

**TITLE OF REPORT: Budget and Council Tax Level 2019/20**

**REPORT OF:**           **Sheena Ramsey – Chief Executive**  
                              **Darren Collins - Strategic Director, Corporate Resources**

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**Purpose of Report**

1. To request Cabinet to recommend to Council on 21 February 2019 the Budget and Council Tax level for 2019/20. 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 Budget forms a key element of the Council's strategic approach to making Gateshead a place where everyone thrives and agreeing a balanced budget is a statutory requirement and fundamental to the financial sustainability of the Council.

**Background**

2. On 22 September 2016, Council agreed the acceptance of the Government offer of a multi-year financial settlement to 2019/20 and this year represents the final year of the four-year settlement.
3. On 22 March 2018 Council approved a new strategic approach Making Gateshead a Place Where Everyone Thrives.
4. On 17 July 2018 Council agreed the Medium Term Financial Strategy (MTFS) that covered the period 2019/20 to 2023/24 which presented an extremely challenging financial position over the medium term and identified an estimated funding gap of £76.689 million over the five-year period with £42.787 million of the gap in the first two years. The MTFS identified a financial gap of £29.223 million to be closed for 2019/20 to achieve a balanced budget. The MTFS also identified huge uncertainty in the future funding of the Council by government.
5. On 20 November 2018, Cabinet approved the basis for undertaking public consultation on relevant budget proposals for 2019/20 which took place between 20 November 2018 and 11 January 2019.
6. On 22 November 2018, Council agreed the local council tax support scheme for 2019/20 which continues to support a minimum contribution rate of 8.5% for working age benefit claimants that will continue to assist 12,000 households over and above the government scheme that supports 9,600 pension age households.
7. On 13 December 2018, the Government announced the provisional local government finance settlement for 2019/20, including council tax referendum principles.
8. On 22 January 2019, Cabinet agreed the council tax and business rates base forecasts for 2019/20.
9. On 22 January 2019, Cabinet agreed the Housing Revenue Account budget, housing fees and charges and housing capital programme for 2019/20
10. On 30 January 2019, the final local government funding settlement was announced. Overall funding was in line with expectations.
11. This report represents the final stage of the budget setting process in determining the budget and council tax level for 2019/20.

## Proposal

12. The budget proposals approved for consultation have been reviewed to consider the responses to consultation. This report proposes a budget in 2019/20 that includes £13.113 million of cuts and income growth which alongside a planned approach of managing unbudgeted cost pressures closes the funding gap for the year, in response to Government funding reductions and service demand pressures.
13. Government has announced council tax principles allowing a maximum increase for council services of 3% along with the final year of the adult social care precept.
14. 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 1% for residents of the Borough of Gateshead in respect of the Government's charge for adult social care expenditure.
15. This will result in a combined council tax increase of 3.99% for residents of the Borough of Gateshead (excluding precepts from the Police and Crime Commissioner, Fire Authority and Lamesley Parish) resulting in a £0.86 a week rise for the majority of council tax payers in Gateshead living in the lowest value properties (Band A) or £1.29 a week for those in Band D. This report recommends a 3.99% council tax increase in the Council's Band D council tax for 2019/20.
16. The proposed base budget for 2019/20 before savings is £220.112 million. Available funding for 2019/20 is £206.999 million based on the settlement. Including a council tax increase of 3.99%, council tax income and collection fund transfers and the use of a specific earmarked reserve results in a budget savings requirement of £13.113 million. This can be summarised as follows:

<b>Budget Savings Requirement 2019/20</b>	<b>£m</b>
Net Budget brought forward into 2018/19	203.466
Plus, Cost Pressures and Reserve Mitigations	16.646
<b>Equals Provisional Net Budget</b>	<b>220.112</b>
Budget Savings Requirement	(13.113)
<b>Proposed Net Budget 2019/20</b>	<b>206.999</b>
Funded by;	
Local Funding (Council Tax and Business Rates)	(134.992)
Earmarked Reserves	(0.943)
Government Funding	(71.064)
	<b>(206.999)</b>

17. 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 left the Council with no alternative but to increase council tax 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

18. Cabinet is requested to make the following recommendations to Council:
- (1) That Gateshead's Band D council tax for 2019/20 is increased by 3.99% (including a 1% adult social care Government charge) to £1,753.92
  - (2) The revenue estimates of £206.999 million for 2019/20 be approved.
  - (3) The use of £0.943 million Earmarked Reserves in 2019/20 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 7 to this report be agreed.
  - (7) That the method of calculating the Minimum Revenue Provision (MRP) for 2019/20 as set out in Appendix 8 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 22 January 2019, Cabinet agreed the following amounts for the year 2019/20 in accordance with regulations made under Section 31B (3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011: -
    - (a) **52,065.6** 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) **1,193.5** 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 2019/20 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'):  
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    - (a) **£562,669,625** 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) **(£471,339,360)** 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) **£91,330,265** 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) **£1,754.1383** 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) **£11,140.00** being the aggregate amount of all special items (Lamesley Parish Council) referred to in Section 34(1) of the Act
- (f) **£1,753.9243** 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  
**£1,763.2582** 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	6.22	1,169.28
B	7.26	1,364.16
C	8.30	1,559.04
D	<b>9.33</b>	<b>1,753.92</b>
E	11.41	2,143.68
F	13.48	2,533.44
G	15.56	2,923.20
H	18.66	3,507.84

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 2019/20, 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	89.55	54.89
B	104.48	64.03
C	119.40	73.18
D	<b>134.33</b>	<b>82.33</b>
E	164.18	100.63
F	194.03	118.92
G	223.88	137.22
H	268.66	164.66

- (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 2019/20 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,319.94	1,313.72
B	1,539.93	1,532.67
C	1,759.92	1,751.62
D	<b>1,979.91</b>	<b>1,970.58</b>
E	2,419.90	2,408.49
F	2,859.87	2,846.39
G	3,299.86	3,284.30
H	3,959.82	3,941.16

- (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 2019/20 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 2019/20.

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**CONTACT:** Darren Collins, extension 3582

**PLAN REF:**

## Policy Context

1. The Council has approached the budget consultation for 2019/20 within a framework for achieving the Council's strategic approach 'Making Gateshead a Place Where Everyone Thrives'.
2. To strengthen the Council's financial position to deliver this strategic objective consideration has been given to 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 budget cuts.
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 / budget cuts.
4. Full Council is responsible for approving a budget following recommendations from Cabinet, in line with the budget and policy framework outlined within Gateshead Council's constitution.

## Background

5. This budget follows a period of ten years of austerity and major government policy changes including welfare reform, housing and schools reform, finance reforms as well as unfunded cost pressures such as national living wage, care act duties and the apprenticeship levy. This has resulted in huge pressures on local authority budgets. The Council recognises there are huge financial pressures on not just council resources, but also those of partners, local businesses, residents and the voluntary and community sector.
6. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives was agreed in March 2018. The approach provides a framework to demonstrate how the Council will work and make decisions which will be policy and priority led. The approach is aligned to the timeframe of the Council's MTFS and is predicated on the following pledges:
  - Put people and families at the heart of everything that we do
  - Tackle inequality so people have a fair chance
  - Support our communities to support themselves and each other
  - Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
  - Work together and fight for a better future for Gateshead
7. To deliver on the strategic approach, the Council will need a radical rethink about how it works, how resources are spent, how the Council works with partners, organisations, businesses, trade unions, employees and the local people and communities of Gateshead. The new strategic approach will set the major policy directions for the Council within the resources available and seek new funding sources to redress the imbalance of inequality, champion fairness and social justice.
8. The Council's budget estimates for 2019/20 attached at Appendix 2 have been prepared in accordance with the MTFS framework and following consideration of the outcome of the budget consultation.

## **Considerations**

9. In finalising the budget and council tax for 2019/20, the following issues require consideration and are set out in the body of this appendix: -
- Medium Term Financial Strategy context;
  - Final settlement 2019/20;
  - Projected revenue outturn 2018/19;
  - Budget guidance and base budget requirements 2019/20;
  - Budget proposals 2019/20 following consultation;  
(See also appendix 2, 3 and 4)
  - Projected business rates 2019/20;
  - Council tax 2019/20;
  - Adequacy of reserves and robustness of budget estimates;  
(See also appendix 5 and 6)
  - Approval of prudential indicators for 2019/20 (see also appendix 7);
  - Minimum Revenue Provision (MRP) (see also appendix 8).

## **Medium Term Financial Strategy**

10. The Medium Term Financial Strategy (MTFS) was updated and agreed by Cabinet in July 2018 and is based on a financial forecast over a rolling five-year timeframe to 2023/24. The MTFS sets the financial context for the Council's resource allocation process and budget setting.
11. The Council accepted the government's offer of a multi-year settlement and 2019/20 is the final year under this arrangement. Due to proposed funding reforms for local government there is no certainty of funding levels beyond 2019/20 and an absence of guidance in this area.
12. The Council's MTFS to 2023/24 outlines an estimated funding gap of £76.689m for the next five years. The hugely challenging financial context is expected to continue over the medium term and the high levels of uncertainty around future funding reforms and the economy will add to the potential for financial volatility and risk. The MTFS will be fully reviewed in July 2019.

## **Final Settlement 2019/20**

13. On 30 January 2019, the final local government funding settlement was announced. Overall funding was in line with expectations.
14. Additional one-off funding for adults and children's services was announced in the 2018 Budget and this was confirmed in the settlement. Although welcome the level of funding is a relatively small amount, in the context of adults and children's spending overall, alongside the growing demand pressures in these areas. There remains a substantial funding gap facing children's and adult social care in 2019/20 both nationally and locally. There continues to be huge funding pressures facing local authorities to continue to protect the vital services which care for older and disabled people, protect children and support families. Long term planning for these vital services is undermined through a lack of information on the levels of future funding available.
15. Preventative and early intervention services are vital to help keep demand for crisis services under control. However, as these are non-statutory, authorities with insufficient resources are often forced to cut these areas knowing this will not lead to a sustainable approach. Without adequate funding for vital preventative services demand will only increase in future at a faster rate.

16. The settlement includes details of core grants including revenue support grant and business rates 'top up' grant. This was in line with expectations albeit on a reducing funding basis. It is vital that the government uses the 2019 Spending Review and the long awaited green paper on social care to deliver long term sustainable funding for local government. Alongside the local government finance settlement, the government has confirmed that it is looking to implement its fair funding review in April 2020.
17. The Council remains deeply concerned about the government's commitment to a fair and adequate approach to local government funding. The government interventions around the multi-year settlement show a clear bias against those councils serving deprived populations compounding the shortcomings of the established approach. During the consultation process the Council responded that this failure should be addressed in the final settlement. It is disappointing that this has not been the case.
18. It is vital that any future funding approach for local government is fair and provides recognition of the support required in those areas of greatest need. Government must consider the impacts of their policy decisions and the level of statutory duties at a time of significantly reducing funding.
19. The recently published report on local government spending by the Public Accounts Committee<sup>1</sup> highlights sustainability issues facing local authorities. It concluded the following;
  - Central government financial support for local government continues to be characterised by one-off, short-term initiatives, which do not provide value for money, rather than a meaningful long-term financial plan for the sector;
  - The Department has an unacceptable lack of ambition for the sector, with no aspiration for improving local finances beyond merely 'coping'.
  - It is worrying that the Department does not know what its minimum expectations are of the full range of services that local authorities are expected to provide.
  - the Department views the financial sustainability of local authorities solely in terms of a small set of statutory services rather than the full range of services local people need
  - It is not acceptable that the Department repeatedly states that the local authority sector as a whole is sustainable but refuses to provide evidence about how it has reached these conclusions.
20. Council funding continues to diminish resulting in enormous financial pressures at a time when demand for important services increases. Over the last eight years, the government has cut the funding it gives to local authorities by nearly half, while, at the same time policy changes mean that demands and expectations for critical council services such as housing and social care have grown significantly.

