



## THE CABINET

### AGENDA








Meeting to be held in the Civic Centre (Committee Room No. 1) on  
Wednesday 16 January 2013 at 2.00 p.m.

#### Part I

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| 2. <b>Receipt of Declarations of Interest (if any)</b>  |      |
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Information contained in this agenda can be made available in other languages and formats on request.

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**Local Government (Access to Information) (Variation) Order 2006**

The reports contained in Part II of the Agenda are not for publication as the Cabinet is considered likely to exclude the public during consideration thereof as they contain information relating to the financial or business affairs of any particular person (including the authority) (Paragraph 3 of Part 1, Schedule 12A of the Local Government Act 1972). The public interest in maintaining this exemption outweighs the public interest in disclosing the information.

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Report of the Deputy Chief Executive (copy herewith).

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ELAINE WAUGH  
Head of Law and Governance

Civic Centre  
SUNDERLAND

8 January 2013

**CABINET MEETING – 16 JANUARY 2013**  
**EXECUTIVE SUMMARY SHEET – PART I**

**Title of Report:**

MINUTES, PART I

**Author(s):**

Head of Law and Governance

**Purpose of Report:**

Presents the minutes of the last meeting held on 20 December 2012 Part I.

**Action Required:**

To confirm the minutes as a correct record.



**At a meeting of the CABINET held in the CIVIC CENTRE (COMMITTEE ROOM NO. 1) on Thursday 20 December 2012 at 2.00pm.**

**Present:-**

Councillor P. Watson in the Chair

Councillors Blackburn, Kelly, G. Miller, P. Smith, Speding and Trueman.

**Also present:-**

Councillor Oliver

**Part I**

**Minutes**

The minutes of the meeting of the Cabinet held on 5 December 2012 Part I (copy circulated) were submitted.

(For copy report - see original minutes).

1. RESOLVED that the minutes of the last meeting be confirmed and signed as a correct record.

**Receipt of Declarations of Interest**

There were no declarations of interest.

**Apologies for Absence**

An apology for absence was submitted to the meeting on behalf of Councillor Gofton.

**A City Deal for Sunderland and the North East**

The Chief Executive submitted a report (copy circulated) to describe the opportunity presented by Wave 2 of the Government's City Deal initiative and to set out the process for completing and submitting an Expression of Interest.

(For copy report – see original minutes).

Councillor Speding highlighted the report and reminded Cabinet Members that in July 2012, the Government agreed the first wave of city deals with the eight core cities. He explained that these agreements were bespoke to reflect the different needs of individual places, but the overall purpose of the deals was to give cities the right powers, tools and governance to help them drive local economic growth.

Councillor Speding reported that the Government had invited twenty places to bring forward proposals for a second wave of city deals; with Sunderland being one of them in partnership with the North East LEP. He advised that the Wave 2 the process would be competitive, with only some of the 20 areas being accepted.

Cabinet Members were advised that the Council was still in the process of developing the details of its proposal, which was undergoing constant development and refinement. Therefore at this stage only high level proposals could be provided.

Councillor Speding explained that the areas invited to take part in Wave 2 were required to submit an Expression of Interest to Government by the 15 January 2013 and the Government's assessment of the Expression of Interest should be known by the 16 February. He added that if accepted the City Deal would be subject to negotiation with Government before it was completed in November 2013. He reported that the Government had been clear that the Wave 2 city deals would need to be more focused than the Wave 1 deals by identifying one big thing that would make a difference. It was proposed that Sunderland's proposal be in line with the city's Economic Masterplan, to boost manufacturing capacity, to the benefit of the entire region and to use that growth as a lever to help power up the city centre.

Councillor Speding went on to explain that as the Cabinet next meets the day after the submission deadline approval was sought to delegate agreement of the detail of the submission to the Deputy Chief Executive in consultation with the Leader and Cabinet Secretary so that it could be improved and refined up to the submission date.

Consideration having been given to the report, it was:-

2. RESOLVED that to note the content of the report and authorise the Deputy Chief Executive, in consultation with the Leader and Cabinet Secretary, to finalise and submit an Expression of Interest for Wave 2 of the Government's City Deal

### **Local Government (Access to Information) (Variation) Order 2006**

At the instance of the Chairman it was: -



3. RESOLVED that in accordance with the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during consideration of the remaining business as it was considered to involve a likely disclosure of information relating to the financial or business affairs of any particular person (including the authority) (Paragraph 3 of Part 1, Schedule 12A of the Local Government Act 1972). The public interest in maintaining this exemption outweighs the public interest in disclosing the information.

(Signed) P. WATSON,  
Chairman.

**Note:-**

The above minutes comprise only those relating to items during which the meeting was open to the public.

Additional minutes in respect of other items are included in Part II.



## CABINET MEETING – 16 JANUARY 2013

### EXECUTIVE SUMMARY SHEET

**Title of Report:**

Establishment of Sunderland Events Management Company

**Author(s):**

Report of the Director of Corporate Affairs and Communications and the Executive Director of Commercial and Corporate Services

**Purpose of Report:**

This report

- i. Updates Cabinet on changes to the proposed approach to development of the Sunderland Events Management Company (Referred to hereafter as 'the Company') and
- ii. Sets out a series of next steps for action in order to establish the Company as a local authority owned company at the earliest opportunity and requests Cabinet approval to proceed with these.

