

TITLE OF REPORT: Budget and Council Tax Level 2018/19**REPORT OF: Sheena Ramsey – Chief Executive**
Darren Collins - Strategic Director, Corporate Resources

Purpose of Report

1. To request Cabinet to recommend to Council on 22 February 2018 the Budget and Council Tax level for 2018/19. As part of the council tax setting process, Cabinet is also asked to recommend to Council the prudential indicators and Minimum Revenue Provision (MRP) Statement set out in this report. The Council budget forms a key element of the Council's strategic approach to making Gateshead a place where everyone thrives.

Background

2. On 22 September 2016, Council agreed the acceptance of the Government offer of a multi-year financial settlement to 2019/20 and the approval of an efficiency plan for submission to Government. 2018/19 represents year three of the four year settlement.
3. On 20 July 2017, the Council agreed the Medium Term Financial Strategy (MTFS) that covered the period 2018/19 to 2022/23 which presented a challenging financial position over the medium term and identified a funding gap of over £88.044 million over the five-year period with £41.876 million of the gap in the first two years. The MTFS identified a funding gap of £20.609 million to be closed for 2018/19.
4. On 21 November 2017, Cabinet approved the basis for undertaking public consultation on budget proposals for 2018/19 which took place between 21 November 2017 and 12 January 2018, amounting to an annual saving of around £13.670 million.
5. On 23 November 2017, Council agreed the local council tax support scheme for 2018/19 which continues to support a minimum contribution rate of 8.5% for working age benefit claimants that will continue to assist over 12,000 households.
6. On 19 December 2017, the Government announced the provisional local government finance settlement for 2018/19. The Secretary of State also announced revised referendum principles. In relation to the financial year beginning in April 2018, the Secretary of State determined (and the House of Commons has approved) a referendum threshold of 6% (comprising 3% for expenditure on adult social care and 3% for other expenditure) for adult social care authorities.
7. On 23 January 2018, Cabinet agreed the council tax and business rates base forecasts for 2018/19.
8. On 6 February 2018, the final local government funding settlement was announced. Overall funding was in line with expectations but the Government also announced an additional £150 million in 2018/19 for an Adult Social Care Support Grant allocated according to relative needs.
9. This report represents the final stage of the budget setting process in determining the budget and council tax level for 2018/19.

Proposal

10. The budget proposals approved for consultation have been reviewed to reflect the responses to consultation. This report proposes a budget in 2018/19 that includes £13.650 million of savings which closes the funding gap for the year, in response to Government funding reductions and service demand pressures.
11. In the 2017 financial settlement the Government announced flexibility to Councils allowing the option to increase the social care precept by 3% for 2017/18 and 2018/19 but not exceeding 6% over the original three-year period up to 2019/20.
12. The proposed budget will result in a council tax increase of 2.99% for residents of the Borough of Gateshead in respect of Gateshead Council expenditure and an additional council tax increase of 2% for residents of the Borough of Gateshead in respect of the Government's charge for adult social care expenditure.
13. This will result in a combined council tax increase of 4.99% for residents of the Borough of Gateshead (excluding precepts from the Police and Crime Commissioner, Fire Authority and Lamesley Parish) resulting in a £1.03 a week rise for the majority of council tax payers in Gateshead living in the lowest value properties (Band A) or £1.54 a week for those in Band D. This report recommends a 4.99% council tax increase in the Councils Band D council tax for 2018/19.
14. The proposed base budget for 2018/19 before savings is £217.116 million. Available funding for 2018/19 is £203.466 million based on the settlement including an amount of £0.708 million in respect of the Government Adult Social Care grant. Including a council tax increase of 4.99%, council tax income and collection fund transfers and the use of a specific earmarked reserve results in a budget savings requirement of £13.650 million. This can be summarised as follows:

Budget Savings Requirement 2018/19	£m
Net Budget brought forward into 2018/19	202.649
Plus, Inflation, Cost Pressures and Revenue Investment	14.467
Equals Provisional Net Budget	217.116
Budget Savings Requirement	(13.650)
Proposed Net Budget 2018/19	203.466
Funded by;	
Local Funding (Council Tax and Business Rates)	(129.212)
Strategic Revenue Investment Reserve	(1.337)
Government Funding	(72.917)
	(203.466)

15. In developing the proposed budget for 2018/19 the Council recognises the impact of the recommended council tax increase on some of the most vulnerable in society and particularly those on fixed incomes. However, a combination of continued cost pressures and significant funding reductions has resulted in locally raised revenue becoming increasingly important in the funding of vital services. The increase in council tax is therefore being proposed to protect the delivery of essential Council services to the residents of Gateshead. The Council will continue to provide the current council tax support scheme that enables targeted support for those residents that are likely to be most affected by the increase.

Recommendations

16. Cabinet is requested to make the following recommendations to Council:
- (1) That Gateshead's Band D council tax for 2018/19 is increased by 4.99% (including a 2% adult social care Government charge) to £1,686.63.
 - (2) The revenue estimates of £203.466 million for 2018/19 are approved.
 - (3) The use of £1.337 million Strategic Revenue Investment Reserve in 2018/19 be approved.
 - (4) That the indicative schools funding presented in Appendix 2 be agreed.
 - (5) To note the conclusions of the Strategic Director, Corporate Resources in respect of the robustness of budget estimates and adequacy of reserves.
 - (6) That the prudential and treasury indicators set out in Appendix 6 to this report be agreed.
 - (7) That the method of calculating the Minimum Revenue Provision (MRP) for 2018/19 as set out in Appendix 7 be approved.
 - (8) That the options included in the budget (following the outcome of consultation) in Appendix 2 be noted.
 - (9) That it be noted that at its meeting on 23 January 2018, Cabinet agreed the following amounts for the year 2018/19 in accordance with regulations made under Section 31B (3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011: -
 - (a) **51,462.4** being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its Council Tax base for the year;
 - (b) **1,212.1** for Lamesley Parish being the amount calculated by the Council, in accordance with regulation 6 of the Regulations, as the amount of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.
 - (10) That the following amounts be now calculated by the Council for the year 2018/19 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992, as amended by the Localism Act 2011 ('the Act'): -
 - (a) **£574,850,562** being the aggregate total of the expenditure amounts, which the Council estimates for the items, set out in Section 31A (2) of the Act taking into account the precept issued by Lamesley Parish Council
 - (b) **(£488,041,760)** being the aggregate total of the income amounts, which the Council estimate for the items, set out in Section 31A (3) of the Act
 - (c) **£86,808,802** being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year including Lamesley Parish Council

- (d) **£1,686.8394** being the amount at (c) above, all divided by the amount at (9)(a) above, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its Council Tax for the year including Lamesley Parish Council
- (e) **£10,815.00** being the aggregate amount of all special items (Lamesley Parish Council) referred to in Section 34(1) of the Act
- (f) **£1,686.6292** being the amount at (d) less the result given by dividing the amount at (e) above by the amount at (9)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Lamesley Parish Council) relates
- (g) Part of the Council's area: Lamesley Parish
£1,695.5492 being the amounts given by adding to the amount at (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (9)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items (Lamesley Parish Council) relate

(h)

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	5.95	1,124.42
B	6.94	1,311.82
C	7.93	1,499.23
D	8.92	1,686.63
E	10.91	2,061.44
F	12.89	2,436.24
G	14.87	2,811.05
H	17.84	3,373.26

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

- (11) That it be noted that for the year 2018/19, the Police and Crime Commissioner for Northumbria, and Tyne and Wear Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below: -

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	73.55	53.29
B	85.81	62.18
C	98.07	71.06
D	110.33	79.94
E	134.85	97.71
F	159.37	115.47
G	183.88	133.23
H	220.66	159.88

- (12) That, having calculated the aggregate in each case of the amounts at (10) (h) and (11) above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2018/19 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,257.21	1,251.26
B	1,466.75	1,459.81
C	1,676.29	1,668.36
D	1,885.82	1,876.90
E	2,304.91	2,294.00
F	2,723.97	2,711.08
G	3,143.03	3,128.16
H	3,771.64	3,753.80

- (13) That under section 52ZB of the Local Government Finance Act 1992 (as amended by the Localism Act 2011), the Council's relevant basic amount of council tax for 2018/19 is not excessive in accordance with the principles determined under section 52ZC of the Act.

For the following reason:

- To fulfil the Council's statutory duty to set the Budget and Council Tax for 2018/19.

CONTACT: Darren Collins, extension 3582

Policy Context

1. The Council has approached the budget consultation for 2018/19 within a framework for achieving the Council's new strategic approach 'Making Gateshead a Place Where Everyone Thrives'. The Council recognises there are huge financial pressures on not just Council resources, but those of partners, local businesses and residents. To deliver on the new strategic approach over the next five years, the Council will need to be resolute in its determination to make Gateshead a place where everyone thrives. This means the Council's decision-making including resource allocation through the budget will be policy and priority led and driven.
2. In order to strengthen the Council's financial position to deliver on the new strategic approach, there needs to be consideration of 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. The Council will also seek to address and manage the huge pressures created by increasing demand for Council services along with the identification of efficiencies and savings.
3. The Medium Term Financial Strategy (MTFS) provides the financial planning framework for supporting the allocation of available resources to deliver strategic plans. It also ensures a sustainable Gateshead through the best use of available resources to deliver services and long term financial sustainability for the Council. This strategic financial approach is built around the four MTFS themes of economic growth, income generation, management of demand and efficiencies / savings.

Background

4. 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, is continually subject to 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.
5. The Government's methodology for funding local authorities is increasingly linked to the performance of the local economy in the local authority area via new homes bonus funding arrangements, business rate retention and local council tax reduction schemes.
6. The Council's budget estimates for 2018/19 attached at Appendix 2 have been prepared in accordance with the Medium Term Financial Strategy (MTFS) framework and the outcome of the consultation.

Considerations

7. In finalising the budget and council tax for 2018/19, the following issues require consideration and are set out in the body of this appendix:-
 - Medium Term Financial Strategy context;
 - Final settlement 2018/19;
 - Projected revenue outturn 2017/18;
 - Budget guidance and base budget requirements 2018/19;
 - Budget proposals 2018 following consultation;
(See also appendix 2 and 3)
 - Projected Business rates 2018/19;
 - Council tax 2018/19;
 - Adequacy of reserves and robustness of budget estimates;
(See also appendix 4 and 5)
 - Approval of prudential indicators for 2018/19 (see also appendix 6);
 - Minimum Revenue Provision (MRP) (see also appendix 7).

Medium Term Financial Strategy

8. The Council has adopted a long-term approach to its strategic and financial planning. The Medium Term Financial Strategy (MTFS) was updated and agreed by Cabinet in July 2017 and is based on a financial forecast over a rolling five-year timeframe from 2018/19 to 2022/23. The MTFS sets the financial context for the Council's resource allocation process and budget setting.
9. The Council's MTFS to 2022/23 outlines an estimated funding gap of £88.044m for the next five years (2017/18 to 2021/22) with a £20.609m financial gap in 2018/19. The hugely challenging financial context will continue over the medium term and the general uncertainty around the economy is adding to the potential for financial volatility and risk. The Council's MTFS will be fully reviewed in July 2018.

Final Settlement 2018/19

10. The provisional local Government finance settlement for 2018/19 was announced on 19 December 2017. The Council was notified in January that top up grant was to be adjusted in the final settlement due to a change in the data provided by the Valuations office.
11. On 6 February 2018, the final local Government funding settlement was announced. Overall funding was in line with expectations but the Government also announced an additional £150m in 2018/19 for an Adult Social Care Support Grant allocated according to relative needs. Of this national sum Gateshead will receive £0.708m in grant.
12. The Council accepted the Governments offer of a multi-year settlement to 2019/20 to aid financial planning until the end of Parliament. Funding for 2018/19 marks the third year under the arrangement. Those authorities who did not accept the funding offer have only been given allocations within the settlement for 2018/19 and will be subject to an ongoing annual settlement process.

13. The settlement includes details of core grants including revenue support grant and business rates 'top up' grant. The table below highlights the 2018/19 reduction in the Settlement Funding Assessment (SFA). It is important to note that the retained business rates figure in the settlement below is a 'notional' figure published by the Government at the time of settlement and is not used for budget setting as it significantly understates the actual level of funding reduction.