### **Projected Revenue Outturn 2018/19**

21. The agreed net revenue budget for 2018/19 is £203.466m. On 22 January 2019, Cabinet received a report on projected spending taking into account performance to 31 December 2018. The 2018/19 projected outturn at the third quarter was £206.840m, which results in a projected over spend of £3.374m for the year. The projected over spend is mitigated by additional Government funding of £2.135m resulting in an overall projected over spend of £1.239m.

<sup>1</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1775/177502.htm>



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 2019 and due to active budget management, it is expected that the outturn will be delivered within original budget estimates.

### **Base Budget Requirement 2019/20**

24. The Council faced a financial gap of £29m to ensure a balanced budget in 2019/20. The financial gap can be closed through finding budget cuts or reducing the estimated additional cost pressures or increasing the estimated amount of funding available. Given the huge challenge of closing the gap this year alongside budget saving proposals a review was undertaken to consider whether some of the estimated costs in the MTFS position could be managed within the base budget. This approach reduces the budget available to cover the £18m of additional costs and reduces the level of budget cuts needed.
25. The impact of this is that for certain costs or demand areas the council will have to manage within existing 2018/19 budget levels. Improvements and efficiencies will need to be made to cover some demand increases alongside delivery of the budget cuts.
26. In an effort to suppress the gap, certain pressures such as general inflation and some demand pressures have not been factored into the base budget position. This requires services to manage a stand still budget in those areas.
27. The following key assumptions have been made in development of the 2019/20 budget;
  - A reduction in revenue support grant of £6.412m (30%) to £15.012m
  - 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 £91.319m in the amount of council tax income receivable (excluding Lamesley) arising from growth in the tax base (£1.017m) and agreement of the proposed council tax increase (£3.504m).
  - The amount of Improved Better Care Fund payable via CCG is unconfirmed to date but expected to be as a minimum at 2018/19 funding levels.
  - Resources have been included in relation to pay award and salary increments (£3.702m)
  - Provision has been made in the budget for the North East Combined Authority Transport and Environment Agency Levy. The agreed budget reduction in the NECA levy has been included within budget proposals.
  - Budget uplifts for general inflation on areas such as utilities, food, insurance premiums and business rates payable by the Council have not been included in the budget. This will require services to manage a stand still budget.
28. The base budget for 2019/20 before budget savings is £220.112m. This is an increase of £16.646m on the current year budget reflecting cost pressures, some inflation and service pressures.

29. Growth in the Council budget has been kept to a minimum with provision being made in a contingency of £7.3m (3% of total net budget) to protect against one off in year unforeseen events and provide budget allocations in relation to potential redundancy, workforce, risk and demand pressures. This is consistent with MTFS principles and good financial management.
30. The base budget figures and proposals are presented in Appendix 2, including all comparative figures for 2018/19.

### **Budget Proposals 2019/20 – Outcome of Consultation**

31. At its meeting in November, Cabinet approved the public consultation which set out the budget proposals to help bridge an estimated financial gap of £29.223m in 2019/20. The budget proposals are a combination of budget cuts, income generation and proposals where the Council would like to work differently, with partners and others, to achieve the right outcome for those people and families who require more support than others. The responses to the consultation and impact assessments are included at Appendix 3 and 4.
32. It is a legal requirement that Gateshead Council sets a balanced budget each year and must decide how to assign money to the wide range of vital services it provides to the people of Gateshead. Increasingly the budget setting process involves some very challenging decisions, trying to balance the needs, as well as the wants and aspirations, of the community.
33. The consultation issues raised through the budget process have been considered. Following consideration of the consultation responses themselves, the deliverability, timing 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 earmarked reserve mitigations and adjustments;

#### **Workforce Development Reserve;**

- Ref 22 - Workforce development £0.273m

#### **Economic Growth, Culture and Place Shaping Reserve;**

- Ref 5 - Economic Growth service £0.115m

#### **Strategic Revenue Investment Reserve;**

- Ref 10 - Commissioning and Quality Assurance £0.065m  
(Full saving £0.130m)
- Ref 16 - Introduce accommodation charges for S117 £0.025m  
(Full saving £0.075m)
- Ref 4 - Development, Transport and Public protection £0.040m  
(Full saving £0.184)
- Ref 8 - Street Scene Bowls and Football Pitches £0.090m  
(Full saving £0.246m)
- Ref 22 - Use of Civic Centre space by partners £0.050m  
(Full saving £0.150m)
- Ref 19 - Trading and Commercialisation Facilities Management £0.082m  
(Full saving £0.450m)
- Ref 26 - Trading and Commercialisation Culture £0.028m  
(Full saving £0.056m)
- Social Work Children and Families £0.175m  
(Full saving £0.350m)

In addition, through the consultation process an alternative approach has been agreed for the following proposals;

Ref 7 Cease Non-Statutory Pest Control Service - £0.120m

An alternative approach is proposed to fund the service through increased income generation for a 12-month period pending review. Should the service fail to become sustainable in that time the service will cease as per the consultation.

Ref 2 Reduction in funding to community and voluntary sector contract £0.016m

£0.010m of the saving will be met through the reduction in the contract value with the small residual balance to be met from other areas of Commissioning and Neighbourhoods Service.

Ref 3 Commissioning and Neighbourhoods – service reduction - £0.089m

The saving will be delivered via a combination of a service review including voluntary redundancy and reduction in senior management. The full saving will be delivered within the service following an organisational review focussed on objectives.

Ref 15 Cease Maintenance of Bowling Greens and Football Pitches- £0.246m

Work will continue including the strategic investment in 3G Football pitches, potential asset transfer, increase in fees and charges over a 3-year period and a rationalisation of the number of pitches and bowling greens provided. After further review of other savings and considerations the following alternatives have been proposed:

- Ref 11- Increase Fuel Budget proposal by £0.030m
- Trade Waste increase of income by £0.090m
- Increase Void Clearance Works income by £0.036m

This leaves £0.090m to remain on the bowling greens and football pitches for 2019/20 with reserve mitigation, to allow time for phasing of future savings in 2020/21 and 2021/22.

34. 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 2019/20**

35. As part of the 2019/20 settlement, the Government provided a baseline figure for retained business rates of £42.423m. The National Non-Domestic Rates Return 1 (NNDR1) 2019/20 submitted to the Ministry of Housing, Communities and Local Government on 31 January 2019 estimated that the Council's retained element will be £41.705m (adjusted for cost of collection). An additional estimate of £4.886m is included in the base budget funding in relation to reliefs which are reimbursed through a S31 grant.

## **Council Tax 2019/20**

### **Statutory Requirements: Calculation of Council Tax Requirement**

36. 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.
37. 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: -
38. (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 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**

- 39. 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).
- 40. 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**

- 41. 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 2019/20, this report recommends that Gateshead Council agrees a council tax increase of 3.99% (including a 1% adult social care charge) This will mean the Council will be exempt from the Government's excessiveness principles.

### **Local Council Tax Support Scheme**

- 42. The Council's approach is to operate a support scheme to mitigate the impact on working age claimants by utilising council resources. The current scheme results in around 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 £110 per year/£2.12 per week). Councils' local schemes differ substantially, which means that similar families can have very different council tax bills depending on where they live. The most common level of minimum payment is 20% (almost a quarter of Councils). In order to support those claimants most in need of financial assistance this Council is one of 38 that operate a minimum payment of 8.5%, consistent with Council priorities.

## **Council Tax Referendums**

43. A council tax bill is made up of several 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.
44. 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 2019/20” and the principles outlined in annex A of the guidance.
45. The following council tax referendum principles were announced:
- a core principle of up to 3% applying to local authorities and fire and rescue authorities;
  - a continuation of the adult social care precept, with an additional 2% flexibility available for social care authorities. This is subject to total increases for the adult social care precept not exceeding 6% between 2017/18 and 2019/20;
  - Police and crime commissioners (PCCs) allowed increases of up to £24 on a band D in 2019/20;
  - No referendum limits set in relation to town and parish councils.
46. 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.
47. 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.
48. 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.
49. The proposed council relevant basic amount of council tax for 2019/20 is not excessive in accordance with the principles determined under section 52ZC of the Act.

## **Council Tax Requirement 2019/20**

50. The Localism Act 2011 requires the Council to set a council tax requirement.
51. In calculating the council tax requirement as required by the legislation, the local Parish precept and use of reserves must be taken into account.



52. The Parish of Lamesley has issued a budget precept for 2019/20 of £11,140, which is a 3% increase on the 2018/19 precept of £10,815. However due to the reduction in the council tax base level this means a band D precept increase of 4.6% is required to result in a £11,140 precept value. This was agreed at the meeting of 14 January 2019.
53. 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.
54. Any amount transferred from the collection fund to the general fund in relation to council tax must also be deducted. For 2019/20 this figure has been estimated to be £1.968m.
55. The 2019/20 Council Tax Requirement (including Lamesley), based on an increase of 3.99% is £91.330m, summarised as follows: -

	£
<b>Net Budget 2019/20 Gateshead Council</b>	<b>206,998,759</b>
<b>Less - Use of Earmarked Reserves</b>	<b>(943,000)</b>
<b>Add - Lamesley Parish Precept</b>	<b>11,140</b>
<b>Budget Requirement 2019/20 (including Lamesley Parish Precept)</b>	<b>206,066,899</b>
<b>Less - Settlement Funding Assessment (SFA)*</b>	<b>(71,825,380)</b>
<b>Public Health</b>	<b>(16,080,000)</b>
<b>Other Grants</b>	<b>(24,863,186)</b>
<b>Balance to be raised locally</b>	<b>93,298,333</b>
<b>Transfer from Collection Fund (Council Tax)</b>	<b>(1,968,068)</b>
<b>Council Tax Requirement (including Lamesley Parish Precept)</b>	<b>91,330,265</b>

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

### Council Tax Resolution

56. The council tax for Gateshead is calculated by dividing the council tax requirement by the council tax base of 52,065.6 (agreed at Cabinet on 22 January 2019). This calculation gives a basic amount of council tax of £1,754.13. 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 £1,753.92. Section 36 of the 1992 Act requires the council tax to be calculated by reference to Band D.
57. 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 1% precept to fund adult social care but excluding other precepts)

Valuation Band	Gateshead Council £
A	1,169.28
B	1,364.16
C	1,559.04
D	<b>1,753.92</b>
E	2,143.68
F	2,533.44
G	2,923.20
H	3,507.84

58. The council tax for the Parish area is calculated by dividing the Parish precept by the council tax base for the Parish area. This calculation gives a Band D precept of £9.33 for Lamesley Parish area in 2019/20 which is an increase of 4.6% from 2018/19.
59. 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	6.22
B	7.26
C	8.30
D	<b>9.33</b>
E	11.41
F	13.48
G	15.56
H	18.66

60. 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. On 5 February 2019 the Police and Crime Panel agreed to increase the Band D charge by the £24 permitted under the current referendum principles. The Tyne and Wear Fire and Rescue Authority propose a precept increase of 2.99% however this is subject to final confirmation by the Tyne and Wear Fire and Rescue Authority on Monday 18 February 2019. These are as follows: -

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	89.55	54.89
B	104.48	64.03
C	119.40	73.18
D	<b>134.33</b>	<b>82.33</b>
E	164.18	100.63
F	194.03	118.92
G	223.88	137.22
H	268.66	164.66

These precepts result in a Band D council tax (excluding Lamesley Parish Precept) of £1,970.58.