**Description of Decision:**

That Cabinet be recommended to:

- i. approve the establishment of the Company as a local authority owned company and on the terms set out in this report;
- ii. authorise the Chief Executive and the Executive Director of Commercial and Corporate Services to take all necessary steps and to execute all relevant documents as may be required in order to secure the establishment of the Company;
- iii. authorise the Chief Executive to nominate a member or officer of the Council to exercise the shareholder rights in respect of the Company on behalf of the Council;
- iv. recommend that Full Council appoints 3 directors to the Board of the Company;
- v. approve the award of a contract and funding arrangements between the Council and the Company for the delivery of agreed events on terms to be determined by the Executive Director of Commercial and Corporate Services and the Director of Corporate Affairs and Communications in consultation with the Leader and the Portfolio Holder.

vi. authorise the Executive Director of Commercial and Corporate Services to agree appropriate pension arrangements with Tyne and Wear Pension Fund in respect of the transferring Council employees;

**Is the decision consistent with the Budget/Policy Framework?** Yes

**If not, Council approval is required to change the Budget/Policy Framework?** Yes

**Suggested reason(s) for Decision:**

The key reasons for the proposed establishment of the Events Management Company remain the same as previously described in the Cabinet report of July 2012. Approval of the proposals contained within this report would enable:

- Sunderland to build upon its emerging national reputation for events which is being developed through a new approach to partnership working and delivery of a strategic Place marketing campaign.
- The Council to continue with its ambition to build upon opportunities to grow the local economy by developing and attracting visitors to an increased number of targeted events within the city.
- Where traditional structures to support the development of events no longer exist, the proposals will allow the Council to devise innovative solutions to capitalise on potential commercial opportunities for the greater benefit of the city's businesses and residents.
- To strengthen the promotion of key policies within the Sunderland Economic Masterplan which has recognised the potential for further development of Sunderland as a visitor destination and as an economic driver for job creation, entrepreneurship and existing business growth.

**Alternative options to be considered and recommended to be rejected:**

The option to continue with the current approach to managing events has been considered as part of the ongoing review process. Such an option is considered unsustainable in the current economic climate.

**Impacts analysed:**

Equality  Privacy  Sustainability  Crime and Disorder

**Is this a "Key Decision" as defined in the Constitution?** Yes

**Is it included in the 28 Day Notice of Decisions?** Yes

**Scrutiny Committee**

**ESTABLISHMENT OF SUNDERLAND EVENTS MANAGEMENT COMPANY**

**REPORT OF THE DIRECTOR OF CORPORATE AFFAIRS AND COMMUNICATIONS  
AND THE EXECUTIVE DIRECTOR OF COMMERCIAL AND CORPORATE SERVICES**

**1.0 Purpose of the Report**

1.1 This report

- (i) Updates Cabinet on changes to the proposed approach to development of the Sunderland Events Management Company (referred to hereafter as 'the Company'); and
- (ii) Sets out a series of next steps for action in order to establish the Company as a local authority owned company at the earliest opportunity and requests Cabinet approval to proceed with these.

**2.0 Description of Decision (Recommendations)**

2.1 Cabinet is requested to:-

- (i) approve the establishment of the Company as a local authority owned company and on the terms set out in this report;
- (ii) authorise the Chief Executive and the Executive Director of Commercial and Corporate Services to take all necessary steps and to execute all relevant documents as may be required in order to secure the establishment of the Company;
- (iii) authorise the Chief Executive to nominate a member or officer of the Council to exercise the shareholder rights in respect of the Company on behalf of the Council;
- (iv) recommend that Full Council appoints 3 directors to the Board of the Company;
- (v) approve the award of a contract and funding arrangements between the Council and the Company for the delivery of events as approved by the City Council on terms to be determined by the Executive Director of Commercial and Corporate Services and the Director of Corporate Affairs and Communications in consultation with the Leader and the Portfolio Holder;
- (vi) authorise the Executive Director of Commercial and Corporate Services to agree appropriate pension arrangements with Tyne and Wear Pension Fund in respect of the transferring Council employees;

### **3.0 Background and Rationale**

3.1 In July 2012 Cabinet received a report which described the background and rationale for a new approach to the way that the Council could deliver its events programme. This report recommended the establishment of an events company to be responsible for the delivery of a range of events within the city as agreed by the City Council.

3.2 The proposals reflect the potential contribution that a range of successful, well-delivered events could make to Sunderland's reputation and local economy. If successful, the Company would also have the potential to secure a range of supporting benefits including:

- Additional revenue generated through sponsorship agreements, hospitality and more effective destination management;
- Full and timely delivery of appropriate contributions to the Council's efficiency targets;
- Effective reinvestment of any operating surpluses into additional events activity;
- Increased customer satisfaction with events;
- Enhanced use of local indoor and outdoor venues and Sunderland's natural assets.

3.3 The proposed operating arrangement for events would help to free-up the new Company to explore a wider range of options for leveraging additional resources from a variety of potential sources including commercial sponsorship. These are likely to include future partnering with other organisations with relevant commercial expertise in order to strengthen the Company's capacity in key areas such as event delivery logistics, the attraction of higher levels of commercial sponsorship and a more commercial approach to destination management around the events themselves.