Table 1 2018/19 Settlement Funding Assessment

Funding Stream	Actual	Settlement	Variance
	2017/18 £m	2018/19 £m	
SFA -Revenue Support Grant RSG	(27.783)	(21.423)	6.360
SFA -Retained Business Rates	(40.666)	(41.267)	(0.601)
SFA -Top Up Grant	(13.936)	(14.770)	(0.834)
Total SFA	(82.385)	(77.461)	(4.924)

** Differences in calculations may occur due to roundings*

14. Table 1 above highlights that the SFA was reduced by 6% (£4.924m) in 2018/19 based on Government figures.
15. Core Spending Power is a Government measure that includes business rates, council tax, new homes bonus and the improved better care fund. It excludes education grant, public health grant, better care funding and other grants. The change in spending power for Gateshead from the base year of 2015 up to 2019 is quoted as a reduction of -0.2% (compared to an England average of +2.1%) or £0.422m.
16. This Government analysis 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 a total 8.3% increase in council tax funding in 2018/19. The Government figures include and 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 consider 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 the significant 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 are not guaranteed.
 - Figures include £17.959m over 2018/19 to 2019/20 for the improved BCF (Better Care Fund) which aims to redress some balance of need and unlike other BCF monies will be paid directly to local authorities. However, the funding will only impact towards the end of Parliament when it is needed now. In addition, including improved BCF as additional funding is misleading as this does not identify that spending may also need to increase to meet additional burdens associated with the funding. This funding comes with conditions attached.

- Only potential funding has been considered in the Government projection with no consideration given of the impact of increasing costs in Adult and Children's social care from increased demand, contractual inflationary increases and the costs of implementing the national living wage and also similar cost pressures in other Council services arising from inflation, pay increases, changes in national insurance contributions and additional transfers of responsibilities.
 - The Government 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.
17. In summary overall Council funding continues to fall significantly, with core grants expected to reduce year on year in the potential move to local authorities retaining 75% of rates collected in 2020/21. It is still uncertain what other specific grants will disappear as a result of the new funding reforms announced in the provisional settlement but it has been confirmed that public health grant will be removed in 2020/21 with responsibilities delivered via rates funding.

Schools Funding

18. Schools and early years funding is provided via ring-fenced resources (Dedicated Schools Grant and the Pupil Premium). Most Children's Services Funding is included within the SFA.
19. Government will introduce the first ever national funding formula for schools and high needs block DSG funding in 2018/19 at a local authority level. There will be a transitional phase to help smooth the implementation of the new school's formula for 2018/19 and 2019/20 where local authorities will still have a role in setting their local mainstream schools funding formulas.
20. National education policy is subject to major change leading to a great deal of uncertainty about the future role of Councils in education, and in future levels of funding for schools and Councils. Further Government consultation and legislation is expected in the near future.

Projected Revenue Outturn 2017/18

21. The agreed net revenue budget for 2017/18 is £202.649m. On 23 January 2018, Cabinet received a report on projected spending taking into account performance to 31 December 2017. The 2017/18 projected outturn is £203.282m, which results in a projected over spend of £0.633m for the year.
22. Given the significant financial challenges ahead, work is being undertaken in year to reduce costs, increase income and achieve underspends wherever feasible. This is good financial management that aids financial sustainability. The Council has an exceptionally strong track record of delivering the outturn on the revenue account within budget.
23. The final outturn position will be reported to cabinet in June 2018 and it is expected that the outturn will be delivered within original budget estimates.

Base Budget Requirement 2018/19

24. The following key assumptions have been made in development of the 2018/19 budget;
- A reduction in revenue support grant of £6.360m (23%)
 - An estimation of funding available to support the budget from retained business rates and section 31 business rates grant based on the NNDR1 return to Government.
 - An increase to £86.798m in the amount of council tax income receivable (excluding Lamesley) arising from growth in the tax base (£0.850m) and agreement of the proposed council tax increase (£4.128m).
 - Contractual inflation and modest amounts of general inflation on areas such as utilities, insurance premiums and business rates payable by the Council. (£1.971m)
 - An amount held to meet the cost of the anticipated pay award in line with national offer and specific cost pressures resulting from pensions and Council plans in respect of the National Living Wage (£4.358m).
 - Provision has been made in the budget for the North East Combined Authority Transport Levy of £11.037m (£0.254m decrease) and for the Environment Agency of £0.166m (£0.003m increase).
25. The base budget for 2018/19 before budget savings is £217.116m. This is an increase of £14.467m on the current year budget reflecting new burdens, inflation and service pressures outlined in the MTFS as shown below;

	MTFS NET Budget £m	REVISED NET Budget £m
Base 2018/19	202.649	202.649
General Inflation (inc Utilities, salary etc)	0.950	0.894
Contractual Inflation	2.350	1.077
Council wide Pressures (Pensions, Living Wage etc)	4.321	4.498
Social Care Demand Pressures	3.618	3.618
Other Service Demand Pressures	0.650	1.301
Strategic Investment (Capital programme)	2.066	1.742
Strategic Revenue Reserve Investment	0.000	1.337
	216.604	217.116

26. Growth in the Council budget has been kept to a minimum with provision being made in a contingency of £8.4m (4% of total net budget) to manage risks in relation to the ongoing contribution to the costs of managing the workforce, demand pressures, and any unforeseen in year cost pressures. The potential cost of the pay award (£3.3m in 2018/19) has been held here pending formal agreement.
27. The base budget figures and proposals are presented in Appendix 2, including all comparative figures for 2017/18.

Budget Proposals 2018 – Outcome of Consultation

28. At its meeting on 21 November 2017, Cabinet approved the public consultation which set out the budget proposals to bridge an estimated funding gap of £20.609m by 2019. The responses to the consultation and impact assessments are included at Appendix 3.
29. The consultation issues raised through the budget process have been considered. Following consideration of many factors including the consultation responses themselves, the deliverability and impact of the budget options, the overall financial position of the Council, and priorities identified in the Council's strategic approach, it is proposed to take forward the budget options with the following mitigations and adjustments;
- Total Saving of £0.180m be agreed but budget mitigation of £0.116m is proposed within Policy, Performance and Communications to allow Council priorities to be delivered whilst balancing staffing reductions.
 - Total Saving £0.400m be agreed for Supported Housing but budget mitigation of £0.350m is proposed to allow time for further reviews of contracts to be undertaken and part year implementation of plans.
 - £0.020m removal of budget option proposing increased charging for replacement bins to allow for a full review of the charging policy
30. Despite the huge financial challenge, the Council continues to look ahead and strive to achieve sustainable economic growth and wellbeing for residents, whilst supporting vulnerable people and building capacity within communities.

Projected Business Rates 2018/19

31. As part of the 2018/19 settlement, the Government provided a baseline figure for retained business rates. The National Non-Domestic Rates Return 1 (NNDR1) 2018/19 submitted to the Ministry of Housing, Communities and Local Government on 31 January 2018 estimated that the Council's retained element will be £39.385m (adjusted for cost of collection) which is £1.882m lower than the baseline estimated in the Government's final settlement. An additional estimate of £3.522m is included in the base budget funding in relation to reliefs which are reimbursed through a S31 grant.

Council Tax 2018/19

Statutory Requirements: Calculation of Council Tax Requirement

32. Section 30 of the Local Government Finance Act 1992 requires the Council to set an amount of Council Tax for each financial year for each category of dwellings in its area. The council tax must be set before the 11 March in the preceding financial year. For a category of dwellings, the amount of Council Tax is the aggregate of: -
- (i) the amount of tax in relation to the year that the authority itself has calculated, and
 - (ii) the sum of the amounts of tax in relation to the year that major precepting authorities have calculated in precepts issued to the authority by major precepting authorities.

33. Sections 31A, 31B and 34 to 36 of the 1992 Act (the 1992 Act) require the Authority to calculate its own amount of tax for each category of dwellings in its area, reflecting its council tax requirement. In calculating its council tax requirement, the Authority must make the following calculations: -
34. (1) In relation to each financial year a billing authority in England must make the calculations required by the section 31A of the 1992 Act.
- (2) The Authority must calculate the aggregate of: -
- (a) the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a Business Improvement District (BID) Revenue Account, for the year in accordance with proper practices;
 - (b) such allowance as the Authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices;
 - (c) the financial reserves which the Authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure;
 - (d) such financial reserves as are sufficient to meet so much of the amount estimated by the Authority to be a revenue account deficit for any earlier financial year as has not already been provided for;
 - (da) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with regulations under section 97(2B) of the 1988 Act;
 - (e) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97 (4) of the Local Government Finance Act 1998 (the 1988 Act);
 - (f) any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.
- (3) The aggregate of: -
- (a) the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices;
 - (aa) any amounts which it estimates will be transferred in the year from its collection fund to its general fund in accordance with regulations under section 97(2A) of the 1988 Act;
 - (b) any amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97 (3) of the 1988 Act;

- (c) any amounts which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and
 - (d) the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2)(a), (b), (e) and (f) above.
- (4) If the aggregate calculated under (2) above exceeds that calculated under (3) above, the authority must calculate the amount equal to the difference; and the amount so calculated is to be its council tax requirement for the year.
- (5) In making the calculation under subsection (2) above the authority must ignore payments which must be met from its collection fund under section 90(2) of the 1988 Act or from a trust fund and, subject to paragraphs (da), (e) and (f) of subsection (2) above, sums which have been or are to be transferred from its general fund to its collection fund.
- (6) In estimating under subsection (2)(a) above the authority must take into account: -
 - (a) the amount of any expenditure which it estimates it will incur in the year in making any repayments of grants or other sums paid to it by the Secretary of State, and
 - (b) the amount of any precept issued to it for the year by a local precepting authority and the amount of any levy or special levy issued to it for the year.
- (7) But (except as provided by regulations under section 41 of the 1992 Act or regulations under section 74 or 75 of the 1988 Act) the authority must not anticipate a precept, levy or special levy not issued.
- (8) For the purposes of subsection (2)(c) above an authority's estimated future expenditure is: -
 - (a) that which the authority estimates it will incur in the financial year following the year in question, will charge to a revenue account for the year in accordance with proper practices and will have to defray in the year before the following sums are sufficiently available: -
 - i. sums which will be payable for the year into its general fund and in respect of which amounts will be credited to a revenue account for the year in accordance with proper practices, and
 - ii. sums which will be transferred as regards the year from its collection fund to its general fund, and
 - (b) that which the authority estimates it will incur in the financial year referred to in paragraph (a) above or any subsequent financial year in performing its functions and which will be charged to a revenue account for that or any other year in accordance with proper practices.

- (9) In making the calculation under subsection (3) above the authority must ignore: -
- (a) payments which must be made into its collection fund under section 90(1) of the 1988 Act or to a trust fund, and
 - (b) subject to paragraphs (aa), (b) and (c) of subsection (3) above, sums which have been or are to be transferred from its collection fund to its general fund.
- (10) The Secretary of State may by regulations do either or both of the following: -
- (a) alter the constituents of any calculation to be made under subsection (2) or (3) above (whether by adding, deleting or amending items);
 - (b) alter the rules governing the making of any calculation under subsection (2) or (3) above (whether by deleting or amending subsections (5) to (9) above, or any of them, or by adding other provisions, or by a combination of those methods).
- (11) Calculations to be made in relation to a particular financial year under this section must be made before 11 March in the preceding financial year, but they are not invalid merely because they are made on or after that date.
- (12) This section is subject to section 52ZS of the 1992 Act (which requires a direction to a billing authority that the referendum provisions in chapter 4ZA of the 1992 Act are not to apply to the authority for a financial year to state the amount of the authority's council tax requirement for the year).

Calculation of Basic Amount of Tax

- (13) In relation to each financial year a billing authority in England must calculate the basic amount of its council tax by applying the formula: -

$$\frac{R}{T}$$

where: -

R is the amount calculated (or last calculated) by the authority under section 31A (4) of the 1992 Act as its council tax requirement for the year;

T is the amount which is calculated by the authority as its council tax base for the year and, where one or more major precepting authorities have power to issue precepts to it, is notified by it to those authorities ("the major precepting authorities concerned") within the prescribed period.