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,319.94	1,313.72
B	1,539.93	1,532.67
C	1,759.92	1,751.62
D	<b>1,979.91</b>	<b>1,970.58</b>
E	2,419.90	2,408.49
F	2,859.87	2,846.39
G	3,299.86	3,284.30
H	3,959.82	3,941.16

## Schools Budget

62. The Council will receive an indicative £149m 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 £47m. 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 in 2019/20 and will be confirmed in July 2019 based on actual take up.
63. Included in the budgets for 2018/19 and 2019/20 is additional High Needs Block (HNB) grant funding of £0.42m per year. The Pupil Premium for 2019/20 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 £8.9m, of which an estimated £2.7m will be recouped for academies.
64. Early Years Pupil Premium for eligible 3 & 4-year olds have 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 £0.150m.
65. The pressure on funding for both schools at an individual level and for children with special educational needs (SEN) continues to increase. The HNB of the DSG is estimated to overspend by £1m in 2018/19 which would result in a reduction of DSG reserves from £2.2m to £1.2m for 2019/20. It is expected that DSG reserves will be fully utilised by the end of 2020/21 without additional funding for the HNB.
66. The number of schools with projected deficits is increasing and schools continue to reduce staff numbers. Increased pressure on Government has resulted in additional grants being provided to schools in 2018/19 and 2019/20. These include the one off additional devolved formula capital grant, the additional free school meal grant (FSM), teachers' pay grant and teachers' pension grant. These grants however do not cover all cost pressures on schools, and the expectation is that schools will continue to draw on their individual reserves with the expectation being that total school reserves will be exhausted by the end of 2020/21.

## Adequacy of Reserves and Robustness of Budget Estimates

67. The Council keeps a level of reserves to strengthen its financial position so that it has sufficient reserves and balances to protect against the risk of any uncertainties or unforeseen events without jeopardising key services and delivery outcomes. This is considered best practice and demonstrates sound financial planning. The Council's policy on reserves is outlined in the MTFS.
68. The Local Government Act 2003 requires the Strategic Director, Corporate Resources to undertake an assessment of the robustness of budget estimates and the adequacy of reserves. 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 cuts/income targets
69. 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 5.
70. 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 6 to this report shows the opening balances as at 1 April 2018 and an estimate of reserves through to 31 March 2020 subject to the proposals in this report. The position on reserves will be further reviewed following revenue outturn in June 2019 and as part of the review of the MTFS. It is likely that reserves will need to be replenished over the MTFS period.
71. 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 £18.873m. This figure includes £5.205m LMS Schools reserves which are ring-fenced and £13.668m General Reserve which is above the minimum level of 3% net revenue budget agreed by Cabinet and Council in July 2018 as part of the MTFS.
72. Some reserves are agreed by Council to be 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.
73. 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.

74. 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**

75. 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 cuts required to balance the budget has put pressure on all budgets, including staffing.
76. The proposals within the budget will result in organisational change in many services across the Council, and changes in the way the Council delivers services and works for and with, the community.
77. The Council remains a major employer and it will continue its existing good employment practices and further develop its commitment to its workforce, including a refreshed Workforce Strategy and Plan to provide our employees with opportunities to learn and upskill so they can deliver high quality efficient services and embrace new ways of working. The Council will continue to work with employees and trade union partners 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.
78. 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.
79. In light of the required savings the Council gave notice in February 2019 to the Department of Business Innovation and Skills (Form HR1) of the number of anticipated redundancies. In November 2018, it also issued statutory redundancy consultation letters "section 188 letters" to recognised unions and affected 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.
80. The proposed FTE reductions before mitigations is 104.39 FTE of which an estimated 2.98 FTE are considered to be potential compulsory redundancies.

## **Prudential and Treasury Indicators**

81. 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.

82. Appendix 7 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)**

83. 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 2019/20 is attached at Appendix 8.

## Consultation

- 84. 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 2019.
- 85. There has been public consultation on specific budget proposals for 2019/20 and the responses are included at Appendix 3 and 4 of this report.
- 86. 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

- 87. There are no alternative options. The Council is statutorily required to agree a lawfully balanced budget each year. To not identify budget cuts and additional income 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

### 88. 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 17 July 2018 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.

- 89. **Risk Management Implications** – Appendix 5 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.
- 90. **Equality and Diversity Implications** – Appendix 3 provides an overview of the Equality Impact Assessments (EIA's) which are available on the Council's website.
- 91. **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.
- 92. **Health Implications** – Appendix 3 highlights health and wellbeing impact.
- 93. **Sustainability Implications** – The proposals in this report will help ensure a sustainable financial position for the Council.

94. **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.
95. **Area and Ward Implications** – The proposals in this report cover the whole of Gateshead.



## REVENUE BUDGETS 2019/20

Budget 2018/19 £000	Group and Service (Net Budgets)	Budget Pre Savings 2019/20 £000	Proposed Savings 2019/20 £000	Proposed Budget 2019/20 £000
	<b><u>Care, Wellbeing and Learning</u></b>			
22,692	Social Work - Children & Families	27,881	(765)	27,116
6,406	Early Help & Education	7,589	(597)	6,992
7,166	Commissioning & Quality Assurance	7,189	(529)	6,660
636	Learning & Schools	935	(75)	860
62,611	Adult Social Care	66,196	(1,030)	65,166
16,516	Public Health	16,525	(1,043)	15,482
	<b><u>Communities and Environment</u></b>			
492	Housing General Fund	512	(98)	414
3,752	Development, Transport & Public Protection	3,481	(634)	2,847
(955)	Council Housing, Design & Technical Services	(997)	(200)	(1,197)
1,094	Commissioning & Neighbourhoods	1,085	(205)	880
17,407	Street Scene	17,691	(1,635)	16,056
883	Economic Development	1,036	(170)	866
	<b><u>Office of the Chief Executive</u></b>			
1,730	Policy, Performance & Communications	1,540	(238)	1,302
	<b><u>Corporate Services and Governance</u></b>			
4,003	Legal & Democratic Services	4,027	(260)	3,767
(1,460)	Property & Corporate Asset Management	(1,429)	(297)	(1,726)
1,622	Human Resources & Workforce Development	1,797	(281)	1,516
204	Corporate Commissioning & Procurement	210	(155)	55
	<b><u>Corporate Resources</u></b>			
1,640	Corporate Finance	1,721	(303)	1,418
3,326	Customer & Financial Services	3,503	(656)	2,847
0	Housing Benefits	200	0	200
3,149	IT Services	3,115	(548)	2,567
8,285	Trading & Commercialisation	8,995	(1,597)	7,398
1,437	Other Services	1,429	(590)	839
3,251	Contingencies	7,300	0	7,300
31,519	Capital Financing Costs	32,519	(519)	32,000
(5,166)	Investment & Trading Income	(5,166)	(600)	(5,766)
	<b><u>Levies</u></b>			
166	Environment Agency	168	0	168
11,037	Tyne & Wear ITA	11,037	(88)	10,949
23	Port of Tyne	23	0	23
<b>203,466</b>	<b>Total Net Budget</b>	<b>220,112</b>	<b>(13,113)</b>	<b>206,999</b>
	<b><u>Financed By</u></b>			
(75,578)	Settlement Funding Assessment (SFA)	(71,826)		(71,826)
(20,208)	Other Grants	(24,863)		(24,863)
(16,516)	Public Health	(16,080)		(16,080)
(86,798)	Council Tax (Excluding Parish Precept)	(91,319)		(91,319)
(3,029)	Collection Fund	(1,968)		(1,968)
(1,337)	Earmarked Reserves	(943)		(943)
<b>(203,466)</b>	<b>Total Funding</b>	<b>(206,999)</b>	<b>0</b>	<b>(206,999)</b>

## SCHOOLS - ESTIMATES 2019/20

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	146,995	(146,995)	0	149,081	(149,081)	0
Use of Schools Reserves	0	0	0	0	0	0
Less: Recoupment for Academies and commissioned Non-Maintained Special Schools	(47,574)	47,574	0	(46,640)	46,640	0
Total Retained in Council	99,421	(99,421)	0	102,441	(102,441)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(27,187)	27,187	0	(29,396)	29,396	0
<b>Schools Budget (Maintained)</b>	<b>72,234</b>	<b>(72,234)</b>	<b>0</b>	<b>73,045</b>	<b>(73,045)</b>	<b>0</b>
Pupil Premium	9,014	(9,014)	0	8,966	(8,966)	0
Less: Academies Recoupment	(2,810)	2,810	0	(2,719)	2,719	0
<b>Pupil Premium (Maintained)</b>	<b>6,204</b>	<b>(6,204)</b>	<b>0</b>	<b>6,247</b>	<b>(6,247)</b>	<b>0</b>
<b>TOTAL SCHOOLS BUDGET 2019/20</b>						<b>0</b>

The Council will also receive an indicative £149m 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 £47m. 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 in 2019/20 and will be confirmed in July 2019 based on actual take up.

Included in the budgets for 2018/19 and 2019/20 is additional High Needs Block (HNB) grant funding of £0.42m per year. The Pupil Premium for 2019/20 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 £8.9m, of which an estimated £2.7m will be recouped for academies.

Early Years Pupil Premium for eligible 3 & 4 year olds has been confirmed at £302 per pupil for a full financial year. This will be paid on a participation basis of £0.53 per hour and the DfE have provided an estimated allocation within the DSG of £0.150m.

**CARE, WELLBEING & LEARNING - ESTIMATES 2019/20**

**SOCIAL WORK - CHILDREN & FAMILIES**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Social Work - Children & Families	24,461	(1,769)	<b>22,692</b>	29,650	(1,769)	<b>27,881</b>
<b>Section 2 - Savings</b>						
<b><u>Managing Demand</u></b>						
Reduction in out of borough placement costs for looked after children				(350)	0	(350)
<b><u>Cost Saving</u></b>						
Reduction in staffing establishment				(400)	0	(400)
<b><u>Income Generation</u></b>						
Sponsorship of events				0	(15)	(15)
				<b>(750)</b>	<b>(15)</b>	<b>(765)</b>
<b>Total Social Work - Children &amp; Families 2019/20</b>				<b>28,900</b>	<b>(1,784)</b>	<b>27,116</b>

**CARE, WELLBEING & LEARNING - ESTIMATES 2019/20**

**EARLY HELP & EDUCATION**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Early Help & Education	29,237	(22,831)	<b>6,406</b>	30,371	(22,782)	<b>7,589</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Management savings				(53)	0	(53)
Reduction in the number of Family Intervention Workers				(354)	0	(354)
Removal of contribution to Child and Adolescent Mental Health Services				(190)	0	(190)
				<b>(597)</b>	<b>0</b>	<b>(597)</b>
<b>Total Early Help &amp; Education 2019/20</b>				<b>29,774</b>	<b>(22,782)</b>	<b>6,992</b>

**CARE, WELLBEING & LEARNING - ESTIMATES 2019/20**

**COMMISSIONING & QUALITY ASSURANCE**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning & Quality Assurance	7,572	(406)	<b>7,166</b>	7,595	(406)	<b>7,189</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Reduction in establishment				(178)	0	(178)
Efficiencies in the Gateshead Equipment Service				(90)	0	(90)
Remodel provision of information and advice services				(130)	0	(130)
Cease three contracts with Mental Health Matters				(126)	0	(126)
Non staff expenditure reductions				(5)	0	(5)
				<b>(529)</b>	<b>0</b>	<b>(529)</b>
<b>Total Commissioning &amp; Quality Assurance 2019/20</b>				<b>7,066</b>	<b>(406)</b>	<b>6,660</b>