### **4.0 Current Position and Proposed Next Steps**

4.1 In the report to July's Cabinet it was originally proposed to procure a Strategic Partner in order to create a jointly owned events company between the Council and the Strategic Partner for the development and delivery of events in the City.

4.2 In order to maximise chances of attracting appropriate interest from the market, it is necessary to focus as an initial priority upon confirming certain specific and focused partnership arrangements in key areas such as logistics and sponsorship and at the same time develop the form and structure of the arms length delivery vehicle.

4.3 In view of the above, it is therefore proposed to

- (i) complete a detailed business plan for the Company by early February 2013;
- (ii) progress the establishment of the Company at the earliest opportunity as a local authority owned company for the delivery of a range of events within the city as

agreed by the City Council. The target is to establish the company for the beginning of April 2013.

- 4.4 Detailed proposals for the creation of the Company are summarised in Section 5 below. These proposals will create and develop a 'platform' for the new alternative delivery vehicle for events in the city. They will also enable the further development of the Council's 'offer' in order to maximise the chances of attracting future commercial partners who will be required to deliver events priorities in the future.

## **5.0 Proposals**

- 5.1 In summary, the proposals for the Events Management Company delivery vehicle involve the following:-

- (a) The establishment by the Council of a new local authority owned company which will be limited by shares;
- (b) The Company will be owned and controlled by the Council as the sole shareholder;
- (c) It is proposed that the Board of Directors of the Company will consist of a maximum of three Members/ officers who will be appointed by Full Council. It is recommended that the Directors are not members of the Cabinet to avoid any potential conflicts of interest arising due to the separate performance monitoring role to be carried out by Cabinet under the proposed contract/funding arrangements referred to below;
- (d) A delegation scheme from the Board of Directors to the relevant employees for day to day operations of the Company will be developed and implemented. However, as with other local authority companies, it is proposed that certain key decisions will be reserved for shareholder approval (e.g. major contracts/procurement above a certain value). Any such shareholder decisions would be considered by Cabinet.
- (e) The Company will be responsible for the delivery of a range of events within the city for and on behalf of the Council. It is proposed that the Council will award a contact/ enter into a funding agreement with the Company to deliver an annual events programme in the City. It is currently proposed that this contract will be reviewed on an annual basis. The key terms of the contract will include:-
  - (i) Scope of events and services to be delivered by the Company;
  - (ii) Key performance indicators in relation to the delivery of these events/services;
  - (iii) The total events funding to be provided by the Council to the Company and the mechanism for this payment;
  - (iv) The contract period.

It is proposed that the detailed terms of the contract will be developed by the Executive Director of Commercial and Corporate Services and the Director of Corporate Affairs and Communications prior to establishment of the Company.

- (f) The final detailed business plan will be completed prior to establishment of the company. The Board and the company's officers will then be responsible for the delivery of the business plan.
- (g) There will be a transfer of Council events employees to the Company by virtue of the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") on incorporation of the Company. As the Company will be owned by the Council, there is no longer any need for an initial temporary secondment arrangement whilst the Company develops. Initial consultations with the affected employees and union representatives have commenced. In addition, any relevant assets (eg operational contracts that are required for the delivery of events) will need to be novated from the Council to the Company;
- (h) Arrangements will be progressed with the Tyne and Wear Pension Fund to ensure that the Company will be able to continue to offer Local Government Pension Scheme membership to the transferring Council employees. However the financial implications still need to be determined.
- (i) The Company will then carry out its own procurement activity in relation to the appointment of future strategic/commercial partners at the appropriate time. The Company will be subject to the public procurement rules as set out in the Public Contracts Regulations 2006.

5.2 The proposals for the establishment of the Company are in accordance with the Council's general power of competency under Section 1 of the Localism Act 2011 to do anything that individuals may generally do. In addition, the Company will facilitate and sustain the continued delivery of the Council's city wide events programme. Further the direct award of the contract to the Company for the delivery of placed based marketing and events is permitted in procurement law terms because the new Company will satisfy the "control" and "activities" tests under the Teckal exemption as a wholly owned Council company whose principal activities will be to undertake events in the city pursuant to the contract or funding agreement with the Council.

5.3 The financial implications of establishing the Company are envisaged to be consistent with those previously considered by Cabinet at its meeting of 18 July 2012. The value of the service contract funding from the Council to the Company will be consistent with the current approved levels of funding within the Council's revenue budget and capital programme for events activity that will in the future be delivered by the Company. As set out above, a detailed business plan is being developed which will further inform the position.

## **6.0 Reasons for the Decision**

6.1 The key reasons for the proposed establishment of the Events Management Company remain the same as previously described in the Cabinet report of July 2012. Approval of the proposals contained within this report would enable:

- Sunderland to build upon its emerging national reputation for events which is being developed through a new approach to partnership working and delivery of a strategic Place marketing campaign.



- The Council to continue with its ambition to build upon opportunities to grow the local economy by developing and attracting visitors to an increased number of targeted events within the city.
- Where traditional structures to support the development of events no longer exist, the proposals will allow the Council to devise innovative solutions to capitalise on potential commercial opportunities for the greater benefit of the city's businesses and residents.

