£2.431m at 31 March 2017)

The responsibility for Public Health transferred to local authorities on the 1 April 2013. The funding is ring-fenced for future Public Health use.

Reserves Summary 2017/18 to 2022/23

- 12.7 The following table illustrates the estimated use, following review, of all revenue reserves over the period to March 2023;

	Revised Reserves MTFS £000s	Estimated Use 2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	Remaining Balance March 2023 £000s
MTFS Projections								
General Fund								
General Reserve	(12,400)		2,000	1,000	3,000			(6,400)
LMS Budget Share Reserve*	(5,473)	2,000	2,000	1,473				0
Total General Fund Reserve	(17,873)	2,000	4,000	2,473	3,000	0	0	(6,400)
Earmarked Fund Reserves								
Strategic Reserves								
Business Rates Reserve	(5,000)							(5,000)
Insurance Reserve	(3,000)							(3,000)
Grant Clawback Reserve	(1,314)	314	400					(600)
Workforce Development Reserve	(6,009)	2,000	2,000	2,009				0
Economic Growth Reserve	0							0
Discretionary Social Fund Reserve	(781)	200	200	200	181			0
Strategic Change Reserve	0							0
Budget Flexibility Reserve	(1,794)	1,619	175					0
Economic Growth, Culture and Place Shaping Reserve	(3,390)	1,100	1,100	1,190				0
Strategic Revenue Investment Reserve	(4,206)	1,400	1,400	1,406				0
Voluntary Sector Reserve	(500)	250	250					0
Anti Poverty Reserve	(1,000)	500	500					0
Ring Fenced Reserves								
Developers' Contributions*	(1,937)	300	300	300	300	300	300	(137)
DSG Reserve*	(3,167)	1,500	1,000	417				(250)
Unapplied revenue grants*	(3,642)	1,935	870	837				0
Public Health Reserve*	(2,431)	385						(2,046)
Total Earmarked Fund Reserves	(38,171)	11,503	8,195	6,359	481	300	300	(11,033)
Total Reserves	(56,044)	13,503	12,195	8,832	3,481	300	300	(17,433)
Total Ring fenced*	(16,650)	6,120	4,170	3,027	300	300	300	(2,433)
No Ring-fence	(39,394)	7,383	8,025	5,805	3,181	0	0	(15,000)
	(56,044)	13,503	12,195	8,832	3,481	300	300	(17,433)

- 12.8 The Council may need to consider replenishment of the general reserve over the MTFS period.
- 12.9 The overall level of financial resources available to the Council is finite and therefore the continued use of reserves above a certain level cannot be sustained in the longer term without placing the Council's financial position at risk. The MTFS recognises that the Council's financial reserves are maintained at a prudent level to protect present and future Council services.
- 12.10 In line with LAAP 99 the Council accepts that while balancing the annual budget by drawing on general reserves can be in certain circumstances a legitimate short term option it is not considered prudent to finance recurrent expenditure in this way. Where this approach is adopted the Council will be explicit as to how such expenditure will be funded in the medium to long term to achieve financial sustainability. The Council recognises that usage of reserves is one-off in nature and must be linked with expenditure and income plans to support financial sustainability in the medium term.

13. Indicative Budget Forecasts 2018/19 to 2022/2023

13.1 Indicative budget forecast models for the period 2018/19 to 2022/23 have been produced to reflect the issues identified as part of the review of the MTFS.


2017/18 £m	Indicative Budget Forecasts	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
215.839	Estimated Base Budget	216.604	231.330	245.004	254.848	263.984
(202.649)	Estimated Funding Resources	(195.995)	(189.454)	(172.381)	(174.143)	(175.940)
13.190	Cumulative Funding Gap	20.609	41.876	72.623	80.705	88.044
13.190	Annual Funding Gap	20.609	21.267	30.747	8.082	7.339

2017/18 £m	Indicative Budget Forecasts	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
198.883	Net Revenue Budget	202.649	216.604	231.330	245.004	254.848
	Cost Pressures:					
5.163	Base Adjustments	0.000	0.000	0.000	0.000	0.000
0.862	Inflation (General)	0.950	0.900	0.900	0.850	0.850
1.928	Inflation (Contractual inc Social Care Fees)	2.350	2.350	2.600	2.700	2.700
3.812	Corporate Council Wide (inc pay)	4.321	5.004	5.848	3.999	3.312
4.568	Demand (Social Care)	3.618	3.378	1.500	1.500	1.500
0.623	Demand (Other)	0.650	0.650	0.650	0.150	0.150
0.000	Strategic Investment (Capital)	2.066	2.444	2.175	0.646	0.624
215.839	Total Cost Pressures	216.604	231.330	245.004	254.848	263.984
	Funding Resources:					
(27.783)	SFA - Revenue Support Grant	(21.423)	(15.012)	0.000	0.000	0.000
(41.093)	SFA - Retained Business Rates	(41.915)	(42.754)	(88.107)	(89.869)	(91.667)
(13.936)	SFA -Top Up Grant	(14.385)	(14.896)	0.000	0.000	0.000
(81.819)	Council Tax	(84.274)	(84.274)	(84.274)	(84.274)	(84.274)
(35.379)	Other Grants (inc Public Health)	(33.998)	(32.519)	0.000	0.000	0.000
(2.638)	Collection Fund	0.000	0.000	0.000	0.000	0.000
0.000	Reserves	0.000	0.000	0.000	0.000	0.000
(202.649)	Total Funding Resources	(195.995)	(189.454)	(172.381)	(174.143)	(175.940)
13.190	Cumulative Funding Gap	20.609	41.876	72.623	80.705	88.044
13.190	Annual Funding Gap	20.609	21.267	30.747	8.082	7.339

Note there may be slight calculation differences in the table totals due to roundings

13.2 The indicative budget forecast shows an estimated funding gap of around £88.0m for the five-year period 2018/19 to 2022/23.

13.3 There are a number of key risks associated with the assumptions in this report including delivery of economic growth to generate additional retained business rates, significant uncertainty in relation to funding reductions and the outcome of any future reforms to the finance system. There may be wider implications arising from the Government's welfare reform agenda, uncertainty in relation to the Better Care Fund and the financial implications of the Social Care Act and Devolution as well as the impacts on the wider economy following Brexit.

- 
- 13.4 Indicative revised funding levels including local growth projections in business rates and council tax as well as trading activities will be used for internal budget planning. A five year approach in key budget areas to 2022/23 will allow for improved financial strategies linked closely to the outcomes of the Council plan and resilient management of reserves.
- 13.5 Proactive financial planning will allow the Council to continue to work closely in collaboration and partnership with neighbouring authorities and across public sector partners. In particular work continues to be progressed towards greater alignment and integration of health and social care to meet current aspirations for the health and wellbeing of local people, working with health partners e.g. through work to progress new models of care for Gateshead's local health and care economy and through initiatives such as the Better Care Fund Plan for Gateshead which will see the transition of its core schemes to new models of care.

14. Options to Close our Financial Gap

14.1 The indicative budget forecasts outlined in Section 13 show that all funding options will need to be considered to deliver a balanced budget.

14.2 Funding options include:-

- Budget savings – savings identified from within and then removed from the base expenditure budget.
- Retained business rates from economic growth – increased income from retained business rates in the borough.
- Realignment of spending priorities with the Council Plan - reassesses the current base budget and the priorities for spending to ensure all resources are focused in delivery of the Council Plan 2015 to 2020.
- Capacity building within communities - seek to mitigate demand pressures within services by capacity building within communities including, where appropriate, work with partners and volunteers.
- Additional external funding grant income - Specific general and one-off funding will continue to be sought in line with the principles of the MTFS although the climate for generation of external funding is more challenging than has been the case in previous years.
- Additional income generation. Additional income will be sought from a full review of fees and charges as part of the annual work programme and consideration of potential trading and investment opportunities.
- Reduction in the revenue costs of capital – through alternative decisions for reductions in capital investment or increased use of capital receipts generated through the disposal of any Council surplus assets.
- Council tax increases – over and above assumed increases but subject to increases in referendum thresholds set by central government.
- Use of reserves - At this stage the MTFS funding gap assumes no reliance on a contribution from reserves to set the budget. Use of reserves is finite and priority should be given to invest to save initiatives to promote economic growth and increase the level of retained business rates.

15. Consultation

- 15.1 The Council will continue to strive to deliver efficient services that provide value for money. Budget proposals will be prepared following budget guidance and these will be made available for public consultation.
- 15.2 The Council's budget planning framework is supported by the development of Equality Impact Assessments (EIAs) for the budget proposals, identifying possible disproportionate impact in relation to the protected characteristics as described within the Equality Act 2010. The EIAs will also identify potential mitigation where applicable. Specific consultations will also be launched throughout the year and are made available via the Council's website.
- 15.3 The Council maintains its strong commitment to equality, believing that all groups and individuals within the community and its workforce have equal opportunity to benefit from the services and employment it provides. EIAs help the Council to arrive at informed decisions and to make the best judgements about how to target resources.

16. Risk Assessment

- 16.1 A comprehensive financial risk assessment is undertaken for the Revenue and Capital Budget setting process to ensure that all risks and uncertainties affecting the Council's financial position are identified. These are reviewed each year as part of the refresh of the MTFS. The key strategic financial risks to be considered in developing the MTFS are as follows:-

Risk	Likelihood	Impact	Risk Management
1. Future available resources less than assumed.	Possible	High	Annual review of reserves and reserves policy to identify future resources. Assumptions on funding for 2018/19 and beyond are based on national policy context outlined in various government documents. A prudent approach has been adopted based on previous years' experience as well as using regional network contacts to inform modelling.
2. Volatility of Business Rates funding given uncertainty around impact of appeals	Likely	Medium	Volatility of funding stream outside of Council control but impact mitigated by establishment of specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning.
3. Public Health funding not sufficient to meet responsibilities	Possible	Medium	Funding confirmed for 2017/18 but not in future years. The lack of certainty of continuation of grant going forward is a significant risk. Public Health responsibilities will be rolled into the new system under 100% rate retention.
4. Pay Awards, fee increases and price inflation higher than assumed	Possible	Medium	Impact of potential increases mitigated by central contingency budget for pay, price increases and care fees.
5. Future spending plans underestimated	Possible	Medium	Service planning process identifies future budget pressures and these have informed the indicative budget forecasts. An effective budget monitoring framework is in place to identify in year and potential future cost pressures.
6. Anticipated savings/ efficiencies not achieved	Possible	High	Regular monitoring and reporting takes place but the size of the funding cuts increase the likelihood of this risk. Non achievement of savings would require compensating reductions in planned spending within services. MTFS principle to maintain General Reserve at 3% of net revenue budget to cover unforeseen events. Recent track record of delivery provides some assurance. Greater scrutiny of savings will take place in 2017 through the revenue monitoring process.

Risk	Likelihood	Impact	Risk Management
7. Revenue implications of capital programmes not fully anticipated	Unlikely	Low	Capital bid approval framework identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in scenario planning. The increasingly commercial nature of investment opportunities means that the Council engages the appropriate advisors to assist with undertaking the required due diligence to fully understand the potential financial implications and risks.
8. Income targets not achieved	Possible	Medium	Current economic climate likely to impact. Regular monitoring and reporting takes place. Full review of fees and charges is undertaken on an annual basis.
9. Budget monitoring not effective	Unlikely	High	Regular monitoring and reporting in line with corporate framework. Action plans developed to address problem areas. Regular reports to Strategy Group and Cabinet. Track record of delivering budget.
10. Exit strategies for external funding leasing/tapering not met	Possible	Medium	Regular monitoring and reporting. Government policy to remove ring fencing provides greater flexibility.
11. Loss of principal deposit	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which prioritise security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions.
12. Interest rates lower than expected	Unlikely	Low	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2017/18 and onwards have been incorporated into the MTFS.
13. Collection rates for retained business rates and council tax lower than anticipated	Possible	High	Impact mitigated by the review of bad debt provisions. Proactive approach to stimulating economic growth including pump priming from reserves. Monitoring of Collection Fund is formally incorporated into the revenue monitoring process.
14. Changes to Government policy including Health and Social Care integration and Welfare Reform	Likely	High	Best estimates of impact of Government policy on funding factored into MTFS. Estimates are prudent and based on recent experience. Specific areas of uncertainty identified and subject to focussed actively, close monitoring and review. Risks of Better Care Fund are managed through the joint Council/CCG Better Care Fund Programme Board. The impacts of welfare reform continue to be planned for and monitored through the Council Scrutiny Framework.

Risk	Likelihood	Impact	Risk Management
15. Financial budget impacts of UK's vote to leave the European Union	Likely	Medium /High	Continue to work collaboratively with treasury advisors to assess potential budget impacts whilst the Government attempts to ensure an effective transition to a new economic relationship between the U.K. and the EU, including clarifying the procedures and broad objectives that will guide the process.
16. All MTFS risks not adequately identified	Unlikely	Low	Council's Risk Management Framework ensures all operational and strategic risks are identified as part of the annual service planning process. Regional networks such as SIGOMA , ANEC provide ability to assess and compare strategies to ensure assumptions are comprehensive.

17. Conclusion

- 17.1 The review of the MTFS has again been undertaken against a background of significant reductions and changes in grant funding and increasing costs due to service pressures. These factors could jeopardise the Council's sustainable financial position unless budget savings continue to be delivered alongside the delivery of the Council's corporate priorities.
- 17.2 The MTFS covers five years and funding beyond 2018/19 remains uncertain although all indications are that austerity measures are likely to continue throughout the medium term.
- 17.3 The MTFS identifies a potential financial gap of £41.9m in the next two years from 2018/19 to 2019/20. This funding gap comes on top of budget savings of £143m that have already been taken from budgets by this Council since 2010.
- 17.4 The MTFS supports the requirement to continue a rolling programme of internal indicative budget setting and efficiency plans to bridge an estimated £88.0m financial gap covering the period 2018/19 to 2022/23.
- 17.5 Although the financial context continues to be increasingly challenging and uncertain the Council has a track record of identifying and delivering significant savings and achieving budget outturn under agreed budget, supported by a framework of effective financial planning. This approach will need to continue to ensure that a sustainable medium-term financial position can be maintained. The approach will need to be built upon the delivery of significant changes in service delivery arising from effective decision making at an appropriate pace.
- 17.6 The Council will continue to keep the MTFS under review given the high degree of uncertainty surrounding the potential impact on Government policy and Government funding decisions in relation to Local Government arising from the European referendum result and future finance reforms.

Further Information

Web links:

Gateshead Council:	www.gateshead.gov.uk
Council Finance:	http://www.gateshead.gov.uk/Council Finance
Annual Statement of Accounts:	http://www.gateshead.gov.uk/Council finance statement
Council Plan 2015-2020	http://www.gateshead.gov.uk/Council plan



COUNCIL MEETING

20 July 2017

CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2017/18 – FIRST QUARTER REVIEW

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to inform of the latest position on the 2017/18 capital programme and Prudential Indicators at the end of the first quarter to 30 June 2017. It also assesses the variances from the approved programme and details the proposed financing of the capital programme. The report also considers the impact of CIPFA's Prudential Code on the capital programme and the monitoring of performance against the statutory Prudential Indicators.
2. The original budget for the capital programme for 2017/18 totalled £95.209m and the projected year end expenditure at the end of the first quarter is now £96.114m. The proposed increase of £0.905m is largely as a result of slippage in the programme for 2017/18.
3. CIPFA's Prudential Code advises the regular monitoring of performance against the prudential indicators which regulate borrowing and investment. Targets and limits for the prudential indicators for 2017/18 were agreed at Council on 23 February 2017 and borrowing and investment levels have remained within the limits set by Council.
4. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

5. It is recommended that Council:
 - (i) Approves all variations to the 2017/18 Capital Programme as detailed in Appendix 2 of the attached report as the revised programme.
 - (ii) Approves the financing of the revised programme.
 - (iii) Confirms that the capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and that none of the approved Prudential Indicators set for 2017/18 have been breached.

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TITLE OF REPORT: **Capital Programme and Prudential Indicators 2017/18
– First Quarter Review**

REPORT OF: **Darren Collins, Strategic Director, Corporate Resources**

Purpose of the Report

1. This report sets out the latest position on the 2017/18 capital programme and Prudential Indicators at the end of the first quarter to 30 June 2017. The report assesses reasons for the variances from the approved programme and details the proposed financing of the capital programme. In addition the report considers the impact of CIPFA's Prudential Code on the capital programme and the monitoring of performance against the statutory Prudential Indicators.

Background

2. The original budget for the capital programme for 2017/18, as agreed by Council on 23 February 2017, totalled £95.209m. The projected year end expenditure at the end of the first quarter is now £96.114m. The proposed increase of £0.905m is largely as a result of slippage in the programme from 2016/17 which was reported to Cabinet on 20 June 2017 and the re-profiling of planned investment to future years.
3. The proposed increase to the capital programme at the first quarter comprises of the following movements:

	£m
Slippage of planned capital expenditure from 2016/17	4.577
Increased borrowing/external funding/contributions	4.868
Re-profiling of capital expenditure to future years	(7.890)
Other changes	(0.650)
Total Variance	0.905

4. The proposed slippage in the capital programme is primarily resourced by external prudential borrowing. The Council continues to manage the available resources in a flexible manner to ensure that the use of any external resources is maximised where possible in the relevant financial year.
5. A total of £4.577m of slippage has been identified on a number of key schemes throughout the capital programme which has been carried forward into 2017/18, with resources, from the 2016/17 financial year capital budget.
6. This slippage includes £3.262m relating to the ongoing investment in the Council's housing stock within the HRA programme, primarily relating to schemes within the Decent Homes Investment Programme and the major energy efficiency improvement work that is currently in progress at Fell, Lough and Beacon Courts and the completion of the ongoing works at Clasper Village, Bleach Green and Ravensworth Road as part of the Estate Regeneration programme.

7. The proposed £4.868m increase includes the re-profiling of allocations to reflect the final funding settlements for investment in the Council's schools and highways infrastructure. In addition the Council has received notification during the quarter of additional external funding to support capital investment including:
- £0.6m from the Department for Education relating to the provision of additional capacity for childcare for 3 and 4 year olds to deliver proposed schemes at Whickham, Crawcrook and Crookhill;
 - £0.7m of S106 contributions from developers to provide additional capacity at Emmaville Primary School;
 - £0.7m from the National Productivity Investment Fund for investment in additional Highways and Transport schemes which has now been included within the overall investment plans for Highways infrastructure considered by Cabinet earlier this year.
8. The £0.650m of other changes identified within the programme relate to the decision to place the proposed Park and Ride Scheme on hold. The £3.150m reduction has been offset by the re-prioritisation and transfer of the Local Growth Fund allocation to the Gateshead Quays project. This external funding will help to progress the required pre-construction work during the current financial year, including the development of the site masterplan and scheme design. At this stage, it is anticipated that at least £2.5m of the £5m of Local Growth Fund contribution will be spent in the current financial year, subject to the submission of a detailed business case to NELEP.
9. Planned investment has been re-profiled to future financial years on a number of schemes, amounting to £7.890m. This includes:
- £4.3m relating to the proposed office development at Baltic Business Quarter reflecting the latest programme and key milestones agreed with the contractor. Willmott Dixon have now been appointed to progress the delivery of the scheme and marketing agents have been engaged to help inform the scheme specification and understand the markets requirements. The latest programme suggests that construction is likely to start in 2018/19, subject to Cabinet considering the full business case in October 2017;
 - £1m relating to the proposed refurbishment of the public areas within the Civic Centre. The scheme business case is in development and given the required design timescales and mobilisation period it is likely that construction would not start until the latter part of the financial year, resulting in a significant element of the projected investment slipping to future years;
 - £0.85m relating to the proposed Assisted Living scheme within the HRA, which is part funded by HCA grant, due to the need to undertake additional design and consultation work as a result of site investigations, particularly to satisfy the Coal Authority. Construction is now expected to commence during the third quarter;
 - £0.75m relating to the proposed Outdoor sports provision at Blaydon Leisure Centre following a delay in appointing the external design team, required in order to secure the external funding. The external funding has been agreed in principle, but is subject to a detailed application in January and would not be formally confirmed until April 2018 so the delivery of the scheme has been re-profiled to align with the external funding timescales.

Proposal

10. The report identifies planned capital expenditure of £96.114m for the 2017/18 financial year. The expected resources required to fund the 2017/18 capital programme are as follows:

	£m
Prudential Borrowing	40.620
Capital Grants and Contributions	25.342
Major Repairs Reserve (HRA)	28.152
Capital Receipts	2.000
Total Capital Programme	96.114

11. CIPFA's Prudential Code advises the regular monitoring of performance against the prudential indicators which regulate borrowing and investment. Targets and limits for the prudential indicators for 2017/18 were agreed at Council on 23 February 2017 and borrowing and investment levels have remained within these limits.

Recommendations

12. Cabinet is asked to:
- (i) Recommend to Council that all variations to the 2017/18 Capital Programme as detailed in Appendix 2 are agreed as the revised programme.
 - (ii) Recommend to Council the financing of the revised programme.
 - (iii) Confirm to Council that the capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and that none of the approved Prudential Indicators set for 2017/18 have been breached.

For the following reasons:

- (i) To ensure the optimum use of the Council's capital resources in 2017/18.
- (ii) To accommodate changes to the Council's in-year capital expenditure plans.
- (iii) To ensure performance has been assessed against the approved Prudential Limits.

CONTACT: David Mason extension 3686

Policy Context

1. The proposals within this report are consistent with the objectives contained within the Council's corporate Capital Strategy and will contribute to achieving the objectives and priority outcomes set out in Vision 2030 and the Council Plan.

Background

2. The original budget for the capital programme for 2017/18, as agreed by Council on 23 February 2017, totalled £95.209m.
3. The projected year-end expenditure was £96.114m at the end of the first quarter.
4. The £0.905m variance is due to a combination of slippage from the previous year, the review of existing schemes, the receipt of additional resources and other variances. All variations in the programme during the first quarter are detailed in Appendix 2.
5. Appendix 3 summarises the original budget and actual year end payments by Corporate Priority. The budget, projected year end payments and comments on the progress of each scheme are detailed in Appendix 4.
6. The Prudential Code sets out a range of Prudential Indicators that were agreed by the Council on 23 February 2017. Performance against the indicators for 2017/18 is set out in Appendix 5.