- (14) Where the aggregate calculated (or last calculated) by the authority for the year under subsection (2) of section 31A does not exceed that so calculated under subsection (3) of that section, the amount for item R above is to be nil.
- (15) The Secretary of State must make regulations containing rules for making for any year the calculation required by item T above; and a billing authority must make the calculation for any year in accordance with the rules for the time being effective (as regards the year) under the regulations.

- (16) Regulations prescribing a period for the purposes of item T above may provide that, in any case where a billing authority fails to notify its calculation to the major precepting authorities concerned within that period, that item must be determined in the prescribed manner by such authority or authorities as may be prescribed.
- (17) The Secretary of State may by regulations do either or both of the following: -
- (a) alter the constituents of any calculation to be made under subsection (13) (whether by adding, deleting or amending items);
 - (b) provide for rules governing the making of any calculation under that subsection (whether by adding provisions to, or deleting or amending provisions of, this section, or by a combination of those methods).

Council Tax Bandings

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

Council Tax Increase

37. 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 2018/19, this report recommends that Gateshead Council agrees a council tax increase of 4.99% (including a 2% adult social care charge) This will mean the Council will be exempt from the Government's excessiveness principles as the proposed increase is less than 6%.

Local Council Tax Support Scheme

38. The Council's approach is to operate a support scheme within the funding available and to mitigate the impact on working age claimants by utilising council resources. The current scheme results in more than 12,000 council tax payers falling into the protected groups that will continue to pay no more than 8.5% of their council tax (around £101 per year/£1.94 per week).

Council Tax Referendums

39. A council tax bill is made up of many different elements. Alongside the element to fund Council services which includes the costs of Councils pay in levies or special levies to any number of bodies, there can be precepts which consist of council tax that will be redistributed to bodies to provide specific services to the area. For Gateshead these are for the Police and Crime Commissioner for Northumbria, the Tyne and Wear Fire and Rescue Authority and Lamesley Parish.
40. Each year ministers set out in advance what they deem to be an excessive tax rise. This report has been prepared in accordance with published guidance “The referendums relating to council tax increases (Principles) (England) report 2018/19” and the principles outlined in annex A of the guidance.
41. For the referendum regime, the Localism Act 2011 defined a new measure - the relevant basic amount of council tax. The ‘relevant basic amount’ is a measure that aims to focus purely on the element of the council tax bill relating to Council services. It is calculated by subtracting any levy or special levy payments from the overall council tax requirement then dividing that figure by the council tax base.
42. Under section 52ZB of the Local Government Finance Act 1992, each billing authority and precepting authority must determine whether its relevant basic amount of council tax for the financial year (the year under consideration) is excessive. A referendum is triggered by whatever the Secretary of State says is an excessive increase in the ‘relevant basic amount of council’ tax.
43. Under section 52ZC of the 1992 Act, the question of whether an authority’s relevant basic amount of council tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State. A set of principles may contain one principle or two or more principles and must constitute or include a comparison between the authority’s relevant basic amount of council tax for the year under consideration and its relevant basic amount of council tax for the financial year immediately preceding the year under consideration.
44. For authorities with adult social care responsibilities the referendum cap is set at 6% and above. This comes with conditions requiring the authority to evidence that the additional funds raised from the flexibility will be applied for social care purposes and will be required in subsequent years of the Parliament.
45. Therefore for 2018/19, the relevant basic amount of council tax of an authority which belongs to the category in paragraph 2(a) of the Secretary of State Report ‘The Referendums Relating to Council Tax Increases (Principles) (England) Report 2018/19’ “any relevant local authority” is excessive if the authority’s relevant basic amount of council tax for 2018/19 is 6% (comprising 3% for expenditure on adult social care and 3% for other expenditure) or more than 6% greater than its relevant basic amount of council tax for 2017/18.
46. For 2018/19, the relevant basic amount of council tax of an authority which belongs to the category in paragraph 2(d) of the Secretary of State Report ‘The Referendums Relating to Council Tax Increases (Principles) (England) Report 2018/19’ made under section 52ZD (1) of the 1992 Act “any relevant police and crime commissioner” is excessive if the authority’s relevant basic amount of council tax for 2018/19 is more than £12 greater than its relevant basic amount of council tax for 2017/18.

47. Where a major precepting authority determines that its council tax increase is excessive it must notify the billing authority to which it issues a precept. The billing authority will then be required to make arrangements to hold a referendum in relation to the precepting authority's council tax increase. The costs of holding the referendum are the sole responsibility of the authority which triggered it. Consequently, billing authorities are entitled to recover from a precepting authority the expense incurred in holding a referendum on its behalf.
48. No principles are specified for local precepting authorities (Lamesley Parish), although the Secretary of State may revisit this issue in future. However, the usual general administrative law principles will apply to the Parish Council's own decision setting the budget i.e. they must act reasonably; they will have to take the decision based on all material considerations, discarding immaterial considerations and the incurring of expenditure must be relevant to the needs of the Parish as well as being in accordance with their own financial rules.
49. The consequences of setting an increase in the relevant basic amount of council tax which is excessive would mean that the Council would have to make arrangements to hold a referendum and make "substitute calculations" of a relevant basic amount of council tax which does not exceed the excessiveness principles. The substitute calculations would automatically take effect in the event that voters reject the Council's increase.
50. Under section 52ZB of the 1992 Act the proposed council relevant basic amount of council tax for 2018/19 is not excessive in accordance with the principles determined under section 52ZC of the Act.

Council Tax Requirement 2018/19

51. The Localism Act 2011 requires the Council to set a council tax requirement.
52. The Council's budget for 2018/19 totals £203.466m after budget savings (net of schools spending). The use of £1.337m earmarked reserves reduces this to £202.129m.
53. In calculating the Council's council tax requirement as required by the legislation, the Lamesley Parish precept must be added to the figure above.
54. The Parish of Lamesley has issued a budget precept for 2018/19 of £10,815, which is a 3% increase on the 2017/18 precept of £10,500. This increase was agreed at the Parish Council meeting on 8 January 2018.
55. In arriving at the Council's council tax requirement, general grants such as Settlement Funding Assessment (revenue support grant, retained business rates and top up grant), other grants in revenue spending power and public health must be deducted.
56. Any amount transferred from the collection fund to the general fund in relation to council tax must also be deducted. For 2018/19 this figure has been estimated to be £3.028m.

57. The Council Tax Requirement 2018/19, based on an increase of 4.99%, can now be summarised as follows: -

	£
Net Budget 2018/19 Gateshead Council	203,465,965
<i>Less - Use of Earmarked Reserves</i>	(1,337,000)
<i>Add - Lamesley Parish Precept</i>	10,815
Budget Requirement 2018/19 (including Lamesley Parish Precept)	202,139,780
<i>Less - Settlement Funding Assessment (SFA)*</i>	(75,578,438)
<i>Public Health</i>	(16,516,000)
<i>Other Grants</i>	(20,207,556)
<i>Balance to be raised locally</i>	89,837,786
<i>Transfer from Collection Fund (Council Tax)</i>	(3,028,984)
Council Tax Requirement (including Lamesley Parish Precept)	86,808,802

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

Council Tax Resolution

58. The council tax for Gateshead is calculated by dividing the council tax requirement by the council tax base of 51,462.4 (agreed at Cabinet on 23 January 2018). This calculation gives a basic amount of council tax of £1,686.84. However, from this figure, the legislation requires the Parish element to be deducted (£0.21). This gives a Band D Council Tax for Gateshead of £1,686.63. Section 36 of the 1992 Act requires the council tax to be calculated by reference to Band D, although 90% of households in Gateshead are in Bands A to C.
59. The amount payable for dwellings in different valuation bands is calculated using the following proportions for each valuation banding: -

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

Thus, giving the following council tax amounts for the Gateshead area, (including a 2% precept to fund adult social care but excluding other precepts)

Valuation Band	Gateshead Council £
A	1,124.42
B	1,311.82
C	1,499.23
D	1,686.63
E	2,061.44
F	2,436.24
G	2,811.05
H	3,373.26

60. The council tax for the Parish area is calculated by dividing the Parish precept by the council tax base for the Parish area (agreed at the Cabinet meeting on 23 January 2018). This calculation gives a Band D precept of £8.92 for Lamesley Parish area in 2018/19 which is an increase of 8.4% from 2017/18.
61. These result in the following additional council tax amounts for the Lamesley Parish area (excluding Police and Crime Commissioner and Fire precepts):

Valuation Band	Lamesley Parish £
A	5.95
B	6.94
C	7.93
D	8.92
E	10.91
F	12.89
G	14.87
H	17.84

62. To these must be added the precepts of the Police and Crime Commissioner (PCC) for Northumbria and the Tyne and Wear Fire and Rescue Authority. The PCC have agreed to increase the Band D charge by the £12 permitted under the current referendum principles. The Tyne and Wear Fire and Rescue Authority precept was agreed at an increase of 2.99%. These are as follows: -

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	73.55	53.29
B	85.81	62.18
C	98.07	71.06
D	110.33	79.94
E	134.85	97.71
F	159.37	115.47
G	183.88	133.23
H	220.66	159.88

These precepts result in a Band D council tax (excluding Lamesley Parish Precept) of £1,876.90 which has increased from £1,782.36 in 2017/18.

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,257.21	1,251.26
B	1,466.75	1,459.81
C	1,676.29	1,668.36
D	1,885.82	1,876.90
E	2,304.91	2,294.00
F	2,723.97	2,711.08
G	3,143.03	3,128.16
H	3,771.64	3,753.80

Adequacy of Reserves and Robustness of Budget Estimates

64. The Council keeps a level of reserves to strengthen its financial position so that it has sufficient reserves and balances to protect against the risk of any uncertainties or unforeseen events without jeopardising key services and delivery outcomes. This is considered best practice and demonstrates sound financial planning. The Council's policy on reserves is outlined in the Medium Term Financial Strategy (MTFS).
65. The Local Government Act 2003 requires the Strategic Director, Corporate Resources to undertake an assessment of the robustness of budget estimates and the adequacy of reserves.
66. In assessing the robustness of the budget, the Strategic Director, Corporate Resources has considered the following issues:
 - The general financial standing of the Council
 - The adequacy of the budget monitoring and financial reporting arrangements
 - The adequacy of the Council's internal control system
 - The future budget pressures faced by the Council, as identified in the Council's MTFS
 - The impact of reduced income and funding
 - The proposed Capital Programme
 - The delivery of agreed budget savings
67. In addition to the above, the Strategic Director, Corporate Resources has undertaken a risk assessment of the underlying budget assumptions applied to income and expenditure estimates. This includes an assessment of the estimates for inflationary increases. Further details are shown at Appendix 4.
68. The Strategic Director, Corporate Resources has also considered the adequacy of reserves to cover any potential financial risks faced by the Council. The Council's general and earmarked reserves are maintained at a prudent level and are subject to continuous review. Appendix 5 to this report shows the opening balances as at 1 April 2017 and an estimate of reserves through to 31 March 2019 subject to the proposals in this report. The position on reserves will be further reviewed following revenue outturn in June 2018 and as part of the review of the MTFS. It is likely that reserves will need to be replenished over the MTFS period.
69. The Council maintains a general fund reserve which acts as a contingency and allows the Council to meet any unforeseen expenditure. This currently stands at £17.873m. This figure includes £5.473m LMS Schools reserves which are ring-fenced and £12.400m General Reserve which is above the minimum level of 3% net revenue budget agreed by Cabinet and Council in July 2017 as part of the MTFS.
70. Some reserves are agreed by Council to be set earmarked and held for specific strategic purposes. This may be to help achieve key priorities, for example the economic growth reserve to achieve growth and support the local economy, or held for specific purposes primarily to mitigate unforeseen events, risks or provide insurance. Other reserves are ring fenced and committed to be used for specific projects or activities, usually prescribed by Government, and cannot support the general Council budget such as school's reserves, developer contributions and the Public Health reserve.

71. Reserves can only be used once and are therefore not a sustainable source of financing without placing the Council's financial position at risk. This is an area of interest to external audit who will look at both how the Council has planned to use and actually uses its reserves. Due to the reduced funding from Government coupled with increasing demand, the Council will be required and is intending to, find a permanent solution to the funding gap, rather than a short-term solution by using reserves, a fundamental principle of the MTFs.
72. The Strategic Director, Corporate Resources confirms that, after taking account of these issues, the revenue estimates are considered robust and that the level of reserves is considered adequate to cover the financial risks faced by the Council in the medium term. This assessment is based on the requirement that spending will be reduced to meet the funding gap in the MTFs as any shortfall will put the Council's sustainable financial position at risk.