To strengthen the promotion of key policies within the Sunderland Economic Masterplan which has recognised the potential for further development of Sunderland as a visitor destination and as an economic driver for job creation, entrepreneurship and existing business growth.

## **7.0 Alternative Options**

- 7.1 The option to continue with the current approach to managing events has been considered as part of the ongoing review process. Such an option is considered unsustainable in the current economic climate.

## **8.0 Impact Analysis**

- 8.1 An Equality Analysis has been undertaken which has identified that there will be Positive Impact due to an increased number of events available to all residents and visitors.

The Company will need to comply with the Equality Act which provides an obligation to avoid discrimination, victimisation and harassment in relation to the 'protected characteristics'. The Public Sector Equality Duty aspects apply to public sector bodies and the services they provide, therefore the local authority will retain responsibility for this irrespective of the 'vehicle' by which services are provided. In order to ensure compliance, the commissioning arrangements will require the Company to undertake an Equality Analysis in relation to policy change.

## **9.0 Other Relevant Considerations / Consultations**

### **Sustainability**

The proposals seek to improve economic sustainability which will support delivery of the Economic Master Plan.

### **Employee Implications**

Based on a series of discussions and consideration of the City Council's business operating model, existing events employees have been identified and will be transferred under TUPE to the Company at the earliest opportunity upon establishment of the Company.

## **10.0 Background Papers**

There were no background papers relied upon to complete this report.



**CABINET – 16 JANUARY 2013**

**EXECUTIVE SUMMARY SHEET – PART I**

**Title of Report:**

**GREEN DEAL OPTIONS INCLUDING THE WARM UP NORTH INITIATIVE**

**Author:**

Report Of The Deputy Chief Executive

**Purpose of the Report**

This report explains the forthcoming introduction of the Green Deal and considers the various options available to the Council including joining the Warm Up North (WUN) Initiative before making recommendations for a way forward.

**Description of Decision:**

Cabinet is recommended to:

- (i) Consider the options set out in the report.
- (ii) Agree to the proposal that the Council join the WUN Initiative subject to confirmation that the Green Deal Finance Company has been established and has the funds available to support the initiative as proposed.

**Is the decision consistent with the Budget/ Policy Framework? No**

**If not, Council approval is required to change the Budget/ Policy Framework**

**Suggested reason(s) for Decision:**

It is important that the council plays a role in the delivery of the Green Deal. The programme of works that could be progressed through the initiative will contribute to a number of key priorities for the council. Actively engaging in the initiative will also provide the basis on which the council may be able to influence the delivery of the initiative towards priority targets and communicate a clear offer to local people.

A number of engagement options are open to the Council and these range from doing nothing through to becoming a provider in its own right.

In summary it is recommended that Partnering with a Provider affords the clearest offer to the residents of Sunderland and offers a good degree of influence to the council at a relatively modest cost. The emerging WUN initiative provides a good mechanism for such a partnering approach.

**Alternative options to be considered and recommended to be rejected:**

The alternatives to the recommended option have been considered. These have been rejected because they do not offer a deliverable option within the appropriate timescales or have insufficient levels of control or influence.

**Impacts analysed:**

Equality  Privacy  Sustainability  Crime and Disorder

**Is this a “Key Decision” as defined in the Constitution?**

Yes

**Is it included in the 28 Day Notice of Decisions?**

Yes

**Scrutiny Committee**

**GREEN DEAL OPTIONS INCLUDING THE WARM UP NORTH INITIATIVE**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE**

**1.0 Purpose of the Report**

- 1.1 This report explains the forthcoming introduction of the Green Deal and considers the various options available to the Council including joining the Warm Up North (WUN) Initiative before making recommendations for a way forward.

**2.0 Description of the Decision (Recommendations)**

- 2.1 Cabinet is recommended to:

- (i) Consider the options set out in the report.
  
- (ii) Agree to the proposal that the Council join the WUN Initiative subject to confirmation that the Green Deal Finance Company has been established and has the funds available to support the initiative as proposed.

**3.0 Background**

- 3.1 Like all local authorities Sunderland City Council has an obligation under the Home Energy Conservation Act (HECA) to provide support for improvements to housing with the objective of reducing energy bills and reducing fuel poverty. Reporting under HECA is to resume with the first report required by 31 March 2013.
- 3.2 To date assistance for home insulation improvements has been afforded by statutory utility funding in various guises with the current programmes being the Carbon Emissions Reduction Target (CERT) and Community Energy Savings Programme (CESP). CERT funding supports the current Sunderland Energy Efficiency Partnership (SEEP) support delivering cavity wall and loft insulation at reduced costs or free to eligible households.
- 3.3 In addition the national fuel poverty programme is delivered through the Warm Front grants programme that provides heating systems and repairs to qualifying households.
- 3.4 CESP funded work in Sunderland has been confined to social housing improvements delivered by Gentoo. There have been no private sector beneficiaries of CESP in the City since these projects have been focussed on RSL housing stock.
- 3.5 CERT, CESP and Warm Front support is scheduled to end by 31 December 2012 to be replaced by the Green Deal scheme described in the next section.