Consultation

7. The Leader of the Council has been consulted on this report.

Alternative Options

8. The proposed financing arrangements are the best available in order to ensure the optimum use of the Council's capital resources in 2017/18.

Implications of Recommended Option

9. **Resources:**
 - a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that the financial implications are as set out in the report.
 - b) **Human Resources Implications** – There are no human resources implications arising from this report.
 - c) **Property Implications** - There are no direct property implications arising from this report. Capital investment optimises the use of property assets to support the delivery of corporate priorities. The property implications of individual schemes will be considered and reported separately.

10. **Risk Management Implication** - Risks are assessed as part of the process of monitoring the programme and in respect of treasury management. The Cabinet will continue to receive quarterly reports for recommendation of any issues to Council, together with any necessary action to ensure expenditure is managed within available resources.
11. **Equality and Diversity Implications** - There are no equality and diversity implications arising from this report.
12. **Crime and Disorder Implications** - There are no direct crime and disorder implications arising from this report.
13. **Health Implications** - There are no health implications arising from this report.
14. **Sustainability Implications** - The works will help to make the environment more attractive and reduce health and safety hazards.
15. **Human Rights Implications** - There are no direct human rights implications arising from this report.
16. **Area and Ward Implications** - Capital schemes will provide improvements in wards across the borough.
17. **Background Information**
 - i. Report for Cabinet, 21 February 2017 (Council 23 February 2017) - Capital Programme 2017/18 to 2021/22.
 - ii. Report for Cabinet, 20 June 2017 – Capital Programme and Prudential Indicators 2016/17 – Year End Outturn.

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Reason for Movement	Portfolio	Group	Project Title	Variance (£'000)
INCREASES				
Additional External Funding	Resources, Management and Reputation	CAE	Urban Core - Exemplar Neighbourhood	70
	People - Children and Young People	CWL	School Capacity Improvements	1,277
		CWL	Schools Gateway Investment	426
		CWL	Additional Childcare Provision	389
	Place and Economy - Environment and Transport	CAE	Cycle City Ambition Fund - Hill Street	80
		CAE	Local Transport Plan - Planned Maintenance	609
		CAE	Local Transport Plan - Integrated Transport	532
		CAE	Traffic Signal Renewal - Borough Wide	50
Slippage from 16/17 Page 241	Communities - Communities and Volunteering	CAE	Public Realm Improvement	20
	Communities - Culture, Sport and Leisure	CAE	Secondary Disinfection Systems in Leisure Pools	100
	People - Children and Young People	CWL	Ravensworth Terrace Primary School	425
		CWL	School Condition Investment	116
	Place and Economy - Environment and Transport	CAE	Street Lighting Phase 3 LED Lanterns	34
	Place and Economy - Housing	CAE	Empty Property Programme 2015/18	25
		HRA	Back Boiler Renewal and Replacement	145
		HRA	Decent Homes Investment Programme	1,075
		HRA	Equality Act Works	37
		HRA	Estate Regeneration	750
		HRA	Fire Safety Works	50
		HRA	Lift Replacement / Refurbishment	270
		HRA	Tower Block Energy Efficiency Improvements	935
	Resources, Management and Reputation	CAE	Health & Safety	40
		CAE	Strategic Maintenance	95
		CRS	Technology Plan: Infrastructure	405
		CRS	Technology Plan: Transformation Through Technology	55
Other Increases	Communities - Culture, Sport and Leisure	CAE	Gateshead Leisure Centre - Clip n Climb and Soft Play	15
	Place and Economy - Economy	CAE	Land of Oak and Iron	250
	Place and Economy - Housing	CAE	Keelman Homes - Affordable Housing	500
	Resources, Management and Reputation	CAE	ADZ Investment – BBQ Emerging Technology Centre	670
Other Changes	Resources, Management and Reputation	CAE	ADZ Investment - Gateshead Quays	2,500
TOTAL INCREASES				11,945

Reason for Movement	Portfolio	Group	Project Title	Variance (£'000)
REDUCTIONS				
Other Changes	Place and Economy - Environment and Transport	CAE	Bus Based Major Transport Scheme	(3,150)
Re-profiling to Future Years	Communities - Culture, Sport and Leisure	CAE	Blaydon Leisure Centre Outdoor Sports Provision	(750)
	Communities - Communities and Volunteering	CAE	Saltwell Cemetery Extension	(70)
	Place and Economy - Environment and Transport	CAE	Street Lighting LED Replacement - Phase 4	(500)
		CAE	Team Valley Flood Alleviation	(70)
	Place and Economy - Housing	CAE	Loan to Keelman Homes - Bleach Green Affordable Housing	(330)
		HRA	New Build - Assisted Living	(850)
Resources, Management and Reputation	CAE	ADZ Investment – BBQ Office Development	(4,320)	
	CAE	Civic Centre Workspace Strategy	(1,000)	
TOTAL REDUCTIONS				(11,040)
TOTAL VARIANCE				905

APPENDIX 3

Portfolio	Approved Budget 2017/18	Revised Forecast Q1 30 June 2017	Variance	Actual Spend at 30 June 2017
COMMUNITIES				
Communities and Volunteering	1,065	1,015	(50)	21
Culture, Sport and Leisure	1,480	845	(635)	57
Total Communities	2,545	1,860	(685)	78
PEOPLE				
Children and Young People	5,168	7,801	2,633	260
Health and Wellbeing	4,425	4,425	0	(65)
Total People	9,593	12,226	2,633	195
PLACE AND ECONOMY				
Economy	786	1,036	250	167
Environment and Transport	23,041	20,626	(2,415)	1,305
Housing	33,415	36,022	2,607	3,348
Total Place and Economy	57,242	57,684	442	4,820
RESOURCES, MANAGEMENT AND REPUTATION				
Resources, Management and Reputation	25,829	24,344	(1,485)	2,122
Total Resources, Management and Reputation	25,829	24,344	(1,485)	2,122
Total Capital Investment	95,209	96,114	905	7,214

Portfolio	Group	Project Title	Approved 2017/18 Allocation £'000	Revised Q1 Allocation £'000	Comments
COMMUNITIES					
Communities and Volunteering	CAE	Bereavement Services	375	375	Slippage from 16/17 (Borrowing)
	CAE	Birtley Cemetery Extension	140	140	
	CAE	Public Realm Improvement	50	70	
	CAE	Replacement Bins	125	125	
	CAE	Saltwell Cemetery Extension	130	60	Re-profiling to 17/18 (Borrowing)
	CAE	Trade Waste Service Expansion	245	245	
	Total Communities and Volunteering			1,065	1,015
Culture, Sport and Leisure	CAE	Blaydon Leisure Centre Outdoor Sports Provision	765	15	Re-profiling to 17/18 (Borrowing/External Funding)
	CAE	Gateshead Leisure Centre - Clip n Climb and Soft Play	500	515	Other Increases (Borrowing)
	CAE	Library Service Review	200	200	
	CAE	Professional kitchen at St Mary's Heritage Centre	15	15	
	CAE	Secondary Disinfection Systems in Leisure Pools	0	100	Slippage from 16/17 (Borrowing)
	Total Culture, Sport and Leisure			1,480	845
PEOPLE					
Children and Young People	CWL	Additional Childcare Provision	66	455	Other Increases (External Funding)
	CWL	Ravensworth Terrace Primary School	2,575	3,000	Slippage from 16/17 (Borrowing / Receipts)
	CWL	School Capacity Improvements	748	2,025	Other Increases (External Funding)
	CWL	School Condition Investment	1,529	1,645	Other Increases / Re-profiling (External Funding)
	CWL	Schools Devolved Formula Funding	250	250	
	CWL	Schools Gateway Investment	0	426	Other Increases / Re-profiling (External Funding)
	Total Children and Young People			5,168	7,801
Health and Wellbeing	CAE	Falls Prevention	100	100	
	CSG	Prince Consort Road Redevelopment	2,500	2,500	
	CWL	Disabled Facilities Grants (DFGs)	1,750	1,750	
	CWL	Telecare Equipment	75	75	
	Total Health and Wellbeing			4,425	4,425
PLACE AND ECONOMY					
Economy	CAE	Land of Oak and Iron	51	301	Other Increases (Borrowing)
	CRS	Broadband Delivery UK	235	235	
	CRS	Digital Gateshead	500	500	
	Total Economy			786	1,036
Environment and Transport	CAE	Battery Storage System	1,500	1,500	
	CAE	Bus Based Major Transport Scheme	3,150	0	Other Reductions (Borrowing / External Funding)
	CAE	Chase Park Restoration	657	657	
	CAE	Cycle City Ambition Fund - Hill Street	630	710	Other Increases (External Funding)
	CAE	Energy Network Extension - Gateshead Leisure Centre	2,376	2,376	
	CAE	Energy Network Extension - Trinity Square	800	800	

Portfolio	Group	Project Title	Approved 2017/18 Allocation £'000	Revised Q1 Allocation £'000	Comments
	CAE	Flood Alleviation Investment	601	601	
	CAE	Gateshead Millennium Bridge Strategic Maintenance	98	98	
	CAE	Gateshead Town Centre District Energy Network	2,300	2,300	
	CAE	Heworth Roundabout Upgrade	2,600	2,600	
	CAE	Local Transport Plan - Integrated Transport	1,034	1,566	Other Increases (External Funding)
	CAE	Local Transport Plan - Planned Maintenance	2,245	2,854	Other Increases (External Funding)
	CAE	Salix Energy Efficiency Works	250	250	
	CAE	Street Lighting Column Replacement	1,750	1,750	
	CAE	Street Lighting LED Replacement - Phase 4	1,000	500	Re-profiling to 17/18 (Borrowing)
	CAE	Street Lighting Phase 3 LED Lanterns	250	284	Slippage from 16/17 (Borrowing)
	CAE	Team Valley Flood Alleviation	100	30	Re-profiling to 17/18 (Borrowing)
	CAE	Traffic Signal Renewal - Borough Wide	450	500	Other Increases (External Funding)
	CAE	Vehicle Restraint System - Felling Bypass	1,250	1,250	
	Total Environment and Transport		23,041	20,626	
Housing	CAE	Empty Property Programme 2015/18	145	170	Slippage from 16/17 (External Funding)
	CAE	Housing JV - Brandling	350	350	
	CAE	Keelman Homes - Affordable Housing Development	1,750	2,250	Other Increases (Borrowing)
	CAE	Loan to Gateshead Trading Company	1,500	1,500	
	CAE	Loan to Keelman Homes - Bleach Green Affordable Housing	330	0	Re-profiling to 17/18 (Borrowing)
	HRA	Aids and Adaptations	1,500	1,500	
	HRA	Back Boiler Renewal and Replacement	1,000	1,145	Slippage from 16/17 (Major Repairs Reserve)
	HRA	Decent Homes – Backlog/Ad-hoc Works	300	300	
	HRA	Decent Homes - Investment Programme	6,500	7,575	Slippage from 16/17 (Major Repairs Reserve)
	HRA	Door Entry System Upgrades	250	250	
	HRA	Equality Act Works	300	337	Slippage from 16/17 (Major Repairs Reserve)
	HRA	Estate Regeneration	750	1,500	Slippage from 16/17 (Major Repairs Reserve)
	HRA	External Wall Insulation Works to Non-Traditional Properties	210	210	
	HRA	Fire Safety Works - General	100	150	Slippage from 16/17 (Major Repairs Reserve)
	HRA	Lift Replacement / Refurbishment	500	770	Slippage from 16/17 (Major Repairs Reserve)
	HRA	New Build - Assisted Living	1,600	750	Re-profiling to 17/18 (Receipts / External Funding)
	HRA	Programme Management	1,000	1,000	
	HRA	Regent Court Improvement Works	2,000	2,000	
	HRA	Replacement of Communal Electrics	250	250	
	HRA	Risers (Services)	0	0	
	HRA	Strategic Maintenance	2,000	2,000	
	HRA	T-Fall Insulation	150	150	
	HRA	Timber Replacements	100	100	
	HRA	Tower Block Energy Efficiency Improvements	530	1,465	Slippage from 16/17 (Major Repairs Reserve)
	HRA	HEIGHTS	8,900	8,900	

[illegible]

PRUDENTIAL INDICATORS 2017/18

The 2017/18 Prudential Indicators were agreed by Council on 23 February 2017 (column 1). This is now compared with the 2017/18 actual position as at the end of the first quarter, 30th June 2017 (column 2).

Certain Treasury Management indicators must be monitored throughout the year on a regular basis in order to avoid breaching agreed limits. The capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and none of the other approved Prudential Indicators set for 2017/18 have been breached.

<i>Capital Expenditure</i>		
	2017/18 £000 Reported Indicator	2017/18 £000 Projection for the Year at Q1
Non-HRA	65,869	64,362
HRA	29,340	31,752
Total	95,209	96,114
To reflect the reported capital monitoring agreed by Council during the year		

<i>Ratio of Financing Costs to Net Revenue Stream</i>		
	2017/18 Reported Indicator	2017/18 Projection for the Year at Q1
Non-HRA	14.89%	N/A
HRA	42.53%	N/A

<i>Capital Financing Requirement</i>		
	2017/18 £000 Reported Indicator	2017/18 £000 Projection for the Year at Q1
Non-HRA	340,885	337,776
HRA	345,505	345,505

Authorised Limit for External Debt	
	2017/18 £000 Reported Indicator
Borrowing	825,000
Other Long Term Liabilities	0
Total	825,000
Maximum YTD 30/06/2017 £625.189m	

Operational Boundary for External Debt	
	2017/18 £000 Reported Indicator
Borrowing	800,000
Other Long Term Liabilities	0
Total	800,000
Maximum YTD 30/06/2017 £625.189m.	

The Council's actual external debt at 30th June 2017 was £625.189 million. 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.

Estimated Incremental Impact on Council Tax and Housing Rents

This indicator is set at the time the Council's budget is set. Therefore, there is no requirement for this Indicator to be monitored on a quarterly or annual basis.

Adherence to CIPFA code on Treasury Management

The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

UPPER LIMIT ON FIXED AND VARIABLE INTEREST RATES EXPOSURES		
Range	2017/18 £000 Reported Indicator	2017/18 £000 YTD Position
Fixed Rate	652,940 424,015	Act 521,925 max 521,925 min 499,731
Variable	160,751 (15,000)	Act 26,500 max 44,000 min 26,000
All within agreed limits. (Max and Min YTD.)		

Upper / Lower Limits for Maturity Structure of Fixed Rate Borrowing				
	2017/18 £000 Reported Indicator		2017/18 £000 Actual Position	
	Upper Limit	Lower Limit	Actual Percentage	Maximum YTD
Under 12 months	25%	0%	5.57%	5.57%
12 months to 24 months	25%	0%	3.88%	5.48%
24 months to 5 years	50%	0%	20.64%	20.84%
5 years to 10 years	50%	0%	8.41%	8.61%
10 years to 20 years	50%	0%	12.75%	14.71%
20 years to 30 years	50%	0%	1.25%	1.25%
30 years to 40 years	50%	0%	13.86%	15.23%
40 years to 50 years	60%	0%	25.01%	28.17%
50 years and above	30%	0%	1.92%	3.55%
All within agreed limits.				

On 8 March 2007, Council agreed to the placing of investments for periods of longer than 364 days in order to maximise investment income before forecasted cuts in interest rates. An upper limit was set and agreed as a new Prudential Indicator.

Upper Limit on amounts invested beyond 364 days			
	2017/18 £000 Reported Indicator	2017/18 £000 Actual Position	2017/18 £000 Maximum YTD
Investments	15,000	0	0

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COUNCIL MEETING

20 July 2017

REVENUE BUDGET – FIRST QUARTER REVIEW 2017/18

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to inform of the latest position on the 2017/18 revenue budget at the end of the first quarter to 30 June 2017 and to recommend a revision to the net revenue budget for 2017/18.
2. Council agreed the original revenue budget for 2017/18 on 23 February 2017, which was set at £197.486m. This report recommends a revision of the net revenue budget from £197.486m to £202.649m, which includes the Improved Better Care Fund (IBCF) funding of £5.163m for social care.
3. Without any further action, the projected outturn for 2017/18 at 30 June 2017 is £206.514m compared to the revised estimate of £202.649m, a projected overspend of £3.865m. The projection for the year includes the planned use of £1.839m reserves.
4. Continued monitoring within services and the delivery of action plans to address budget variances and shortfall on savings targets will aim to ensure that spending for the year remains contained within the current estimate.
5. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

6. It is recommended that Council:
 - (i) Notes the revenue expenditure position at 30 June 2017, as set out in Appendix 1 of the attached report.
 - (ii) Approves an amendment to the net revenue budget for 2017/18 from £197.486m to £202.649m to account for the IBCF funding.
 - (iii) Approves the administrative virements outlined in paragraph 6 of the attached report.

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TITLE OF REPORT: **Revenue Budget - First Quarter Review 2017/18**

REPORT OF: **Darren Collins, Strategic Director, Corporate Resources**

Purpose of the Report

1. This report sets out the latest monitoring position on the 2017/18 revenue budget at the end of the first quarter to 30 June 2017. Cabinet is asked to note the contents of the report and recommend a revision to the net revenue budget for 2017/18 to Council.

Background

2. Cabinet receives quarterly reports on the agreed revenue budget so that any variances can be identified and addressed. This report sets out the revenue monitoring position at 30 June 2017.
3. Council agreed the original revenue budget for 2017/18 on 23 February 2017. This was set at £197.486m.
4. In March 2017 Improved Better Care Fund (IBCF) funding of £5.163m for social care was announced as part of the spring budget, to be paid under Section 31 arrangements. This report requests Cabinet to recommend to Council a revision to the net revenue budget to include this additionality and to set a revised revenue budget for 2017/18 of £202.649m.

Proposal

5. Without any further action the projected outturn for 2017/18 at 30 June 2017 is £206.514m compared to the estimate of £202.649m, which includes the additional IBCF funding and the projected expenditure, and this therefore results in a projected over spend of £3.865m. The projection for the year includes the planned use of £1.839m reserves.
6. The following administrative budget virements are required in order to re-align budgets to the Service with the responsibility for service delivery:
 - £0.634m from Commissioning and Quality Assurance to Adult Social Care for Supporting People and MCA Dols.
 - £0.197m from Economic to Housing Growth to Development, Transport and Public Protection for Housing Growth.
 - £0.140m from Street Scene to Commissioning and Quality Assurance for Central Transport Unit.
 - £0.480m from Other Services to Human Resources and Litigation for Coroners.

7. Continued monitoring within services, regular reports to Strategy Group and the delivery of action plans to address budget variances and shortfall on savings targets will aim to ensure that spending for the year remains contained within the current estimate. No change in the total revenue budget is therefore recommended in this report.
8. Key budget variances have been identified in the first quarter review in respect of Social Care. These areas of budget pressure are currently partially offset by under spends in Capital Financing Costs. Specific action plans have been prepared to address the areas of over spend and these areas will remain under review. The agreed savings for 2017/18 will continue to be actively monitored to facilitate delivery of the agreed budget.
9. It is important that effective budget monitoring and action planning is in place to ensure that spending in 2017/18 is contained within approved budgets as this will contribute to a sustainable financial position for the Council. Any over spend at the end of the financial year will result in the 2018/19 funding gap being increased and reserve levels being reduced which will impact on the financial plans of the Council.

Recommendations

10. It is requested that Cabinet:
 - Notes the Council's revenue expenditure position at 30 June 2017, as set out in Appendix 1.
 - Recommends to Council approval of an amendment to the net revenue budget for 2017/18 from £197.486m to £202.649m to account for the IBCF funding.
 - Recommends to Council approval of the administrative virements outlined in Paragraph 7.

For the following reason:

- To contribute to sound financial management and the long term financial sustainability of the Council.

Policy Context

1. This report meets the standards required to comply with the Accounts and Audit Regulations 2015. It is also consistent with Vision 2030 and the Council Plan of ensuring a sustainable financial position for the long term.

Background

2. The Accounts and Audit Regulations 2015, which represent financial management good practice, recommend that councillors should receive regular reports on performance against revenue and capital budgets. The frequency of the reports is determined following a risk assessment of the budget, and Cabinet currently receives a report on a quarterly basis.
3. This report sets out the latest position on the 2017/18 revenue budget as at 30 June 2017 and projects spending and income to the end of the financial year.
4. Council agrees the revenue budget and it also approves variations and revisions to this budget.
5. Council agreed the original revenue budget for 2017/18 on 23 February 2017. This was set at £197.486m.
6. In March 2017 Improved Better Care Fund (IBCF) funding of £5.163m for social care was announced as part of the spring budget, to be paid under Section 31 arrangements. This report requests Cabinet to recommend to Council a revision to the net revenue budget to include this additionality and to set a revised revenue budget for 2017/18 of £202.649m.
7. Appendix 2 details the proposed revised budget for 2017/18 compared to an assessment of the projected outturn for the year. Without any further action the projected outturn for 2017/18 at 30 June 2017 is £206.514m compared to the estimate of £202.649m, which includes the additional IBCF funding and the projected expenditure, and this therefore results in a projected over spend of £3.865m.
8. Appendix 3 details the expected use of reserves for 2017/18. At the end of the first quarter of the year the projected use of reserves is £1.839m.

Variations

9. The main variances on a group basis are set out below.

Care, Wellbeing and Learning

10. The projected over spend of £1.026m on Social Work - Children and Families relates mainly to placement expenditure and higher than expected staffing costs. Action planning is continuing in this area.

11. The projected over spend of £1.351m on Early Help and Education relates to Home to School/College transport costs and underachievement of income. Specific action planning is continuing to address the over spend.
12. The projected over spend of £0.218m on Commissioning and Quality Assurance relates to higher than expected employee costs.
13. The projected under spend of £0.604m on Learning and Schools relates to employee costs and PFI.
14. The projected over spend of £1.863m on Adult Social Care relates to service pressures and savings yet to be delivered.
15. The expectation remains that expenditure on Public Health will be managed to ensure that the outturn will be consistent with the ring-fenced allocation, and any over spends will be funded from the ring fenced Public Health reserve.

Communities and Environment

16. The projected over spend of £0.325m on Culture, Communities, Leisure and Volunteering relates mainly to an underachievement of income across leisure facilities offset by some under spends in other areas.

Corporate Resources

17. The projected over spend of £0.256m on Customer and Financial Services relates mainly to an underachievement of income in relation to prosecution costs recovered, and lower than expected grant income.