Workforce Management

73. The Council has policies, procedures and guidance in place to manage changes in the workforce whether they come from budgetary pressures or other operational or organisational changes. These have been successfully applied in the past but the extent of the savings required to balance the budget has put pressure on all budgets, including staffing.
74. The proposals within the budget will result in significant organisational change in many services across the Council, and changes in the way the Council delivers services and works for and with, the community.
75. The Council remains a major employer and it will continue its existing good employment practices and further develop its commitment to its workforce, as set out in the Workforce Strategy and Plan 2015 to 2020 including: employee engagement, learning and development, and health and well-being. The Council will continue to work with employees and trade unions to protect priority services and ensure, as part of the Workforce Strategy, that employees have the skills they need to work efficiently and effectively. Through the application of the Council's commissioning framework, new ways in which to deliver best value for the community will be considered, including new business models and delivery vehicles.
76. The Council remains committed to seeking to avoid compulsory redundancies (CRs), and wherever possible it will continue to support employees who wish to volunteer for redundancy (VR). The Council has a successful track record of redeploying staff and it will continue to support employees at risk of redundancy to seek external job opportunities, become self-employed, or start a new business and generally to manage these major changes in life.
77. In light of the required savings the Council gave notice in February 2018 to the Department of Business Innovation and Skills (Form HR1) of the number of anticipated redundancies. In November 2017, it also issued Section 188 "notice of potential redundancy letters" to employees. Throughout the consultation period, the Council has worked with trade union representatives and employees to discuss possible ways forward that avoid or reduce the number of redundancies required, and in particular compulsory redundancies; actual numbers are therefore expected to be lower than the figures originally anticipated. The cost of redundancies will require a significant one-off cost in terms of redundancy payments and pension costs. The majority of redundancy costs will need to be met from revenue or reserves.
78. The proposed FTE reductions before mitigations is 57.3 FTE of which an estimated 4 FTE are considered to be potential compulsory redundancies.

Prudential and Treasury Indicators

79. CIPFA's Prudential Code is a professional code of practice to support local authorities in taking decisions about capital investment. All local authorities are required to have regard to the Prudential Code under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 3 of the Local Government Act 2003 and the Code of Practice for Treasury Management in the Public Services. The Prudential Framework for Local Authority Capital Investment was introduced from 1 April 2004 and was refreshed in 2017 to include a greater focus on non-treasury investments and commercial activities the Council may undertake.

The key objectives of the Codes are: -

- To ensure that the capital investment plans of local authorities are affordable, prudent and sustainable;
- To ensure that treasury management decisions are taken in line with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the Council;
- To ensure consistency with the organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long term financial implications and potential risks to the Council. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.

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

In setting and revising prudential and treasury indicators, the Council is required to take account of the following issues: -

- affordability, including the impact on council tax;
- prudence and sustainability;
- value for money;
- stewardship of assets and asset management planning;
- service objectives;
- practicality.

80. Appendix 6 to this report details the prudential indicators required under the Prudential Code and the Code of Practice for Treasury Management in the Public Services recommended for approval.

Minimum Revenue Provision (MRP)

81. MRP is the amount that needs to be charged to revenue to reflect the repayment of debt. It is proposed that the Council continues to use the annuity method for charging MRP in respect of PFI contracts and the asset life method on self-financed expenditure. The Council's annual MRP statement for 2018/19 is attached at Appendix 7.

Consultation

82. Section 65 of the 1992 Act requires the Council to consult with persons or bodies subject to non-domestic business rates in Gateshead about spending proposals. A meeting was held with the North-East Chamber of Commerce on 29 January 2018.
83. There has been public consultation on budget proposals for 2018/19 and the responses are included at Appendix 3 of this report.
84. Councillors have been consulted on the draft budget proposals through Corporate Advisory Groups, portfolio meetings and briefing sessions. The trade unions have also been fully consulted on all proposals within the report.

Alternative Options

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

Implications of Recommended Option

86. Resources

- a. **Financial Implications** – The Strategic Director, Corporate Resources confirms that these are set out in the report and appendices. Budget proposals outlined in the report have been prepared in the context of the financial position identified in the MTFs agreed by Cabinet on 18 July 2017 and the outcome of the consultation.
- b. **Human Resource Implications** – Implications for the Council's workforce are considered within the report.
- c. **Property Implications** – The Strategic Director, Corporate Services and Governance confirms the implications for the Council's asset portfolio will be set out in detail in future separate reports. The Council will continue to implement its Asset Management Strategy and seek to reduce the costs associated with buildings and property.

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

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

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

90. **Health Implications** – Appendix 3 highlights health and wellbeing impact as well as a carers impact assessment.
91. **Sustainability Implications** – The proposals in this report will ensure a sustainable financial position for the Council.
92. **Human Rights Implications** – The implications of the Human Rights Act must be considered in any decision that involves a change of policy or function, or a Service change that arises from the choices. These will be identified, where necessary, in the EIAs which are available on the Council’s website.
93. **Area and Ward Implications** – The proposals in this report cover the whole of Gateshead.

REVENUE BUDGETS 2018/19

Budget 2017/18 £000	Group and Service (Net Budgets)	Budget Pre Savings 2018/19 £000	Proposed Savings 2018/19 £000	Proposed Budget 2018/19 £000
	<u>Care, Wellbeing and Learning</u>			
22,581	Social Work - Children & Families	24,242	(1,871)	22,371
5,690	Early Help & Education	6,170	(140)	6,030
7,541	Commissioning & Quality Assurance	7,961	(588)	7,373
1,422	Learning & Schools	1,511	(150)	1,361
61,060	Adult Social Care	64,320	(3,987)	60,333
16,952	Public Health	16,952	(848)	16,104
	<u>Communities and Environment</u>			
399	Housing General Fund	525	(33)	492
3,747	Development, Transport & Public Protection	4,013	(442)	3,571
(1,068)	Council Housing, Design & Technical Services	(786)	(214)	(1,000)
4,672	Commissioning & Neighbourhoods	5,177	(190)	4,987
13,168	Street Scene	13,808	(530)	13,278
993	Economic Development	1,036	(186)	850
	<u>Office of the Chief Executive</u>			
1,679	Policy, Performance & Communications	1,815	(180)	1,635
	<u>Corporate Services and Governance</u>			
678	Legal, Democratic & Property Services	734	(539)	195
4,065	Human Resources & Litigation	4,162	(475)	3,687
243	Corporate Commissioning & Procurement	251	(61)	190
	<u>Corporate Resources</u>			
1,639	Corporate Finance	1,779	(244)	1,535
3,361	Customer & Financial Services	3,649	(509)	3,140
0	Housing Benefits	0	0	0
3,317	IT Services	3,524	(495)	3,029
8,608	Trading & Commercialisation	9,448	(1,768)	7,680
1,378	Other Services	1,419	0	1,419
4,708	Contingencies	8,404	0	8,404
27,112	Capital Financing Costs	28,762	0	28,762
(2,773)	Investment & Trading Income	(2,986)	(200)	(3,186)
	<u>Levies</u>			
163	Environment Agency	166	0	166
11,291	Tyne & Wear ITA	11,037	0	11,037
23	Port of Tyne	23	0	23
202,649	Total Net Budget	217,116	(13,650)	203,466
	<u>Financed By</u>			
(82,813)	Settlement Funding Assessment (SFA)	(75,578)		(75,578)
(18,426)	Other Grants	(20,208)		(20,208)
(16,952)	Public Health	(16,516)		(16,516)
(81,820)	Council Tax (Excluding Parish Precept)	(86,798)		(86,798)
(2,638)	Collection Fund	(3,029)		(3,029)
	Earmarked Reserves	(1,337)		(1,337)
(202,649)	Total Funding	(203,466)	0	(203,466)

SCHOOLS - ESTIMATES 2018/19

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	140,583	(140,583)	0	145,208	(145,208)	0
Use of Schools Reserves	232	(232)	0	0	0	0
Less: Recoupment for Academies and commissioned Non-Maintained Special Schools	(39,668)	39,668	0	(47,680)	47,680	0
Total Retained in Council	101,147	(101,147)	0	97,528	(97,528)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(25,925)	25,925	0	(25,405)	25,405	0
Schools Budget (Maintained)	75,222	(75,222)	0	72,123	(72,123)	0
Pupil Premium	9,748	(9,748)	0	9,014	(9,014)	0
Less: Academies Recoupment	(2,543)	2,543	0	(2,810)	2,810	0
Pupil Premium (Maintained)	7,205	(7,205)	0	6,204	(6,204)	0
TOTAL SCHOOLS BUDGET 2018/19						0

1. The Council will also receive an indicative £145m Dedicated Schools Grant (DSG), ring-fenced for the education of children. From this amount the Department for Education (DfE) will recoup the funding for academies in Gateshead and externally commissioned High Needs places, which is estimated to be £48m. Funding for schools and the providers of early years education is distributed on a formulaic basis in accordance with the Schools and Early Years Finance (England) Regulations. Funding for 2 year olds is estimated at £2.2m 2018/19 and will be confirmed in July 2018 based on actual take up.

2. In addition, the Pupil Premium for 2018/19 will be £1,320 for primary school children and £935 for secondary school children. This amount is paid per pupil entitled to a free school meal at any time in the last six years. Looked After Children receive Pupil Premium Plus at £2,300 per eligible child. Service Children Pupil Premium is £300 per eligible pupil. The estimated entitlement for schools in Gateshead is £9.0m, of which an estimated £2.8m will be recouped for academies.

Early Years Pupil Premium for eligible 3 and 4 year olds has been confirmed at £302 per pupil for a full financial year. This will be paid on a participation basis of £0.53 per hour and the DfE have provided an estimated allocation within the DSG of £0.145m.

CARE, WELLBEING & LEARNING - ESTIMATES 2018/19

SOCIAL WORK - CHILDREN & FAMILIES

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Social Work - Children & Families	23,952	(1,371)	22,581	25,613	(1,371)	24,242
Section 2 - Savings						
<u>Managing Demand</u>						
Early intervention demand reduction model				(671)	0	(671)
<u>Cost Saving</u>						
Intensive family support to reduce the number of Looked After Children				(250)	0	(250)
Whole system re-engineering within Children's Services				(450)	0	(450)
<u>Income Generation</u>						
Development of a formal framework with NewcastleGateshead CCG				0	(500)	(500)
				(1,371)	(500)	(1,871)
Total Social Work - Children & Families 2018/19				24,242	(1,871)	22,371

CARE, WELLBEING & LEARNING - ESTIMATES 2018/19

EARLY HELP & EDUCATION

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Early Help & Education	26,253	(20,563)	5,690	26,427	(20,257)	6,170
Section 2 - Savings						
<u>Managing Demand</u>						
Service restructure				(100)	0	(100)
<u>Cost Saving</u>						
Review of Toy Library provision				(22)	0	(22)
Business Support review				(18)	0	(18)
				(140)	0	(140)
Total Early Help & Education 2018/19				26,287	(20,257)	6,030

CARE, WELLBEING & LEARNING - ESTIMATES 2018/19

COMMISSIONING & QUALITY ASSURANCE

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning & Quality Assurance	7,910	(369)	7,541	8,330	(369)	7,961
Section 2 - Savings						
<u>Cost Saving</u>						
Review of supported housing	(400)	0	(400)			
Review of prevention services	(50)	0	(50)			
Removal of a policy officer post	(43)	0	(43)			
Change Programme	(58)	0	(58)			
<u>Income Generation</u>						
Joint Commissioning Unit	0	(37)	(37)			
	(551)	(37)	(588)			
Total Commissioning & Quality Assurance 2018/19	7,779	(406)	7,373			

CARE, WELLBEING & LEARNING - ESTIMATES 2018/19

LEARNING & SCHOOLS

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Learning & Schools	26,137	(24,715)	1,422	25,798	(24,287)	1,511
Section 2 - Savings						
<u>Income Generation</u>						
Increased trading				0	(150)	(150)
				0	(150)	(150)
Total Learning & Schools 2018/19				25,798	(24,437)	1,361