3.6 It is important that the council is able to continue to facilitate energy efficiency improvement measures in the city as these enable the council to progress a number of policy commitments and provide benefits for local residents. In particular the delivery of the Green Deal will contribute to measures to:

- tackle fuel poverty and the adverse health impacts of poorly heated homes;
- develop local employment opportunities and benefit the economy;
- encourage private sector investment in the local housing stock;
- meet the carbon reduction commitments embedded in the Covenant of Mayors and Government targets.

#### **4.0 The Green Deal Initiative**

4.1 The Green Deal is a UK Government sponsored framework introduced in the Energy Act 2011 to allow private firms to offer UK consumers (both domestic and non-domestic) specified energy efficient improvements to their buildings including, but not limited to, solid wall insulation, loft insulation, cavity walls and new boilers. The installation of double glazing has recently been added in the list of energy efficiency improvements that can be funded through the Green Deal. Businesses and publicly owned non-domestic properties can also benefit from the Green Deal measures.

4.2 Consumers repay the cost of improvements by means of an additional charge on their energy bills over a period of 25 years. An important characteristic of the Green Deal is that the payment remains a charge on the property's energy bill until repaid and does not follow the individual bill payer should they move house.

4.3 The core requirement of the Green Deal is that the proposed works must meet the 'Golden Rule': savings made during the period of the charge must exceed the total cost (actual cost plus loan interest) of the energy efficiency works. Providing that the Golden Rule is met consumer repayments will be collected by the utility companies as part of the consumer's electricity bills.

4.4 For domestic properties that do not meet the Golden Rule (GR), the energy companies may offer a subsidy towards the improvement measure to reduce repayments through the Energy Company Obligation (ECO). ECO, places a requirement on energy retailers to promote measures that either achieve carbon savings in domestic properties or reduce heating costs in low income and vulnerable households. It is expected that energy retailers will achieve this by offering subsidies to households for qualifying measures. ECO financed improvement can be delivered separately from the core Green Deal offer but it seems likely that most ECO interventions will be incorporated in an overall Green Deal delivery package.

4.6 Locally, it has been estimated that over 40,000 dwellings in Sunderland lack cavity wall insulation and many also lack modern standards of loft insulation. In addition, there are over 5,000 solid wall properties that would benefit from insulation. Clearly, there are many households in the city that could benefit from improved energy efficiency measures. However, this is no guarantee that the Green Deal will prove to be a successful replacement for the existing energy improvement schemes. Soft market testing carried out to test the Green Deal model earlier this year suggested that householders may not respond positively to the options available.

## **5.0 Progressing the Green Deal – The Local Authority Role**

5.1 The Department of Energy & Climate Change (DECC) identifies three potential roles for Local Authorities in supporting the roll out of the Green Deal as follows:

- Promoter – the Local Authority promotes the Green Deal to their local residents. Under this approach, the Local Authority, or a group of Local Authorities, adopts a twin track approach by taking an active role in promoting demand and identifying packages of work which will be suitable for delivery through the Green Deal mechanism; and establishing a framework of certified Green Deal Providers including the Green Deal assessors and Green Deal installers.
- Partner – the Local Authority works in partnership with private sector Green Deal Providers to facilitate delivery of the Green Deal to their local area. A Local Authority can procure a delivery partner who will work with them to identify and actively promote demand, survey properties and provide costs for undertaking the Green Deal works. This will include the need to source finance for improvements. The provider would undertake the work, or as a minimum, manage the installation of the works; and provide the warranties.
- Provider – the Local Authority becomes a Green Deal Provider co-ordinating finance and delivery to local residents.

5.2 The role of Provider offers the highest level of control for the local authority but requires the development of a potentially costly dedicated delivery mechanism and is probably better suited to local authorities who remain in control of their housing stock. The roles of Promoter and Partner probably require the same level of engagement and input for the local authority but by formally partnering with a delivery agent a local authority is able to better influence and direct activity towards local priorities. Looking at the options objectively it is possible to conclude that the role of Partner is the most effective at delivering the benefits associated with the Green Deal.

## **6.0 Delivering the Green Deal in Sunderland through Partnership – The WARM UP NORTH Option**

6.1 One delivery option available to the council is to join the WUN Initiative. This initiative which has been developed by the ANEC with Newcastle City Council (NCC) as the accountable body is modelled on a similar scheme in Birmingham and involves the engagement of an independent third party provider to deliver domestic energy efficiency improvements via the Green Deal. All 12 local authorities in the North East were invited to join the initiative and to date five authorities (Newcastle, South Tyneside, Northumberland, Durham and Darlington) have formally joined the scheme. Other authorities in the region decided to take a watching brief with the option to join the scheme at a later date. It is worth noting that, unlike SCC the participating local authorities have some level of control and responsibility for housing stock.

6.3 Since January, when the details of the scheme were first communicated several key developments have occurred that have materially changed the commitment required by the local authorities participating in the WUN Scheme. A significant change is that it is now proposed to fund energy efficiency improvements using funds from the Green Deal Finance Company and not from the participating local authorities. However, the use of local authority funding remains a possibility as a reserve position if the GDFC is not operational at the commencement of the initiative.