Capital Financing Costs

18. The projected under spend of £1.182m on Capital Financing Costs is mainly due to the continuance of the current Treasury Management policy of internal borrowing and a lower than expected revenue requirement for the Capital Programme financing.

Virements

19. The following administrative budget virements are required in order to re-align budgets to the Service with the responsibility for service delivery:
 - £0.634m from Commissioning and Quality Assurance to Adult Social Care for Supporting People and MCA Dols.
 - £0.197m from Economic to Housing Growth to Development, Transport and Public Protection for Housing Growth.
 - £0.140m from Street Scene to Commissioning and Quality Assurance for Central Transport Unit.
 - £0.480m from Other Services to Human Resources and Litigation for Coroners.

Reserves

20. A summary of the intended use of reserves is attached at Appendix 3. It was planned that £4.235m would be required to support the revenue budget in 2017/18 and projections currently show that £1.839m will be required.

Summary

21. The projected over spend as at 30 June 2017 of £3.865m is after the application of reserves in line with the usage agreed as part of 2017/18 budget.
22. For all projected over spends, regular monitoring will continue to take place with action plans being monitored with the aim of containing spending within the original budget. Plans will be incorporated into the internal monthly revenue monitoring timetable with regular updates to Strategy Group and with updates to Cabinet.

Balance Sheet Management

23. Balance Sheet control accounts, which cover the Council's assets and liabilities, are reconciled on a quarterly basis. In addition, a number of key Balance Sheet control accounts are now reconciled on a monthly basis as part of the revenue monitoring process. This is part of a proactive approach to Balance Sheet management which, if carried out on a timely basis, ensures the early identification of problems which could impact on the Council's financial position.
24. Key control accounts are assessed based on experience from previous years, materiality and reliance on third party data. Those key control accounts reconciled as at 30 June 2017 are operating satisfactorily.

Consultation

25. The Leader of the Council has been consulted on this report.

Alternative Options

26. There are no alternative options proposed.

Implications of Recommended Option

27. Resources

- a. Financial Implications** – The Strategic Director, Corporate Resources confirms these are as set out in the report and Appendix 2 and 3.
- b. Human Resource Implications** – There are no direct Human Resource implications as a consequence of this report.
- c. Property Implications** – There are no direct property implications as a consequence of this report.

28. **Risk Management Implication**

Regular budget monitoring and the associated action planning that arise from this activity assists in reducing the risk of the Council overspending its agreed budget. This enables effective financial planning which allows the Council to deploy resources in line with priorities.

29. **Equality and Diversity Implications - Nil.**

30. **Crime and Disorder Implications - Nil.**

31. **Health Implications - Nil**

32. **Sustainability Implications –** Regular budget monitoring and allocated actions contributes to the financial sustainability of the Council.

33. **Human Rights Implications - Nil.**

34. **Area and Ward Implications -** Revenue spending supports the delivery of services across the whole of Gateshead.

Appendix 2 - Revenue Monitoring Summary 2017/18

Service	Revised Budget £'000	Projected Outturn £'000	Variance £'000
<u>Care, Wellbeing & Learning</u>			
Social Work - Children & Families	22,618	23,644	1,026
Early Help & Education	5,681	7,032	1,351
Commissioning & Quality Assurance	7,489	7,707	218
Learning & Schools	1,970	1,366	-604
Adult Social Care	61,058	62,921	1,863
Public Health	16,952	16,952	0
<u>Communities & Environment</u>			
Housing General Fund	209	209	0
Development, Transport & Public Protection	4,171	4,209	38
Council Housing, Design & Technical Services	-915	-917	-2
Culture, Communities, Leisure & Volunteering	6,178	6,503	325
Commissioning & Business Development	3,718	3,871	153
Facilities Management	3,452	3,502	50
Street Scene	13,517	13,566	49
Economic & Housing Growth	975	904	-71
<u>Office of the Chief Executive</u>			
Policy, Performance & Communications	1,301	1,348	47
<u>Corporate Services & Governance</u>			
Legal, Democratic & Property Services	656	706	50
Human Resources & Litigation	4,391	4,406	15
Corporate Commissioning & Procurement	408	495	87
<u>Corporate Resources</u>			
Corporate Finance	1,463	1,464	1
Customer & Financial Services	3,137	3,393	256
Housing Benefits	0	0	0
ICT Services	2,936	2,930	-6
<u>Other Services & Contingencies</u>	5,869	5,937	68
<u>Capital Financing Costs</u>	29,000	27,818	-1,182
<u>Traded and Investment Income</u>	-2,993	-2,860	133
<u>Expenditure Passed outside the General Fund</u>	-2,069	-2,069	0
<u>Levies</u>	11,477	11,477	0
NET BUDGET	202,649	206,514	3,865
<u>Financed By</u>			
Settlement Funding Assessment (SFA)	-82,813	-82,813	0
Other Grants	-18,427	-18,427	0
Public Health	-16,952	-16,952	0
Council Tax	-81,819	-81,819	0
Collection Fund (Council Tax)	-2,638	-2,638	0
TOTAL FUNDING	-202,649	-202,649	0
PROJECTED (UNDER) / OVER SPEND	0	3,865	3,865

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Appendix 3 - Reserves Summary 2017/18

	Opening Balance £'000	Expected Use £'000	Projected Use Quarter 1 £'000
STRATEGIC RESERVES			
Budget Flexibility	1,794	(1,601)	(1,115)
Economic Growth	3,390	0	(107)
Discretionary Social Fund	781	(200)	(177)
TOTAL STRATEGIC RESERVES	5,965	(1,801)	(1,399)
RINGFENCED RESERVES			
Grants and Contributions	3,642	(1,749)	(299)
Developers' Contributions	1,937	(300)	(240)
Public Health Reserve	2,431	(385)	99
TOTAL RINGFENCED RESERVES	8,010	(2,434)	(440)
TOTAL USE OF RESERVES	13,975	(4,235)	(1,839)

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COUNCIL MEETING

20 July 2017

REVIEW OF COUNCIL'S OVERVIEW AND SCRUTINY ARRANGEMENTS

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. This report asks the Council to approve changes to its overview and scrutiny arrangements.
2. Overview and scrutiny in Gateshead is a constructive process which is open, accountable and looks outwards at the broader issues affecting local people and makes a contribution to policy development.
3. The arrangements will be piloted for six months with effect from 1 September 2017 and will be subject to review after six months.
4. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

5. It is recommended that Council approves the revised overview and scrutiny arrangements as set out in Appendix 1 of the attached report, subject to them being reviewed after six months.

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TITLE OF REPORT: Review of the Council's Overview and Scrutiny Arrangements

REPORT OF: Mike Barker, Strategic Director, Corporate Services and Governance

Purpose of the Report

1. This report asks the Cabinet to recommend Council to approve changes to the Council's overview and scrutiny arrangements which will be piloted for six months with effect from 1 September 2017.

Background

2. Overview and scrutiny committees are appointed by the Council and discharge the functions conferred by Part 1A of the Local Government Act 2000 (as amended). These Committees form an integral part of the Council's decision making framework, working within it not outside it or against it.
3. Overview and scrutiny in Gateshead is a constructive process which is open, accountable and looks outwards at the broader issues affecting local people rather than just focusing on internal issues. It works alongside other parts of the Council to make a contribution to policy development and aims to add value through its work rather than duplicate activity.
4. The Council's approach to its overview and scrutiny arrangements has been relatively unchanged since they were introduced. The approach has been reviewed to ensure that overview and scrutiny in Gateshead:
 - Is first and foremost member led.
 - Enhances the leadership role of OSC Chairs and Vice Chairs in driving forward, directing and shaping individual OSC work.
 - Enhances engagement and involvement with OSC members in shaping the focus of the work of specific OSCs.
 - Creates stronger relationships/linkages with the Executive.
 - Enables Overview and Scrutiny to better understand and track how it is influencing Cabinet policy / decision making going forwards.

Proposal

5. Following the review it is proposed to change the Council's overview and scrutiny arrangements as set out in appendix 1 with effect from 1 September 2017. The revised arrangements will be subject to review after six months.

Recommendations

6. Cabinet is asked to recommend Council to approve the revised overview and scrutiny arrangements as set out in Appendix 1, subject to them being reviewed after six months.

For the following reason:

To ensure that the Council's overview and scrutiny arrangements reflect the points set out in paragraph 4 above.

CONTACT: Mike Aynsley extension 2128

Policy Context

1. The proposals aim to improve the Council's decision making structures to help it deliver Vision 2030 and the Council Plan.

Background

2. Overview and scrutiny committees are appointed by the Council and discharge the functions conferred by Part 1A of the Local Government Act 2000 (as amended). These committees form an integral part of the Council's decision making framework, working within it not outside it or against it.
3. Overview and scrutiny in Gateshead is a constructive process which is open, accountable and looks outwards at the broader issues affecting local people rather than just focusing on internal issues. It works alongside other parts of the Council to make a contribution to policy development and aims to add value through its work rather than duplicate activity.

Proposals

4. The proposals outlined below set out options which are aimed at ensuring that overview and scrutiny in Gateshead:-
 - Is first and foremost member led.
 - Enhances the leadership role of OSC Chairs and Vice Chairs in driving forward, directing and shaping individual OSC work.
 - Enhances engagement and involvement with OSC members in shaping the focus of the work of specific OSCs.
 - Creates stronger relationships/linkages with the Executive.
 - Enables overview and scrutiny to better understand and track how it is influencing Cabinet policy/decision making going forwards.

Work Programme Event

5. It is proposed that an OSC work programme event be introduced into the OSC Work Programme Development process. This would be a half-day session to which all councillors on OSCs and Cabinet members would be invited. The event would also involve the OSC Co-ordinator, Senior Managers and OSC leads.
6. Information would be presented, led by the Strategy Group, on key issues/challenges/legislative changes affecting the work of the Council within the forthcoming twelve months which fall within the specific remits of each OSC.
7. A roundtable discussion on the emerging themes/work programme topics for each OSC would then be chaired by each OSC Chair (supported by Vice Chair). The OSC Chairs/Vice Chairs would identify a list of potential issues for inclusion in the work programme, including potential review topics, case studies for each OSC.
8. The list of issues would then be circulated to all councillors on OSCs and they would be given a further week to put forward any additional suggestions. Any

additional suggestions would be fed back to the relevant OSC Chair/Vice Chair for consideration and copied to the other Chairs/Vice Chairs and OSC leads.

9. Matters could also be referred to OSC, on an ongoing basis, by councillors in the usual way and by the Strategy Group as they arise.

Task and Finish Groups

10. Currently all OSC policy reviews are carried out with the involvement of the full membership of each OSC over a number of the OSC's scheduled meetings. Going forwards it is proposed that there is an option for such policy reviews/additional policy matters to be driven forwards by the Chairs and Vice Chairs of each OSC, supported by a smaller number of "self-nominating" councillors from each OSC, who would form "task and finish" groups, where it is felt that this would add value.

Pre-Decision Scrutiny

11. Work programmes for all OSCs will in future include pre-decision scrutiny of key issues within their remit likely to come before Cabinet in the forthcoming twelve month period.

Policy Issues

12. Issues previously considered by Advisory Groups (eg policy consultations etc) will be subsumed into the work programmes for all OSCs, to be dealt with within appropriate timescales.

Revised OSC Work Programme Report Review

13. This report will be presented at the end of each OSC work programme period to highlight all the recommendations each OSC has made to Cabinet and identify the action Cabinet has taken in response. OSCs would then be able to track how they were influencing Cabinet decision making and enable them to provide appropriate feedback.

Cabinet Member Updates on Performance

14. Cabinet members will be invited to present an update on performance within their portfolio area to the relevant OSC twice a year at those meetings where the OSC considers performance against the Council Plan/Vision 2030.

Senior Officer/Cabinet Member Attendance at OSC

15. It may be considered appropriate in future that OSCs consider exercising their powers to call on particular senior managers/Cabinet members to attend OSCs to present on particular matters/respond to specific questions.

Implementation of Proposals

16. There is sufficient flexibility within the current governance arrangements to allow for the majority of the proposals outlined above to be implemented relatively

quickly although the suggestion for a work programme event would have to wait until early 2018 as the consultation process for the work programmes for 2017-18 has now been completed.

Advisory Groups

17. The revised arrangements set out above would mean that key issues previously referred to the Policy Advisory Group would now fall within the remit of the appropriate OSC. Therefore, it is suggested that the Policy Advisory Group could be disbanded.
18. However, it is considered that there is still a role for a Corporate Advisory Group to consider budgetary and other major issues on which the Cabinet wish to seek councillors' views, as and when necessary. This Advisory Group would be chaired by the Leader of the Council.

Consultation

19. Consultation has been undertaken with the Leader of the Council, Cabinet members and the Chairs of OSCs.

Alternative Options

20. The proposals set out above have been developed to strengthen the Council overview and scrutiny arrangement. Whilst other options may be available the proposals outlined are felt to be the most appropriate approach.

Implications of Recommended Option

21. Resources

- a) **Financial Implications** - The Strategic Director, Corporate Resources confirms that there will be no additional costs resulting from the proposed changes.
- b) **Human Resources Implications** - Nil.
- c) **Property Implications** - Nil.

22. Risk Management Implications - Nil.

23. Equality & Diversity Implications - Nil.

24. Crime & Disorder Implications – Nil.

25. Health Implications - Nil.

26. Sustainability Implications - Nil.

27. Human Rights Implications - Nil.

28. Area & Ward Implications – All wards.

Background Information

29. Nil.



COUNCIL MEETING

20 July 2017

REVIEW OF THE COUNCIL'S CONSTITUTION

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to seek approval of a number of amendments to the Constitution.
2. The Chief Executive and Monitoring Officer are required to review the Constitution to ensure that its aims and principles are given full effect. A number of areas have been identified where some amendment is necessary.
3. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

4. It is recommended that Council approve the proposed changes to the Council's Constitution as set out in Appendix 2 of the attached report.

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TITLE OF REPORT: Review of the Council's Constitution

REPORT OF: Mike Barker, Strategic Director, Corporate Services and Governance

Purpose of the Report

1. This report asks the Cabinet to recommend the Council to approve a number of amendments to the Constitution.

Background

2. The Chief Executive and Monitoring Officer are required to review the Constitution to ensure that its aims and principles are given full effect. A number of areas have been identified where some amendment is necessary.

Proposal

3. It is proposed to amend the Constitution as set out in Appendix 2.

Recommendations

4. It is recommended that the Cabinet ask the Council to agree the proposed changes to the Council's Constitution as set out in Appendix 2.

For the following reason:

To ensure that the Constitution remains fit for purpose and that its aims and principles are given effect.

CONTACT: Mike Aynsley extension 2128

Policy Context

1. The Council is required by law (Local Government Act 2000) to prepare and maintain a constitution. Article 16.01 of the Council's Constitution requires the Chief Executive and Monitoring Officer to review the Constitution to ensure that its aims and principles are given full effect.

Background

2. A number of amendments have been drafted which will maintain the effective operation of the constitution, clarify certain aspects and keep it up to date.
3. The proposed amended sections of the constitution are set out in Appendix 2.

Consultation

4. No external consultation has been carried out.

Alternative Options

5. No alternative options were considered as the Local Government Act 2000 requires the Council to keep its constitution up to date.

Implications of Recommended Option

6. Resources

- a. **Financial Implications** - The Strategic Director, Corporate Resources confirms that there are no financial implications resulting from this report.
- b. **Human Resources Implications** – There are no human resources implications arising from this report.
- c. **Property Implications** – There are no property implications arising from this report.

7. **Risk Management Implication** - There are no risk management implications arising from the recommended option.
8. **Equality and Diversity Implications** - There are no equality and diversity implications arising from the recommended option.
9. **Crime and Disorder Implications** - There are no crime and disorder implications arising from the recommended option.
10. **Health Implications** – There are no health implications arising from the recommended option.
11. **Sustainability Implications** - There are no sustainability implications arising from the recommended option.
12. **Human Rights Implications** - The Constitution already emphasises that the Council will promote equal opportunities in carrying out its functions

- 13. Area and Ward Implications** - There are no specific area and ward implications arising from the recommended option.
- 14. Background Information** - The current version of the Constitution.

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PROPOSED AMENDMENTS TO THE CONSTITUTION

Page	Previous Wording	Amended Wording	Reason
4	Summary and Explanation How the constitution is arranged <ul style="list-style-type: none"> • Neighbourhood Engagement (Article 10) 	Summary and Explanation How the constitution is arranged <ul style="list-style-type: none"> • Neighbourhood Management (Article 10) 	To reflect the correct title
9	Article 1 – The Constitution 1.03 Purpose of the Constitution The constitution is the framework for realising the Council's vision for Gateshead as a borough where all local people: <ul style="list-style-type: none"> • are valued equally by the community irrespective of age, sex, ethnic origin and disability and have equality of opportunity in society • prosper and have access to a wide range of job opportunities • are well educated and informed with access to opportunities for lifelong learning and leisure, helping them to take advantage of opportunities as they arise • live without fear of crime or harassment in decent homes and in an attractive, clean, hazard-free environment • are healthy and able to live out their lives with self-respect and dignity • take an active part in the democratic 	Article 1 – The Constitution 1.03 Purpose of the Constitution The constitution provides the framework and democratic processes needed to realise the Council's vision and deliver the Council Plan outcomes for Gateshead. Our vision for Gateshead is a place where all local people can realise their full potential, enjoying the best quality of life in a healthy, equal, safe, prosperous and sustainable Gateshead.	To reflect the current Council Plan.

	process and are able to become involved in decisions about matters which affect them and their communities		
26	Article 10 – Neighbourhood Engagement	Article 10 – Neighbourhood Management	To reflect the correct title
27	<p>10.05 Gateshead Strategic Partnership</p> <p>The Council will lead the work of the Gateshead Strategic Partnership (GSP) to encourage different parts of the public sector, as well as the business community, the voluntary and community sectors, and government agencies, to take a strategic overview and co-ordinate their activities to improve outcomes in key policy areas.</p> <p>The aims of the GSP are:</p> <ul style="list-style-type: none"> • To co-ordinate partnership working in Gateshead with particular reference to regeneration, neighbourhood renewal and community planning. • To involve the community, voluntary and business sectors in strategic decision making. <p>10.06 The GSP will prepare and keep up to date a Sustainable Community Strategy for Gateshead, identifying key areas of action, and will take all necessary steps to ensure that these actions are delivered. The GSP will be supported by a Steering Group which will provide strategic direction for its work, and by theme, area and cross-cutting partnerships which set the</p>	<p>10.05 Gateshead Strategic Partnership</p> <p>The Council will lead the work of the Gateshead Strategic Partnership (GSP) to encourage different parts of the public sector, as well as the business community, the voluntary and community sectors, and government agencies, to take a strategic overview and co-ordinate their activities to improve outcomes for local people.</p> <p>Delete</p> <p>10.06 The GSP will prepare and keep up to date a Sustainable Community Strategy for Gateshead, identifying key areas of action, and will take all necessary steps to ensure that these actions are delivered. The GSP will be supported by a Steering Group which will provide strategic direction for its work and by theme, and cross-cutting partnerships which set the</p>	To reflect the GSP review.

	direction for policy in Gateshead for their theme, area or issue.	direction for policy in Gateshead for their theme or issue.	
28	<p>Article 11 – Health and Wellbeing Board</p> <p>11.02 Composition and Procedure</p> <p>a) Membership</p> <p>The Health and Wellbeing Board will consist of 18 members as follows:-</p> <ul style="list-style-type: none"> • Seven councillors (including the Chair and Vice Chair) • Strategic Director, Care Wellbeing and Learning • Director of Public Health • Two Gateshead clinical commissioning group representatives (the Chair or Assistant Chair of the Clinical Commissioning Group and one representative at Director level or equivalent) • A representative of the NHS England • A representative of the Local Healthwatch • A representative of Gateshead Voluntary and Community Sector • A representative of Gateshead NHS Foundation Trust • A representative of South Tyneside NHS Foundation Trust • A representative of Northumberland, Tyne and Wear NHS Foundation Trust • A representative of Gateshead of Gateshead Federation of GP Practices 	<p>Article 11 – Health and Wellbeing Board</p> <p>11.02 Composition and Procedure</p> <p>a) Membership</p> <p>The Health and Wellbeing Board will consist of 19 members as follows:-</p> <ul style="list-style-type: none"> • Seven councillors (including the Chair and Vice Chair) • Strategic Director, Care Wellbeing and Learning • Director of Public Health • Two Gateshead clinical commissioning group representatives (the Chair or Assistant Chair of the Clinical Commissioning Group and one representative at Director level or equivalent) • A representative of the NHS England • A representative of the Local Healthwatch • A representative of Gateshead Voluntary and Community Sector • A representative of Gateshead NHS Foundation Trust • A representative of South Tyneside NHS Foundation Trust • A representative of Northumberland, Tyne and Wear NHS Foundation Trust • A representative of Gateshead of Gateshead Federation of GP Practices • A representative of Tyne and Wear Fire and Rescue Service 	To reflect the current composition of the Board.

29	<p>11.03 Role and Function</p> <p>The Health and Wellbeing Board will have the following roles and functions:-</p> <p>a) to lead on the production of the Joint Strategic Needs Assessment;</p>	<p>11.03 Role and Function</p> <p>The Health and Wellbeing Board will have the following roles and functions:-</p> <p>a) to lead on the production of the Joint Strategic Needs Assessment and Pharmaceutical Needs Assessment;</p>	To reflect the current roles and functions.
34	<p>Article 13 – Employees of the Council</p> <p>13.01 Management Structure</p> <p>(c) Strategic Directors</p> <p>Strategic Director, Corporate Services and Governance</p> <p>Functions and areas of responsibility</p> <ul style="list-style-type: none"> Information governance 	<p>Article 13 – Employees of the Council</p> <p>13.01 Management Structure</p> <p>(c) Strategic Directors</p> <p>Strategic Director, Corporate Services and Governance</p> <p>Functions and areas of responsibility</p> <ul style="list-style-type: none"> Information governance including the role of Senior Information Risk Owner 	To reflect the full range of duties.
34	<p>Strategic Director, Corporate Resources</p> <p>Functions and areas of responsibility:</p> <ul style="list-style-type: none"> ICT strategy and service development ICT security ICT service desk and desktop support 	<p>Strategic Director, Corporate Resources</p> <p>Functions and areas of responsibility:</p> <ul style="list-style-type: none"> IT strategy and service development IT security IT service desk and desktop support 	To reflect the change in service designation to IT Services.