**CARE, WELLBEING & LEARNING - ESTIMATES 2019/20**

**LEARNING & SCHOOLS**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Learning & Schools	25,180	(24,544)	<b>636</b>	25,477	(24,542)	<b>935</b>
<b>Section 2 - Savings</b>						
<b>Cost Savings</b>						
Post deletions, capitalisation and redundancies to cover reduced funding				(75)	0	(75)
				<b>(75)</b>	<b>0</b>	<b>(75)</b>
<b>Total Learning &amp; Schools 2019/20</b>				<b>25,402</b>	<b>(24,542)</b>	<b>860</b>

**CARE, WELLBEING & LEARNING - ESTIMATES 2019/20**

**ADULT SOCIAL CARE**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Adult Social Care	90,063	(27,452)	<b>62,611</b>	93,623	(27,427)	<b>66,196</b>
<b>Section 2 - Savings</b>						
<b><u>Managing Demand</u></b>						
Increase use of in house day services				(150)	0	(150)
<b><u>Cost Saving</u></b>						
Reduction in staffing establishment and non staffing budgets for provider services				(528)	0	(528)
<b><u>Income Generation</u></b>						
Reduce Disability Related Expenditure (DRE) Allowance from £15 to £10				0	(214)	(214)
Introduce accommodation charge for s117 clients in residential care				0	(75)	(75)
Increase day services charge				0	(50)	(50)
Introduce charge for Guidepost				0	(7)	(7)
Increase charges for meals				0	(6)	(6)
				<b>(678)</b>	<b>(352)</b>	<b>(1,030)</b>
<b>Total Adult Social Care 2019/20</b>				<b>92,945</b>	<b>(27,779)</b>	<b>65,166</b>

**CARE, WELLBEING & LEARNING - ESTIMATES 2019/20**

**PUBLIC HEALTH**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health	16,531	(15)	<b>16,516</b>	16,540	(15)	<b>16,525</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Saving on Health Visitors contract				(25)	0	(25)
Reduction in Health Checks budget				(100)	0	(100)
Reduction in budget envelope for renewal of Sexual Health contract				(210)	0	(210)
Saving on Sexual Health GP demand				(20)	0	(20)
Reduction in budget envelope for renewal of Substance Misuse contract				(548)	0	(548)
Saving on Smoking Active Intervention programme				(50)	0	(50)
Cessation of public mental health work				(15)	0	(15)
Reduction in staffing establishment				(75)	0	(75)
				<b>(1,043)</b>	<b>0</b>	<b>(1,043)</b>
<b>Total Public Health 2019/20</b>				<b>15,497</b>	<b>(15)</b>	<b>15,482</b>
<b>Public Health expenditure in other service areas</b>						<b>598</b>
<b>Public Health ringfenced budget 2019/20</b>						<b>16,080</b>



**COMMUNITIES & ENVIRONMENT - ESTIMATES 2019/20**

**HOUSING GENERAL FUND**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing General Fund	1,603	(1,111)	<b>492</b>	1,882	(1,370)	<b>512</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Service restructure				(98)	0	(98)
				<b>(98)</b>	<b>0</b>	<b>(98)</b>
<b>Total Housing General Fund 2019/20</b>				<b>1,784</b>	<b>(1,370)</b>	<b>414</b>

**COMMUNITIES & ENVIRONMENT - ESTIMATES 2019/20**

**DEVELOPMENT, TRANSPORT & PUBLIC PROTECTION**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Development, Transport & Public Protection	8,545	(4,793)	<b>3,752</b>	8,486	(5,005)	<b>3,481</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Capitalisation of posts				(90)	0	(90)
Reduction in contribution to Gateshead Bridges				(10)	0	(10)
Reduction in establishment				(184)	0	(184)
<b><u>Income Generation</u></b>						
Parking enforcement				0	(45)	(45)
Car park charging and staff permits				0	(45)	(45)
Bus lane enforcement				0	(150)	(150)
Planning consultancy				0	(60)	(60)
Cost recovery - Events				0	(50)	(50)
				<b>(284)</b>	<b>(350)</b>	<b>(634)</b>
<b>Total Development, Transport &amp; Public Protection 2019/20</b>				<b>8,202</b>	<b>(5,355)</b>	<b>2,847</b>

**COMMUNITIES & ENVIRONMENT - ESTIMATES 2019/20**

**COUNCIL HOUSING, DESIGN & TECHNICAL SERVICES**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Council Housing, Design & Technical Services	419	(1,374)	<b>(955)</b>	377	(1,374)	<b>(997)</b>
<b>Section 2 - Savings</b>						
<b><u>Income Generation</u></b>						
Increased income from District Energy Scheme				0	(100)	(100)
Increased income from battery storage				0	(100)	(100)
				<b>0</b>	<b>(200)</b>	<b>(200)</b>
<b>Total Council Housing, Design &amp; Technical Services 2019/20</b>				<b>377</b>	<b>(1,574)</b>	<b>(1,197)</b>

**COMMUNITIES & ENVIRONMENT - ESTIMATES 2019/20**

**COMMISSIONING & NEIGHBOURHOODS**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commissioning & Neighbourhoods	1,114	(20)	<b>1,094</b>	1,105	(20)	<b>1,085</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Reduction in Gateshead Fund				(100)	0	(100)
Reduction in funding to Community and Voluntary Sector contract				(16)	0	(16)
Reduction in establishment				(89)	0	(89)
				<b>(205)</b>	<b>0</b>	<b>(205)</b>
<b>Total Commissioning &amp; Neighbourhoods 2019/20</b>				<b>900</b>	<b>(20)</b>	<b>880</b>

**COMMUNITIES & ENVIRONMENT - ESTIMATES 2019/20**

**STREET SCENE**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Street Scene	25,480	(8,073)	<b>17,407</b>	25,764	(8,073)	<b>17,691</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Reduction of Clean Tyne contribution				(17)	0	(17)
Review of Pest Control Service				(120)	0	(120)
Review provision of Bowls and Football Pitches				(90)	0	(90)
Removal of Public Conveniences				(35)	0	(35)
Reduction in service -Street Light Repairs, Cleaning & Testing				(100)	0	(100)
Reduction in service - Signs, Fencing & Guardrails				(100)	0	(100)
Reduction in service - Inspections, Patching, Repairs				(737)	0	(737)
Fuel saving on Fleet reduction				(150)	0	(150)
Reduction in repairs & maintenance general budget - Street Cleansing				(100)	0	(100)
<b><u>Income</u></b>						
Mountsett Crematorium - Increase in income				0	(60)	(60)
Trade Waste - increase income				0	(90)	(90)
Void Clearance works - increase income				0	(36)	(36)
				<b>(1,449)</b>	<b>(186)</b>	<b>(1,635)</b>
<b>Total Street Scene 2019/20</b>	<b>24,315</b>	<b>(8,259)</b>	<b>16,056</b>			

**COMMUNITIES & ENVIRONMENT - ESTIMATES 2019/20**

**ECONOMIC DEVELOPMENT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Economic Development	3,909	(3,026)	<b>883</b>	4,062	(3,026)	<b>1,036</b>
<b>Section 2 - Savings</b>						
<u><b>Cost Saving</b></u>						
Reduction in establishment				(170)	0	(170)
				<b>(170)</b>	<b>0</b>	<b>(170)</b>
<b>Total Economic Development 2019/20</b>				<b>3,892</b>	<b>(3,026)</b>	<b>866</b>

OFFICE OF THE CHIEF EXECUTIVE - ESTIMATES 2019/20

POLICY, PERFORMANCE & COMMUNICATIONS

Section 1 - Net Cost of Current Levels of Service						
	2018/19			2019/20		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Policy, Performance & Communications	1,739	(9)	<b>1,730</b>	1,549	(9)	<b>1,540</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Capitalisation of posts and systems support				(153)	0	(153)
Reduction in supplies and services				(25)	0	(25)
<b><u>Income</u></b>						
Partnership working with The Gateshead Housing Company				0	(10)	(10)
Review of cross council advertising				0	(50)	(50)
				<b>(178)</b>	<b>(60)</b>	<b>(238)</b>
<b>Total Policy, Performance &amp; Communications 2019/20</b>				<b>1,371</b>	<b>(69)</b>	<b>1,302</b>

**CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2019/20**

**LEGAL & DEMOCRATIC SERVICES**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal & Democratic Services	4,950	(947)	<b>4,003</b>	4,974	(947)	<b>4,027</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Reduction in supplies and services				(41)	0	(41)
Reduction in establishment				(46)	0	(46)
Town Twinning budget removal				(16)	0	(16)
<b><u>Income Generation</u></b>						
Partnership working with The Gateshead Housing Company				0	(47)	(47)
Increased income from Data Protection and Registrars				0	(110)	(110)
				<b>(103)</b>	<b>(157)</b>	<b>(260)</b>
<b>Total Legal &amp; Democratic Services 2019/20</b>				<b>4,871</b>	<b>(1,104)</b>	<b>3,767</b>



**CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2019/20**

**PROPERTY & CORPORATE ASSET MANAGEMENT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Property & Corporate Asset Management	2,557	(4,017)	<b>(1,460)</b>	2,538	(3,967)	<b>(1,429)</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Reduction in establishment				(47)	0	(47)
<b><u>Income Generation</u></b>						
Use of Civic Centre space by partners				0	(150)	(150)
Increased income from Public Sector Partnership and rent reviews				0	(100)	(100)
				<b>(47)</b>	<b>(250)</b>	<b>(297)</b>
<b>Total Property &amp; Corporate Asset Management 2019/20</b>	<b>2,491</b>	<b>(4,217)</b>	<b>(1,726)</b>			

**CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2019/20**

**HUMAN RESOURCES & WORKFORCE DEVELOPMENT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Human Resources & Workforce Development	2,040	(418)	<b>1,622</b>	2,215	(418)	<b>1,797</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Reduction in establishment				(281)	0	(281)
				<b>(281)</b>	<b>0</b>	<b>(281)</b>
<b>Total Human Resources &amp; Workforce Development 2019/20</b>				<b>1,934</b>	<b>(418)</b>	<b>1,516</b>

**CORPORATE SERVICES & GOVERNANCE - ESTIMATES 2019/20**

**CORPORATE COMMISSIONING & PROCUREMENT**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Commissioning & Procurement	723	(519)	<b>204</b>	729	(519)	<b>210</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Reduction in establishment				(30)	0	(30)
Capitalisation of posts and systems support				(32)	0	(32)
<b><u>Income</u></b>						
Review of Print Point and graphic design				0	(50)	(50)
Partnership working with The Gateshead Housing Company				0	(43)	(43)
				<b>(62)</b>	<b>(93)</b>	<b>(155)</b>
<b>Total Corporate Commissioning &amp; Procurement 2019/20</b>				<b>667</b>	<b>(612)</b>	<b>55</b>

# CORPORATE RESOURCES - ESTIMATES 2019/20

## CORPORATE FINANCE

Section 1 - Net Cost of Current Levels of Service						
	2018/19			2019/20		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Finance	2,816	(1,176)	<b>1,640</b>	2,897	(1,176)	<b>1,721</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Review of service operating model for Financial Management and Internal Audit functions				(159)	0	(159)
<b><u>Income Generation</u></b>						
Expansion of trading opportunities across the service				0	(144)	(144)
				<b>(159)</b>	<b>(144)</b>	<b>(303)</b>
<b>Total Corporate Finance 2019/20</b>				<b>2,738</b>	<b>(1,320)</b>	<b>1,418</b>