6.4 Other WUN related developments include:

- Confirmation of funding of £1.108m from Intelligent Energy Europe (IEE) to assist with the procurement costs of the project.
- Commencement of the procurement of the project for which sixteen expressions of interest were received, resulting in 8 pre-qualifications being submitted. From this six of the outline proposals met the quality threshold which has been subsequently reduced to a short list of three. The preferred bidder is envisaged to be appointed in March / April with contract close likely to be in place by June.
- WUN has been granted £1.2m from DECC towards Go Early schemes and all participating will benefit from this resource.
- The Green Deal has always included energy efficiency improvements to commercial buildings and now includes publicly owned non-domestic properties and this has the advantage of providing a greater degree of control on project spend.

## **7.0 Implications associated with the Council joining the Warm Up North Initiative**

7.1 In the first instance it would be necessary for the Council to sign the Memorandum of Understanding (MOU) that has been used to underpin the procurement process to date. This document has been agreed and signed by the current five participating local authorities and therefore the council would be required to sign the document as drafted.



- 7.2 Schedule D of the MOU sets out the financial obligations to which a participating local authority is committed. The initial requirement is a contribution of a maximum of £50,000 towards the cost of procurement. The current costs of undertaking the procurement are estimated at £1,566m which is significantly offset by the IEE grant of approximately £900,000 (the true actual value of the grant will depend on the Sterling / Euro exchange rate at the time of payment). The council's contribution would need to be paid by March 31<sup>st</sup> 2013.
- 7.3 There are clawback requirements relating to the IEE funding. There is a requirement to expend 15 times the grant value on delivery, which equates to roughly 2,500 properties across the WUN area, over the first three years of the scheme. The clawback level is capped at 10% of the grant sum or approximately £90,000 and this would be shared between the partners. The MOU sets out the basis on which any repayment would be shared. A Key point to note is that the £50,000 cap referred to in paragraph 7.2 does not apply to clawback.
- 7.4 Schedule D also retains the obligation for each partner authority 'to cover the cost of any works carried out by the Delivery Partner on properties that fall within their boundary and that were arranged with the knowledge and consent of the Partner Authority, unless appropriate funding can be sourced from a 3<sup>rd</sup> party lender such as the Green Deal Finance Company.' This has the effect of exposing the council to a potentially significant financial commitment. However, there would be no specific obligation on Sunderland to contribute properties to the contract as this has been progressed on the basis of existing commitments and these are considered to be sufficient to hit the target of £17m worth of works (approximately 2,500 property improvements) by June 2015 in order to comply with the European grant that has been awarded. In addition, the need for the 'knowledge and consent of the Partner Authority' provides the basis on which the council could manage any financial exposure associated with the scheme.
- 7.5 Failure to deliver the £17m worth of works specified above would result in a proportion of the grant being returned to Intelligent Energy Europe. In relation to this requirement and based upon the number of participating authorities, the maximum exposure to clawback for the council would be approximately £90,000. Opportunities to further mitigate this risk are being considered.
- 7.6 Crucially, partners are expressing confidence that the Green Deal Finance Company (GDFC) will be operational and able to provide finance for the measures delivered through the contract. If funding is available through the GDFC the obligation for Partner Authorities to fund improvements within their boundaries will fall away.
- 7.7 The GDFC is an industry led vehicle with the specific purpose of providing low cost finance for Green Deal loans. Its members include the big 6 energy companies, housing providers, building contractors, banks and also a number of local authorities.

- 7.8 The ability of the GDFC to provide the necessary finance will depend on the response to the call for funding. In order for the GDFC to raise sufficient capital, primarily from the Green Investment Bank, it must provide a level of funding (junior capital and development / incorporation funding via a stakeholder loan) from its members and stakeholders. In total, the GDFC is aiming to attract circa £54m from its members and stakeholders. There is a financial commitment from the Green Investment Bank (GIB) on the understanding that the balance is found from other members. Some initial funding has been committed by DECC (£13m) towards the development and incorporation costs of the GDFC. Other stakeholders have been approached for capital investments. WUN partners are considering an initial revenue investment of £250,000. This would be invested for 10 years and would attract a minimum return of 8% up to a maximum of 15.74%.
- 7.9 Some local authority partners are considering the investment of larger sums in the form of junior capital but are seeking assurances that money to the value of the investment is spent in their local authority area and that this then leverages additional spend. Investments of the scale being considered would require prudential borrowing and are envisaged to attract a return of 8% to 10% over a 20 year period.
- 7.8 In addition to the financial obligations set out in the MOU Section 5 of the document sets out a number of other responsibilities that the council will need to meet. Some of these relate to the delivery of the scheme and include responsibilities associated with the marketing and promotional activities. Others relate to the reporting requirements and the need to work with the delivery partner to direct activity to local opportunities and priorities. The exact requirements for which won't be determined until the procurement process is concluded. It will be important that the council has the resources in place to meet these delivery responsibilities.
- 7.9 Ultimately, the contract to deliver WUN will be between NCC and the successful bidder. This is to be underpinned by an Inter Authority Agreement (IAA) which would replace the MOU. The IAA has not been developed at this stage and will need to reflect the specifics of the arrangements to be entered into with the selected contractor.

## **8.0 Reasons for the Decision**

- 8.1 It is important that the council plays a role in the delivery of the Green Deal. The programme of works that could be progressed through the initiative will contribute to a number of key priorities for the council. Actively engaging in the initiative will also provide the basis on which the council may be able to influence the delivery of the initiative towards priority targets and communicate a clear offer to local people.
- 8.2 A number of engagement options are open to the Council and these range from doing nothing through to becoming a provider in its own right.