35	Strategic Director, Care Wellbeing and Learning Functions and areas of responsibility: <ul style="list-style-type: none"> • Safer Communities • Resilience and major incident planning • Homelessness and support 	Transfer to Strategic Director, Communities and Environment	To reflect current areas of responsibility.
36	Strategic Director, Communities and Environment Functions and areas of responsibility: <ul style="list-style-type: none"> • Local Development Framework • Community development and cohesion N/A	Strategic Director, Communities and Environment Functions and areas of responsibility: <ul style="list-style-type: none"> • Local Plan • Community development, capacity building and cohesion Add the following: <ul style="list-style-type: none"> • GO Gateshead Sport and Leisure • Community Infrastructure Levy 	To reflect the approach/terminology in national policy. To reflect the full range of areas. To reflect the full range of areas. To reflect that Gateshead is a CIL charging authority under the Strategic Director, Communities and Environment.

38	<p>Service Director, Policy, Improvement and Communication</p> <p>Functions and areas of responsibility:</p> <ul style="list-style-type: none"> • Corporate policy, planning and performance • Corporate communications and marketing including graphic design and web • Research and intelligence • Customer insight and customer service • Strategy • Consultation advice and support • Change Programme 	<p>Service Director, Policy, Performance and Communications</p> <p>Functions and areas of responsibility:</p> <ul style="list-style-type: none"> • Strategic policy and planning framework • Corporate research and intelligence framework • Corporate performance management framework • Corporate digital and online framework (including website) • Corporate communications framework • Corporate customer strategy 	<p>To reflect current post title.</p> <p>To more accurately reflect the range of functions and responsibilities.</p>
55	<p>Schedule 1 – Non-Executive Functions – Delegations to Council Bodies</p> <p>1. Planning and Development Committee</p> <p>N/A</p>	<p>Schedule 1 – Non-Executive Functions – Delegations to Council Bodies</p> <p>1. Planning and Development Committee</p> <p>Add the following at the end of delegation (i)f:</p> <p>g. Growth and Infrastructure Act 2013 h. Infrastructure Act 2015 i. Localism Act 2011 j Town and Country Planning (Control of Advertisements) (England) Regulations 2007</p>	<p>To reflect new legislation.</p>

56	<p>(v) to respond to consultations from other local planning authorities and from Government departments and agencies relating to development control matters</p> <p>3. Regulatory Committee</p> <p>The Regulatory Committee, except where the matter is delegated to the Service Director, Development, Public Protection and Transport Strategy, has delegated powers:</p> <p>3(b) to grant and renew licences for Hackney Carriages, Hackney Carriage Drivers, Private Hire Vehicles and Private Hire Operators (including Dual Driver licences) where the application does not meet the Council's standard conditions, but having regard to all relevant information, it is determined that the individual circumstances justify deviation from policy;</p>	<p>k. Part 6 of Housing and Planning Act 2016</p> <p>(v) to respond to consultations from other local planning authorities and from Government departments and agencies relating to development management matters</p> <p>3. Regulatory Committee</p> <p>The Regulatory Committee, except where the matter is delegated to the Service Director, Development, Transport and Public Protection, has delegated powers:</p> <p>3(b) to grant and renew licences for Hackney Carriages, Hackney Carriage Drivers, Private Hire Vehicles, Private Hire Drivers and Private Hire Operators (including Dual Driver licences) where the application does not meet the Council's standard conditions, but having regard to all relevant information, it is determined that the individual circumstances justify deviation from policy;</p>	<p>To reflect the national name change to Development Management.</p> <p>To reflect the correct designation of the officer.</p> <p>To ensure the list covers all relevant licences.</p>
57	<p>4. Appeals Committee</p> <p>N/A</p>	<p>4. Appeals Committee</p> <p>Add the following to the appeals the Committee can determine in the list specified in delegated powers 1(i):</p> <p>(i) against Council decisions relating to</p>	<p>To reflect the</p>

		<p>charging and financial assessment for adult care and support services;</p> <p>(j) against decisions relating to home to school and college travel.</p>	<p>framework agreed by Council that includes a right of appeal process.</p> <p>To introduce an independent appeal process. These relate to decisions made in relation to applications for home to school travel applications, post 16 travel applications and applications for free bus passes provided to pupils on statutory walking distance, unsafe route and means testing.</p>
62	<p>Schedule 2 – Non Executive Functions Delegated to Managers</p> <p>Part 1 – Delegations to Individual Managers</p> <p>1. Strategic Director, Communities and Environment</p> <p>Service Director, Development, Public Protection and Transport Strategy</p> <p>(1) Save in respect of matters otherwise reserved to the Council's Licensing and Regulatory Committees, to exercise the</p>	<p>Schedule 2 – Non Executive Functions Delegated to Managers</p> <p>Part 1 – Delegations to Individual Managers</p> <p>2. Strategic Director, Communities and Environment</p> <p>Service Director, Development, Transport and Public Protection</p> <p>(1) Save in respect of matters otherwise reserved to the Council's Licensing and Regulatory Committees, to exercise the</p>	<p>To reflect the correct designation of the officer.</p> <p>To cover explicitly the power to enforce housing standards.</p>

63	<p>powers and duties of the Council for the application of legislation including the appointment and authorisation of appropriate officers, to authorise, sign and serve all notices and deal with all applications, variations, licences, consents, revocations and suspensions, and take all necessary enforcement action including to issue simple cautions, on behalf of the Council in respect of its responsibilities for matters of:</p> <p>c) housing and building security</p> <p>7. To determine applications, notifications, consultation, enforcement and all other matters within the terms of reference of the Planning and Development Committee subject to the exceptions specified below:</p> <p>a) Applications (other than those for the discharge of conditions, extensions of time, section 73 applications, applications relating to block improvements of housing market renewal schemes or replacement of new industrial development (use class B1, B2 or B8)) in the Team Valley for major development as defined as:</p> <ul style="list-style-type: none"> Residential development of 10 or more dwellings, or where the number is not specified, the site is more than 0.5 hectares; 	<p>powers and duties of the Council for the application of legislation including the appointment and authorisation of appropriate officers, to authorise, sign and serve all notices and deal with all applications, variations, licences, consents, revocations and suspensions, and take all necessary enforcement action including to issue simple cautions, on behalf of the Council in respect of its responsibilities for matters of:</p> <p>c) housing and building standards and security</p> <p>7. To determine applications, notifications, consultation, enforcement and all other matters within the terms of reference of the Planning and Development Committee subject to the exceptions specified below:</p> <p>a) Applications (other than those for the discharge of conditions, extensions of time, section 73 applications, applications relating to block improvements of housing schemes or any new industrial development (use class B1, B2 or B8)) in an allocated Primary Employment Area for major development as defined as:</p> <ul style="list-style-type: none"> Residential development of 10 or more dwellings, or where the number is not specified, the site is more than 0.5 hectares; 	<p>To reflect the correct designation of the officer.</p> <p>To clarify the exceptions to this section and refer to the correct designation of the officer.</p>
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	<ul style="list-style-type: none"> • Other development where the floor space is 1000 square meters or more or the site is one hectare or more; • Where a major development is subject to a change of use, it will be classed as a major development and not a change of use. <p>The Service Director, Development and Public Protection may refuse an application for major development where it is clearly contrary to a relevant Council planning policy.</p> <p>g) Applications submitted by or on behalf of:</p> <ul style="list-style-type: none"> • The Chief Executive or any Strategic Director or the Service Director, Development and Public Protection. <p>h) Applications where five or more relevant and material planning objections have been lodged in writing, or a member of the Council, Member of Parliament for the Borough, Member of the European Parliament for the Borough or a parish council within the Borough has objected to it or asked that it be determined by the Planning and Development Committee.</p> <p>i) Applications where speaking rights</p>	<ul style="list-style-type: none"> • Other development where the floor space is 1000 square meters or more or the site is one hectare or more; • Where a major development is subject to a change of use, it will be classed as a major development and not a change of use. <p>The Service Director, Development, Transport and Public Protection may refuse an application for major development where it is clearly contrary to a relevant Council planning policy.</p> <p>g) Applications submitted by or on behalf of:</p> <ul style="list-style-type: none"> • The Chief Executive or any Strategic Director or the Service Director, Development, Transport and Public Protection. <p>h) Applications where five or more relevant and material planning objections have been lodged in writing, or a member of the Council, Member of Parliament for the Borough, Member of the European Parliament for the Borough or a parish council within the Borough has objected to it or asked that it be determined by the Planning and Development Committee giving material planning reasons for doing so.</p> <p>i) Applications where speaking rights</p>	<p>To clarify the delegation.</p> <p>To correct the delegation.</p>
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65	<p>have been requested and where there are five or more relevant and material objections have been lodged in writing in accordance with the scheme for speaking at Planning and Development Committee.</p> <p>j) Applications which the Service Director, Development and Public Protection considers should be determined by Planning and Development Committee having regard to approved guidance on this matter.</p> <p>(10) To respond to consultations from neighbouring planning authorities on applications.</p> <p>(12) c) Authorise the continuation of hazardous substances consent where there has been a change in the control of the land to which the consent related, provided that in the case of any application:</p> <p>1. no more than three relevant and material planning objections have been lodged in writing against it, and</p> <p>(13) To determine applications for prior approval in relation to permitted development proposals in accordance with the Town and Country Planning</p>	<p>have been requested and where five or more relevant and material objections have been lodged in writing in accordance with the scheme for speaking at Planning and Development Committee.</p> <p>j) Applications which the Service Director, Development, Transport and Public Protection considers should be determined by Planning and Development Committee having regard to approved guidance on this matter.</p> <p>(10) To respond to consultations from other planning authorities and from Government departments and agencies relating to Development Management Matters.</p> <p>(12) c) Authorise the continuation of hazardous substances consent where there has been a change in the control of the land to which the consent related, provided that in the case of any application:</p> <p>1. no more than five relevant and material planning objections have been lodged in writing against it, and</p> <p>(13) To determine applications for prior approval submissions in all cases whether or not objections are received due to the nature of these applications</p>	<p>To reflect the correct designation of the officer.</p> <p>To reflect a similar delegation to the Planning and Development Committee in Schedule 1.</p> <p>To reflect other planning applications under delegation 7(h).</p> <p>To enable these submissions to be processed in statutory timescales.</p>
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	(Development Management Procedure) (England) Order 2015 and any subsequent amendments to it.	being dealt with in relation to permitted development proposals in accordance with the Town and Country Planning (Development Management Procedure) (England) Order 2015 and any subsequent amendments to it.	
66	(23) Save in respect of a matter otherwise reserved to the Council's Planning and Development Committee to authorise, sign and serve notices and take all necessary enforcement action under section 215 and to obtain information under section 330 of the Town and Country Planning Act 1990.	(23) Save in respect of a matter otherwise reserved to the Council's Planning and Development Committee to authorise, sign and serve notices and take all necessary enforcement action under section.	
67	(26) To obtain particulars of persons interested in land under section 16 of the Local Government (Miscellaneous Provisions) Act 1976.	(26) To authorise the serving of requisition for information Notices, including Planning Contravention Notices, under sections 171C and 330 of the Town and Country Planning Act 1990 and section 16 Local Government (Miscellaneous Provisions) Act 1976.	
	N/A	<p>Add the following delegations:</p> <p>(31) To be the Council's designated officer responsible for the implementation of the Community Infrastructure Levy.</p> <p>(32) To approve revisions to any of the matters in the Gateshead Community Infrastructure Levy Instalments Policy and Regulation 123 Infrastructure List.</p> <p>(33) To determine whether development should be subject to the Community</p>	<p>Previously agreed by the Cabinet.</p> <p>Previously agreed by the Cabinet.</p> <p>To allow the Council to implement the new</p>

67	<p>Service Director, Waste Services, Grounds Maintenance and Fleet Management</p> <p>N/A</p>	<p>Infrastructure Levy in accordance with the Council's charging schedule and the Community Infrastructure Levy Regulations 2010 and any subsequent amendments.</p> <p>(34) Following consultation with the Strategic Director, Corporate Services, to determine whether to take enforcement action under the provisions of the Community Infrastructure Levy Regulations 2010 and any subsequent amendments.</p> <p>(35) To authorise notices under Part IX Highways Act 1980 and the taking of action under Section 303 and 333 of Highways Act 1980</p> <p>(36) To take enforcement action against contraventions of the Environmental Protection Act 1990, Clean Neighbourhoods and Environment Act 2005, Anti-Social Behaviour, Crime and Policing Act 2014, Control of Pollution (Amendment) Act 1989 and the Refuse Disposal (Amenity) Act 1978.</p> <p>Service Director, Street Scene</p> <p>Insert the following delegation:</p> <p>Service Director, Culture, Communities, Leisure and Volunteering</p>	<p>function as CIL charging authority.</p> <p>As above.</p> <p>To ensure efficient and effective action is taken in a timely manner.</p> <p>As above.</p> <p>To reflect the correct designation.</p>
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68	<p>2. Strategic Director, Corporate Services and Governance</p> <p>(8) To approve the addition of posts to the enhanced car leasing scheme where difficulties are being experienced in recruitment and retention and to approve the provision of a leased car under the scheme without contribution by the post holder.</p> <p>N/A</p>	<p>(1) To approve and allocate the Local Community Fund to projects for which ward councillors request financial support.</p> <p>(2) To authorise, following consultation with the Strategic Director, Corporate Resources, price increases when required in the Council's coffee shops, restaurants and bars in line with business need and market forces.</p> <p>2. Strategic Director, Corporate Services and Governance</p> <p>Delete</p> <p><i>Renumber remaining delegations</i></p> <p>Insert the following delegation:</p> <p>(21) To enter into contracts (including framework agreements) for the supply of works, goods and services subject to the Contract Procedure Rules. This power may be further delegated to the Service Director, Legal, Democratic and Property Services or the Service Director, Litigation, Elections and Registrars.</p>	<p>To ensure requests are responded to in a timely manner.</p> <p>To formalise current processes.</p> <p>The leased car scheme no longer exists.</p> <p>To have consistent procedures in place for the signing of contracts.</p>
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69	3. Strategic Director, Corporate Resources N/A	<p>(22) As Senior Information Risk Owner, to appoint on behalf of the Council an officer of the Council as a Data Protection Officer and, following consultation with the Strategic Director, Care, Wellbeing and Learning, a Caldicott Guardian.</p> <p>3. Strategic Director, Corporate Resources</p> <p>Insert the following:</p> <p>(3) To approve commercially sensitive traded fees and charges, following consultation with the Leader and the Deputy Leader of the Council.</p> <p><i>Renumber remaining delegations.</i></p> <p>(7) To provide information as requested by the Tyne and Wear Pension Fund on behalf of the Council and also to provide a Council guarantee or make any necessary contributions or payments for Pension Fund Liabilities in relation to:</p> <ul style="list-style-type: none"> • Regional charitable or not for profit organisations; and • Insourced services and commissioning arrangements. 	<p>To formalise these arrangements.</p> <p>Previously agreed by Cabinet.</p> <p>To make the process more responsive. The decisions have no immediate financial implication arising from the provision of the guarantee.</p>
73	Part 2. General Delegations to Managers 3) General	Part 2. General Delegations to Managers 3) General	

	N/A	<p>Insert the following delegation:</p> <p>(g) Execute and complete documents including contracts for the purchase of works, goods and services up to the value of £25,000, memoranda of understanding and inter departmental service level agreements, subject first to taking appropriate advice from legal and procurement officers in the Corporate Services and Governance Directorate having regard to the nature, complexity and scale of contractual commitments involved.</p>	To correspond to the Contracts Procedure Rules.
75	<p>Schedule 3 – Responsibility for Local Choice Functions</p> <p>References to the Service Director, Development and Public Protection</p>	<p>Schedule 3 – Responsibility for Local Choice Functions</p> <p>Change references to the Service Director, Development, Transport and Public Protection</p>	To reflect the correct designation of the officer.
80	<p>Schedule 4 – Executive Functions Dealt with under Joint Arrangements Annex 1D</p> <p>Reference to North Eastern Procurement Organisation</p>	<p>Schedule 4 – Executive Functions Dealt with under Joint Arrangements Annex 1D</p> <p>Change reference to North East Procurement Organisation</p>	To reflect the correct title.
	<p>Schedule 5 – Executive Functions Delegated to Managers</p> <p>Part 1 – Delegations to Individual Managers</p>	<p>Schedule 5 – Executive Functions Delegated to Managers</p> <p>Part 1 – Delegations to Individual Managers</p>	

81	<p>1. Strategic Director, Care, Wellbeing and Learning</p> <p>(2) In accordance with Council policy, to act on behalf of the Council as local housing authority by determining, subject to any right of appeal which may apply, and to the extent that the matter is not dealt with by the Gateshead Housing Company under the terms of the Management Agreement:</p> <ul style="list-style-type: none"> (a) All applications in connection with the housing register (b) Determinations as to homelessness (c) All matters relating to the allocation of the Council's dwellings (d) Adaptations to Council property for disabled persons and the issue of aids to disabled persons in each case within budgetary provision and subject to a report to the Cabinet where the estimated cost exceeds £50,000 (e) Exercise by tenants of the right to buy, including approving valuations 	<p>1. Strategic Director, Care, Wellbeing and Learning</p> <p>Transfer this delegation to the Strategic Director, Communities and Environment.</p>	<p>To align with actual current responsibility for discharge of the function.</p>
82	<p>(3) To monitor the performance of the Gateshead Housing Company as the nominated officer under the Gateshead Housing Agreement.</p> <p>(4) To instruct the Strategic Director, Corporate Services and Governance to apply to the courts for appropriate remedies and order, including (but not</p>	<p>Transfer this delegation to the Service Director, Council Housing, Design and Technical Services.</p> <p>Transfer this delegation to the Service Director, Development, Transport and Public Protection.</p>	<p>To align with actual current responsibility for discharge of the function.</p> <p>To align with actual current responsibility for discharge of the function.</p>

	<p>restricted to) Anti-Social Behaviour Orders, to assist in ensuring community safety and proper estate management.</p> <p>(8) In accordance with the Council's Contract Procedure Rules and within budgetary provision, to award contracts in respect of the provision of care and support services to individuals arising out of delegations (5a) and (5b) and those functions delegated by virtue of Section 18 of the Care Act 2014 and the Contracting Out (Local Authorities Social Services Functions) (England) Order 2014.</p> <p>N/A</p>	<p><i>Renumber remaining delegations</i></p> <p>(5) In accordance with the Council's Contract Procedure Rules and within budgetary provision, to award (and where necessary to subsequently vary) after consultation with the relevant Cabinet Member and the Service Director Corporate Commissioning and Procurement contracts in respect of the provision of care and support services to individuals arising out of delegations (5a) and (5b) and those functions delegated by virtue of Section 18 of the Care Act 2014 and the Contracting Out (Local Authorities Social Services Functions) (England) Order 2014.</p> <p>Insert the following delegation:</p> <p>(6)(e) To undertake the role of nearest relative under the Mental Health Act 1983 when appointed to that role by a court or upon delegation to that role from a nearest relative.</p>	<p>To create clear delegation in relation to the variation of contracts, subject to appropriate officer consultation.</p> <p>To meet the requirements of the courts or relatives.</p>
84	<p>(15) In accordance with the Council's Contract Procedure Rules and Consolidated Procurement Principles and within budgetary provision to award Contracts in respect of residential care placements, domiciliary care, day-care</p>	<p>(12) In accordance with the Council's Contract Procedure Rules within budgetary provision to award (and where necessary to subsequently vary) contracts under existing framework or standing list arrangements in</p>	<p>To create clear delegation in relation to the variation of contracts, subject to appropriate officer consultation.</p>

	<p>placements, day-care education placements and residential placements for children.</p>	<p>accordance with processes agreed with the Service Director, Corporate Commissioning and Procurement in respect of residential care placements, domiciliary care, day-care placements, day-care education placements and residential placements for children.</p>	
84	<p>Service Director, Adult Social Care and Independent Living</p> <p>(1) To accept leases and grant licenses of property (for which there is budgetary provision) necessary to meet the Council's obligations to provide temporary accommodation to homeless persons on an emergency basis and to those requiring supported housing.</p> <p>2. Strategic Director, Communities and Environment</p>	<p>Service Director, Adult Social Care and Independent Living</p> <p>Transfer this delegation to Service Director, Council Housing, Design and Technical Services</p> <p>2. Strategic Director, Communities and Environment</p>	<p>To align with actual current responsibility for discharge of the function.</p>
85	<p>N/A</p> <p>(4) To purchase vehicles, plant and to meet the Council's operational requirements, subject to budgetary provisions being available; to scrutiny by the Strategic Director, Corporate Resources; and a report being submitted for information to the Cabinet when a tender other than the lowest is accepted.</p>	<p>Bring forward delegation 5 and make it delegation 1 and then renumber remaining delegations.</p> <p>(4) To purchase vehicles, plant and equipment in accordance with the Council's Contract Procedure Rules to meet the Council's operational requirements, subject to budgetary provisions being available; to scrutiny by the Strategic Director, Corporate Resources; and a report being submitted</p>	<p>To arrange the delegations in a more natural and logical order.</p> <p>To relate delegation to the Contract Procedure Rules.</p>