CARE, WELLBEING & LEARNING - ESTIMATES 2018/19

ADULT SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Adult Social Care	88,348	(27,288)	61,060	91,608	(27,288)	64,320
Section 2 - Savings						
<u>Managing Demand</u>						
Reduction in Adult Social Care demand				(1,850)	0	(1,850)
Deprivation of liberty safeguard referrals				(150)	0	(150)
Develop specialist dementia Extra Care services				(50)	0	(50)
Review of low level domiciliary care packages				(250)	0	(250)
<u>Cost Saving</u>						
Recommission Extra Care to independent sector				(150)	0	(150)
Directly provided domiciliary care and management structures				(540)	0	(540)
Integration of Community Links into core delivery				(104)	0	(104)
Reduction in staffing budgets for directly provided Independent Supported Living				(120)	0	(120)
Review of multiple carer domiciliary care packages				(275)	0	(275)
<u>Income Generation</u>						
Trading and income generation				0	(498)	(498)
				(3,489)	(498)	(3,987)
Total Adult Social Care 2018/19				88,119	(27,786)	60,333

COMMUNITIES & ENVIRONMENT - ESTIMATES 2018/19

HOUSING GENERAL FUND

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing General Fund	1,596	(1,197)	399	1,636	(1,111)	525
Section 2 - Savings						
Cost Saving						
Expenditure Efficiencies				(33)	0	(33)
				(33)	0	(33)
Total Housing General Fund 2018/19				1,603	(1,111)	492

COMMUNITIES & ENVIRONMENT - ESTIMATES 2018/19

DEVELOPMENT, TRANSPORT & PUBLIC PROTECTION

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Development, Transport & Public Protection	8,993	(5,246)	3,747	9,161	(5,148)	4,013
Section 2 - Savings						
<u>Cost Saving</u>						
Service restructure				(132)	0	(132)
Reduction of Northumbria Safer Roads Initiative contribution				(60)	0	(60)
<u>Income Generation</u>						
Increased income generation				0	(250)	(250)
				(192)	(250)	(442)
Total Development, Transport & Public Protection 2018/19				8,969	(5,398)	3,571

COMMUNITIES & ENVIRONMENT - ESTIMATES 2018/19

COUNCIL HOUSING, DESIGN & TECHNICAL SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Council Housing, Design & Technical Services	129	(1,197)	(1,068)	464	(1,250)	(786)
Section 2 - Savings						
<u>Income Generation</u>						
Additional income contributions from Housing Revenue Account, District Energy Scheme & Scape				0	(214)	(214)
				0	(214)	(214)
Total Council Housing, Design & Technical Services 2018/19				464	(1,464)	(1,000)

COMMUNITIES & ENVIRONMENT - ESTIMATES 2018/19

COMMISSIONING & NEIGHBOURHOODS

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning & Neighbourhoods	6,766	(2,094)	4,672	7,238	(2,061)	5,177
Section 2 - Savings						
Cost Saving						
Staffing efficiencies				(90)	0	(90)
Reduction of Gateshead Fund contribution				(100)	0	(100)
				(190)	0	(190)
Total Commissioning & Neighbourhoods 2018/19				7,048	(2,061)	4,987

COMMUNITIES & ENVIRONMENT - ESTIMATES 2018/19

STREET SCENE

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Street Scene	19,054	(5,886)	13,168	19,694	(5,886)	13,808
Section 2 - Savings						
<u>Cost Saving</u>						
Staffing efficiencies				(100)	0	(100)
Weekend working practices				(37)	0	(37)
Household Waste Recycling Centres				(25)	0	(25)
Public conveniences				(60)	0	(60)
Transport Services				(25)	0	(25)
<u>Income Generation</u>						
Increased income from fees and charges				0	(203)	(203)
Highways design income				0	(80)	(80)
				(247)	(283)	(530)
Total Street Scene 2018/19				19,447	(6,169)	13,278

COMMUNITIES & ENVIRONMENT - ESTIMATES 2018/19

ECONOMIC DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Economic Development	3,549	(2,556)	993	3,369	(2,333)	1,036
Section 2 - Savings						
<u>Cost Saving</u>						
Reduction in senior management and consolidation of teams, reduction in staff training budgets				(69)	0	(69)
<u>Income Generation</u>						
Increased rental income				0	(117)	(117)
				(69)	(117)	(186)
Total Economic Development 2018/19				3,300	(2,450)	850

OFFICE OF THE CHIEF EXECUTIVE - ESTIMATES 2018/19

POLICY, PERFORMANCE & COMMUNICATIONS

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Policy, Performance & Communications	1,683	(4)	1,679	1,819	(4)	1,815
Section 2 - Savings						
Cost Saving						
Review of service and reduction in supplies & services budgets				(180)	0	(180)
				(180)	0	(180)
Total Policy, Performance & Communications 2018/19				1,639	(4)	1,635

CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2018/19

LEGAL, DEMOCRATIC & PROPERTY SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal, Democratic & Property Services	4,811	(4,133)	678	4,867	(4,133)	734
Section 2 - Savings						
<u>Cost Saving</u>						
Staff efficiencies & member's pension legislation changes				(170)	0	(170)
<u>Income Generation</u>						
Property income				0	(369)	(369)
				(170)	(369)	(539)
Total Legal, Democratic & Property Services 2018/19				4,697	(4,502)	195

CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2018/19

HUMAN RESOURCES & LITIGATION

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Human Resources & Litigation	4,863	(798)	4,065	4,960	(798)	4,162
Section 2 - Savings						
<u>Cost Saving</u>						
Staffing and service budget efficiencies				(241)	0	(241)
Change Programme				(199)	0	(199)
<u>Income Generation</u>						
Health and Safety traded income generation.					(35)	(35)
				(440)	(35)	(475)
Total Human Resources & Litigation 2018/19				4,520	(833)	3,687

CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2018/19

CORPORATE COMMISSIONING & PROCUREMENT

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Commissioning & Procurement	751	(508)	243	760	(509)	251
Section 2 - Savings						
<u>Cost Saving</u>						
Staffing efficiencies				(61)	0	(61)
				(61)	0	(61)
Total Corporate Commissioning & Procurement 2018/19				699	(509)	190

CORPORATE RESOURCES - ESTIMATES 2018/19

CORPORATE FINANCE

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Finance	2,958	(1,319)	1,639	2,960	(1,181)	1,779
Section 2 - Savings						
<u>Cost Saving</u>						
Consolidating working practices and service review				(115)	0	(115)
Change Programme				(54)	0	(54)
<u>Income Generation</u>						
Increased SLA income				0	(75)	(75)
				(169)	(75)	(244)
Total Corporate Finance 2018/19				2,791	(1,256)	1,535

CORPORATE RESOURCES - ESTIMATES 2018/19

CUSTOMER & FINANCIAL SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Customer & Financial Services	6,976	(3,615)	3,361	7,002	(3,353)	3,649
Section 2 - Savings						
<u>Cost Saving</u>						
Systems development & organisational review				(453)	0	(453)
<u>Income Generation</u>						
Increased traded income generation				0	(56)	(56)
				(453)	(56)	(509)
Total Customer & Financial Services 2018/19				6,549	(3,409)	3,140

CORPORATE RESOURCES - ESTIMATES 2018/19

HOUSING BENEFITS

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing Benefits	80,665	(80,665)	0	80,665	(80,665)	0
Total Housing Benefits 2018/19				80,665	(80,665)	0

CORPORATE RESOURCES - ESTIMATES 2018/19

IT SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
IT Services	5,894	(2,577)	3,317	6,072	(2,548)	3,524
Section 2 - Savings						
<u>Cost Saving</u>						
Restructure of staffing resources, supplies & services, recommissioning/decommissioning of contracts				(483)	0	(483)
<u>Income Generation</u>						
Increased income generation				0	(12)	(12)
				(483)	(12)	(495)
Total IT Services 2018/19				5,589	(2,560)	3,029

CORPORATE RESOURCES - ESTIMATES 2018/19

TRADING & COMMERCIALISATION SERVICE

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Trading & Commercialisation Service	26,201	(17,593)	8,608	27,312	(17,864)	9,448
Section 2 - Savings						
Cost Saving						
Reduction in Culture Programme & contributions to Shipley, TWAM, BALTIC, Sage & NGI				(150)	0	(150)
Review of Facilities Management structure & East Gateshead Business Watch				(152)	0	(152)
Review use of public estate				(90)	0	(90)
Income Generation						
Increased Income generation through cultural events				0	(76)	(76)
Development of trading performance in Catering & Facilities Management				0	(370)	(370)
Increased Leisure income based on facility business plans				0	(700)	(700)
Increased income from use/sponsorship of public assets				0	(230)	(230)
				(392)	(1,376)	(1,768)
Total Trading & Commercialisation Service 2018/19				26,920	(19,240)	7,680

CORPORATE RESOURCES - ESTIMATES 2018/19

OTHER SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2017/18			2018/19		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Capital Financing	27,112	0	27,112	28,762	0	28,762
Trading & Investment Income	0	(2,773)	(2,773)	0	(2,986)	(2,986)
Contingencies	4,708	0	4,708	8,404	0	8,404
Other Services	1,461	(83)	1,378	1,502	(83)	1,419
Total	33,281	(2,856)	30,425	38,668	(3,069)	35,599
Section 2 - Savings						
Income Generation						
Corporate trading & investment Income				0	(200)	(200)
				0	(200)	(200)
Total Other Services 2018/19				38,668	(3,269)	35,399

SUMMARY OF BUDGET SAVING PROPOSALS BY THEME		AMOUNT £000s
Managing Demand Budget Saving Proposals		(3,159)
Income Generation Budget Saving Proposals		(4,172)
Cost Saving Budget Saving Proposals		(6,319)
TOTAL Budget Saving Proposals		(13,650)

Managing Demand		(3,159)
Adult Social Care		(2,300)
Reduction in Adult Social Care demand		(1,850)
Deprivation of liberty safeguard referrals		(150)
Develop specialist dementia Extra Care services		(50)
Review of low level domiciliary care packages		(250)
Early Help & Education		(100)
Service restructure		(100)
Public Health		(88)
NHS Health Checks		(88)
Social Work - Children & Families		(671)
Early intervention demand reduction model		(671)
Cost Saving		(6,319)
Adult Social Care		(1,189)
Recommission Extra Care to independent sector		(150)
Integration of Community Links into core delivery		(104)
Reduction in staffing budgets for directly provided Independent Supported Living		(120)
Review of multiple carer domiciliary care packages		(275)
Directly provided domiciliary care and management structures		(540)
Commissioning & Neighbourhoods		(190)
Staffing efficiencies		(90)
Reduction of Gateshead Fund contribution		(100)
Commissioning & Quality Assurance		(551)
Review of supported housing		(400)
Review of prevention services		(50)
Removal of a policy officer post		(43)
Change Programme		(58)
Corporate Commissioning & Procurement		(61)
Staffing efficiencies		(61)
Corporate Finance		(169)
Consolidating working practices and service review		(115)
Change Programme		(54)
Customer & Financial Services		(453)
Systems development & organisational review		(453)
Development, Transport & Public Protection		(192)
Service restructure		(132)
Reduction of Northumbria Safer Roads Initiative contribution		(60)
Early Help & Education		(40)
Review of Toy Library provision		(22)
Business Support review		(18)
Economic Development		(69)
Reduction in senior management and consolidation of teams, reduction in staff training budgets		(69)
Housing General Fund		(33)
Expenditure Efficiencies		(33)
Human Resources & Litigation		(440)
Staffing and service budget efficiencies		(241)
Change Programme		(199)
IT Services		(483)
Restructure of staffing resources, supplies & services, recommissioning/decommissioning of contracts		(483)
Legal, Democratic & Property Services		(170)
Staff efficiencies & member's pension legislation changes		(170)
Policy, Performance & Communications		(180)
Review of service and reduction in supplies & services budgets		(180)
Public Health		(760)
Making Every Contact Count		(500)
Sexual Health		(130)
Substance Misuse		(50)
Substance Misuse: Carers		(80)
Social Work - Children & Families		(700)
Whole system re-engineering within Children's Services		(450)
Intensive family support to reduce the number of Looked After Children		(250)
Street Scene		(247)
Staffing efficiencies		(100)
Weekend working practices		(37)
Household Waste Recycling Centres		(25)
Public conveniences		(60)
Transport Services		(25)
Trading & Commercialisation Service		(392)
Review of Facilities Management structure & East Gateshead Business Watch		(152)
Review use of public estate		(90)
Reduction in Culture Programme & contributions to Shipley, TWAM, BALTIC, Sage & NGI		(150)