**CORPORATE RESOURCES - ESTIMATES 2019/20**

**CUSTOMER & FINANCIAL SERVICES**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Customer & Financial Services	6,737	(3,411)	<b>3,326</b>	6,914	(3,411)	<b>3,503</b>
<b>Section 2 - Savings</b>						
<b><u>Managing Demand</u></b>						
Review of cashiering function				(15)	0	(15)
<b><u>Cost Saving</u></b>						
Renewal of system contracts, organisational review and increased employee/customer self-service				(271)	0	(271)
<b><u>Income Generation</u></b>						
Increase service income from additional charges and trading to schools and academies				0	(370)	(370)
				<b>(286)</b>	<b>(370)</b>	<b>(656)</b>
<b>Total Customer &amp; Financial Services 2019/20</b>				<b>6,628</b>	<b>(3,781)</b>	<b>2,847</b>

**CORPORATE RESOURCES - ESTIMATES 2019/20**

**HOUSING BENEFITS**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing Benefits	80,665	(80,665)	<b>0</b>	54,340	(54,140)	<b>200</b>
<b>Total Housing Benefits 2019/20</b>						
				<b>54,340</b>	<b>(54,140)</b>	<b>200</b>

**CORPORATE RESOURCES - ESTIMATES 2019/20**

**IT SERVICES**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
IT Services	5,524	(2,375)	<b>3,149</b>	5,490	(2,375)	<b>3,115</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Renegotiation of contracts				(81)	0	(81)
New Mobile SIM Contract				(100)	0	(100)
Consolidation of internet connections				(15)	0	(15)
End lease of council van				(5)	0	(5)
Reduction in overtime budget				(15)	0	(15)
Review of agile mobile devices and telephony				(85)	0	(85)
Review of structure and supplies and services				(55)	0	(55)
Review of Enterprise Vault				(21)	0	(21)
Secure email decommission and firewall maintenance				(29)	0	(29)
<b><u>Income Generation</u></b>						
Traded service IT recharge to other organisations				0	(133)	(133)
Increased service level agreement to Regent Funeral Services and Gateshead Energy Company				0	(9)	(9)
				<b>(406)</b>	<b>(142)</b>	<b>(548)</b>
<b>Total IT Services 2019/20</b>	<b>5,084</b>	<b>(2,517)</b>	<b>2,567</b>			

**CORPORATE RESOURCES - ESTIMATES 2019/20**

**TRADING & COMMERCIALISATION SERVICE**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Trading & Commercialisation Service	27,660	(19,375)	<b>8,285</b>	28,108	(19,113)	<b>8,995</b>
<b>Section 2 - Savings</b>						
<b><u>Cost Saving</u></b>						
Review of Catering Service provision across the Council	(99)	0	(99)			
Restructure within Facilities Management	(238)	0	(238)			
Reduced cyclical maintenance programme and deletion of vacant post	(76)	0	(76)			
Sickness absence reduction and cessation of Creche facilities at Gateshead Leisure Centre	(133)	0	(133)			
Cost reductions across the Library Service	(106)	0	(106)			
Reduction in contribution to Tyne & Wear Archives and Museums, Baltic, Sage and Newcastle Gateshead Initiative	(150)	0	(150)			
<b><u>Income Generation</u></b>						
Services to Schools - development of service packages and trading of Facilities Management compliance	0	(212)	(212)			
Review of meal prices and uptake in schools, expanded out of borough trading	0	(30)	(30)			
Increase in fees and increased trading of Building Maintenance Technical services	0	(22)	(22)			
Delivering services to public buildings and additional trading with Schools	0	(7)	(7)			
Review of Culture and Events and maximisation of assets to generate income	0	(56)	(56)			
Review of Building Cleaning and additional income generation	0	(108)	(108)			
Additional Leisure income generation from Go Memberships, Swimming, 3G Pitch and Events	0	(343)	(343)			
Income generation across the Library Service	0	(17)	(17)			
	<b>(802)</b>	<b>(795)</b>	<b>(1,597)</b>			
<b>Total Trading &amp; Commercialisation Service 2019/20</b>	<b>27,306</b>	<b>(19,908)</b>	<b>7,398</b>			



**CORPORATE RESOURCES - ESTIMATES 2019/20**

**OTHER SERVICES**

<b>Section 1 - Net Cost of Current Levels of Service</b>						
	<b>2018/19</b>			<b>2019/20</b>		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Capital Financing	31,519	0	<b>31,519</b>	32,519	0	<b>32,519</b>
Trading & Investment Income	0	(5,166)	<b>(5,166)</b>	0	(5,166)	<b>(5,166)</b>
Contingencies	3,251	0	<b>3,251</b>	7,300	0	<b>7,300</b>
Other Services	1,520	(83)	<b>1,437</b>	1,512	(83)	<b>1,429</b>
Levies	11,226	0	<b>11,226</b>	11,228	0	<b>11,228</b>
<b>Total</b>	<b>47,516</b>	<b>(5,249)</b>	<b>42,267</b>	<b>52,559</b>	<b>(5,249)</b>	<b>47,310</b>
<b>Section 2 - Savings</b>						
<b>Cost Savings</b>						
External audit fees				(70)	0	(70)
Bank charges				(50)	0	(50)
Insurance Fund				(200)	0	(200)
Management layering				(250)	0	(250)
Reduction in supplies and services				(20)	0	(20)
Capital financing				(519)	0	(519)
Reduction in Levy charged by North East Combined Authority				(88)	0	(88)
<b>Income</b>						
Investment income				0	(600)	(600)
				<b>(1,197)</b>	<b>(600)</b>	<b>(1,797)</b>
<b>Total Other Services 2019/20</b>				<b>51,362</b>	<b>(5,849)</b>	<b>45,513</b>

SUMMARY OF BUDGET SAVING PROPOSALS BY THEME	AMOUNT £000s
Managing Demand Budget Saving Proposals	(515)
Cost Savings Budget Saving Proposals	(8,884)
Income Budget Saving Proposals	(3,714)
<b>TOTAL Budget Saving Proposals</b>	<b>(13,113)</b>

<b>Managing Demand</b>	<b>(515)</b>
<b>Adult Social Care</b>	<b>(150)</b>
Increase use of in house day services	(150)
<b>Customer &amp; Financial Services</b>	<b>(15)</b>
Review of cashiering function	(15)
<b>Social Work - Children &amp; Families</b>	<b>(350)</b>
Reduction in out of borough placement costs for looked after children	(350)
<b>Cost Savings</b>	<b>(8,884)</b>
<b>Adult Social Care</b>	<b>(528)</b>
Reduction in staffing establishment and non staffing budgets for provider services	(528)
<b>Commissioning &amp; Neighbourhoods</b>	<b>(205)</b>
Reduction in Gateshead Fund	(100)
Reduction in establishment	(89)
Reduction in funding to Community and Voluntary Sector contract	(16)
<b>Commissioning &amp; Quality Assurance</b>	<b>(529)</b>
Reduction in establishment	(178)
Efficiencies in the Gateshead Equipment Service	(90)
Remodel provision of information and advice services	(130)
Cease three contracts with Mental Health Matters	(126)
Non staff expenditure reductions	(5)
<b>Corporate Commissioning &amp; Procurement</b>	<b>(62)</b>
Reduction in establishment	(30)
Capitalisation of posts and systems support	(32)
<b>Corporate Finance</b>	<b>(159)</b>
Review of service operating model for Financial Management and Internal Audit functions	(159)
<b>Customer &amp; Financial Services</b>	<b>(271)</b>
Renewal of system contracts, organisational review and increased employee/customer self-service	(271)
<b>Development, Transport &amp; Public Protection</b>	<b>(284)</b>
Reduction in establishment	(184)
Capitalisation of posts	(90)
Reduction in contribution to Gateshead Bridges	(10)
<b>Early Help &amp; Education</b>	<b>(597)</b>
Management savings	(53)
Reduction in the number of Family Intervention Workers	(354)
Removal of contribution to Child and Adolescent Mental Health Services	(190)
<b>Economic Development</b>	<b>(170)</b>
Reduction in establishment	(170)
<b>Housing General Fund</b>	<b>(98)</b>
Service restructure	(98)
<b>IT Services</b>	<b>(406)</b>
Renegotiation of contracts	(81)
New Mobile SIM Contract	(100)
Consolidation of internet connections	(15)
End lease of council van	(5)
Reduction in overtime budget	(15)
Review of agile mobile devices and telephony	(85)
Review of structure and supplies and services	(55)
Review of Enterprise Vault	(21)
Secure email decommission and firewall maintenance	(29)
<b>Learning &amp; Schools</b>	<b>(75)</b>
Post deletions, capitalisation and redundancies to cover reduced funding	(75)
<b>Policy, Performance &amp; Communications</b>	<b>(178)</b>
Capitalisation of posts and systems support	(153)
Reduction in supplies and services	(25)
<b>Public Health</b>	<b>(1,043)</b>
Saving on Health Visitors contract	(25)
Reduction in Health Checks budget	(100)
Reduction in budget envelope for renewal of Sexual Health contract	(210)
Saving on Sexual Health GP demand	(20)
Reduction in budget envelope for renewal of Substance Misuse contract	(548)
Saving on Smoking Active Intervention programme	(50)
Cessation of public mental health work	(15)
Reduction in staffing establishment	(75)
<b>Social Work - Children &amp; Families</b>	<b>(400)</b>
Reduction in staffing establishment	(400)
<b>Street Scene</b>	<b>(1,449)</b>
Reduction of Clean Tyne contribution	(17)
Review of Pest Control Service	(120)
Review provision of Bowls and Football Pitches	(90)
Removal of Public Conveniences	(35)
Reduction in service -Street Light Repairs, Cleaning & Testing	(100)
Reduction in service - Signs, Fencing & Guardrails	(100)
Reduction in service - Inspections, Patching, Repairs	(737)
Fuel saving on Fleet reduction	(150)
Reduction in repairs & maintenance general budget - Street Cleansing	(100)
<b>Trading &amp; Commercialisation Service</b>	<b>(802)</b>
Restructure within Facilities Management	(238)