	<p>Service Director, Development, Public Protection and Transport Strategy</p> <p>N/A</p>	<p>for information to the Cabinet when a tender other than the lowest is accepted.</p> <p>Service Director, Development, Transport and Public Protection</p> <p>Insert the following delegations:</p> <p>Service Director, Council Housing, Design and Technical Services</p> <p>(1) In respect of Council housing stock, to exercise the powers of the Council and to authorise persons to exercise such powers, under the Public Health Acts 1936 and 1961, Prevention of Damage by Pests Act 1949, Local Government (Miscellaneous Provisions) Act 1982 and Housing Act 2004 and any other legislation conferring such powers, in order to prevent:</p> <ul style="list-style-type: none"> (i) Damaged or defective premises (or parts thereof). (ii) The deposit of noxious refuse. (iii) Prejudice to health, danger to the public and/or detriment to the amenities of the neighbourhood. (iv) Hazards (as defined by Housing Act 2004). <p>(4) To act on behalf of the Council in relation to the Council's duties to review and address homelessness.</p>	<p>To reflect the correct designation of the officer.</p> <p>To mirror the delegation to Service Director, Development, Transport and Public Protection - the delegation is limited to Council housing stock.</p> <p>To address homelessness duties.</p>
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88	<p>Service Director, Culture, Communities, Leisure and Volunteering</p> <p>(2) To engage artists to a maximum cost, inclusive of expenses, of £2,500; engagements in excess of £2,500 are subject to consultation with the Strategic Director, Corporate Services and Governance with a view to drawing up an appropriate contract;</p> <p>N/A</p>	<p>Service Director, Culture, Communities, Leisure and Volunteering</p> <p>(2) To engage artists to a maximum cost, inclusive of expenses, of £10,000; engagements in excess of £10,000 are subject to consultation with the Strategic Director, Corporate Services and Governance with a view to drawing up an appropriate contract;</p> <p>Insert the following delegations:</p> <p>(5) To make arrangements to undertake activity which can generate income to meet agreed targets set by the annual budget process.</p> <p>(6) Following consultation with the Strategic Directors, Corporate Resources and Corporate Services and Governance, to recommend to the Strategic Director, Communities and Environment, to implement flexible pricing arrangements to increase income, as appropriate.</p>	<p>To enable the service to develop sustainable methods of income generation to continue to provide some services and support some facilities on behalf of the council and for the benefit of residents.</p> <p>To enable the service to work more effectively within current market process.</p> <p>Previously agreed by Cabinet.</p>
88	<p>Service Director, Economic and Housing Growth</p> <p>(2) To deal with applications received for</p>	<p>Service Director, Economic and Housing Growth</p> <p>Transfer these delegations to the Service</p>	<p>To align with actual</p>

90	<p>financial assistance, including grants and loans, as defined in the Council's Housing Strategy and Financial Assistance Policy.</p> <p>(3) In relation to the Council's Housing Strategy and Financial Assistance Policy, following consultation with the Panel comprising the Service Director, Economic and Housing Growth and two members of the Council:</p> <ul style="list-style-type: none"> (a) to approve applications for loans for relocation and/or renewal that fall outside of the Council's approved loan policies and procedures; (b) to agree a fair equity loan repayment figure in cases where house prices have substantially increased or decreased; (c) to approve requests for moves from clearance areas other than in accordance with the Council's agreed phasing of such clearance. <p>3. Strategic Director, Corporate Resources</p>	<p>Director, Development, Transport and Public Protection.</p> <p><i>Renumber the remaining delegations.</i></p> <p>3. Strategic Director, Corporate Resources</p> <p>Insert the following delegation:</p> <p>(14) Following consultation with the Strategic Director, Corporate Services and Governance, to manage the overdraft position of Regent Funeral Services Ltd and to charge the company appropriately for this facility.</p>	<p>current responsibility for discharge of the function.</p> <p>To reflect a previous Cabinet decision.</p>
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90	<p>4. Strategic Director, Corporate Services and Governance</p> <p>N/A</p>	<p>(15) To administer the Discretionary Rate Relief Policy.</p> <p>4. Strategic Director, Corporate Services and Governance</p> <p>Insert the following delegations:</p> <p>(4) To authorise officers from Corporate Services and Governance to instruct or engage the services of external legal advisers.</p> <p><i>Renumber remaining delegations</i></p>	<p>To reflect a previous Cabinet decision</p> <p>To provide a constitutional basis for the occasional need to instruct external legal advisers.</p>
91	<p>(13) To enter into framework arrangements for the supply of goods and services subject to the tender procedure set out in the Contract Procedure Rules and to the Council's general terms and conditions of contract.</p>	<p>(14) To enter into contracts including framework agreements for the supply of works, goods and services subject to the Contract Procedure Rules. This power may be further delegated to the Service Director, Legal, Democratic and Property Services or the Service Director, Litigation Elections and Registrars.</p> <p>(18) To fulfil the role of appointed nominee of the Council for the purposes of taking out letters of administration of the estate of any person who is a creditor of the Council.</p>	<p>To cover the full scope of usual contract arrangements and to align with the practice for signing contracts.</p> <p>To meet a requirement of the Probate Registry.</p>
94	<p>Part 2 – General Delegations to Managers</p> <p>(1) Tenders</p> <p>1(a)(ii) The consolidated procurement</p>	<p>Part 2 – General Delegations to Managers</p> <p>(1) Tenders</p> <p>1(a)(ii) The Council's Corporate</p>	<p>To allow flexibility for</p>

	principles;	Commissioning and Procurement Strategy;	amendment of and adoption of new protocols.
149	Financial Regulations 9. Orders for Work, Goods and Services 9.4 Each order must conform with the directions of the Cabinet with respect to the consolidated procurement principles and the standardisation of supplies and materials.	Financial Regulations 9. Orders for Work, Goods and Services 9.4 Each order must conform with the directions of the Cabinet with respect to procurement protocols and the standardisation of supplies and materials.	To use the current terminology.
152	13. Contracts for Building, Constructional or Engineering Work 13.1 All tender activity shall be conducted in line with the consolidated procurement principles. 13.7 Subject to the provisions of the contract or tender in the case of Communities and Environment, in each case every extra or variation must be authorised in writing by the architect or engineer (or private architect, engineer or consultant) as may be appropriate or by his/her deputy or other officer nominated by him/her in writing for the purpose.	13. Contracts for Building, Constructional or Engineering Work 13.1 All tender activity shall be conducted in line with the Contract Procedure Rules and procurement protocols. 13.7 Subject to the provisions of the contract or tender, in each case every extra or variation must be authorised in writing by the architect or engineer (or private architect, engineer or consultant) as may be appropriate or by his/her deputy or other officer nominated by him/her in writing for the purpose.	As above.
153	13.16 The Strategic Director, Communities and Environment must supply to the Cabinet, at such intervals as it may determine, a comparative statement of cost and valuations of work being	13.16 The Strategic Director, Communities and Environment must supply to the Cabinet, at such intervals as it may determine, a comparative statement of cost and valuations of work being	To reflect the correct title of the service.

	carried out by Construction Operations.	carried out by Construction Services.	
158	<p>22. Information and Communications Technology</p> <p>22.4 Strategic Directors are responsible for computer equipment and systems under their control and their proper use in accordance with the Council's ICT Security and the Standards, Procedures and Protocols document.</p>	<p>22. Information and Communications Technology</p> <p>22.4 Strategic Directors are responsible for computer equipment and systems under their control and their proper use in accordance with the Council's IT Security and the Standards, Procedures and Protocols document.</p>	To reflect the change in service designation to IT Services.
181 – 200	<p>Development Control – Protocol on Good Practice</p> <p>N/A</p>	<p>Development Control – Protocol on Good Practice</p> <p>Change all references to Development Control to Development Management</p>	To reflect the change of name.
186	<p>Press Comments</p> <p>3.5 Comments should accord with the principles of this code and in particular must not create the impression that members have prejudged the planning application. The Council's Service Director, Policy, Transformation and Communications is available to assist councillors in their dealings with the media.</p>	<p>Press Comments</p> <p>3.5 Comments should accord with the principles of this code and in particular must not create the impression that members have prejudged the planning application. The Council's corporate communications team are available on telephone number 433 3544 to assist councillors in their dealings with the media.</p>	To reflect the correct Council team to contact.
228	<p>Protocol – Director Of Public Health</p> <p>2. Role and Functions of the Director of Public Health</p> <p>2.2 Many of the Director of Public Health's</p>	<p>Protocol – Director Of Public Health</p> <p>2. Role and Functions of the Director of Public Health</p> <p>2.2 Many of the Director of Public Health's</p>	To accurately reflect

	<p>functions are prescribed by law and match exactly the corporate public health duties of the Council. The Director is directly accountable to the Council's Chief Executive for the delivery of the public health functions of the Council. The core functions are:</p> <ul style="list-style-type: none"> • To be responsible for all of the Council's duties to take steps to improve public health; • To be responsible for any of the Secretary of State's public health protection or health improvement functions that he/she delegates to local authorities either by arrangement or under regulations; this includes the following mandated services: <ul style="list-style-type: none"> o Weighing and measuring of children; o Health check assessments; o Sexual health; and o Water Fluoridation programmes (where applicable); • To be responsible for exercising the Council's functions in planning for, and responding to, emergencies that present a risk to public health; • To be responsible for the Council's role in co-operating with the police, the probation service and the prison service to assess the risks posed by violent or sexual offenders; • To be responsible for providing free public health advice to the Clinical 	<p>functions are prescribed by law and match exactly the corporate public health duties of the Council. The Director is directly accountable to the Council's Chief Executive for the delivery of the public health functions of the Council. The core functions are:</p> <ul style="list-style-type: none"> • To be responsible for all of the Council's duties to take steps to improve public health; • To be responsible for any of the Secretary of State's public health protection or health improvement functions that he/she delegates to local authorities either by arrangement or under regulations; this includes the following mandated services: <ul style="list-style-type: none"> o Weighing and measuring of children; o NHS Health check offer and assessments; o Sexual health; o Water Fluoridation programmes (where applicable); o Public Health Advice to the Clinical Commissioning Group for the area; and o Protecting the health of the local population. • To be responsible for the 0 to 5 Healthy Child Programme, including the following mandated elements of the universal service: <ul style="list-style-type: none"> o Antenatal health promoting visits; o New baby review; o 6-8 week assessment; o 1 year assessment; and 	<p>the role and functions.</p>
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	<p>Commissioning Group for the area; and</p> <ul style="list-style-type: none"> • To be responsible for any other such functions as the Secretary of State specifies in Regulations. <p>2.3 In addition to the above, the functions of the Director of Public Health can be seen as falling into two broad areas as set out below (note that this is not an exhaustive list).</p> <p>Prevention of ill health, Health Improvement and reducing health inequalities</p> <p>This is achieved through:</p> <ul style="list-style-type: none"> • Ensuring the mechanisms are in place to lead the Council and its partners in the transformational change necessary to meet Vision 2030 targets of the healthiest population in England by 2030; 	<p>o 2-2½ year review.</p> <ul style="list-style-type: none"> • To be responsible for exercising the Council's functions in planning for, and responding to, emergencies that present a risk to public health; • To be responsible for the Council's role in co-operating with the police, the probation service and the prison service to assess the risks posed by violent or sexual offenders; and • To be responsible for any other such functions as the Secretary of State specifies in Regulations. <p>2.3 In addition to the above, the functions of the Director of Public Health can be seen as falling into two broad areas as set out below (note that this is not an exhaustive list).</p> <p>Prevention of ill health, Health Improvement and reducing health inequalities</p> <p>This is achieved through:</p> <ul style="list-style-type: none"> • Ensuring the mechanisms are in place to lead the Council and its partners in the transformational change necessary to realise the aspirations of Vision 2030; <p>3.1 In order to discharge his/her responsibility</p>	<p>There are no longer Vision 2030 targets as specified in the original Protocol.</p>
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	<p>3.1 In order to discharge his/her responsibility to the Council and deliver real improvements to local public health, the Director must have an overview of the Council's activity and the necessary degree of influence over it.</p> <p>This is achieved through:</p> <ul style="list-style-type: none"> • Being a standing member of the Health and Wellbeing Board and Community Safety Board; • Inclusion in the Council's corporate management team (Strategy Group) for consideration of all public health issues (including regular attendance on a monthly basis), and in the Care, Wellbeing and Learning Management Team generally, and at other service groups' management teams where appropriate; • Having full access to papers considered by the Council's corporate management team (via the CBS Management Team's access systems), IT-based information systems, and other information needed to inform and support the delivery of all his/her functions; • Having day to day control of, and accountability for, the Council's ring-fenced Public Health Grant as 	<p>to the Council and deliver real improvements to local public health, the Director must have an overview of the Council's activity and the necessary degree of influence over it.</p> <p>This is achieved through:</p> <ul style="list-style-type: none"> • Being a standing member of the Health and Wellbeing Board and Community Safety Board; • Inclusion in the Council's corporate management team (Strategy Group) for consideration of all public health issues (including regular attendance at Strategy Group), and in the Care, Wellbeing and Learning Management Team generally, and at other service groups' management teams where appropriate; • Having full access to papers considered by the Council's corporate management team (via the CWL Management Team's access systems), IT-based information systems, and other information needed to inform and support the delivery of all his/her functions; • Having day to day control of, and accountability for, the Council's ring-fenced corporate Public Health budget (such accountability being directly to 	<p>Attendance at all Strategy Group meetings is now required.</p> <p>To reflect the current structure.</p> <p>To remove the historical references.</p>
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	provided to the Council in 2013/14 and 2014/15, and from budget year 2016/17 the corporate Public Health budget (such accountability being directly to the Council's Chief Executive) as determined by the Council each budget year;	the Council's Chief Executive) as determined by the Council each budget year;	
242	<p>Protocol on Councillor Officer Relations</p> <p>14.2 The Council endorses these principles and accordingly seeks to provide members with a range of support services, including</p> <ul style="list-style-type: none"> • stationery, typing and photocopying • the use of certain employees, such as the Members' Secretary and support staff in the Cabinet Office • an increasingly wide range of ICT services, including some services which can be used by councillors in their own homes. <p>14.4 In using the Council's ICT resources councillors must comply with the Councillors' ICT Security Policy Failure to comply could have serious consequences for the Council, for example in exposing it to legal liability</p>	<p>Protocol on Councillor Officer Relations</p> <p>14.2 The Council endorses these principles and accordingly seeks to provide members with a range of support services, including</p> <ul style="list-style-type: none"> • stationery, typing and photocopying • the use of certain employees, such as the Members' Secretary and support staff in the Cabinet Office • an increasingly wide range of IT services, including some services which can be used by councillors in their own homes. <p>14.4 In using the Council's IT resources councillors must comply with the Councillors' IT Security Policy Failure to comply could have serious consequences for the Council, for example in exposing it to legal liability</p>	To reflect the change in service designation to IT Services.
249	<p>Statement on the Role of the Ward Councillor as Community Champion</p> <p>1. As a general principle, our neighbourhood arrangements will recognise the position of the ward or "front-line" councillor as the</p>	<p>Statement on the Role of the Ward Councillor as Community Champion</p> <p>1. As a general principle, our neighbourhood management arrangements will recognise the position of the ward or "front-line"</p>	To reflect the arrangements previously

250	<p>legitimate, democratically elected representative of the people and communities within his/her ward.</p> <p>5. As part of their role in advocating for local communities and developing neighbourhood priorities, ward councillors will also have an important relationship with their Area Forum, even where they are not part of its formal membership. There will be instances where they will wish to submit items for the agenda, and attend and speak at the meeting, particularly when putting the case for some local variation in service standards. This route will also be appropriate for raising problems which need solving through the Council's partners. As a matter of course, councillors will receive agendas and minutes for their Area Forum. They can also raise concerns with the Cabinet member for the area.</p> <p>6. As well as Area Forums, there are other important channels of communication with ward members such as ward liaison meetings and Leader's visits. In addition the Councillors' Charter for Consultation and Communication sets out clear and consistent standards which officers across the Council are expected to follow in consulting ward councillors and responding to their enquiries.</p>	<p>councillor as the legitimate, democratically elected representative of the people and communities within his/her ward.</p> <p>Delete this section</p> <p><i>Renumber remaining sections</i></p> <p>6. There are other important channels of communication with ward members such as ward meetings. In addition the Protocol for Communicating and Consulting with Councillors sets out clear and consistent standards which officers across the Council are expected to follow in consulting ward councillors and responding to their enquiries.</p>	<p>implemented by the Council.</p> <p>To reflect current arrangements.</p> <p>To reflect the current arrangements.</p>
256	<p>Part 7 – Management Structure</p> <p>N/A</p>	<p>Part 7 – Management Structure</p> <p>Amend Part 7 to reflect the current</p>	<p>To reflect changes in</p>

		management structure.	the management structure since the last review of the constitution.
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COUNCIL MEETING

20 July 2017

REVIEW OF PAY PROTECTION

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to seek approval for changes to the Council's policy for pay protection.
2. Continual reviews of terms and conditions of employment have been undertaken since 2010 in order to contribute to the savings targets and improve efficiency, remove anomalies and allow the Council to operate as a modern employer with fair and appropriate terms and conditions.
3. The Council's current pay protection arrangement is 4 years. Pay protection has been successful in supporting the workforce at times of significant change. However, at a time of significant financial pressure it is necessary to consider whether the existing arrangements continue to be affordable.
4. Extensive consultation has been carried out with trade unions and reference has also been made to the approach taken by other local authorities at a national and local level.
5. It is proposed to implement the revised protection arrangements from 1 October 2017.
6. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

7. It is recommended that Council approves the proposal outlined in the attached report.

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TITLE OF REPORT: **Review of Pay Protection**

REPORT OF: **Mike Barker, Strategic Director, Corporate Services and Governance**

Purpose of the Report

1. The purpose of this report is to seek Cabinet's approval and recommendation to Council of changes to the Council's policy for pay protection.

Background

2. Continual reviews of terms and conditions of employment have been undertaken since 2010 in order to contribute to the savings targets and improve efficiency, remove anomalies and allow the Council to operate as a modern employer with fair and appropriate terms and conditions, duly reflecting our values and aspirations.
3. Although not a term or condition of employment, the review has included the Council's approach to pay protection: i.e. how we safeguard the pay of an employee who is affected by organisation change, for example, by a service restructure in which they are redeployed into a lower paid job, or a pay and grading review. It provides a period of time during which the employee is able to adjust to a reduction in earnings.
4. The Council's current pay protection arrangement is 4 years. It was agreed to implement a 4 year pay protection period as part of the Council's single status agreement and this took effect when the first phase of the job evaluation review was implemented in 2006, backdated to 1 October 2005. In the first year the employee receives spinal column point protection. In the 2nd, 3rd and 4th years the employee is protected by a maximum of two grades.
5. Pay protection has been successful in supporting the workforce at times of significant change (and will continue to play an important role in the redeployment process), providing financial support to employees when moving into new roles at a lower grade whilst also contributing to minimising the number of compulsory redundancies.
6. The Council is committed to ensuring that the negative impact of changes to the workforce are minimised as far as possible and employees continue to receive some level of protection when changes affect their pay. However, at a time of significant financial pressure it is necessary to consider whether the existing arrangements continue to be affordable.
7. Since 2012 there have been 170 employees in receipt of pay protection. The cost to the Council of providing 4 years pay protection to these employees has been £1.667m. The cost of protection for the 39 employees currently in pay protection over the 4 year

period is approximately £644k. This does not take into account any future protection arrangements that may be put in place as a result of employees redeployed as a part of the implementation of future reviews or budget reductions.

8. Extensive consultation has also been carried out with the Council's recognised trade unions to ascertain their views on the value of the current policy and impact of any potential changes. Their views are also set out at Appendix 1, along with an analysis of the position informing the proposal below.
9. In carrying out the review, reference has also been made to the approach taken by other local authorities at both a national and local level. It can be noted that Gateshead is the only employer currently offering a protection period of four years.

Proposal

10. After carefully considering the trade unions' representations and what level of pay protection is appropriate given the ongoing significant financial pressures, it is proposed to retain the 4 year protection period, but that the level of protection should taper over each year (100% protection in year one, 75% in year 2, 50% in year 3 and 25% in year 4).
11. The proposal will contribute a 38% saving in the cost of employment of staff subject to pay protection, and ensure that the Council has a modern and appropriate human resources policy framework which is affordable and competitive. The proposal has been developed on the basis that pay protection is of value and should be continued to ensure support is provided to employees faced with redeployment into a lower grade post.
12. It is proposed to implement the revised protection arrangements from 1 October 2017.

Recommendations

13. It is recommended that approval is given to the proposal outlined in this report and Cabinet recommends its adoption by the Council.

For the following reasons:

- (i) To achieve savings in the cost of pay protection, and therefore the cost of employment.
- (ii) To ensure that the Council has modern and appropriate employment policies which are affordable and competitive.
- (iii) To minimise redundancies.

Policy Context

1. The proposals within this report have been developed under the Council's Workforce Strategy and Plan, and support the priorities in the Medium Term Financial Strategy, Council Plan and Vision 2030, particularly reducing costs.
2. Developing effective operational practices and modernised terms and conditions of employment will contribute to the avoidance of redundancy whilst recognising that our human resources policy framework needs to be competitive and sustainable.

Background

3. Given the continuing need to identify savings to bridge the funding gap identified in the Medium Term Financial Strategy, along with the increasing pressure to ensure our terms and conditions reflect the current climate and the likelihood that this pressure will continue for the foreseeable future, we need to ensure our approach to pay and reward fits the organisation's values and commitment to look after the workforce whilst recognising the need to be competitive and sustainable.
4. The Council's Workforce Strategy and Plan confirm this need to have a Pay and Reward Strategy which is fit for purpose, including the continued review of terms and conditions of employment to ensure they are consistent with the Council's aspirations set out in the Council Plan.
5. The review of terms and conditions will continue in order to ensure services are delivered in the most efficient and effective way possible and are sustainable, reduce the need for further redundancies because of competitiveness/lack of competitiveness or inability to be more flexible and make services more cost effective to increase success in traded services.
6. Although not a term or condition of employment, the review has included the Council's approach to pay protection: i.e. how we safeguard the pay of an employee who is affected by organisation change, for example, by a service restructure in which they are redeployed into a lower paid job, or a pay and grading review. It provides a period of time during which the employee is able to adjust to a reduction in earnings.
7. The Council is, therefore, proposing an amendment to the pay protection arrangement that will contribute to savings in the costs of employment and allow the Council to operate as a modern organisation with appropriate employment policies which are affordable and competitive.
8. The Trade Unions representations have been fully considered in frequent and regular meetings. Their initial comments were as follows:
 - They believe the pay protection arrangements are what have facilitated changes to the workforce in the past and ensured good working relations between trade unions, the Council and employees.
 - They also believe that the current protection arrangement has been crucial in achieving the outcomes the council and trade unions have wanted for employees over the previous 5 years. The trade unions have stated that the success of the protection agreement has been shown through the lack of compulsory redundancies and the ability to redeploy employees into new roles within the

Council where their post has been made redundant. Furthermore they believe that it sets out the difference as to why Gateshead Council has been more successful than other authorities in achieving this and although it is at a cost, it is on a sliding scale and it offers value for money. They believe that it is imperative that the agreement remains as it is to continue this good work in significantly reducing the number of CRs. They also believe that the agreement helps retain the morale and goodwill of affected employees, and goes someway to protect valued employees against potentially devastating financial impact.