8.3 In summary it is recommended that Partnering with a Provider affords the clearest offer to the residents of Sunderland and offers a good degree of influence to the council at a relatively modest cost. The emerging WUN initiative provides a good mechanism for such a partnering approach.

## **9.0 Financial Implications**

9.1 At this stage by agreeing to participate in the procurement process, the council would be required to contribute a maximum of £50,000 towards the procurement costs. In the event that either the procurement was aborted or the project failed to meet the funding conditions associated with the IEE funding then the council would be faced with contributing a maximum further amount of £90,000 through grant clawback.

9.2 Any proposal to provide funding to the GDFC would be subject to further consideration and future cabinet approval.

## **10.0 Alternative Options**

10.1 The alternatives to the recommended option have been considered. These have been rejected because they do not offer a deliverable option within the appropriate timescales or have insufficient levels of control or influence.

## **Background Papers**

Green Deal: A Summary of the Government's Proposals (December 2010)

<http://www.decc.gov.uk/assets/decc/legislation/energybill/1010-green-deal-summary-proposals.pdf>

Warm Up North – Summary Market Information (May 2012)

<http://www.warmupnorth.com/sites/default/files/Market%20Awareness%20Day%20-%20Brochure%20-%20May%202012.pdf>



## Appendix 1 – Green Deal Options Assessment

| Option   | Description   | Pros  | Cons  | Financial implications  | Ranking |
|--|---|---|---|---|---------|
| <b>Option 1 - Promoter</b>                               | Do minimum, promote the initiative and provide information but leave it to providers to develop delivery.   | Relatively straightforward to deliver and minimises the council's input to delivery and minimises direct association with the initiative which may not be well received by the public.                  | Could be confusing to residents as many providers are likely to be operating in the city and there may be a high risk of miss-selling. A lack of direct involvement may not reduce the extent to which the council is associated with the initiative. The council would have very little influence over the delivery of the initiative locally. | This is the lowest cost option. Most costs will be associated with officer time relating to promotional activities and information provision. | 2       |
| <b>Option 2 - Promoter with preferred local provider</b> | As above but also develop a partnership with a 'preferred' or endorsed local delivery agent via a procurement exercise and a memorandum of understanding. Possible preferred providers include Gentoo and the energy providers. | Developing a preferred local delivery agent would enable some degree of influence over delivery. May reduce the numbers of providers operating in the city and therefore reduce confusion to residents. | Links the council more closely with the delivery of an initiative that is an unknown quantity in terms of public opinion. May not reduce the activities of other providers in the city.   | It is likely that the above costs could be shared with the preferred provider but there will also be some initial procurement costs           | 2       |

|   |  |  |   |  |          |
|---|--|--|---|--|----------|
| <p><b>Option 3 - Partner with Providers</b></p> | <p>Council uses procurement/selection process to identify one or more approved partner providers. SCC joining Warm Up North (WUN) is consistent with this option</p> | <p>Relatively low cost after procurement/selection. Provides for control and targeting of activity. Clearer delivery for residents with Council's endorsement of a single provider providing confidence.</p>   | <p>Costs incurred and resources required for procurement/selection. Higher level of officer engagement. Greater responsibility for effective delivery. Risk management issues. Council reputation. The requirement for the council to make a financial commitment to the model has been replaced by the use of the Green Deal Finance Company but there is a possibility that the GDFC may not be operational at the start of the WUN initiative.</p> | <p>The option to join WUN will require a contribution of £40k. towards the initial procurement exercise. Subsequent costs are relatively low with the provider taking responsibility for promotion and delivery.</p> | <p>1</p> |
| <p><b>Option 4 - Provider</b></p>               | <p>Council has sole control and responsibility including procurement of installation services</p>  | <p>Full control over delivery and quality of service lies with Council. The offer is clear to residents and would reduce confusion. Control provides the basis on which local priorities may be targeted and it would be easier to monitor delivery.</p> | <p>High cost option requiring significant internal resource to operate the scheme and manage delivery of the scheme. Absolute responsibility for all outcomes, good and bad would rest with the Council. It is probably too late to consider the development of this option.</p>  | <p>High cost option requiring the development of a dedicated delivery mechanism.</p>   | <p>3</p> |

**CABINET MEETING – 16<sup>th</sup> January 2013**  
**EXECUTIVE SUMMARY SHEET - PART 1**

**Title of Report:**

Procurement of an Stores Service Contract

**Author(s):**

Deputy Chief Executive

**Purpose of Report:**

To approve the procurement of stores service contract for the Integrated Transport Unit vehicle maintenance and horticultural equipment workshops.

**Description of Decision:**

Cabinet is recommended to approve the procurement and award of a new Stores Service Contract to deliver efficiencies and reduced service costs.

**Is the decision consistent with the Budget/Policy Framework** \*Yes/~~No~~

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

To improve the efficiency of the workshop maintenance functions and result in savings of up to £200,000 per annum.

**Alternative options to be considered and recommended to be rejected:**

Maintaining the existing approach would restrict the ability to make significant savings in an area of high spend and constrain options for rationalising Council depot accommodation.