Reduced cyclical maintenance programme and deletion of vacant post	(76)
Sickness absence reduction and cessation of Creche facilities at Gateshead Leisure Centre	(133)
Cost reductions across the Library Service	(106)
Reduction in contribution to Tyne & Wear Archives and Museums, Baltic, Sage and Newcastle Gateshead Initiative	(150)
Review of Catering Service provision across the Council	(99)
<b>Human Resources &amp; Workforce Development</b>	<b>(281)</b>
Reduction in establishment	(281)
<b>Property &amp; Corporate Asset Management</b>	<b>(47)</b>
Reduction in establishment	(47)
<b>Legal &amp; Democratic Services</b>	<b>(103)</b>
Reduction in establishment	(46)
Reduction in supplies and services	(41)
Town Twinning budget removal	(16)
<b>Other services</b>	<b>(590)</b>
Reduction in supplies and services	(20)
Management layering	(250)
External audit fees	(70)
Bank charges	(50)
Insurance Fund	(200)
<b>Levies</b>	<b>(88)</b>
Reduction in Levy charged by North East Combined Authority	(88)
<b>Capital Financing</b>	<b>(519)</b>
Capital financing	(519)
<b>Income</b>	<b>(3,714)</b>
<b>Adult Social Care</b>	<b>(352)</b>
Reduce Disability Related Expenditure (DRE) Allowance from £15 to £10	(214)
Introduce accommodation charge for s117 clients in residential care	(75)
Increase day services charge	(50)
Introduce charge for Guidepost	(7)
Increase charges for meals	(6)
<b>Corporate Commissioning &amp; Procurement</b>	<b>(93)</b>
Partnership working with The Gateshead Housing Company	(43)
Review of Print Point and graphic design	(50)
<b>Corporate Finance</b>	<b>(144)</b>
Expansion of trading opportunities across the service	(144)
<b>Council Housing, Design &amp; Technical Services</b>	<b>(200)</b>
Increased income from District Energy Scheme	(100)
Increased income from battery storage	(100)
<b>Customer &amp; Financial Services</b>	<b>(370)</b>
Increase service income from additional charges and trading to schools and academies	(370)
<b>Development, Transport &amp; Public Protection</b>	<b>(350)</b>
Parking enforcement	(45)
Car park charging and staff permits	(45)
Bus lane enforcement	(150)
Planning consultancy	(60)
Cost recovery - Events	(50)
<b>IT Services</b>	<b>(142)</b>
Traded service IT recharge to other organisations	(133)
Increased service level agreement to Regent Funeral Services and Gateshead Energy Company	(9)
<b>Policy, Performance &amp; Communications</b>	<b>(60)</b>
Partnership working with The Gateshead Housing Company	(10)
Review of cross council advertising	(50)
<b>Social Work - Children &amp; Families</b>	<b>(15)</b>
Sponsorship of events	(15)
<b>Street Scene</b>	<b>(186)</b>
Trade Waste - increase income	(90)
Void Clearance works - increase income	(36)
Mountsett Crematorium - Increase in income	(60)
<b>Trading &amp; Commercialisation Service</b>	<b>(795)</b>
Services to Schools - development of service packages and trading of Facilities Management compliance	(212)
Increase in fees and increased trading of Building Maintenance Technical services	(22)
Delivering services to public buildings and additional trading with Schools	(7)
Review of Culture and Events and maximisation of assets to generate income	(56)
Review of Building Cleaning and additional income generation	(108)
Additional Leisure income generation from Go Memberships, Swimming, 3G Pitch and Events	(343)
Income generation across the Library Service	(17)
Review of meal prices and uptake in schools, expanded out of borough trading	(30)
<b>Trading &amp; Investment Income</b>	<b>(600)</b>
Investment income	(600)
<b>Property &amp; Corporate Asset Management</b>	<b>(250)</b>
Use of Civic Centre space by partners	(150)
Increased income from Public Sector Partnership and rent reviews	(100)
<b>Legal &amp; Democratic Services</b>	<b>(157)</b>
Partnership working with The Gateshead Housing Company	(47)
Increased income from Data Protection and Registrars	(110)
<b>Total</b>	<b>(13,113)</b>

## Gateshead Council Budget Consultation 2019/20 Feedback and Impact Assessment Statements

### Introduction

1. The Council sought views on its draft budget proposals as part of the Budget Consultation exercise for 2019/20.
2. With an estimated funding gap of £29m identified for 2019/20, the draft budget proposals were developed using the Council's strategic approach "Making Gateshead a Place Where Everyone Thrives", and the budgetary framework of the Medium Term Financial Strategy and its themes of Economic Growth, Managing Demand, Income Generation and Efficiencies and Savings.
3. There were 28 draft budget proposals presented for consultation at the Cabinet meeting on 20 November 2018, with a closing date of 11 January 2019.

### Method

4. 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 were available on request as well as being placed in council buildings such as libraries and leisure centres. Alternative formats were also available on request.
5. 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. The use of video and a budget quiz were also used to provide context to the Council's financial position and inform residents of the budgetary challenges.
6. Corporate Advisory Groups were held for councillors to consider and comment on the context, approach and the draft budget proposals, as well as to receive the feedback from the public consultation.
7. Discussions have been held with key stakeholders including trade unions, partners, community and voluntary organisations, as well as the North-East England Chamber of Commerce. In addition, consultation sessions have been held with service users, relatives/carers and sports club members in respect of individual proposals.

### Public Consultation

8. Overall, there has been an increase in the number of people who have engaged with the Council on its budget proposals, compared to last year.
9. The following data has been gathered from the council website, social media and emails:
  - Council budget webpage views totalled 33,361. The Bowling Green's web page was viewed 5,145 times, Gateshead Fund 1,262 times and Pest Control 1,085 times.
  - Gateshead Now email featured the budget consultation on three occasions, with a total of 2,296 clicks.
  - Two videos were produced for residents and staff that featured on Youtube, with a total view of 1,092.
  - Three Twitter posts received 2,500 impressions and 65 engagements

- Five Facebook posts achieved a reach of 43,030 people (9,746 liked, commented or shared the posts).
10. 370 people accessed the budget myth buster quiz with over 79% indicating they were more informed of the financial challenges facing the Council.
  11. There were 950 respondents to the question regarding Council Tax. 53% said Yes, they would support an increase in Council Tax (Council's element) to assist in the funding of services next year with 47% saying No.
  12. There were 1,118 responses received via the consultation portal, the results of which are attached at Appendix 4. In addition, letters and emails were received from interested parties on specific proposals relating to the adult social care charges, Mental Health Matters and bowling greens and football pitches.
  13. One petition relating to the proposal affecting Mental Health Matters was received by the Council on 11 February 2019. The online petition had 508 supporters from across the world.
  14. Written responses were also received from the Council's partners and stakeholders including Newcastle CVS, Healthwatch Gateshead, the Football Foundation, Durham County Football Association, Illman Young Landscape Design Ltd, Northumberland, Tyne and Wear NHS Foundation Trust, Mental Health Matters, Gateshead Health NHS Foundation Trust, Gateshead Health and Care System, Tyne & Wear Archives and Museums, Sage Gateshead and NewcastleGateshead Initiative, Gateshead Unison and GMB trade unions.

### **Overview of feedback**

15. There was general acceptance that the Council is doing the best that it can considering its financially challenging position, however it was also apparent that some people felt the Council could be more efficient. There were also views that some of the proposals may be contrary to the Council's Thrive agenda and lacked detail to provide a more informed response.
16. Aside from the results identified in Appendix 4, the correspondence received has primarily been concerned with the potential impact on vulnerable people, and their carers, should the social care proposals be implemented. There was also concern that the cumulative impact on specific groups of people was not clearly demonstrated or understood, nor the potential viability of community and voluntary organisations who would be impacted by reduced council funding. The health and social benefits of grassroots football and bowling clubs were highlighted as reasons for the Council to continue to maintain its provision within the borough.
17. The Council has listened to the concerns raised throughout the consultation period and further work was undertaken to mitigate or change a number of the proposals, which are identified within the main body of the report.

### ***Other public consultation***

18. Over the past twelve months there have been a number of consultations undertaken by the Council that have helped to inform council policy, including:
  - You and Your Local Area (Residents Survey)
  - Draft Gateshead Housing Strategy 2019-2030
  - Making Spaces for Growing Places – Local Plan Document 2018
  - Economic Growth and Development Research survey
  - Sexual Health Service Review 2018

## Equality Impact Assessment

19. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives identifies a commitment to reduce the levels of inequality that are apparent within the borough.
20. Gateshead is the 73<sup>rd</sup> most deprived local authority in England, out of 326 local authorities. Nearly 23,600 (12%) people in Gateshead live in one of the 10% most deprived areas of England. Nearly 49,800 (25%) live in the 20% most deprived areas.<sup>1</sup>
21. The population of Gateshead is ageing: it is projected that by 2041 there will be an additional 12,100 people aged 65 or older, an increase of 31%. There will also be a slight decrease in the number of children and young people aged 0-15 of around 1,100 or 3.2%.<sup>2</sup>
22. To achieve a balanced budget in 2019/20, the Council has reviewed all areas of spend. This has resulted in budget proposals which reduce service provision that directly supports the protected characteristics as defined under the Equality Act 2010. The Council's role will be to mitigate the levels of disproportionate impact identified in the equality impact assessments, wherever possible, following implementation of proposals.

### 23. Age

The proposals identified below affect this protected characteristic group to varying degrees:

- ***Deletion of posts in the Early Help Service*** – the equality impact assessment identifies potential removal of caseload capacity for up to 320 children and young people and their families should this proposal be agreed. The impact of this will be to look at referral pathways into Early Help which could lead to the cessation of self-referrals and the introduction of a waiting list.
- ***Deletion of posts in the Children and Families Service*** – This proposal is primarily based on deleting vacant posts, accepting voluntary redundancies and establishing more efficient processes. Work is also ongoing to reduce the significant demand pressures currently faced by the Council in children's social care.
- ***No longer providing maintenance for bowling greens and football pitches*** – the equality impact assessment identifies disproportionate impact for all ages, however children's football leagues and younger adults are the biggest users of football pitches. In addition, usage is predominantly by male football teams. Older people are more likely to access the bowling greens. The mitigation identified is for the Council to take into account the investment for 3G football pitches, support those clubs who may be interested in self-management of the greens and pitches, increase in fees and charges over a three-year period and a rationalisation of the number of pitches and bowling greens provided.
- ***Reduction in service budgets for highway maintenance and street lighting*** – there is the potential for older more frail people to be more at risk of slips, trips and falls etc caused by uneven footpaths, dark unlit areas or lack of guardrails/handrails. Should reductions in these budgets be taken forward, there would need to be a risk-based assessment undertaken to determine the priority of repairs.

<sup>1</sup> Index of Multiple Deprivation, DCLG 2015

<sup>2</sup> ONS 2016 based sub national population projections, 2016 (ONS website).

## 24. Disability

There are a number of proposals that impact on this protected characteristic:

- **Reduction in service budgets for highway maintenance and street lighting** – there is a greater risk of disabled people suffering from slips, trips and falls caused by uneven footpaths, unlit areas or lack of guardrails/handrails. Should reductions in these budgets be taken forward, there would need to be a risk-based assessment undertaken to determine the priority of repairs.
- **New or increased charges for adult social care services:** *(all of these proposals impact on Disability, as well as Age, with the majority affecting older people)*
- **Day services** – the increased charge for attending an in-house day service will be based on a financial assessment and a person's ability to pay. From current numbers attending the in-house day services, there are a small number of people who will be impacted by the increase. Whilst the increase is high in percentage terms, this is because the rate has not been charged in line with the actual cost, and benchmarking confirms the rate proposed is still lower than in neighbouring areas.
- **Meals in day centres and promoting independence centres** – the proposal is for a 40p increase in the price of a meal in these council-run establishments. Attendees do not have to purchase meals offered by the centres, they can bring in their own food - as they have always been able to do.
- **Accommodation charge for aftercare post discharge from hospital** – the Council will develop a policy should the new charge relating to S117 aftercare be agreed, which will be subject to consultation. The new policy will determine how national case law would be applied. Should anyone be assessed as needing to pay towards the cost of their accommodation, there would be an individual financial assessment, which would determine their contribution, on the basis of their ability to pay.
- **Guidepost drop in service** - currently there is no charge for people with learning disabilities who attend this service which operates across 3 venues each week providing advice and information. Some people will have eligible social care needs, and the cost of the charge will be included in their personal budget, and their financial assessment will determine what (if any) contribution they need to make. Some people who attend Guidepost do not have eligible social care needs, in which case they will be asked to pay the £3 contribution. This contribution will not cover the cost of providing the service, so people are still benefitting from a subsidy.
- **Reduction in the standard allowance of Disability Related Expenditure** – this proposal would mean the standard amount people are allowed in relation to their "disability related expenditure" would be reduced by £5.00. This would not affect everyone who receives Adult Social Care, as some people are already paying the maximum contribution they are assessed as being able to afford. However, those affected would have the option to request an individual assessment of their disability related expenditure if they wish to claim an additional allowance beyond the standard amount.

- ***Removal of contribution to Child and Adolescent Mental Health Service*** – the proposal will mean the Council no longer providing a financial contribution to NewcastleGateshead Clinical Commissioning Group (CCG), based on the principle that it is the CCG's statutory responsibility to provide these services to children and young people. Discussions will continue with health and care colleagues to consider a whole system approach to resourcing preventative work for children and young people.

## 25. **Pregnancy and Maternity**

- ***Reduction in service budgets for highway maintenance and street lighting*** – the equality impact assessment highlighted the potential risk of slips, trips and falls etc caused by uneven footpaths or lack of guardrails/handrails relating to the welfare of pregnant women and new mothers. Should reductions in these budgets be taken forward, there would need to be a risk-based assessment undertaken to determine the priority of repairs.