9. A summary of the proposal is shown below, along with the Trade Unions' response to the proposal.

Proposal relating to reducing the pay protection period

10. Several options to reduce pay protection have been presented to the trade unions. The proposals have been developed on the basis that pay protection is of value and should be continued to ensure support is provided to employees faced with redeployment into a lower grade post. These options include reductions in the protection period as well as tapering over the period. The savings that could be achieved from the various options range from a maximum of 75% to a 25% saving from the current position and are shown in more detail in the table below. This assumes that only a small number of employees would be protected on 2 grades above their new grade.

Option	Detail	Cost over total protection period (£)	Saving over current protection	% saving
Current	Existing – 4 years - 1st year full protection, 3 years 2 grades above new grade	643,576	N/A	N/A
1	1 year full SCP	160,894	482,682	75%
2	2 years full SCP or 3 years - 100%, 66%, 33%	321,788	321,788	50%
3	4 years - 100%, 75%, 50%, 25%	402,235	241,341	38%
4	4 years - 100%, 75%, 65%, 30%	434,413	209,162	33%
5	3 years - 1st year full protection, 2 years 2 grades above new grade	482,682	160,894	25%

N.B. Figures relate to 39 General Fund employees in protection as at 30/03/2017

11. The Council is committed to ensuring that the negative impact of changes to the workforce are minimised as far as possible and employees continue to receive some level of protection when changes affect their pay. However, it is no longer financially viable to continue offering the current pay protection arrangements.
12. Consideration has been given to what level of pay protection is appropriate given the ongoing significant financial pressures.

Trade Union Response

13. The trade unions stress that protection is not a cost, and that the Council are not adding to the pay bill. Furthermore Gateshead Council should be proud to have a good protection agreement and should not be negatively influenced by other local authorities. The trade unions also stress that whilst other budget savings are made

through efficiencies, this proposal is funded entirely by taking money out of employees' pockets as their wages are reduced.

14. The trade unions' initial position was that they could not agree a reduction from 4 years protection; however, following extensive discussions they have confirmed that they would be prepared to take one of the following options to their members:
 - Preferred option: 3 years protection with the first year being SCP protection and the remaining 2 years the employee is protected by a maximum of two grades above the new grade (25% saving) or
 - Alternative option: 4 years protection with the level of protection tapering over each year i.e. 100% protection in year one, 75% in year 2, 50% in year 3 and 25% in year 4 (38% saving).
15. The trade unions have stated that if the policy is changed, they do not see any further reviews as being necessary in the near future.
16. The trade unions have also requested that where an employee is in pay protection, managers commit to identifying through the A&D process opportunities for development which would support the employee to get out of pay protection. The A&D guidance has been revised to reflect this.
17. As it is in the interests of all parties for the revised A&D procedure to work effectively, the trade unions maintain that accurate monitoring of its success is integral to the process. Accordingly they would look to agree the basis and timescale on which relevant data will be supplied, including the details of individuals in receipt of pay protection. In particular, the unions have highlighted their concerns that effort needs to be put into this at all levels, as in their experience it has been applied for more senior employees rather than those on lower grades.
18. Assurances will be provided regarding ensuring the effective roll-out of the Council's A&D process and regular monitoring by senior management. Performance information regarding completion of A&Ds and who is in receipt of pay protection will be shared regularly with the trade unions.
19. Having considered carefully the trade unions' representation, the proposal is to retain the 4 year protection period; however, the level of protection will taper over each year (100% protection in year one, 75% in year 2, 50% in year 3 and 25% in year 4) from 1 October 2017.
20. The saving to the Council in introducing the tapering arrangements over the 4 years (£241k or 38% of the current cost).
21. It is likely that there will be a significant amount of change going forward resulting in services undertaking restructures or potential redundancy situations. This could significantly increase the number of people who receive pay protection; therefore the tapering over the pay protection period proposed will still enable changes to the workforce whilst at the same time reducing the costs of employment.
22. This proposal would deliver a significant saving to the costs of pay protection. It will also support services that are looking to transform, generate income, and become more financially stable from not having such high pay protection costs.

23. Having tapering over the protection period will ensure that both employees and managers are motivated to identify suitable development opportunities that will support the employee to get out of pay protection as soon as possible.
24. As the Council will need to continue to find new ways to deliver more for less due to severe constraints on funding, there is a need to ensure services offer people greater choice and control over their daily lives and to engage actively with the public to develop them. The workforce also needs to be able to adapt not just to any immediate changes, but to be flexible enough to continually adapt to any roles that may be required in the future.
25. Tackling these issues can only be done in conjunction with re-training / upskilling and re-motivating staff to cope with the challenge this presents. It is vital that employees, including those that have been redeployed into alternative roles as a result of organisational change or as an alternative to redundancy are supported to develop to ensure they have the right skills and experience to be a part of the workforce of the future.
26. Gateshead is the only employer currently offering a protection period of four years. The protection arrangements of other local authorities in the region are all less generous than Gateshead's:
 - Redcar & Cleveland – no pay protection
 - Middlesbrough – no pay protection
 - Sunderland - 1 year,
 - South Tyneside - 1 year,
 - Newcastle - 1 year,
 - Durham - 1 year,
 - North Tyneside – 2 years with a £6,000 cap
 - Northumberland - currently 3 years but considering reducing to 6 months or 1 year.
 - Darlington – 3 years with tapering (100%, 50%, 25%)
 - Hartlepool – 3 years
27. It is recommended that the proposals to retain the 4 year protection period, with the level of protection tapering over each year from 1 October 2017, is implemented in order to contribute to the savings in the cost of employment, improve efficiency and allow the Council to operate as a modern organisation with appropriate employment policies which are affordable and competitive.
28. The proposed changes will only impact on employees who are subject to pay protection in the future.
29. Although there are no further plans to review the Council's pay protection arrangements, it may be appropriate to revisit it in due course.

Consultation

30. The views of the Leader and Deputy Leader of the Council have been sought in drafting this report. The Council's recognised non-teaching Trade Unions have also been consulted (see above) and their views taken into account in the drafting of the proposals.

Alternative Options

31. The Council could decide to make no change to the pay protection; however, this alternative will not deliver savings.

Implications of Recommended Option

32. **Resources:**

- a) **Financial Implications** – The Strategic Director, Corporate Resources, confirms that the recommendations included in this report will deliver a 38% saving in the cost of pay protection compared with current arrangements.
- b) **Human Resources Implications** – the human resources implications are considered throughout this report.
- c) **Property Implications** – there are no property implications arising from the recommendations within this report.

33. **Risk Management Implication** - Failure to implement the recommended option would result in the potential identified savings not being achieved.

34. **Equality and Diversity Implications** – an Equality Impact Assessment has been undertaken to analyse the impact of the proposal against the 9 protected characteristics. The proposal would be applied equally to all staff, however due to our workforce profile there is the potential for the proposal to impact white, heterosexual females the most. The impact will need to be monitored and reviewed and this will be carried out on a regular basis. The Equality Impact Assessment can be found in the Council's online papers.

35. **Crime and Disorder Implications** – There are no crime and disorder implications.

36. **Health Implications** - There are no health implications.

37. **Sustainability Implications** - There are no sustainability implications.

38. **Human Rights Implications** - There are no human rights implications.

39. **Area and Ward Implications** - There are no area and ward implications.

40. **Background Information**

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COUNCIL MEETING

20 July 2017

CONSULTATION RESPONSE TO GATESHEAD'S DRAFT SPECIAL EDUCATIONAL NEEDS AND DISABILITIES (SEND) STRATEGY

Sheena Ramsey, Chief Executive

EXECUTIVE SUMMARY

1. The purpose of this report is to inform of the findings from a consultation exercise on the draft Special Educational Needs and Disabilities (SEND) Strategy and to seek approval of the final strategy.
2. The SEND Strategy sets out the current context in relation to children and young people with SEND in Gateshead and the strategic aims and priorities the Council will work on, in partnership with education, health and care commissioners, providers and service users.
3. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

RECOMMENDATION

4. It is recommended that Council approves the SEND Strategy and the key areas for action outlined in appendix 2 of the attached report, together with its publication.

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TITLE OF REPORT: Consultation Response to Gateshead's draft Special Educational Needs and Disabilities (SEND) Strategy

REPORT OF: Val Hall, Service Director - Early Help, Care, Wellbeing and Learning

Purpose of the Report

1. To inform Cabinet about the responses to the consultation exercise on the draft SEND Strategy and to seek approval of the final strategy.

Background

2. Gateshead's draft Special Educational Needs and Disabilities (SEND) Strategy sets out the Council's vision for children and young people with SEND which is to:

'Give children the best start in life and to support them to achieve their best. The Council wants children and young people to develop their independence as far as practicable, to become confident, participating and contributing adults and to live fulfilled and productive lives.'

3. The strategy sets out the current context in relation to children and young people with SEND in Gateshead and the strategic aims and priorities the Council will work on through various SEND strategic planning and working groups. It will do this working in partnership with education, health and care commissioners, providers and service users.

Proposal

4. The Council consulted between 31 March and 28 April 2017 on the draft SEND strategy. The consultation responses and the draft SEND Strategy can be found in Appendix 1 and 2. No changes are proposed to be made to the strategy as a result of the consultation.

Recommendations

5. It is recommended that
 - (i) Cabinet note the responses to the consultation exercise; and
 - (ii) Cabinet recommends Council to approve the SEND Strategy and the key areas for action outlined in it as set out in appendix 2, together with its publication.

For the following reasons:

- (i) The SEND Strategy provides leaders and practitioners working with children and young people with SEND with information that will enable them to better

understand the current context around children with Special Educational Needs and Disabilities and how the Council will work in partnership with key commissioning and delivery partners to meet those needs through the various strategic planning and working groups already in operation.

- (ii) To aid the Council in meeting its statutory responsibilities for children, young people with SEND and their families as set out in the SEND Code of Practice (0-25 years) and Part 3 of the Children and Families Act 2014.

CONTACT: Val Hall

extension: 2782

Policy Context

1. The Council has statutory duties set out in the Special Educational Needs and Disabilities (SEND) Code of Practice and part 3 of the Children and Families Act 2014 to identify the needs of children and young people with SEND meet those needs and improve outcomes for them. The proposals in this report are consistent with statutory duties and with the vision for children and young people as set out in Vision 2030 and the Children Gateshead; the plan for children, young people and families.

Background

2. Gateshead's draft SEND Strategy provides insight into the immediate and longer term challenges that are currently faced and the practical steps that the Council is taking to address them. The statistical analysis presented in the Context section provides the rationale for some priorities. Other work streams are a response to issues identified by practitioners or emerging from the new SEND Code of Practice. Details of this work and the ways in which it supports the delivery of the Council's goals are provided in the Strategic Aims and Implementation sections of the strategy.

Consultation

3. Using the Council's online consultation portal, the Council consulted between 31 March and 28 April 2017 on the draft SEND Strategy.
4. 20 people responded to the online consultation.
 - Of the 20 respondents, 19 (95%) strongly agreed or tended to agree with the strategic aims that were identified in the strategy. 1 person (5%) strongly disagreed.
 - Of the 20 respondents, 19 (95%) strongly agreed or tended to agree that we are focusing on the right areas for action. 1 person (5%) strongly disagreed.

Additional comments received via the online consultation are set out in the table below:

Response
Class sizes are an issue. Supply teachers are covering for staff and quite often are just giving classes basic needs as the subject covering is not there fields.my child often comes home complaining about supply teacher not having a clue about the lesson there teaching as they have been given a draft copy or repeated work already done previously.
Every family is different but also introducing changes needs to happen now and help for the long term future i.e. travel training costs of services, introducing help for families before anything happens. Teach schools, carers, foster parents how to deal with changes and how it affects them link services and help services to grow and to COMMUNICATE with other services in the council also consider workloads for social workers and their restrictions that's why the council have a high turnover of social

workers consider all of the above.

SEN should be assessed on an individual basis, support should be provided to suit needs not resources, and in order to help with this disabilities and support provided to support disabled children in education should not be categorised to the point that a child who had one specific need is excluded from support as their main need is not categorised in the support bracket. Some children may have physical impairment, visual impairment and autistic traits they do not necessarily fit into one type of support group. This needs to be considered when providing training and resources for children with SEN. In addition to out of school provision as this should for part of the whole education provision.

The strategy specifically mentions Looked After Children but does not mention those who have moved from being Looked After to being Adopted. The extra needs do not disappear once an adoption order is in place and many adopters find that they feel cut adrift from support services for their children.

This looks good on paper but how will this be implemented with school budgets being cut and stretched. I have experience both personally and professionally of the SEN system and it is getting worse.

5. There is no proposal to amend the strategy based on responses received via the consultation exercise. The comments received will be picked up and acted upon through the work of the SEND Strategy Group.
6. The Cabinet Members for Children and Young People have been consulted.

Alternative Options

7. Cabinet could decide to not approve the SEND Strategy; however, this would result in a delay to the priorities outlined in the strategy being actioned.

Implications of Recommended Option

8. Resources:

- a) **Financial Implications** – The Strategic Director Corporate Resources confirms there are no specific financial implications.
- b) **Human Resources Implications** – There are no specific HR implications.
- c) **Property Implications** - None

9. Risk Management Implication - None

10. Equality and Diversity Implications - No specific Equality and Diversity implications.

11. Crime and Disorder Implications – None

- 12. **Health Implications** - None
- 13. **Sustainability Implications** - None
- 14. **Human Rights Implications** - None
- 15. **Area and Ward Implications** - None

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Gateshead SEND Strategy 2016-18

Vision

Gateshead is committed to giving children the best start in life and to supporting children and young people to achieve their best. We want children and young people to develop their independence as far as practicable, to become confident, participating and contributing adults and to live fulfilled and productive lives. To this end, we undertake to work in partnership as professionals and with children, young people and their families to ensure that services and individualised support arrangements are appropriate, accessible, effective and efficient.

Introduction

Within Vision 2030 the Council and its partners present a shared ambition for the future of the Borough. The common aim is to create a confident and aspirational place in which children get the best start in life and where those who need help get it easily with agencies working together and where inequalities in health and education are eradicated.

Supporting children and young people who have special educational needs and/or disabilities is crucial to the successful delivery of this ambition.

This Strategy provides insight into the immediate and longer term challenges that we currently face and the practical steps that we are taking to address them. The statistical analysis presented in the Context section provides the rationale for some priorities. Other work streams are a response to issues identified by practitioners or emerging from the new SEND Code of Practice. Details of this work and the ways in which it supports the delivery of our goals are provided in the Strategic Aims and Implementation sections of the strategy.

Context

Incidence of SEND

In January 2016, there were 4,387 *school-age pupils in Gateshead* with a special educational need or disability (SEND), which equates to 15% of the school population. Of these, 891 (20%) had either a statement of SEN or Education, Health and Care Plan (EHCP) and 3,496 (80%) were at SEN Support (*School Census*).

Children and young people with a statement of SEN or EHC Plan

In January 2016, 980 children and young people aged 0-25 had either a statement of SEN or EHCP (*SEN2 Return*).

The majority of these (82%) were aged between 5 and 15, 3.9% were under 5 years, 13.6% were aged 16 to 19 and just 3 were aged 20 to 25.

Most of those with a statement or EHCP were attending a special school or academy (51.8%), 17.3% were attending a maintained mainstream school, 4.5% were in resourced provision in a Local Authority maintained mainstream school, 12.2% were attending an academy and 7.3% were attending either a non-maintained special school, an independent special or 'other' independent school. 0.6% were attending non-maintained early years settings in the private and voluntary sector, 3.9% were attending a general Further Education (FE) and tertiary college (Higher Education) and 0.5% were attending specialist post-16 institutions. The remainder were educated other than at school or were waiting provision.

1.0% of all primary mainstream pupils, 1.5% of all secondary mainstream pupils and 99.2% of all special school pupils have a statement of SEN or EHCP (*School Census; Jan 2016*).

Children and young people at SEN Support

In January 2016, 11.7% of all school-age pupils in Gateshead (3,496) were at SEN Support. The vast majority of these (95.9%) were attending a mainstream school (*School Census*).

13.7% of all primary mainstream pupils, 9.6% of all secondary mainstream pupils and 0.8% of all special school pupils were at SEN Support (*School Census; Jan 2016*).

Primary needs of pupils with SEND

Primary Special Educational Need Category	Number of pupils*	% of all school-age pupils (29,842)
Moderate Learning Needs (MLD)	1073	3.6%
Speech, Language and Communication Needs (SLCN)	833	2.8%
Social, Emotional Mental Health (SEMH)**	573	1.9%
Specific Learning Difficulty (SpLD)	480	1.6%
Autistic Spectrum Disorder (ASD)	342	1.1%
Physical Disability (PD)	113	0.4%
Severe Learning Difficulty (SLD)	104	0.3%

Hearing Impairment (HI)	94	0.3%
Visual Impairment (VI)	46	0.2%
Profound and Multiple Learning Difficulty (PMLD)	25	0.1%

School Census; Jan 2016

**Includes pupils with EHC Plans and those at SEN Support*

***The term Social, Emotional Mental Health (SEMH) needs replaced Behaviour, Emotional and Social Difficulties (BESD) following the publication of the [SEN Code of Practice 2014](#)*

Between 2010 and 2014 there was a growth trend in the following primary need areas:

- Autistic Spectrum Disorder (ASD)
- Speech, Language and Communication Needs (SLCN), specifically in the primary sector

There was a downward trend in the following primary need areas between 2010 and 2014:

- Moderate Learning Difficulties (MLD)
- Specific Learning Difficulties (SpLD), specifically in the secondary sector

Due to changes in how primary needs were recorded from 2015 as part of the School Census data collection process it has not been possible to identify trends from this date. The SEND Monitoring Group will monitor trends at least annually in order to predict demand and feed this into commissioning processes.

Additionally Resourced Mainstream School Provision (ARMS)

There are currently 7 primary ARMS and 2 secondary ARMS in Gateshead for pupils with EHC Plans. In Gateshead, ARMS provision is not a short term intervention model, but is an alternative to mainstream and special school where pupils benefit from learning in a mainstream school whilst receiving additional specialist help that is tailored to their individual needs.

A breakdown of the pupils learning in ARMS provision at October 2016 is shown below:

School	Type of need catered for	Number of pupils
Bede Primary	Social Emotional and Mental Health	6
Bill Quay Primary	Complex Communication Needs including Autism	X*
Brandling Primary	Speech, Language and Communication	14
Eslington Primary	Social Emotional and Mental Health	X*

High Spen Primary	Hearing Impairment	X*
Rowlands Gill Primary	Complex Learning Needs	X*
Swalwell Primary	Physical Difficulties	10
Thorp Academy (Secondary)	Moderate Learning Needs	18
Whickham Academy (Secondary)	Autism Spectrum Disorder	9

*Numbers are so low they are identifiable and have therefore been omitted

The Council is currently working in partnership with mainstream schools to implement a new model for ARMS provision, which is proposed to be based on an outreach basis from special schools. Early Years

In July 2015 a questionnaire was sent to all schools (including specialist provision/additionally resourced mainstream provision) and Private Voluntary Independent settings in the Early Years Foundation Stage.

63.5% responded providing the following information about children aged 0-5 identified with SEND:

- 611 (14.2%) children of all children aged 0-5 in those settings were identified as having SEND (11.8% in PVI settings and 16.3% in school settings).
- 79% of the 611 children were at SEN Support, 13% had an EHCP and 8% were undertaking an EHCP assessment.
- The highest primary categories of need reported in year groups Nursery (1 and 2) and Reception were Speech, Language and Communication Needs (SLCN) followed by Autistic Spectrum Disorder (ASD), Social, Emotional and Mental Health (SEMH) and Cognitive/Development Delay.

The Council's Early Years Assessment and Intervention Team (EYAIT) was established in January 2014 and is made up of specialist teachers, Portage workers and teaching assistants working with pre-school children aged 0-4 years identified by settings. During the 2014-15 academic year, there were 123 referrals made to the team and 114 referrals made during the 2015-16 academic year. It is anticipated that the number of referrals is set to increase during the 2016-17 academic year due to numbers of referrals received so far and higher numbers of younger children being referred to the team. For example, in 2014-15 there were 16 two year olds referred whereas this had increased to 50 two year olds being referred in 2015-16. It is thought that this is due to an increase in two year olds accessing early education, integrated two year old assessments and improved early identification processes. Children in PVI provision can be referred from the EYAIT to the Educational Psychology Service (EPS). During the 2014-15 academic year there were 39 referrals to the EPS and 36 during the 2015-16 academic year. It is anticipated there will be about 40 referrals between September 2016 and August 2017. The majority, but not all of these, will go on for EHC assessments.

Attainment of children and young people with SEND (RAISEonline data)

In 2015, outcomes for Key Stage 1 pupils at SEN Support were very low compared to the national average (KS1 pupils at SEN support) and to their peers (pupils without SEN). Outcomes for Key Stage 1 pupils with a statement of SEN or EHCP were low compared to the national average (KS1 pupils with a statement/EHCP) and to their peers (pupils without SEN). Outcomes for both cohorts are generally in line with regional neighbours.

Outcomes for Key Stage 2 pupils at SEN Support in 2015 had been better than the national average for several years, although the gap has closed a little more recently. 44% of these pupils achieved level 4+ Reading, Writing and Maths, 1% more than the national average (KS2 pupils at SEN Support). Level 4 Writing was poor in 2015, compared to the national average. Outcomes for pupils with a statement of SEN or EHCP tend to be lower than average although the % level 4+ in Reading is above the national figure. 10% of these pupils attained Level 4+ in Reading, Writing and Maths compared to a national figure of 16% (KS2 pupils with a statement/EHCP).

The achievement of 5 x Grade A*-C GCSE's including English and Maths and the English Baccalaureate for Key Stage 4 students at SEN Support in 2015 compares favourably with regional and statistical neighbours and is higher than the national figure (pupils at SEN Support). However, outcomes in terms of 5 x Grade A*-C GCSE's including English and Maths at Key Stage 4 for students who have a statement of SEN or an EHCP are lower than the national average and low compared to regional and statistical neighbours (pupils with a statement/EHCP). Achievement of the English Baccalaureate by this group is lower than the national average and lower than regional and statistical neighbours whose figures are published (pupils with a statement/EHCP).