Income Generation	(4,172)
Adult Social Care	(498)
Trading and income generation	(498)
Commissioning & Quality Assurance	(37)
Joint Commissioning Unit	(37)
Corporate Finance	(75)
Increased SLA income	(75)
Council Housing, Design & Technical Services	(214)
Additional income contributions from Housing Revenue Account, District Energy Scheme & Scape	(214)
Customer & Financial Services	(56)
Increased traded income generation	(56)
Development, Transport & Public Protection	(250)
Increased income generation	(250)
Economic Development	(117)
Increased rental income	(117)
Human Resources & Litigation	(35)
Health and Safety traded income generation.	(35)
IT Services	(12)
Increased income generation	(12)
Learning & Schools	(150)
Increased trading	(150)
Legal, Democratic & Property Services	(369)
Property income	(369)
Social Work - Children & Families	(500)
Development of a formal framework with NewcastleGateshead CCG	(500)
Street Scene	(283)
Highways design income	(80)
Increased income from fees and charges	(203)
Trading & Commercialisation Service	(1,376)
Increased Income generation through cultural events	(76)
Development of trading performance in Catering & Facilities Management	(370)
Increased Leisure income based on facility business plans	(700)
Increased income from use/sponsorship of public assets	(230)
Trading & Investment Income	(200)
Corporate trading & investment Income	(200)
Total	(13,650)

Feedback in relation to Gateshead Council's Budget Consultation 2018/19**Introduction**

1. Following on from previous years, the Council has sought views on its budget setting priorities for 2018/19.
2. With an estimated funding gap of £20.6m identified for 2018/19, the Council developed its draft budget proposals based on a combination of efficiencies, cost reductions and income generation. Proposals were also identified where the Council would like to work differently with partners and others to achieve the right outcomes for those people and families who require more support than others.
3. There were 56 draft budget proposals presented for consultation at the Cabinet meeting on 21 November 2017, with a closing date of 12 January 2018.

Method

4. As in previous years, the use of video and animation films were used to provide context to the financial position the Council continues to face in order to balance its budget. To complement this work, a budget quiz was also devised to help inform residents of these challenges.
5. The full budget consultation document was available via the Council's website, with feedback enabled via the Council's consultation portal. Paper copies of the budget consultation form were also available on request and placed council buildings such as libraries and leisure centres. Alternative formats were also available on request.
6. Promotion of the consultation was carried out using social media, Gateshead TV screens and Gateshead Now and was also publicised through local press and media and through Council News.
7. A series of Corporate Advisory Groups were held for councillors to consider and comment on the context, approach and the draft budget proposals. A summary of their views is shown below:
8. Discussions have been held with key stakeholders including trade unions, partner, community and voluntary organisations, as well as the North-East England Chamber of Commerce.

Overview of feedback

9. As in previous years, there has been acknowledgement of the financial challenges facing the Council and recognition that it is becoming more and more difficult to sustain the current levels of service provision without the need for change. There is concern of the potential impact on carers and the ability of the voluntary and community sector, as well as NHS services, to deliver their already stretched services, however there is a willingness to work positively together to achieve the best outcomes for local people.

Councillors

10. A summary of the main points raised from the Corporate Advisory Groups is provided below:
- Acknowledgment that implementing the budget proposals may present some challenges
 - Noted that Central Government policy continues to influence how the Council is financed and supported
 - Noted that the early intervention model is designed to reduce long term costs
 - Noted that the heavy reliance on residential care cannot be sustained and that additional ways to support people in their own homes needed to be identified.
 - Acknowledged that new business premises provide increased business rates of the Council and provide increased prosperity as businesses move into Gateshead.

Public Consultation

11. The following data has been gathered following the Council's use of its website, social media and emails:
- Council budget webpage:
 - Gateshead Now email – two editions sent to 31,000 recipients with a total of 640 clicks.
 - Budget video viewed on Youtube 353 times.
 - Leader's video viewed on Youtube 238 times.
 - Twitter posts received 5,840 impressions, 191 engagements and 25 retweets.
 - Facebook posts achieved a reach 15,954, reactions, comments and shares 232 and 1,139 post clicks. Budget video viewed 5,800 times on Facebook.
12. 269 people accessed the budget quiz with over 77% indicating they were better informed of the financial challenges facing the Council.
13. There were 125 respondents to the question regarding Council Tax. The Council could increase Council Tax to help continue providing much needed services. For example, an increase of just 1.99% would mean someone living in a band A property would pay an extra £21.31 per year, and someone in a band D would pay an extra £31.97 per year. 75 (60%) said Yes, they would accept an increase, 50 (40%) said No, the Council Tax should not increase.
14. There were 128 comments received via the consultation portal. A small number of letters and emails relating to specific proposals have also been received from members of the public which were forwarded to the appropriate lead officer for their consideration.

15. The response rate of 10 and above attributed to an individual budget proposal has been included in this report, as identified below:
- 32 comments against reducing funding to TWAM, Baltic, Sage and NGI (28 comments specifically related to the Shipley Art Gallery)
 - 27 comments against the Community Links proposal
 - 16 comments against financial reductions in health prevention activity (linked to the Making Every Contact Count proposal and work previously undertaken by Labriut Healthy Living Centre)
 - 14 comments against budget reduction of the Gateshead Fund
16. The Council also received written representation from Dean Taxis, Gateshead Health NHS Foundation Trust, NewcastleGateshead Clinical Commissioning Group, Healthwatch Gateshead and Newcastle Council for Voluntary Service. A summary of their comments is provided below:

Newcastle Council for Voluntary Service promoted the Council's budget consultation through their own networks and hosted a meeting of voluntary sector organisations with Council officers on 27 November 2017. They also provided a written response to the budget consultation and had discussions with Chief Officers regarding the social care and community resource proposals. They felt there was insufficient information available to provide comments on several proposals but did highlight that decisions should be based on the needs of the person, rather than budgets. They also felt it was important to consider impact on carers, as well as providers, when reviewing services. The VCS expressed their disappointment at the proposal to reduce the Gateshead Fund budget.

Newcastle Gateshead Clinical Commissioning Group provided specific feedback regarding having a clear framework in place relating to continuing healthcare contributions for children and young people. Their view was that funding areas the CCG has with the Council should be viewed in entirety.

They welcomed the proposal relating to Making Every Contact Count. They felt that both the Council and CCG needed to be assured that carer support services would continue as part of the alternative provision.

The CCG requested clarification on the proposal relating to Income Generation Adult Social Care.

Healthwatch Gateshead welcomed the proposals relating to managing demand however there were a number of areas where further clarification was sought, including health checks and reviews of care packages and the impact on carers. They were also supportive of efficiency proposals relating to children's social care and Making Every Contact Count. However they did note that in undertaking reviews and recommissioning of services, the Council should be mindful of whether there is a market which has been developed and quality assessed to offer a choice to service users who have to transfer to alternative providers. They suggested the Community Links service could be expanded to help mitigate potential withdrawal of care packages as outlined in other proposals. They also felt it was difficult to see how increased capacity will be achieved particularly for the 16 to 25 age group, if the proposed saving from the review of supported housing was approved.

Healthwatch Gateshead was also concerned about the potential reduction in the Gateshead Fund, citing that the Council will rely on the voluntary and community sector to provide community based services to help it achieve savings contained in other proposals.

Dean Taxis provided a response to the proposed increase in hackney carriage and private hire vehicle testing fees. They contested it would be an inappropriate consideration, taking into account legislative provisions.

Gateshead Health NHS Foundation Trust felt they needed to understand how the impact on other agencies of the proposed actions will be assessed and measured. They also indicated their concern regarding the proposals for children's services. The Trust would expect to be involved in the development of new models of care/provision. They were supportive of the principles of promoting independence.

Other public consultation

17. Over the past twelve months there have been a number of consultations undertaken by the Council that have helped to inform council policy, including:
- Supported Housing for Complex Needs
 - Strategic Review of Carers Services in Gateshead
 - Charging and Financial Assessment for Adult Care and Support Services
 - Additionally Resourced Mainstream School Provision
 - Adult Social Care – Assisted Travel Policy
 - Home to School Travel for those aged 16+
 - Home to School Travel for those aged under 16
 - Gateshead Funeral and Bereavement Services
 - Special Educational Needs and Disabilities Strategy
 - Safer Gateshead Survey
 - Engagement event for Unpaid Carers

Equality Impact Assessment

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

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

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

Several budget proposals were considered as having a positive or neutral impact. However, there were a few proposals where disproportionate impact was highlighted along with potential mitigation:

Age

The **Supported Housing Supporting People** proposal was first consulted on as part of the Council's budget for 2017/18. There are 18 supported housing schemes which collectively have 140 beds available per night with over 400 different people accessing these services per annum. Services are generally for working age adults with limited numbers aged over 65 accessing these services. The main impact of this proposal will be for the age group 16 to 25.

Services have been remodelled to ensure that the most vulnerable young people receive support or are signposted to other services which can offer the support required. A review of the changes will take place 3 months after implementation to monitor impact.

The proposal to **review of the Toy Library** identified potential negative impact for families (primarily female carers) with young children. Options to continue the service are being considered, including relocating from Chowdene Children's Centre to Deckham Children's Centre where better economies of scale could be achieved. There are also plans to take the Toy Library out into the community so that more families can access this service.

The Council, in partnership with Newcastle Gateshead Clinical Commissioning Group, has undertaken a **review of Carers Services** in Gateshead to jointly commission a new all age service for Carers. Future service delivery will focus on ensuring Carers get the right help in the right place at the right time of need. It is the intention that the new contract will also include support for **Substance Misuse Carers Services**.

Disability

The proposal to **review domiciliary care packages** has previously been consulted on. At the time of completing the equality impact assessment, there were 642 people in Gateshead receiving weekly domiciliary care support of 8 hours a week or less. In addition, there were 222 people receiving less than 5 hours of support each week. The aim of the review is to look at low level domiciliary care packages to establish if such support can be reduced or provided in a different way, for example by using telecare or befriending support.

The proposal to **integrate Community Links activity into core delivery** within the wider Adult Social Care provider service and council structures raised some concerns from the service users and volunteers who thought Community Links was to cease which would have had a negative impact. However, a letter has been sent to clarify that the Council is looking at different ways of providing this service and offered reassurance that the service would not be stopped.

Pregnancy and Maternity

The proposal relating to the **review of the Toy Library** also identified potential negative impact for breastfeeding mothers. Based on 73 completed evaluations for the hiring of breast pumps from the Toy Library, 84% said that the hiring of the breast pump supported their breastfeeding journey. Options to continue the service are being considered, including relocating from Chowdene Children's Centre to Deckham Children's Centre where better economies of scale could be achieved. There are also plans to take the Toy Library out into the community so that more families can access this service.

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

Voluntary and Community Sector Impact Assessment

Despite the financial challenges over recent years, the Council has maintained its recognition that a thriving and vibrant Voluntary and Community Sector (VCS) is vital to ensuring that residents enjoy a higher quality of life with opportunities to improve their own health and wellbeing, their families, neighbours and the wellbeing of the communities they live in.

It has maintained this through:

- The community development and engagement work provided by the Neighbourhood Management and Volunteering team including supporting ward councillors in their role as community champions and helping increase the level of external funding for voluntary and community organisations
- Supporting the growth and development of voluntary and community organisations through the Gateshead Fund (32 organisations to date in 2017/18 have been supported through the main Fund with funding totalling £244,345 and 60 groups have received a total of £34,363 through the Local Community Fund)
- Assisting access to specialist advice, advocacy and representation through its agreement with Newcastle Council for Voluntary Service; and
- Through the commissioning of independent and voluntary sector organisations to provide a range of support services to local people.

The feedback received from the VCS to the budget proposals has highlighted several issues from their perspective, including:

- the potential cumulative impact of the budget proposals on vulnerable residents and communities;
- the increasing pressure placed on them in terms of Central Government policy eg impact of Welfare Reform and changes in benefits, increase in the National Living Wage and pension auto-enrolment;
- increased demand from service users for their services;
- changes in contracts with VCS organisations; and
- the viability of some organisations.