## **Voluntary and Community Sector Impact Assessment**

26. As previously indicated, the Council has reviewed all areas of spend to ensure it is able to set a balanced budget. This has resulted in several budget proposals having an impact on the Voluntary and Community Sector (VCS) to varying degrees.
27. The feedback received from the VCS has highlighted several issues from their perspective, including:
  - understanding the cumulative impact of year on year budget decisions on vulnerable residents and communities
  - the ability of VCS organisations to sustain delivery of services when budgets are being reduced, but demand for their services is increasing.
  - the impact of the Council's commissioning activity on the VCS
  - how the Council could do more to engage with the VCS to support its Thrive agenda
28. Despite the financial challenges over recent years, the Council has maintained its recognition that a thriving and vibrant 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.
29. 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 Thrive Fund (24 organisations to date in 2018/19 have been supported through the main Fund with funding totalling £220,000, a further £25,600 has been awarded through the Community Fund) and 118 groups have received funding 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.



30. In 2018 the Council procured a new VCS infrastructure support service to ensure that voluntary organisations continue to have access to a representation and independent advocacy function. Newcastle CVS were successful in tendering for this work and commenced the contract with the Council on 1 August 2018.
31. In October 2018, the Council's Corporate Resources Overview and Scrutiny panel commissioned a review of ways to help increase the support and capacity within the voluntary and community sector (VCS) in Gateshead.
32. In particular, councillors were keen to focus on how the Council is working to support the smaller grass roots organisations in the sector, how it communicates the support on offer, and identify any areas where the Council could make changes and improvements to its offer.

The review aims to establish:

- establish the extent and nature of the types of support the Council currently provides to the VCS across a spectrum of service areas
- how this activity is resourced and coordinated
- assess the effectiveness of this Council support in helping the VCS address the needs of Gateshead residents.

The conclusions of the review and recommendations will be presented to the committee at its meeting in July 2019.

33. 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.
34. During 2019 the Council will deliver a one-off £425,000 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.

### **Alice Wiseman, Director of Public Health Statement of Assessment of Impact on Health and Wellbeing of Gateshead Council's Budget Proposals (2019/20) Overview**

The council is required to close a gap of £77m over the next five years with a £29.2m saving to be realised in 2019/20. Several proposals have been brought forward from across council services to achieve this saving and have been subject to public consultation.

A report to Cabinet on 20 November 2018 recognised that these proposals are likely to impact on the Council's ability to improve the health and wellbeing of Gateshead's residents. In response it committed the Council to assessing this impact to inform the Budget and Council Tax Level 2019/20 report to be considered by Cabinet on 19 February 2019.

This paper:

- provides a brief overview of current health and wellbeing challenges in Gateshead in the context of austerity and welfare reform
- highlights an overview of the health impact of the Council's budget proposals;
- comments on the overall impact of the proposals on the delivery of the Council's Thrive agenda and sets out key areas relevant for mitigation.

## **Purpose of the Health Impact Statement**

The Council takes its statutory duty, 'to protect and improve the public's health', seriously and recognises that many council activities impact upon health and wellbeing. Consequently, it is important that an assessment of the health and wellbeing impact of all the Council's budget proposals is undertaken.

In the context of this prolonged period of austerity we are acutely aware that it is unlikely there will be a budget proposal that will be beneficial to the health and wellbeing of people in Gateshead. As such, it has been imperative that we assess how proposals may impact upon health and wellbeing as part of our decision-making process. The health impact approach aims to:

1. Understand which proposals will result in the least negative impact.
2. Understand any negative consequences to enable the identification of measures to mitigate the impact.

The purpose of this statement is to reflect on work undertaken across the Council to assess the impact of individual budget proposals and provide a **high-level overview** statement of impact and mitigation.

## **Principles of a health impact assessment**

This health impact assessment statement has been completed to help the Council to consider the impact of the budget proposals (both positive and negative) on health and wellbeing, consistent with its Thrive agenda. This includes:

- Direct impact on physical health, mental health and wellbeing e.g. it would cause or worsen 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, employment opportunities, green space or climate change;
- Affect people's ability to improve their own health and wellbeing e.g. it would affect their ability to be physical active, choose healthy food, reduce drinking and smoking; or
- Lead to 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.

These impacts may be observable in the short, medium or long term depending upon the nature of the proposal itself. The impacts may be felt by individuals or communities or by the population of Gateshead as a whole.

## **Overview**

Despite progress over recent years, health outcomes for people in Gateshead continues to be poor in comparison to other parts of England. In line with national trends, previous increases in life expectancy and healthy life expectancy have stalled since 2010/11. Communities in the North of England experience poorer health outcomes when compared to communities in the South with people in the North dying sooner and living more of their lives with an illness or disability. This variance can be largely explained by socio-economic differences between the North and South.

There are also unfair differences between communities in Gateshead itself, with those living in more affluent areas consistently achieving higher levels of health and wellbeing than those living in less affluent areas.

The kind of life a person is born into, where they live, play and work all affects both their life chances and experience of health and wellbeing. In fact, two babies, born on this day in Gateshead, could have as much as a 10-year difference in life expectancy due entirely to the circumstances into which they are born. These health inequalities are unfair and unjust, and therefore must be a consideration in all decisions we make.

The last ten years of austerity and welfare reform have had a huge impact across all Local Authorities; however, we know that these changes have impacted disproportionately on the people of Gateshead.

As Director of Public Health for Gateshead I remain concerned that the Government settlement is fundamentally unfair due to its failure to appropriately acknowledge need. Therefore, the greatest funding reductions continue to fall on the most deprived areas of the country.

In response to this the Council, like many others, is being forced into making short-term decisions that are likely to have a detrimental impact on future sustainability. Furthermore, the Council has received no indication of future funding beyond next year which presents a significant challenge to the effective management of the resourcing of vital services.

Whilst the Council will fulfil its responsibilities regarding duties set out in the Equality Act I am concerned that protected groups may not be sufficiently protected due to the disproportionate cuts imposed on areas with high levels of deprivation.

The Joint Strategic Needs Assessment demonstrates the levels of inequality currently being experienced by Gateshead's residents with high numbers of looked after children, poor health outcomes for both men and woman and increasing use of foodbanks amongst residents.

In addition to Government cuts on local authority spending many of our residents face additional pressures from welfare reform. As a direct result of welfare reform, Gateshead's residents stand to lose £70m per year. Individual families are now over £100 a week worse off due to the benefits cap and changes to Child Benefit and Child Tax Credit may cause potential losses of £54 a month for larger families (with children born after April 2017) as they are only able to claim for two children. We also know that the two-child cap will impact differently in different communities.

Universal Credit was introduced by the Government in April 2013 to 'simplify the benefits system', 'make work pay' and 'encourage benefits claimants in to work'. Universal Credit was rolled out in Gateshead in 2017 and has had negative effects on the residents of Gateshead, especially those most vulnerable and in need. This serves to amplify health inequalities. Research commissioned by Gateshead Council found that the roll out of Universal Credit has had profound detrimental effects on claimants especially those with vulnerabilities, disabilities and health conditions. These findings suggest that there will be wider costs to the health and care system that are yet to be measured.

A further report by the Joseph Rowntree Foundation found that in 2017 more than 1.5 million people in the UK were destitute. This is a larger number of people than the populations of Liverpool and Birmingham combined. Low benefit levels, debt recovery and the high costs of housing all contribute to people finding themselves in this situation. Destitution not only has an obvious impact upon the practicalities in people's lives but also has a huge impact upon the mental health and wellbeing of people causing anxiety, stress and depression.

In combination, austerity and welfare reform provide a perfect storm where outcomes for those most disadvantaged in Gateshead are set to get progressively worse. It is therefore vital that we acknowledge the budget proposals for 2019/2020 in the context of austerity and welfare reform and the impact that these have had (and will have) on the Gateshead population in order that we can assess the cumulative impact of further budget reductions in an already struggling system.

## **Mitigation**

It is noted that many of the proposals detailed may appear initially to be both detrimental to health and wellbeing as well as inconsistent with the five Council Pledges as part of the Thrive agenda to:


- Put people and families at the heart of everything we do
- Tackle inequality so people have a fair chance
- Support our communities to support themselves and each other
- Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
- Work together and fight for a better future for Gateshead.

As referenced, the Council has no choice but to make savings to meet the budget cuts allocated by central Government. As such five strategic mitigations have been identified:

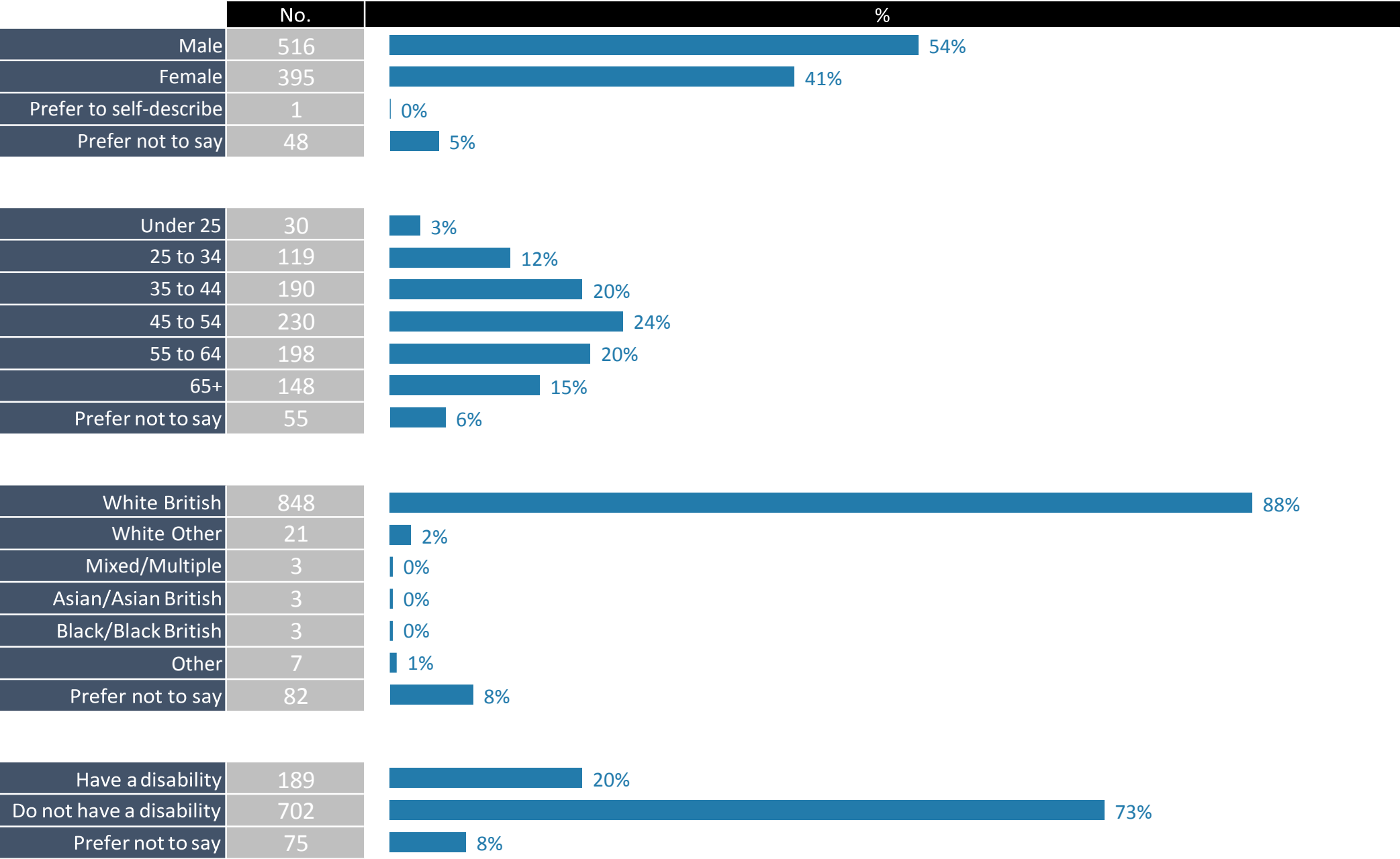
- 1. Health in all policies** – I consider that the Thrive pledges provide a strategic framework for the Council, and its partners, to prioritise the health and wellbeing of our community in all our decision-making processes. Implementation of a health in all policies approach will ensure that negative impacts are understood so mitigation can be implemented where possible.
- 2. Proportionate resourcing based on need** – The pledge to put people and families at the heart of everything we do and tackle inequality, so people have a fair chance underpins everything we do and should remain central to the budget decisions. In this context it is vital that the Council considers those proposals, however unpalatable, that will have the 'least worst' impact on the communities, families and individuals most in need. This means that difficult decisions will have to be made so that resources are proportionately used based on need (e.g. those who are most in need will receive the greatest level of support).
- 3. Working with and for communities** – With regard to mitigating the potential negative impact, I consider that our partners and our communities will be able to design and/or offer some solutions to the challenges faced by our communities. There are many examples where the community and VCS organisations have been able to effectively take on some of the work that was previously done by the council (e.g. asset transfers for Community Centres and responsibility for maintenance of parks and leisure spaces). A focus should be on enabling those communities that are able to do more for themselves to have greater freedom to lead work in their local community. At the same time, we must ensure support is proportionately targeted to communities which require more assistance in gaining the confidence to lead work in their community.
- 4. Strengthen our partnerships** – It is vital that our focus remains on nurturing and strengthening the partnerships and relationships that we have. In view of the pledge to work together and to fight for a better future for Gateshead, we need to work together as a whole system including with local partners and communities. This will go some way to minimise the impacts of the proposed budget reductions and help to protect the people of Gateshead.
- 5. Focus on the whole budget** – In the future I would recommend a focus on maximising the use of the remaining budget, for the benefit of the health and wellbeing of people living in Gateshead, rather than focusing distinctly on cuts.