In 2015, Key Stage 5 students at SEN Support had generally higher Average Point Score (APS) on entry to KS5 and had better outcomes than the national average. Students at Key Stage 5 with a statement of SEN or EHCP had a lower APS on entry to KS5 and lower outcomes; however this was a very small cohort of 4 students.

The % of 19 year olds with SEND in Year 11 qualified to Level 2 with Maths and English in 2015 was 24.5%, which was lower than the regional and national average. The % of 19 year olds with SEND in Year 11 qualified to Level 3 with Maths and English in 2015 was 20.8%, which was lower than the regional and national average.

School Absence

The school absence rate for SEN pupils in the academic year 2014-15 was as follows:

Primary: 5.1% absence (overall absence of primary school pupils in Gateshead was 3.8%)

Secondary: 7.1% absence (overall absence of secondary school pupils was 5.5%)

Pupil Referral Unit: 54.5% absence (pupils with SEN aged 5-15 years)

Special: 6.5% absence (pupils with SEN aged 5-15 years)

Exclusion rates

During the 2014-15 academic year, there were no permanent exclusions and 86 fixed term exclusions of pupils with SEND.

Number of fixed term exclusions	Reason for exclusion
14	Persistent Disruptive Behaviour
12	Physical assault against an adult
10	Other
8	Verbal abuse/threatening behaviour against an adult
7	Drugs and alcohol
6	Physical assault against a pupil
2	Damage
2	Racist abuse
2	Theft

Post 16

The table below highlights the types of post-16 educational provision that young people with a statement of SEN/EHC Plan were studying at during the 2015-16 academic year:

Provision Type	Number	Percentage
General FE College	51	29%
Maintained Special	41	23.4%
Supported Internship	20	11.4%
Special Academy	18	10.2%
Independent Specialist College	12	6.9%
Mainstream Academy	8	4.6%
Not placed	6	3.4%
Traineeship	6	3.4%
Non-maintained Special School	4	2.3%
Independent School	2	1.2%
Independent Special School	2	1.2%
Elective Home Education	1	0.6%
EOTAS	1	0.6%
Free School	1	0.6%
Independent Other	1	0.6%
Maintained Mainstream	1	0.6%
Total	175	100%

The Gateshead Connexions data below highlights the destinations of students in years 12, 13 and 14 that have either a statement of SEN or an EHC Plan as at June 2016:

Destination	Year 12	Year 13	Year 14	% of cohort
Further Education	28	35	18	29%
Sixth Form	33	31	9	26%
Apprenticeships	8	12	2	8%
NEET Available	10	7	7	8%
Training	4	16	1	7%
Employment with training	3	10	3	6%
Out of Area	9	7	0	6%
Employed without training	0	9	1	3%
Moved Away / other	4	2	1	2%
Not Available	2	2	3	2%
Other Post 16	2	1	1	1%
Not Known	0	1	1	0.7%
Higher Education	0	0	1	0.3%
	103	133	48	

The data above highlights that a total of 8% of young people age 16-18 years (in years 12, 13 and 14) with SEN (with a statement of SEN or EHC Plan) were Not in Education, Employment or Training (NEET). In December 2015, 4.8% of all 16-17 years olds in Gateshead were NEET compared to a national average of 7.1% (DfE NEET and Not Known Scorecard).

Social care support

In September 2016, 195 children and young people with SEND were receiving social care support from the Disabled Children's Team (a team of social workers), of which 11 were Looked After Children (LAC). Gateshead Council's Transitions Team provide Transition (Care Act) assessments to young people who are 17 and moving into adulthood. The provisions in the Care Act relate not only to those who are already receiving children's services, but for anyone who is likely to have needs for adult care and support after turning 18. To enable the team to identify those who may have eligible needs there is a dedicated Assessing Officer who works within the special schools in Gateshead and out of borough schools who have Gateshead pupils in placement. This worker attends Education, Health and Care plan reviews, provide information and advice regarding preventative, universal and specialist services, signpost to health colleagues and offer an assessment to those who have a physical or mental impairment.

In May 2016, 161 Looked After Children (LAC) had SEND, which equates to 69% of all school-age Looked After Children. 52% of the 161 LAC had a statement or EHCP and 44% were at SEN Support.

438 school-age Children In Need (CIN) had SEND, which equates to 37% of all school-age Children In Need. 218 of the 438 (50%) had a statement of SEN or EHCP, 216 (49%) were at SEN Support and 4 (1%) were undergoing an EHCP assessment.

In the financial year 2015-16, 497 short break services were provided to Gateshead families. Of these, 120 were provided as a direct payment/personal budget, which were predominantly used to provide a personal assistant to accompany children and young people on social outings and activities. Other types of short break services provided included overnight stays in specialist residential provision, access to out of school and holiday clubs, community outreach and home care support.

Strategic Aims

Working in partnership with education, health and care commissioners and providers and service users to:

1. Develop and deliver cohesive, outcomes focussed education, health, care services and support systems which give children and young people the best opportunity to engage, achieve, succeed, and progress
2. Agree arrangements and protocols that enable a partnership approach to:
 - Identifying need
 - Structured information gathering and sharing
 - Joint or collaborative service planning
 - Joint or collaborative commissioning
 - Efficient delivery
 - Effective monitoring
 - Evaluation and analysis
3. Develop and maintain comprehensive, accurate data and information to understand need and inform service planning, development and delivery
4. Ensure that children, young people and families have access to timely assessment that enables intervention at the earliest opportunity
5. Establish and maintain co-ordinated information and advice services that are accessible and support decision making and choice
6. Co-ordinate services so that transitions are smooth and support is continuous
7. Provide opportunities for children, young people and families to contribute to the design, delivery and evaluation of services
8. Adopt best value principles in directly provided and commissioned services

How we will know we have succeeded

- Outcomes demonstrate that children and young people have access to and are receiving *high quality* education, health and care services and support
- Service developments are proactive and clearly based on an *accurate understanding* of types and levels of need derived from *comprehensive and co-ordinated information systems*
- Children, young people and their families *actively engage* with education, health and care professionals in identifying service development priorities
- Education, health and care services *co-ordinate their communication arrangements* and families report that they can easily access appropriate information, advice and guidance
- Education, health and care professionals work together in ways that ensure that children, young people and families experience *seamless access to and progression through services*
- Targeted joint commissioning which delivers *best value* is routinely undertaken
- The system is driven by “*Total Quality Assurance*” principles

Implementation

The Strategy will be implemented through the standing and working groups that collectively:

- Manage the use of available funds
- Oversee the delivery of services
- Develop the partnership arrangements required to ensure there is:
 - a common ambition
 - a shared commitment to the delivery of effective and efficient services, including information services
 - systems, procedures and protocols that enable productive partnership working including through joint commissioning of services
- Identify priorities for action
- Undertake assigned work and/or time limited projects that are focussed on the development of improved services for children, young people and families

The work of each of the groups is presented in the pages that follow. The key areas for action in 2016-2018 are to:

1. Ensure that through Early Intervention the needs of children and young people can be identified and action taken to meet their needs as soon as possible
2. Develop services for children and young people who have Autism and Social, Emotional and Mental Health need (SEMH)
3. To ensure that children and young people who are looked after receive the support they need to achieve their best
4. Ensure that there are sufficient and appropriate progression opportunities for young people SEN/D leaving school
5. Ensure that there is sufficient and appropriate provision for children and young people who are at risk of exclusion or who have been excluded
6. Monitor and review provision for SEN/D children and young people in order to develop services and settings in response to the existing and emerging volumes and types of need
7. Further strengthen co-production and partnership working with service users, including children and young people and parents and carers
8. Develop strong partnerships between Education, Health and Care that will enable the establishment of working practices that will enable all partners to collectively deliver the requirements of the Code of Practice
9. Conduct a review of ARMS provision and reconfigure ARMS on the basis of the outcomes of the Review
10. To examine the level and causes of Persistent Absenteeism among pupils who have SEN/D with a view to supporting schools to address this issue
11. To continue to work with partners to raise standards of attainment for SEN/D children with especial reference to Key Stage 1

Strategic Planning

SEND Strategy Group

Aim of group

The aim of the working group is to understand need and performance in relation to SEN/D in Gateshead in order to identify development priorities which will inform the design and delivery and continuous improvement of services and support for children, young people and their families.

Key areas of work

- To develop a Strategy for SEN/D for Gateshead and to ensure that it is delivered
- Through the SEN/D Monitoring Group to ensure that data re the performance of SEN/D children and young people is collated, analysed, reviewed and used as a basis for evaluating performance and identifying need
- To ensure that there is an annual SEN/D Evaluation and that there a Self Evaluation is produced and agreed
- To receive reports from the funding groups, other standing groups and work groups to ensure that:
 - Strengths and areas for development are identified
 - Planned actions are consistent with identified needs
 - Gaps in provision are being addressed
 - To provide support and challenge to these groups
- To report to the key strategic groups within the Local Authority and Health Trust
- To receive and respond to queries and directives raised by the Strategic groups
- To ensure key information sources for service users, including the local offer, are reviewed and revised as appropriate
- To develop productive partnerships with service users and service providers to ensure that service development is properly informed, that service delivery is in line with required standards, and that service review and evaluation is inclusive.

Contribution to Strategic Aims: All

Contribution to Key Areas for 2016-2017: All

Funding Groups

Disabled Children Resource Panel

Aim of group

The aim of the working group is to assist the council in relation to decisions about short break provision for children with special educational needs and disabilities.

Key areas of work

- To assist the council to make decisions on initial requests for provision
- To assist the council to reviewing short break packages of support
- To review any responses received either from parents or schools in relation to recommendations made and advise the council on the appropriate response

Contribution to Strategic Aims: 1, 3, 8

Contribution to Key Areas for 2016-2017: 2,6

High Needs Block working group

Aim of group

The aim of the working group is to review the functions supported by the High Needs Block of the Dedicated Schools Grant (DSG). To ascertain where possible savings could be made if there is a reduction in the High Needs Block of the DSG following the DSG funding review and the implementation of a national funding formula for the High Needs Block.

Key areas of work

- Input into Stage 2 of the High Needs funding consultation which is expected summer 2016
- Review areas of funding when possible savings targets are known December 2016 for possible implementation April 2017.

Contribution to Strategic Aims: 1, 8

Contribution to Objectives for 2016-2017: 1, 2, 3, 4, 5, 9

Schools Forum

Aim of group

Schools forums generally have a consultative role on issues that affect school funding. However, there are situations in which they have decision-making powers. The respective roles of schools forums, local authorities and the DfE are summarised in schools forum powers and responsibilities (below).

Key areas of work

Key areas of work that link to the SEND agenda are:

- Consultation on formula changes for mainstream schools (notional SEN calculation) Special Schools, the Pupil Referral Unit (PRU) and high needs top ups in mainstream schools
- Funding proposals that affect the calculation of mainstream school budgets must be agreed before 20th January each year (notional SEN)
- Funding arrangements for Special Schools, the PRU and top up amounts for mainstream schools must be agreed by mid-February
- The number of commissioned high needs places in mainstream schools, special schools and PRU.

Contribution to Strategic Aims: 1, 2, 3, 8

Contribution to Objectives for 2016-2017: 1, 2, 3, 4, 5, 6

Standing Groups

Autism Steering Group

Aim of group

The purpose of the group is to implement the National Autism Strategy 'Fulfilling and Rewarding Lives' for people with autism and their carers in Gateshead.

Key areas of work

Key objectives of the Autism Steering Group are to:

- Support the delivery of an all age Autism Strategy by developing a work programme focusing on three key priorities
 - Early intervention/prevention
 - Diagnosis
 - Independent Living and Support
- Monitor the priorities through an Improvement and Development Action Plan (IDAP), via task and finish groups
- Develop and Implement a Quality Assurance Framework

Contribution to Strategic Aims: 1, 2, 4, 5, 6

Contribution to Objectives for 2016-2017: 1, 2, 4, 6, 8, 11

Children's Hearing Services Working Group

Aim of group

To ensure that services work together to make sure that deaf children and their families have good quality local support which meets their needs.

Key Areas of Work

- Review Regional Policies & Procedures
- Service Updates
- Respond to Hearing Impairment developments
- Multi agency liaison

Contribution to Strategic Aims: 1, 2

Contribution to Objectives for 2016-2017: 1, 6, 8, 11

SEND Communication and Engagement Group

Aim of group

The aim of the working group is to ensure that a range of stakeholders, including children and young people and parents and carers, are meaningfully engaged in and kept up to date with SEND developments and processes in Gateshead.

Key areas of work

- Develop a key stakeholders list and keep up to date
- Implement a bi-monthly stakeholder E-bulletin about SEND developments in Gateshead
- Audit current methods of engagement and communication with parents/carers around SEND developments and identify any gaps
- Investigate and implement the most effective methods to engage with and communicate key SEND messages to young people, parents and carers, including through the use of social media and other technology
- Review and update the Local Offer, at least annually.

Contribution to Strategic Aims: 1, 2, 5, 7

Contribution to Objectives for 2016-2017: 6, 7

Early Years SEND Strategy Group

Aim of group

- Ensure the development of an inclusive system within Early Years schools and settings
- Ensure statutory frameworks are implemented efficiently
- Plan a cohesive training programme to develop the knowledge and skills of all staff working with children with SEN/D in the Early Years to ensure children achieve their potential
- Ensure there is close co-operation between relevant external agencies and a multi-agency approach to meeting the needs of pupils with SEN/D
- Ensure arrangements for SEN/ D within Early Years are kept under review and publish information on how the LA is meeting its obligations
- Provide advice and guidance to schools to support the implementation of the SEN Code of Practice and Equality Act
- Publish plans, strategies and targets in relation to the identification, monitoring and assessment and support for pupils with SEN/D within the Early Years

- To work closely with settings / schools and other services to ensure that provision and resources are allocated equitably and efficiently
- To support procedures for the monitoring processes of referrals and planning for future provision.

Key areas of work

- Strategic planning, monitoring and evaluation.

Contribution to Strategic Aims: 1, 2, 3, 4

Contribution to Objectives for 2016-2017: 1, 6, 8, 11

Post 16 Co-ordinating Group

Aim of group

The aim of the working group is to ensure that the work of post 16 SEN/D groups, including those preparing young people for transition, is co-ordinated and can collectively contribute to improved opportunities and services for young people SEN/D 16-25 and support and challenge to their providers.

Key areas of work

- To establish a single Post 16 SEN/D Co-ordinating Group
- To agree the work strands that are needed and the best means to progress these
- To review the arrangements for commissioning post 16 provision including the ways in which provision and outcomes are monitored and evaluated
- Working with schools, both special and mainstream, to identify the educational needs of young people who are SEN/D and match these to currently available provision highlighting where there are gaps in provision
- Working with Connexions and post 16 providers including special and mainstream schools, consider how to better meet the needs of young people who have SEN/D
- Develop young people's advocacy
- Working with Health and Care professionals explore current arrangements for the identification, co-ordination and evaluation of packages of provision and support and identify areas for further development and improvement
- Develop a register of young people identified as "SEN/D Support" at year 10 and 11 to compile a complete register of SEN/D students and enable their progression to be mapped and, where necessary, supported
- Develop information for families that explains the LAs role in relation to post 16 provision and that prepares them for and supports them and their children through the transition

- Update the Gateshead Local Offer to reflect the Post 16 Offer

Contribution to Strategic Aims: 1, 2, 3, 5, 6, 7, 8

Contribution to Objectives for 2016-2017: 4, 5, 7, 8, 11

Primary Fair Access Panel (FAP) working group

Aim of group

The aim of the working group is to ensure better educational outcomes for vulnerable children by:

- Establishing a fair and transparent system which ensures that all schools/academies admit their fair share of children with challenging behaviour and educational needs on a turn taking basis
- Ensuring access for children to education is secured quickly where there is no school/academy place and access to alternative placement is available where a fresh start is indicated (excluding children with an EHDP)

Key areas of work

- As part of the admissions process, to place children into schools/academies when they are without an educational placement
 - Pupils who transfer between Gateshead schools with complex needs
 - Attendance below 90% history of disruptive behaviour
 - Involvement with external services
 - Relationship issues with pupils
 - Complexity of year group
 - Inappropriate sexualised behaviour
 - TAF/CAF/CP plan in place
 - Pupils who transfer into Gateshead with complex needs (as above)
 - Refugees and asylum seekers
 - Elective home educated young people who are moving back into mainstream educational provision
 - Permanently excluded pupils from the PRU back into mainstream schools
- Monitor the use of the funds paid by schools/academies but held centrally for use by the panel to support the needs of the children
- Monitor rates of permanent exclusion
- Monitor pupils on the 'off roll' register every ½ term

Secondary Pupil Placement Panel working group

Aim of group

The aim of the working group is to ensure better educational outcomes for vulnerable young people by:

- Establishing a fair and transparent system which ensures that all schools/academies admit their fair share of young people with challenging behaviour and educational needs on a turn taking basis
- Ensuring access for young people to education is secured quickly where there is no school/academy place and access to alternative placement is available where a fresh start is indicated (excluding young people with an EHCP)

Key areas of work

- As part of the admissions process, to place young people into schools/academies when they are without an educational placement
 - Pupils who transfer between Gateshead schools with complex needs
 - Attendance below 90% history of disruptive behaviour
 - Involvement with external services
 - Relationship issues with pupils
 - Complexity of year group
 - Inappropriate sexualised behaviour
 - TAF/CAF/CP plan in place
 - In Years 10/11
 - Pupils who transfer into Gateshead with complex needs (as above)
 - Refugees and asylum seekers
 - Elective home educated young people who are moving back into mainstream educational provision
 - Permanently excluded pupils from the PRU back into mainstream schools
- Monitor the use of the funds paid by schools/academies but held centrally for use by the panel to support the needs of the pupils
- Monitor rates of permanent exclusion
- Monitor pupils on the 'off roll' register every ½ term

Special Heads Improvement Partnership (SHIP) Group

Aim of group

SHIP is a partnership between all special schools and the local authority, with major responsibility and accountability for the quality of education and learning outcomes for children and young people in special schools in Gateshead.

The Partnership aims to support a distributed, sustainable self-improving education system in a shared, collaborative culture of educational excellence that recognises those in schools and other providers as equal, trusted partners. It intends to build on an existing network, relationships and local partnerships to ensure that no school is isolated and benefits from shared expertise.

Key areas of work

Remit for the Group

The Strategic Group is responsible for the direction of the Partnership, monitoring effectiveness, identifying and agreeing priorities and programmes. It is also responsible for determining further actions where necessary in schools that are being supported.

The Group works to the following objectives:

- i. To improve the standards of education provided to all children and young people in the special school settings of Gateshead
- ii. To work in partnership with other schools and health and social care
- iii. To consider the priority areas within the school system and SEND areas and identify/suggest suitable strategies for their resolution;

Specific responsibilities of the Strategic Group

- i. To work collaboratively to ensure outstanding educational provision and practice within our special schools.
- ii. To support the local authority in key strategic aims relating to SEN in Gateshead.
- iii. To contribute to and coordinate the necessary communication activities required to further develop Gateshead SEND provision
- iv. To support a fair, accessible funding model for all special schools
- v. To consider, support and make recommendations as appropriate for identified initiatives specific to special schools.
- vi. Support and engage with Ofsted inspections of local authority arrangements for SEND

Contribution to Strategic Aims: 1, 2, 3, 4

Contribution to Objectives: 3, 6, 8, 11

SEND Monitoring Group

Aim of group

The aim of the working group is to ensure there is comprehensive and robust data and information relating to SEN/D to support:

- monitoring of provision
- identification of existing and emerging need
- Service development and deliver
- Increased engagement, participation and attainment
- Successful transition

Key areas of work

- To define data needs
- To examine data sources
- To identify gaps in data/information and the means by which these can be addressed
- To design and develop a data dashboard for SEN/D in Gateshead
- Within the Self Evaluation Process to analyse available data
- From the analysis to identify strengths and areas for development
- From the analysis to identify trends and the implications for service development
- From the analysis to identify issues to be explored with schools and support needs of schools

Contribution to Strategic Aims: 1, 2, 3

Contribution to Objectives for 2016-2017: 6, 11

Task and Finish Groups

Additionally Resourced Mainstream School (ARMS) working group

Aim of group

The aim of the working group is to explore options for the delivery of the ARMS model for 2017-2018 in order to advise portfolio holders and seek approval for the conduct of a consultation process with schools.

Key areas of work

- Review current arrangements, operational strengths and issues, threats and opportunities
- To confirm the intended role of ARMS in the context of SEN provision in Gateshead Council
- To define the Council's Commissioning intentions for 2017 onwards
- To advise portfolio holders of the preferred model for implementation from September 2017
- To conduct a formal consultation process with schools
- To progress arrangements to ensure that an agreed model is successfully implemented for September 2017

Contribution to Strategic Aims: 1, 2, 6, 8

Contribution to Objectives for 2016-2017: 1, 2, 5, 6, 9, 11

Pupil Referral Unit (PRU) Working Group

Aim of group

- To ensure that the Local Authority is able to deliver fully its duty in relation to Day 6 provision, full time education for Permanently Excluded (PEx) Pupils, full time education for Home and Hospital Service Pupils.
- To ensure that there are high quality curriculum pathways available to meet the diverse needs of those children and young people.
- To ensure that a sustainable funding model is in place and is managed in a way that enables the delivery of and access to appropriate provision and support.
- To ensure that the Local Authority works collaboratively with schools to reduce the number of PEx pupils.
- To ensure that children and young people are supported to achieve their best and are equipped to make positive progression.

Key areas of work

- Review and revise the Key Stage 4 Curriculum model.
- Review and revise the Key Stage 3 Curriculum model.
- Identify appropriate, quality assured Alternative Education provision that extends and enhances learner choice.
- Explore accommodation options for the Behaviour Support Service and make recommendations for the future.
- Develop In School Support Services for Secondary schools.
- Review and revise the funding model for the Behaviour Support Service.
- Review and revise funding arrangements with Secondary schools.
- Review PEx numbers to identify trends, causes, and options to address.
- Investigate the causes of disaffection in KS3 to enable strategies to be developed that will provide early warning and keep students in mainstream learning.