The Council commissioned the Community Foundation Tyne & Wear and Northumberland to explore the potential to grow and develop the Gateshead Fund through partnerships across the public and private sector, as well as through philanthropy. The Council will be using the findings to help explore different opportunities to support and develop the VCS in the Borough.

During 2018 the Council will deliver a one-off £500,000 investment programme for the sector, looking to support organisations exploring and developing innovation and growth, helping to create new ways of working in communities. This will help the Council's aim to champion a stronger marketplace for services and explore new ways to see early help delivered within vulnerable communities. Liaison with the sector will commence soon.

In 2018 the Council will be procuring a new VCS infrastructure support service to ensure that voluntary organisations continue to have access to a representation and independent advocacy function.

Director of Public Health Statement of Assessment of Impact on Health and Wellbeing of Gateshead Council's Budget Proposals (2018/19)

Purpose of report

The Council is required to close a financial gap of around £21m for 2018/19, and proposals towards achieving this have been subject to public consultation. The report to Cabinet on 21 November 2017 recognised that these proposals could impact on the Council's ability to improve the health and wellbeing of Gateshead's residents. It also committed the Council to assessing this impact in order to inform the Budget and Council Tax Level 2018/19.

This paper:

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

Background

Although progress that has been made in recent years in such areas as reducing smoking prevalence and tackling cardiovascular disease, the health of the people of Gateshead continues to be poor in comparison to most other areas of England on many measures across the life course – smoking prevalence, obesity, breastfeeding initiation, hospital admissions for alcohol-related conditions, life expectancy at birth and mortality rates for cardiovascular disease and cancer etc. Significant variances in life expectancy and health outcomes also continue to exist between communities within Gateshead itself. The most recent annual report of the Director of Public Health (DPH), 'It never rains but it pours' and our Joint Strategic Needs Assessment highlights these health inequalities whereby two babies born in Gateshead could have as much as a 10 year difference in life expectancy due entirely to the circumstances into which they are born. Those same babies could have as much as a 15 year difference in life expectancy when compared to the most affluent area in Britain.

Our health is the result of very many factors – our age and genetic inheritance are key determinants, along with the opportunities we have and the choices we make. These choices and opportunities are greatly influenced by where we live, our family and social environment, our education, our income, and the services we can access, including but not limited to the NHS. Many of the Council's activities impact on health and wellbeing, some more directly than others, by shaping the environment (for example through housing or economic development), or by providing or commissioning services (for example for those communities with the greatest level of need).

The NECA Commission's report 'Health and Wealth' highlighted how the health and wellbeing gap translates to continuing, significant pressures on our health and care system – pressures that will increase further in the future due to such factors as a growing elderly population, many of whom with multiple and complex long term needs, the financial challenges facing our local health and care economy and people's rising expectations. It also highlighted the strong links between health, wellbeing and productivity and the need to ensure that people have access to good quality work opportunities.

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

If we are to tackle health inequalities and improve the health of the population, we must combine universal approaches that reach the whole population with the targeting of those in greatest need – Sir Michael Marmot has described this as “proportionate universalism”.

The budget choices assessed in this statement are as set out in Appendix 3 to the Budget Consultation report to Cabinet, on 21 November 2017:

<http://democracy.gateshead.gov.uk/documents/g1632/Public%20reports%20pack%2021st-Nov-2017%2010.00%20Cabinet.pdf?T=10>

Overview of health impact assessment

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

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

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

Impacts of proposals on health and wellbeing

1. Managing Demand

Adult Social Care:

The proposals relating to adult social care are consistent with the change in strategic direction for these services at a time when demand is expected to rise due to socio-demographic factors and the increasing complexity of people's needs e.g. working with high need clients with a view to improving their independence and reducing their needs for long term support; the development of specialist dementia extra care services as an alternative to residential care thereby allowing people with a dementia diagnosis to remain safely in their homes for as long as possible; and the review of domiciliary care packages with a view to supporting people with low level needs in different ways where appropriate. As part of this approach, it is intended to ensure that the resilience of communities is maximised.

The transition to new models of care inevitably gives rise to uncertainty and potential anxiety for current users and their carers. It is noted, however, that the emphasis on early intervention and seeking to meet people's needs in different ways whilst maintaining their independence should have a positive impact on the health and wellbeing of the local population in the longer-term.

The key mitigation for these proposals will therefore be the success in developing alternative models of care, the development of more targeted and alternative ways to meet people's needs in a safe and person centred way, for example through joint work with the NHS and increased community resilience through working in partnership with local communities and groups to support people to help themselves and reduce the demand on services.

Children & Young People's Services:

As with Adult Services, the proposals in respect of children and young people's services represent a continuation of the significant change in strategic direction that the Council has embarked upon. The emphasis on a whole system approach to early help support and measures to stop the escalation of issues should have a positive impact on the health and wellbeing of the local population. This approach, and the budget proposals which underpin it, sees intensive support structured around the individual and family, supported by joint working across health, social care and other partners e.g. to enable more young people to safely remain in the care of their families and to secure a net reduction in number of Looked after Children.

The key mitigations for the proposals relating to children and young people will be in the effective management of risk and the targeting of effort to those in greatest need whilst building resilience within family units as a result of the intensive support provided.

Public Health:

The proposed budget reduction for NHS Health Checks, which is a mandated service, is consistent with evidence showing a decline in uptake. However, the programme will continue to be implemented but with a particular focus on those most likely to be at risk of CVD.

The impact of the proposal will therefore be mitigated by targeting the NHS Health Checks programme, working in collaboration with the NHS to secure best value from the resources invested.

2. Efficiencies and Savings

Adult Social Care:

As part of proposals to review domiciliary care packages, it is intended to revisit the needs of people who currently receive 'double carer' visits due to their moving and assisting requirements. Where there is the potential to invest in equipment which would enable care to be provided by one domiciliary care worker, this will be looked at (potentially supported by a family member where appropriate and feasible). Whilst it is envisaged that this will secure efficiencies and savings, it will also facilitate a less intrusive service, with associated benefits for clients.

Whilst the proposal to recommission the care provided in two extra care schemes would see a change in provider (i.e. from the Council, who currently provides the care directly, to the independent sector), it is anticipated that there will be no change for service users.

Children & Young People's Services:

Whilst the proposals to secure efficiencies and savings will see some changes in the way services are supported and provided through alternative methods of delivery, this does not necessarily translate to changes for service users e.g. proposals to reduce business support within the early help and education service, to eliminate waste and duplication across Children's services, and to look at alternative methods of delivery of the toy library.

The budget proposals also provide for intensive family support to enable looked after children to return home safely, where appropriate, which would enhance the wellbeing of those children and their families.

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

Public Health:

The savings proposal relating to substance misuse services stems from a new, more efficient service model that is being developed encompassing Clinical Support (the commissioning of specialist, clinical interventions), Treatment and Care (the provision of a variety of psychosocial interventions via a coordinated care plan) and Recovery, Abstinence and Wellbeing (proactively working with those towards the end of their treatment journey). In particular, there is an opportunity to configure the treatment system in a more integrated way which supports organisations in playing to specific strengths and yet work 'as one' in the pursuit of positive recovery outcomes for individuals, families and communities. A common performance framework with collective outcome measures will underpin this.

It is envisaged that the new model of delivery will deliver better value, improve the quality and safety of the service. The new model would also see the reallocation of some management costs to frontline services. However, the savings proposals may have some implications relating to the delivery of the wider agenda around substance misuse – e.g. the capacity to work proactively to address the needs of those with multiple and complex needs by working with partners including housing, community safety and other related services.

Whilst it is proposed to remove the budget for Making Every Contact Count (MECC), this would be replaced with temporary funding from the Public Health reserve, allowing the programme of work to continue in 2018/19. This would see a continuation of the new model introduced in 2017/18 which seeks to build capacity across the VCS and within communities. This would be supported through the delivery of MECC across health, social care and third sector agencies. It would also be consistent with the Council's new pledge to support our communities to support themselves and each other.

It is proposed that savings identified from the integrated sexual health service contract for 2018-19 would be achieved through a move from a tariff based contract to a block contract, as well as through provider identified efficiency savings. It is envisaged that there would be no impact upon service scope or delivery. As the provider will still be obliged to meet all aspects of the service specification at the agreed new price, it is anticipated that there will be no impact upon the health and wellbeing of service users.

The savings proposal relating to the removal of funding for substance misuse carers services has been factored into the overall budget envelope available for the recommissioning of carers services. It is envisaged that duplication and inefficiencies in the provision of carers services will be removed, leading to a more streamlined offer for carers e.g. around how and where to access the right support at the right time. The new offer will be driven by an outcomes based approach with providers responding in a flexible way to meet the changing needs of carers. This should ultimately have a positive impact on the health and wellbeing of carers, as well as those being cared for.

The impact of the Public Health proposals will be mitigated by working in collaboration with other Council services using a 'Health in all Policies' approach as well as the NHS to secure the best value from the resources available and to tackle the wider determinants of health. A strategic approach to prevention and early intervention will be taken, targeting those communities with the lowest life expectancy and healthy life expectancy in line with the recommendations of the DPH report 'It never rains but it pours'.

Housing:

The proposal to redesign supported housing provision in Gateshead for vulnerable adults and young people to ensure it is more outcome focused and that it promotes independent living should have a positive impact. It is also envisaged that the recommissioned service will reflect the need for increased capacity which would benefit service users.

Road Safety:

The proposal to reduce the Council's contribution to the Northumbria Road Safety initiative will be counter balanced by a proposal to set up a new Road Safety Partnership.

Gateshead Fund:

The proposal to reduce the financial contribution to the Gateshead Fund would see a reduction in the fund available to community and voluntary organisations. The key mitigation for the proposal would be in ensuring that available funds are targeted at those communities in greatest need consistent with the Council's pledges to tackle inequality so people have a fair chance and to support our communities to support themselves and each other. It is noted that the Local Community Fund would remain the same.

Street Scene:

Whilst the environment is an important factor for health and wellbeing, the street scene proposals for 2018/19 should have minimal impact on health, for example a proposed reduction in weekend litter bin emptying; a proposed reduction in inspections of parks at weekends; and a proposed reduction of the opening times of household waste and recycling centres.

In mitigation of the proposal relating to weekend litter bin emptying, there would be a focus on shopping and high footfall areas.

Corporate Services:

The proposal to review external communications, including how people receive messages and information from the Council, should have particular regard to how people who are vulnerable or 'just coping' can best interact with the Council.

The proposal to review the cashier function may see reduced operating hours for the cashiering service to encourage online and automated payments. It is noted that further consideration is being given to the closure of the cashiering service with customers being signposted to alternative ways to pay at non-Council establishments. As it is possible that people and families who are vulnerable and just coping rely disproportionately on the cashiering service because they may lack access to other facilities such as online banking, it will be important that alternatives can be accessed easily by these groups. It also needs to be borne in mind that face to face contact and interaction is often valued by vulnerable groups and older people generally, with associated social inclusion benefits.

The proposal for a reduction in culture programming may see a significant reduction in the commissioning of new public art and there would be a reduced level of overall cultural engagement. As there are positive links between art and participation in cultural activities and community wellbeing and identity, a reduction in the cultural programme could see a consequential reduction in those benefits for local people. It will be important that remaining activities, where possible, are targeted appropriately to those in vulnerable or just coping categories.

3. Income Generation

There are a number of proposals to help 'grow the budget' through income generation measures for re-investment in priority services. This is important to counteract the significant reduction in budgets from government which is set to continue.

Proposals to generate income for re-investment are consistent with the Council's stated goal of making Gateshead a place where everyone thrives. However, where charging is being levied or increased, consideration should be given to the impact on the most vulnerable within our communities, with a targeted approach being taken where feasible to do so.

Impact on Council's New Strategic Approach

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

The focus on early help for children and families is consistent with the Council's pledge to put people and families at the heart of everything we do and to tackle inequality so that all people have a fair chance. As part of the early help model, proposals to provide intensive support to families where required to increase their resilience is also consistent with the pledge to support our communities to support themselves and each other.

Similarly, the focus on prevention and early intervention across adult social care and public health generally, supporting people to remain well and independent for as long as possible, is also consistent with these pledges.