Budget 2019-20

 Budget 2019-20	Total responding to proposal(s)			
	1118			
	Agree	Neither agree nor disagree	Disagree	Total Responses
Reduction in the Gateshead Fund	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	102
Reduction in the Community and Voluntary Sector contract	53%	9%	38%	103
Deletion of posts in the Commissioning and Neighbourhoods service	60%	6%	34%	80
Restructuring of functions within the Development, Transport and Public Protection service	71%	12%	18%	78
Deletion of posts in the Economic Development service	51%	11%	38%	74
Withdrawal from the Clean Tyne Partnership	22%	2%	75%	129
Ending the Pest Control service	35%	3%	62%	143
No longer providing maintenance for bowling greens and football pitches	14%	1%	85%	450
Reductions in levels of Street Scene services e.g. street lights, signage, highway repairs	13%	5%	81%	187
Efficiencies in the Commissioning and Quality Assurance service	25%	7%	68%	170
Deletion of posts in the Early Help service	29%	10%	61%	105
Reduction in the staffing establishment of the Learning and Schools service	33%	13%	53%	90
Deletion of a management post in Public Health	78%	6%	15%	79
Deletion of posts in the Children and Families service	24%	11%	64%	115
Reduce the standard allowance for Disability Related Expenditure	51%	9%	40%	94
Deletion of posts in the Adult Social Care service	37%	11%	52%	123
Efficiencies in Financial Management and Internal Audit	86%	11%	3%	72
Review service provision for Civic Centre Catering	89%	2%	9%	103
Review of Facilities Management and Building Maintenance	57%	18%	25%	77
Cost reduction and income generation across the Library Service	51%	10%	39%	98
Reductions in financial support to cultural organisations	66%	5%	28%	110
Efficiencies in Corporate Services and Governance and Policy and Communications	81%	9%	10%	77
Review of Customer and Financial Services including system efficiencies	83%	10%	8%	63
Increasing Direct Payment client charges for payroll and HR support and advice	58%	19%	23%	62
New or increased charges for Adult Social Care services including S117 mental health accommodation, day services, Guidepost drop-in and day centre meals	38%	6%	56%	140
Review of the Culture and Events team	84%	7%	8%	83
Ending the Council's contribution to NewcastleGateshead CCG towards the cost of providing the Child and Adolescent Mental Health service in Gateshead	16%	3%	81%	136
Review of the Council's organisational structure	84%	9%	8%	116
The budget as a whole	22%	19%	59%	200
	Yes	No		Total Responses
Would you support an increase in Council Tax (Council's element) to assist in the funding of services next year?	<div><div></div></div>	<div><div></div></div>		950

Characteristics of Respondents



## 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. 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 and completion of the NNDR1 estimates.
Pay awards, fee increases and price inflation higher than assumed	Possible	Medium	Impact of potential increases mitigated by contingency budget for pay, price increases and care fees. Monitoring of Brexit impacts by officers.
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. Strong 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 approach and consideration of scenarios to inform financial planning.
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. New burden costs will be logged and raised with Government. Any known potential implications will be considered annually as part of the council's MTFS review. A more regular review of the MTFS may be required.

## Conclusion;

Although the financial context continues to be increasingly challenging, the Council has a strong track record of identifying and delivering significant savings and delivering the 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

	ACTUAL	ESTIMATED USE			
	Balance	Balance		Balance	
<b>Gateshead Reserves</b>	01-Apr-18	Movement	31-Mar-19	Movement	31-Mar-20
	£000s	£000s	£000s	£000s	£000s
<b>General Fund</b>					
General Reserve	(13,668)		(13,668)		(13,668)
LMS (School) Budget Share Reserve	* (5,205)	460	(4,745)	4,313	(432)
<b>Total General Fund Reserve</b>	<b>(18,873)</b>	<b>460</b>	<b>(18,413)</b>	<b>4,313</b>	<b>(14,100)</b>
<b>Earmarked Reserves</b>					
Business Rates	(5,000)		(5,000)		(5,000)
Insurance	(3,000)		(3,000)		(3,000)
Grant Clawback	(1,000)		(1,000)	400	(600)
Workforce Development	(6,009)		(6,009)	1,273	(4,736)
Discretionary Social Fund	(648)	216	(432)	216	(216)
Budget Flexibility	(2,571)	1,245	(1,326)	1,326	0
Economic Growth, Culture and Place Shaping	(4,212)	1,317	(2,895)	965	(1,930)
Strategic Revenue Investment	(4,206)		(4,206)	555	(3,651)
Voluntary Sector	(475)	150	(325)	325	0
Anti Poverty	(862)	250	(612)	612	0
Developers Contributions	* (2,427)	886	(1,541)	584	(957)
DSG	* (1,156)	415	(741)	741	0
Unapplied Revenue Grants	* (1,952)	984	(968)	554	(414)
Public Health	* (2,632)	847	(1,785)	475	(1,310)
<b>Total Earmarked Fund Reserves</b>	<b>(36,150)</b>	<b>6,310</b>	<b>(29,840)</b>	<b>8,026</b>	<b>(21,814)</b>
<b>Total Reserves</b>	<b>(55,023)</b>	<b>6,770</b>	<b>(48,253)</b>	<b>12,339</b>	<b>(35,914)</b>

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

### 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 of 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. 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.

**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.

**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 new housing developments.

**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 proper 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 2017/18 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

	<b>2017/18 £000 Actual</b>	<b>2018/19 £000 Estimate</b>	<b>2019/20 £000 Estimate</b>	<b>2020/21 £000 Estimate</b>	<b>2021/22 £000 Estimate</b>	<b>2022/23 £000 Estimate</b>	<b>2023/24 £000 Estimate</b>
Non-HRA	48,648	56,279	94,817	71,465	53,438	25,674	16,746
HRA	25,697	31,618	24,104	19,104	20,954	19,679	20,579
<b>Total</b>	<b>74,345</b>	<b>87,897</b>	<b>118,921</b>	<b>90,569</b>	<b>74,392</b>	<b>45,353</b>	<b>37,325</b>

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2017/18 are: -

	<b>2017/18 Actual</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
Non-HRA	13.88%	15.41%	16.50%	18.64%	19.32%	19.89%	20.77%
HRA	38.68%	45.60%	47.30%	37.16%	37.92%	36.40%	34.80%

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

3. The actual Capital Financing Requirement at 31 March 2018 and estimates of the end of year Capital Financing Requirement (excluding PFI) for the Council for the current and future years are: -

	<b>31/03/18 £000 Actual</b>	<b>31/03/19 £000 Estimate</b>	<b>31/03/20 £000 Estimate</b>	<b>31/03/21 £000 Estimate</b>	<b>31/03/22 £000 Estimate</b>	<b>31/03/23 £000 Estimate</b>	<b>31/03/24 £000 Estimate</b>
Non-HRA	320,156	353,893	414,628	455,639	468,896	483,085	499,857
HRA	345,505	345,505	345,505	345,505	345,505	345,505	345,505
<b>Total</b>	<b>665,661</b>	<b>699,398</b>	<b>760,133</b>	<b>801,144</b>	<b>814,401</b>	<b>828,590</b>	<b>845,362</b>

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 2017/18, 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.

	31/03/18 £000 Actual	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	31/03/24 £000 Estimate
Actual gross debt at 31 March	650,341	685,613	746,348	787,359	800,616	814,804	831,576
Capital Financing Requirement	665,658	699,398	760,133	801,144	814,401	828,590	845,362
Under / (over) borrowing	15,317	13,785	13,785	13,785	13,785	13,786	13,786

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.

<b>Authorised Limit for External Debt</b>					
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Borrowing</b>	<b>890,000</b>	<b>930,000</b>	<b>940,000</b>	<b>950,000</b>	<b>965,000</b>

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.

<b><i>Operational Boundary for External Debt</i></b>					
	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
<b>Borrowing</b>	<b>865,000</b>	<b>905,000</b>	<b>915,000</b>	<b>925,000</b>	<b>940,000</b>

9. The Council's actual external debt at 31 March 2018 was £650.341m comprising £650.341m 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 2019/20 (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: -

<b>Upper and Lower Limits for the Maturity Structure of Fixed Rate Borrowings</b>		
	<b>Upper Limit</b>	<b>Lower Limit</b>
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and within 20 years	30%	0%
20 years and within 30 years	30%	0%
30 years and within 40 years	50%	0%
40 years and within 50 years	50%	0%
50 years and above	30%	0%

<b>Upper and Lower Limits for the Maturity Structure of Variable Rate Borrowings</b>		
	<b>Upper Limit</b>	<b>Lower Limit</b>
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 the next five years as follows: -

<b><i>Upper Limit on amounts invested beyond 365 days</i></b>					
	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Investments	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>

## MINIMUM REVENUE PROVISION (MRP) STATEMENT 2019/20

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 2019/20 over the different calculation methodologies and components is set out in the table below:

<b>Projected MRP Charge 2019/20</b>		<b>£m</b>
Capital Programme	Investment funded by Supported Borrowing and Prudential Borrowing prior to 1 April 2008	2.6
	Asset Life Method – Equal Instalment	4.7
	Asset Life Method – Annuity Method	6.4
PFI	Annuity Method	2.6
Voluntary Provision	General Fund	0.0
	Housing Revenue Account	0.0
<b>Total Projected MRP Charge</b>		<b>16.3</b>