Contribution to Strategic Aims: 1, 2, 3, 4, 8

Contribution to Objectives for 2016-2017: 5, 6, 10, 11

Local Safeguarding Children's Board – Permanent Exclusions Task and Finish Group

Aim of Group

- To undertake a piece of work for the LSCB in relation to the increase in permanent exclusion

The objectives are:

- To identify the reasons for this increase in permanent exclusions
- To identify areas for development which are required to reduce the number of permanent exclusions
- To identify future strategies to support both those at risk of and/or those permanently excluded

Key areas of work

After looking at the data provided and following a discussion on the issues which might lead to a school to a permanent exclusion, the group decided that in order to understand the causes leading to a permanent exclusion, the group required additional information in the following areas:

- School contextual information, including information on:
 - Regulatory frameworks (Ofsted)

- Funding
- Curriculum
- In-house systems in place to address behaviour issues
- Young person's contextual information, including information from
 - Birth to current age in relation to their
 - Educational context
 - Involvement of other services
 - Social care
 - Health (including mental health)
 - Youth offending
 - Police
 - SEN/learning difficulties
 - Domestic violence
- Support services contextual information, including information on:
 - The role of a CAF/TAF in school and the impact on the young person and their family
 - Early Help service in Gateshead
 - The changes to the delivery of the mental health services in Gateshead/Newcastle
 - The impact of the Fair Access Process (primary/secondary)

Contribution to Strategic Aims: 1, 2, 3

Contribution to Objectives for 2016-2017: 5, 6, 8, 10

Early Years, SEN/D and Post 16 Panels

The Early Year, SEN/D and Post 16 Panels are multi agency groups of experts whose task is to oversee the use of funds to support individualised Education, Health and Care Plans.

Panels provide an opportunity for EHCPs to be scrutinised, challenged and confirmed and also enable fair use of funding. A core membership ensures continuity and consistency of approach.

Strategic Governance and Commissioning Arrangements

The diagram in the Appendix provides a picture of the way in which work is initiated, commissioned and monitored. The SEND Strategy Group, a partnership of education, health and care officers serves as the principal reporting hub. Beyond the level of the Strategic Partnership Groups [Children's Trust and LSCB] the line of report is through the accountability lines of the Local Authority and the Health Trust. Within the Local Authority the highest level of report is to Cabinet which ensures political as well as managerial engagement. In the Health Service, the highest level of report is to the Clinical Commissioning Group.

Work may be commissioned through the Health Trust or through the Local Authority and from the strategic partnership groups, for example, Children's Trust or Local Safeguarding of Children Board. An example of this would be the LSCB's recent commissioning of a piece of work relating to the incidence of permanent exclusions which has resulted in a project being developed which will seek to trace the causes of disaffection at Key Stage 3 and to make recommendations concerning the management of transition to reduce this.

Individual groups may have additional accountability, for example, to schools.

Links to other strategies

Council Plan 2015-2020

Vision 2030

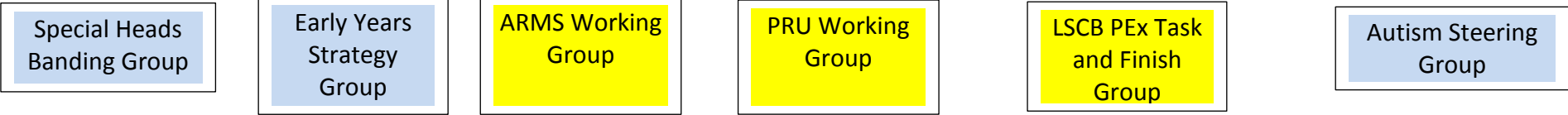
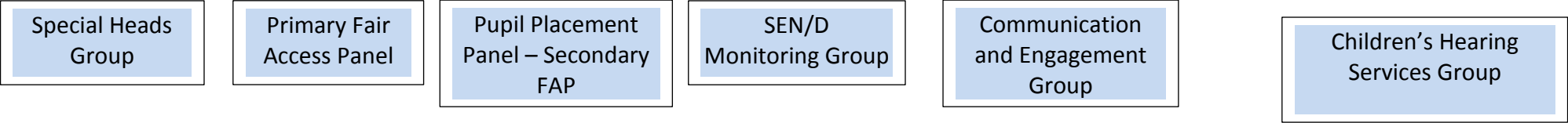
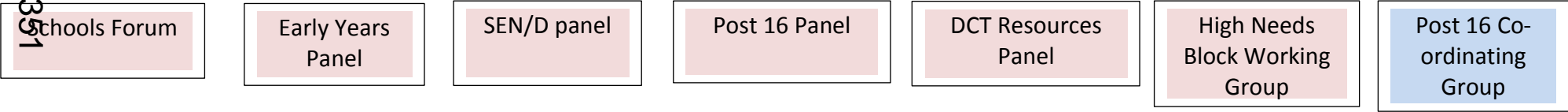
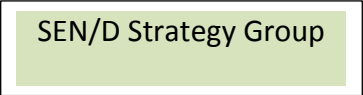
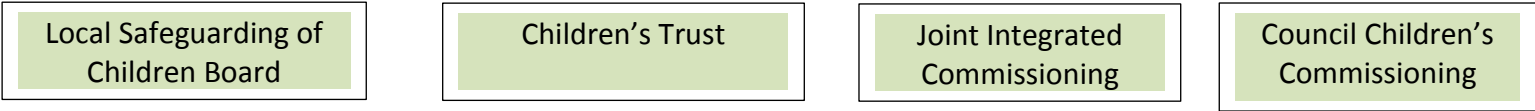
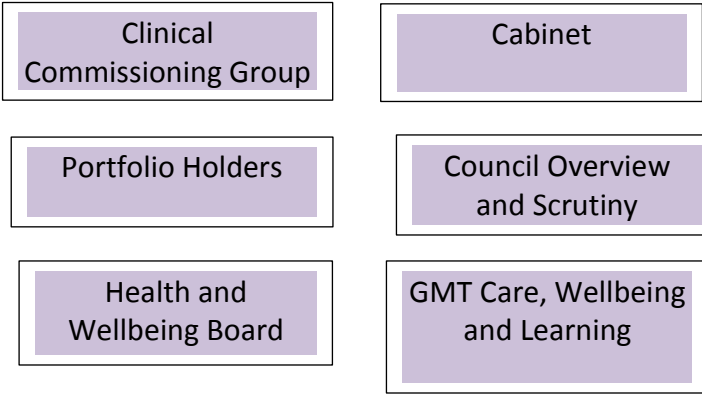
Gateshead Inclusion Policy 2016

Gateshead Accessibility Strategy 2016-2020

Gateshead All-Age Autism Strategy 2014-2017

Anti-Bullying Strategy 2015-2020

Appendix



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COUNCIL MEETING

20 July 2017

GATESHEAD COUNCIL

REPORT FROM THE CABINET

1. PURPOSE OF THE REPORT

This is the report from the Cabinet. Its purpose is to report on issues for the period June to July 2017.

PROGRESS ON KEY ISSUES

2. PEOPLE

Children and Young People

Joint local area SEND inspection

In February 2017, a team of inspectors from Ofsted and the Care Quality Commission undertook a joint inspection of the local area of Gateshead to judge the effectiveness of the area in implementing the disability and special educational needs reforms as set out in the Children and Families Act 2014.

The main findings included recognition and evidence of:

- senior leaders having a strong commitment to implementing the reforms and ensuring that children and young people with special educational needs and/or disabilities are safe and achieve the best outcomes;
- close working partnerships between health, social care and education services which are developing into a well-integrated multi-agency approach to meet the needs of the children and young people;
- multi-agency work is well developed and effective for babies and children aged 0-4 years old, for children and young people with complex needs and disabilities, and for children in the care of the local authority;
- services being jointly commissioned at the outset of the reforms;
- the information, advice and support provided by Parents in Power and Barnardo's are a valuable resource for those seeking additional help and guidance;
- parents and carers are positive about the work taking place to support their children while at school and at times of transition from nursery to primary and on to secondary school and college;
- the local offer being clear, easy to follow and signposts families to other sources of help and information.

Key areas for development as a result of the inspection team's findings include:

- implementing a stronger focus on early help so that children and young people receive the support they need at the earliest point possible to prevent them from needing more specialist help e.g. support with mental health and emotional and behavioural issues;
- working with health services to improve assessment, referral and pathway processes to ensure that children and young people receive the kind of support they need as quickly as possible;

- rolling out more independent travel training for young people with special educational needs and/or disabilities, to help develop their independence and life chances.

Gateshead and South Tyneside Music Education Hub

The Council holds a contract with Arts Council England (ACE) for the delivery of a Music Education Hub. The Hub aims to work in partnership with all schools (around 150 in total - maintained and academies), and other key partners to provide young people with access to high quality music experiences in and out of school. These experiences include singing, playing a musical instrument, performing together and high quality, large scale events. A key feature of the provision is the delivery of a minimum of a term of whole class instrumental tuition to every young person in Gateshead and South Tyneside.

Over the last five years there has been a 60% reduction in the Department for Education (DfE) grant for music, as well as reduced council funding which led to the restructuring of the services. Despite this, the Schools' Music Services in each borough continue to trade successfully with schools. In the last year (2015-16) the total income recovered through trading (£475k) nearly equalled the level of the grant (£476k). ACE now considers the Hub to be a "low risk" organisation which is resilient, well managed and capable of self-improvement.

Musical instruments are provided as part of the service and participation in all borough-wide ensembles is free of charge. Our major asset is the quality of the teaching staff who are highly regarded, understand schools and are able to respond to their various music needs. We are also working very successfully with Sage Gateshead's Music Education arm to ensure that the local offer makes best use of their world class strengths in the delivery of community and inclusive music making.

DfE funding has been confirmed until 2020. Work will continue with our partners to increase resilience and focus effort upon helping more young people with social, economic and other barriers to participate in music.

Adult Social Care

Think Ahead

The Council's Adult Social Care Service has been selected as a partner by Think Ahead, who provides a Mental Health Social Work training programme, aimed at ambitious graduates, similar to the Frontline and Step Up programmes in Children's Services. Gateshead will be one of the few North East authorities to be taking part in the second cohort of the programme, which will see four graduates being placed with the Council, for an intensive Student Social Work Unit placement, alongside academic input. The Council will also receive funding to employ a Consultant Social Worker who will lead the Student Social Work Unit, and we have successfully appointed one of our team into this post. At the end of the first year, the students are all guaranteed a minimum one year contract, however it is hoped that they will have very successful placements with the Council and seek to develop their longer term social work future in Gateshead.

Top 20 Care Homes in North East England 2017

Both Southernwood and Shadon House have been included in the Top 20 Care Home Groups Awards 2017 for the North East region. The awards are based on a review

score which includes the number of positive ratings given by recipients of the service, and their friends and relatives. The Care Home website operates in a 'trip advisor' style in which people can rate care home elements on their quality of care, level to which dignity was given, staff, management, facilities, cleanliness, and rooms on a scale from 'Very Poor', 'Poor', 'Satisfactory', 'Good' through to 'Excellent' levels.

Each Care Home in England is given a quality rating out of 10. From a total of 59 reviews, both Southernwood and Shadon House have a current score of 9.8 out of 10, from 59 reviews. Shadon House and Southernwood are the only care home establishments in the whole of Gateshead and Newcastle who make the top 20 list. Eastwood Promoting Independence Centre narrowly missed out on making it a clean sweep of the PICs within the top 20 list with a 9.6 out of 10 rating.

National Learning Disability and Autism Awards

The Council has six individuals/services shortlisted as finalists in a number of categories of the National Learning Disability and Autism Awards:

- New Vision enterprise for the 'Breaking Down Barriers' award
- Both Angling 4 All and Special Olympics Gateshead Tyne & Wear for the 'Sporting Chance' award
- Julie Todd (GATES) for the 'Support Worker' award
- Sarah Turner (Marquisway) for the 'Making a difference' award
- Marquisway Wheelchair Dance group for the 'People's' award

Winners of each category will be announced at the awards gala night in Birmingham on 21 July 2017.

Employment success

GATES employment service has secured paid employment for eight people with disabilities since April 2017. The positions that have been gained range from an Administrative Assistant role of two hours per week through to a 30 hours per week Assistant Caretaker role. Posts have been secured in a wide array of employers including the NHS, Primark and Wetherspoons.

National Games Selection

38 Special Olympics Gateshead Tyne & Wear athletes have been selected to represent the Northern region at the Special Olympics Great Britain National Games in Sheffield from 7 - 12 August 2017. Gateshead Tyne & Wear athletes will represent the region in the 8 sports of Aquatics, Athletics, Boccia, Cycling, Football, Judo, Powerlifting and Ten Pin Bowling.

In addition, David Martin, one of the Special Olympics Gateshead Tyne & Wear powerlifters has been chosen to represent the Special Olympics GB team at the Commonwealth Powerlifting Championships, which is being held in South Africa in September 2017.

Special Olympics Gateshead Tyne & Wear have a fundraising page for those wishing to support their endeavours <http://uk.virginmoneygiving.com/charity-web/charity/finalCharityHomepage.action?charityId=1012186>

3. PLACE AND ECONOMY

Housing

TGHC Annual Activity Report 2016/17

A report was presented to portfolio to provide an update on the annual activity of the housing company for the year to 31 March 2017.

There were two areas of focus as follows:

- The continual loss of family homes due to right to buy (149 homes were sold through the right to buy in 2016/17 – nearly 600 of the past 4 years)
- The significant change in customer behaviour around paying their rent. There are now over 40% of customers who pay their rent online or by direct debit.
- The housing company continue to work with their customers to support and encourage them to pay their rent electronically, where appropriate.

4. COMMUNITIES

Communities and Volunteering

Volunteers Month 2017

Throughout June 2017 Gateshead Council hosted the 5th Gateshead Volunteers month. This year each week of June had a different focus these included:

- Week 1 – Older People. This involved a full programme of events across all of Gateshead's sheltered Accommodation Schemes.
- Week 2 – Young People. This involved volunteer roles and projects supporting young people and volunteer opportunities for young people.
- Week 3 – corporate Volunteer and the Great Get Together. This involved corporate volunteer projects as well as events under the Great Get Together initiative.
- Week 4 – Environmental Volunteering. This involved community litter picks and general environmental volunteer roles

Events and activities were not limited to the focus of the week, however the promotional activity of volunteering focussed on each of topics.

In a positive move this year the Volunteers Month grant returned, however this was managed by the Community Foundation. A total of 45 applications were made to the fund with a total recommended amount of funding at £9,279.

Activities and events took place across the borough throughout the month. A total of 55 registered events were promoted on the Council's Volunteers month online programme which were open to all members of the public. There were a large number of closed events as well giving thanks to current volunteers and promoting new volunteer opportunities.

Volunteers month also seen the return of the volunteers totalizer with 106,109 estimated hours of volunteering recorded for the whole month. This is the highest amount of recorded volunteer hours since 2012 when volunteers month began.

The 106,109 estimated hours equates to £1,379,417 economic value into Gateshead's Community.

Our Villages – Local Environment Group (Crawcrook and Greenside)

"Our Villages" Crawcrook and Greenside Charitable Incorporated Organisation (CIO) has finally been successfully registered as a Charity with the Charity Commission.

Charitable registration will now recognise and enhance Our Villages excellent work to improve the local environment.

Crime and Anti-Social Behaviour Update

Since 2014, the level of recorded crime reported in the Borough has increased steadily. In the first two-months of 2017/18, recorded crime increased by 21% (+586 crimes). This is in line with levels of crime reported across Northumbria, while increases have also been noted across England and Wales, particularly within Gateshead's Most Similar Family Group of Community Safety Partnerships.

Improved compliance with the National Crime Recording Standards (NCRS) has leading to a greater proportion of reported crimes being recorded by the Police and has contributed to the 21% increase reported in Gateshead. Increases have been experienced across most major crime categories: violent crime (+19%; 167 crimes), burglary (+39%; 58 crimes), vehicle crime (36%; 48 crimes) and shoplifting (+56%, 155 crimes). Reports of anti-social behaviour fell by 13% (-177 incidents) with youth-related ASB reducing by 17% (-54 incidents) when compared to the same period last year.

Multi Agency Operation Axel: Old Fold

Community Safety and Enforcement Teams coordinated a multi-agency disruption operation in the Old Fold estate on 22 May 2017 to combat a number of concerns linked to: unsafe/un-roadworthy vehicles, illegal businesses, illegal waste operations, fly tipping, arson attacks, violence and community tensions.

Over 30 staff from Gateshead Council, Northumbria Police, The Gateshead Housing Company, Her Majesties Revenue and Customs (HMRC) and the Driver Vehicle Standards Agency (DVSA) took part in the early morning operation – which resulted in vehicles being checked for road worthiness, red diesel, tax, MOT and insurance compliance; while properties were also checked for tenancy compliance and garages and outbuildings were searched for illegal activity.

The operation successfully caused a large amount of targeted disruption on the estate and was welcomed by residents and partner agencies.

Culture, Sport and Leisure

Water Safety Week

During week commencing 3 July, Go Gateshead Sport and Leisure delivered water safety activities to over 2500 children, who attend swimming lessons across the Council's five swimming pools. The activity, delivered just prior to the children breaking for their summer holidays, is aimed at improving children's knowledge and understanding of the dangers of open water, in which over 400 people each year die from drowning. All children who attended the water safety week activities received a certificate.

Central Library – Heritage Lottery Fund Award

The Council's first round application to the Heritage Lottery Fund for funding to improve access to our Local Studies collection has been successful. Housed at Gateshead Central Library, this collection comprises over 40,000 items including unique and rare newspapers, maps, books, photographs and pamphlets. A development phase will now begin to work up the project in more detail and to secure delivery phase funding. The total grant requested is for £561,200 and will deliver a 3 year project which includes three key strands:

- A programme of capital works to create a much improved, larger public facility within the Reference section of the Central Library;
- A programme of digitisation and conservation of the local studies collections – this will greatly improve access;
- An outreach element, promoting access to and use of the collection with communities across Gateshead.

Filming at Dunston Leisure Centre

On 18 July the BBC filmed the show 'Dumping Ground' in reception and the large pool at Dunston Leisure Centre.

The Dumping Ground is a BAFTA Award Winning British children's drama series that focuses on the lives and experiences of young people and their care workers in care filmed around Tyne and Wear.

The film crew have confirmed footage will be for a 5 – 10 minute segment of one of the episodes.

5. CONCLUSION

The Council is asked to note this report.



COUNCIL MEETING

20 July 2017

GATESHEAD METROPOLITAN BOROUGH COUNCIL

NOTICE OF MOTION

Councillor M Brain will move the following motion:

Council recognises the crucial importance of maintaining high standards of domiciliary care. Council therefore commits to adopting stages 1 and 2 of the UNISON Ethical Care Charter, and to working with partners towards achieving Stage 3 of this Charter.

Proposed by:	Councillor M Brain
Seconded by:	Councillor R Beadle
Supported by:	Councillor M Gannon Councillor C Donovan

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COUNCIL MEETING

20 July 2017

GATESHEAD METROPOLITAN BOROUGH COUNCIL

NOTICE OF MOTION

Councillor M Gannon will move the following motion:

This council notes that:

- NJC basic pay has fallen by 21% since 2010 in real terms
- NJC workers had a three-year pay freeze from 2010-2012
- Local terms and conditions of many NJC employees have also been cut, impacting on their overall earnings
- NJC pay is the lowest in the public sector
- Job evaluated pay structures are being squeezed and distorted by bottom-loaded NJC pay settlements needed to reflect the increased National Living Wage and the Foundation Living Wage
- There are growing equal and fair pay risks resulting from this situation

This council therefore supports the NJC pay claim for 2018, submitted by UNISON, GMB and Unite on behalf of council and school workers and calls for the immediate end of public sector pay restraint. NJC pay cannot be allowed to fall further behind other parts of the public sector. This council also welcomes the joint review of the NJC pay spine to remedy the turbulence caused by bottom-loaded pay settlements.

This council also notes the drastic ongoing cuts to local government funding and calls on the Government to provide additional funding to fund a decent pay rise for NJC employees and the pay spine review.

This council therefore resolves to:

- Call immediately on the LGA to make urgent representations to Government to fund the NJC claim and the pay spine review and notify us of their action in this regard
- Write to the Prime Minister and Chancellor supporting the NJC pay claim and seeking additional funding to fund a decent pay rise and the pay spine review
- Meet with local NJC union representatives to convey support for the pay claim and the pay spine review

Proposed by: Councillor M Gannon

Seconded by: Councillor C Donovan

Supported by: Councillor K Dodds
Councillor G Haley

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COUNCIL MEETING

20 July 2017

GATESHEAD METROPOLITAN BOROUGH COUNCIL

NOTICE OF MOTION

Councillor D Duggan will move the following motion:

This Council recognises the important contribution that cooperatives and mutuals make to the North East, including a number of award winning enterprises like Care and Share Associates.

This Council believes that cooperatives and mutuals can foster democratic participation in the workplace and endorses the values and principles of the International Cooperative Alliance.

We call on Gateshead Council to:

- (a) explore joining the Co-operative Councils' Innovation Network and,
- (b) examine Gateshead Council's engagement with the cooperative and mutual sector in Gateshead and make recommendations for the sector's potential growth.

Proposed by: Councillor D Duggan

Seconded by: Councillor R Beadle

Supported by: Councillor J Wallace
Councillor J McClurey

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COUNCIL MEETING

20 July 2017

GATESHEAD METROPOLITAN BOROUGH COUNCIL

NOTICE OF MOTION

Councillor P Foy will move the following motion:

Gateshead Council is concerned at the decision by Northumbria Police to alter Gateshead Police Station opening hours to the public from a 24/7 service to 8.00 am to 8.00 pm seven days a week.

Northumbria Police has an excellent record of putting localism and neighbourhood policing to the forefront of their activities. However, we do not believe that these principles are reflected in these plans.

Residents in Gateshead rightly expect to be able to contact the police in times of personal difficulty. Residents attending police stations, at whatever time of day, have the right to expect that they will receive a professional service. This is particularly the case where members of the public are fleeing domestic violence, hate crime and human-trafficking

The council recognises the enormous pressure on Northumbria Police that damaging cuts imposed by central government have had since 2010.

However, we call upon the Chief Executive to write to both Northumbria Police and the PCC to ask that the current proposals be suspended whilst a comprehensive consultation is conducted to examine all potential alternative options.

Proposed by: Councillor P Foy

Seconded by: Councillor M Gannon

Supported by: Councillor J McElroy
Councillor C Donovan

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