Many of the proposed mitigating actions to minimise the impact of the proposed budget reductions will require a whole system approach, working alongside local partners and communities, which is consistent with the pledge to work together and fight for a better future for Gateshead. Another key focus of mitigating actions put forward in relation to the savings proposals generally is the need to give particular consideration to the needs and circumstances of people and communities who are vulnerable or just coping who can often be disproportionately affected by proposed reductions in Council services.

Conclusion and recommendations

The Council has put forward and consulted on proposals that will help it achieve its savings target for 2018/19. Some of these proposals could impact negatively on the health and wellbeing of the local population, as described in this paper, although it is important to note that there are mitigating actions the Council can take to reduce this impact and ensure that it can progress the five pledges it has made to make Gateshead a place where everyone thrives.

It must also be acknowledged that the Council has no choice but to reduce spend, and alternative proposals could have a greater impact on health and wellbeing and the scope to take forward the Council's New Strategic Approach.

It is recommended that the Council:

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

Financial Risk Assessment

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

Risk	Likelihood	Impact	Risk Management
Loss of principal deposit	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which prioritise security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions and internal funding.
Interest rates lower than expected	Unlikely	Low	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2018/19 and onwards have been incorporated into the MTFS.
Lack of internal controls	Unlikely	Medium	The risk that internal controls are not sufficient is mitigated by the Council's system of internal control, as set out in the Council's Constitution. The system of internal control is continuously reviewed by the Council's Internal Audit service, which reports on its planning and performance to the Audit & Standards Committee on a quarterly basis.
Revenue implications of capital financing exceed budget	Unlikely	Low	Capital bid framework identifies revenue implications and these are assessed and considered in scenario planning. Reduced capital programme reduces the risk. Monitoring of capital projects funding is reported to Cabinet on a quarterly basis as part of the capital monitoring process. Using the Council's Treasury management advisors to assist in determining the most appropriate time to undertake new borrowing and rescheduling of existing loans.
Changes to Government policy including health and social care integration and welfare reform	Likely	High	Best estimates of funding impacts related to Government policy are factored into the MTFS. Estimates are prudent and based upon consideration of finance networks experience. Any specific areas of uncertainty are identified and subject to focussed activity and review.
Financial impacts of UK's vote to leave the European Union	Likely	Medium /High	Continue to work collaboratively with treasury advisors and financial networks to assess potential budget impacts whilst the Government attempts to ensure a smooth transition to a new economic relationship between the UK and the EU, including clarifying the procedures and broad objectives that will guide the process. Any known potential implications will be considered annually as part of the council's MTFS review.

Conclusion;

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

ESTIMATED USE OF RESERVES

Gateshead Reserves	ACTUAL	ESTIMATED USE			
	Balance	Balance		Balance	
	01-Apr-17	Movement	31-Mar-18	Movement	31-Mar-19
	£000s	£000s	£000s	£000s	£000s
General Fund					
General Reserve	(12,400)		(12,400)		(12,400)
LMS (School) Budget Share Reserve	* (5,473)	2,500	(2,973)	2,500	(473)
Total General Fund Reserve	(17,873)	2,500	(15,373)	2,500	(12,873)
Earmarked Reserves					
Business Rates	(5,000)		(5,000)		(5,000)
Insurance	(3,000)		(3,000)		(3,000)
Grant Clawback	(1,314)	314	(1,000)	400	(600)
Workforce Development	(6,009)		(6,009)	2,000	(4,009)
Discretionary Social Fund	(781)	200	(581)	200	(381)
Budget Flexibility	(1,794)	1,393	(401)	355	(46)
Economic Growth, Culture and Place Shaping	(3,390)	160	(3,230)	1,100	(2,130)
Strategic Revenue Investment	(4,206)		(4,206)	1,337	(2,869)
Voluntary Sector	(500)	250	(250)	250	0
Anti Poverty	(1,000)	500	(500)	500	0
Developers Contributions	* (1,937)	300	(1,637)	300	(1,337)
DSG	* (3,167)	1,600	(1,567)	1,400	(167)
Unapplied Revenue Grants	* (3,642)	1,870	(1,772)	1,257	(515)
Public Health	* (2,431)	492	(1,939)		(1,939)
Total Earmarked Fund Reserves	(38,171)	7,079	(31,092)	9,099	(21,993)
Total Reserves	(56,044)	9,579	(46,465)	11,599	(34,866)

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

Note: Reserves were reviewed as part of the MTFS and the 01 April 2017 position represents the revised position following this review.

General Fund

The General Fund is made up of two reserves as follows:

General Reserve

This acts as a contingency and allows the Council to meet any unforeseen expenditure. The Council is required to maintain a General Reserve of 3% of its net budget as a minimum which is circa £6m.

Schools LMS

Combined with the General Reserve, this reserve forms part 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.

Earmarked Reserves**Business Rates**

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.

Insurance

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.

Grant Clawback

This reserve is for grant received which may need to be repaid as a result of clawback of externally funded projects, such as European funded schemes. The balance required is based on a specific calculation related to exposure.

Workforce Development

This reserve is to fund redundancy costs and training and development in support of the workforce plan. This is the third recourse available to fund redundancy costs corporately after use of the provision and contingency.

Discretionary Social Fund

This reserve supports social fund activities following the end of the discretionary social fund grant. The Council is committed to utilising this fund in line with the original intent.

Budget Flexibility

This reserve was created in 2013/14 to allow for the effective management of budgets across financial years. This represents accountancy best practice and the balance will vary year on year.

Economic Growth Culture and Place Shaping

This reserve is to stimulate economic growth and to lever investment into the area to support Culture 2030. It provides funding to support a key theme underpinning the MTFs.

Strategic Revenue Investment

This reserve is to 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. An amount of £1.337m has been identified to support the 2018/19 budget. There is likely to be further calls on the reserve in year.

Voluntary Sector

This reserve is to mitigate savings in the voluntary sector where appropriate, prepare the sector for increasing demand by increasing capacity and skills, and prepare the sector for the transition to any new operating arrangements.

Anti-Poverty

This reserve is to mitigate the impact of poverty and social exclusion. The reserve supports the Anti-Poverty Strategy and also assists in alleviating the impact of welfare reform and austerity on the residents of Gateshead, consistent with Council priorities. Usage to date relates to joint arrangements with Citizen's Advice Bureau (CAB) to tackle issues arising from Universal Credit.

Earmarked Reserves – Ring Fenced

Developer Contributions

This reserve 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

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

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. The reserve represents an accounting treatment.

Public Health

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

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2016/17 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

	2016/17 £000 Actual	2017/18 £000 Estimate	2018/19 £000 Estimate	2019/20 £000 Estimate	2020/21 £000 Estimate	2021/22 £000 Estimate	2022/23 £000 Estimate
Non-HRA	45,914	58,514	75,382	62,427	37,055	27,738	14,325
HRA	19,147	31,352	28,280	15,110	15,590	15,840	15,845
Total	65,061	89,866	103,662	77,537	52,645	43,578	30,170

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2016/17 are: -

	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Non-HRA	12.82%	14.89%	15.41%	18.57%	19.75%	20.14%	20.58%
HRA	43.44%	42.53%	45.60%	36.35%	34.79%	32.98%	33.95%

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

3. The actual Capital Financing Requirement at 31 March 2017 and estimates of the end of year Capital Financing Requirement (excluding PFI) for the Council for the current and future years are: -

	31/03/17 £000 Actual	31/03/18 £000 Estimate	31/03/19 £000 Estimate	31/03/20 £000 Estimate	31/03/21 £000 Estimate	31/03/22 £000 Estimate	31/03/23 £000 Estimate
Non-HRA	286,124	301,792	328,351	387,240	418,707	430,427	434,410
HRA	345,505	345,505	345,505	345,505	345,505	345,505	345,505
Total	647,297	673,856	732,745	764,212	775,932	779,915	794,664

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

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

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

The Strategic Director, Corporate Resources reports that the Council had no difficulty meeting this requirement in 2016/17, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

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

	31/03/17 £000 Actual	31/03/18 £000 Estimate	31/03/19 £000 Estimate	31/03/20 £000 Estimate	31/03/21 £000 Estimate	31/03/22 £000 Estimate	31/03/23 £000 Estimate
Actual gross debt at 31 March	610,189	666,341	725,230	756,697	768,417	772,400	786,917
Capital Financing Requirement	647,297	673,856	732,745	764,212	775,932	779,915	794,664
Under / (over) borrowing	37,108	7,515	7,515	7,515	7,515	7,515	7,747

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

Authorised Limit for External Debt					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Borrowing	875,000	905,000	910,000	910,000	925,000

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

<i>Operational Boundary for External Debt</i>					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Borrowing	850,000	880,000	885,000	885,000	900,000

9. The Council's actual external debt at 31 March 2017 was £610.189m comprising £610.189m borrowing and no other long-term liabilities. It should be noted that actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.
10. In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2018/19 (see paragraph 6 above) will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.
11. The Council shall ensure that the revenue implications of capital finance, including financing costs, are properly taken into account within option appraisal processes, the capital programme and the medium-term forecast. In assessing affordability the Council will consider the council tax implications of its capital programme, borrowing and investment decisions.
12. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services (2017), which requires key Treasury Management indicators.

13. The purpose of these indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However, if these indicators were set to be too restrictive, they will impair the opportunities to reduce costs.
14. It is recommended that the Council sets upper and lower limits for the maturity structure of its fixed and variable rate borrowings as follows: -

Upper and Lower Limits for the Maturity Structure of Fixed Rate Borrowings		
	Upper Limit	Lower Limit
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and within 20 years	40%	0%
20 years and within 30 years	40%	0%
30 years and within 40 years	50%	0%
40 years and within 50 years	50%	0%
50 years and above	30%	0%

Upper and Lower Limits for the Maturity Structure of Variable Rate Borrowings		
	Upper Limit	Lower Limit
Under 12 months	30%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	15%	0%
5 years and within 10 years	15%	0%
10 years and within 20 years	15%	0%
20 years and within 30 years	15%	0%
30 years and within 40 years	15%	0%
40 years and within 50 years	15%	0%
50 years and above	15%	0%

15. It is recommended that the Council sets an upper limit on its principal sums invested for periods longer than 365 days for 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 as follows: -

Upper Limit on amounts invested beyond 365 days					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Investments	15,000	15,000	15,000	15,000	15,000

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2018/19

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

In accordance with regulations and statutory guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003, the Council is required to calculate an amount of MRP each year which is considered to be prudent. The guidance includes four options with the broad aim of a prudent provision being to ensure that debt is repaid over a period that is reasonably commensurate with the period where the capital expenditure is expected to provide benefits.

The legislation requires the Council to prepare a statement of its policy on making MRP before the start of each financial year.

Supported Borrowing MRP

From 2017/18 MRP relating to capital expenditure financed from borrowing taken before 1 April 2008 is calculated at a fixed 2% of the opening CFR relating to capital expenditure incurred prior to 1 April 2008. This will make provision to fully repay the borrowing over a 50 year term.

Unsupported or Prudential Borrowing MRP

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

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

The estimated useful life is aligned to the Council's asset register where possible, however the Council does have the flexibility to assign an alternative life to capital expenditure, provided this satisfies the requirement to make a prudent provision and is considered to reasonably reflect the anticipated period of the benefits arising from the investment.

If no life can reasonably be attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. However, in the case of freehold land on which a building or other structure is constructed, the life of the land may be treated as equal to that of the structure where this exceeds 50 years. The estimated life of the asset is determined in the year that MRP commences and is not usually subject to further revision.

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

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

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

Housing Revenue Account MRP

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

PFI Assets and assets held as Finance Leases

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

Long-Term Capital Loans

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

Voluntary Provision

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

Projected MRP Charge

An analysis of the projected MRP Charge for 2018/19 over the different calculation methodologies and components is set out in the table below:

Projected MRP Charge 2018/19		£m
Capital Programme	Investment funded by Supported Borrowing and Prudential Borrowing prior to 1 April 2008	2.6
	Asset Life Method – Equal Instalment	8.4
	Asset Life Method – Annuity Method	1.0
PFI	Annuity Method	3.1
Voluntary Provision	General Fund	0.0
	Housing Revenue Account	0.0
Total Projected MRP Charge		15.1