**Impacts analysed:**

Equality  Privacy  Sustainability  Crime and Disorder

**Is this a "Key Decision" as defined in the Constitution?** Yes

**Is it included in the 28 Day Notice of Decisions?** Yes

**Scrutiny Committee:**





**REPORT OF DEPUTY CHIEF EXECUTIVE**

**PROCUREMENT OF A STORES SERVICE CONTRACT**

**1 PURPOSE OF THE REPORT**

- 1.1 To approve the procurement of stores service contract for the Integrated Transport Unit's vehicle maintenance and horticultural equipment workshops.

**2. DESCRIPTION OF DECISION**

- 2.1 Cabinet is recommended to approve the procurement and award of a new Stores Service Contract to deliver efficiencies and reduced service costs.

**3. BACKGROUND**

- 3.1 The Head of Streetscene is leading the Fleet and Transport Service Review which has a target of reducing costs in this field by £2.5m over three years, making a significant contribution to the corporate budget position. The review covers a range of fleet and transport activities and is making good progress.
- 3.2 The majority of the Council's general fleet, such as cars and vans, is leased and maintained through third party contracts. However the Council maintains specialist vehicles such as refuse collection wagons, street sweepers and gritters in-house. This is to ensure a rapid response to operational maintenance requirements in services where continuity of delivery is important. The Council spends approximately £1.2m per annum on specialist parts and equipment. These are held in stores at the two repair and maintenance facilities at South Hylton House and Parsons depots.
- 3.3 A review of the stores function points towards an alternative way of delivering the service. This would involve a specialist service provider supplying all parts needed by the workshops for each job as they are required at set tendered prices. This avoids the Council having to buy stock and keeping it in store. It avoids wastage of parts and reduces the financial and human resources needed to manage this process.
- 3.4 The proposed contract would see the Council to sell its existing stock to the new contractor. The contractor would deliver, in time, all required specialist vehicle parts and equipment.

- 3.5 The proposals are expected to improve the efficiency of the workshop maintenance function and result in savings of up to £200,000 per annum.
- 3.6 This arrangement would allow greater flexibility in the ongoing plans to review and rationalise the use of depots and other Council premises. It would largely remove the need to have space for parts storage, particularly at South Hylton House.

#### **4. PROCEDURE**

- 4.1 The annual value of the proposed contract is estimated to be £900,000 and therefore must be awarded in accordance with the European public procurement rules and be subject to an Official Journal of the European Union (OJEU) process. It is intended that the contract would be for three 3 years with the option of up to two one year extensions.
- 4.2 The Corporate Procurement Team will manage the process which is expected to take place in February 2013. A competitive tender process will be followed to ensure that that best value is achieved. The new contract will commence in spring/summer 2013.
- 4.3 The sale/transfer of the Council's existing residual stock will be included in the proposed contract and the offers received for this stock will be included as part of the evaluation.
- 4.4 The contract awarded would have the flexibility built in to allow the Council to relocate the impressed stores service should circumstances require the relocation of all or part of the workshops.
- 4.5 The proposed new contract arrangement will impact on four full time posts. Three are currently vacant and being filled temporarily through SWITCH. However the one permanent member of staff would be subject to transfer to the new supplier under TUPE, although alternative options for the individual will be explored in advance of the award of the contract.

#### **5. REASON FOR DECISION**

- 5.1 To improve the efficiency of the workshop maintenance functions and result in savings of up to £200,000 per annum.

#### **6 ALTERNATIVE OPTIONS**

- 6.1 Maintaining the existing approach would restrict the ability to make significant savings in an area of high spend and constrain options for rationalising Council depot accommodation.

## 7. RELEVANT CONSIDERATIONS/CONSULTATIONS

7.1 The views of the Executive Director of Commercial and Corporate Services and Director of Human Resources and Organisational Development have been sought and the Portfolio Holder City Services consulted.

a) **Financial considerations**

Provision for the procurement is made within the 2013/14 Integrated Transport Unit budget. The resulting efficiencies will contribute to the MTFS through the Fleet and Transport Service Review.

b) **Legal Implications**

The comments of the Head of Law and Governance have been included within this report.

c) **Procurement**

The Head of Audit Risk and Procurement has been consulted in respect of the procurement procedure, and will provide assistance to develop the detailed contract specification and manage the process if approved.

c) **Human Resources**

One member of staff may be transfer under TUPE. This will be considered further in conjunction with the procurement process.

d) **Human Rights**

There are no implications

e) **Sustainability**

There are no implications

f) **Equalities Impact**

An Impact Assessment has been carried out. There are no implications

## 8. BACKGROUND PAPERS

8.1 There are no background papers to support the report.



## CABINET MEETING – 16 JANUARY 2013

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

National Minimum Price of Alcohol Consultation

**Author(s):**

Deputy Chief Executive, Assistant Chief Executive and Director of Public Health

**Purpose of Report:**

The report seeks Cabinet's agreement to respond to the Government consultation on the national minimum price level of the unit cost of alcohol, as part of a consultation on the National Alcohol Strategy.

**Description of Decision:**

Cabinet is recommended to:

- a) Respond to the Government consultation on the National Alcohol Strategy indicating its support for the establishment of a Minimum Unit Price for alcohol in the range of 50 – 60p
- b)

**Is the decision consistent with the Budget/Policy Framework?      \*Yes**

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

To provide a response to the Government consultation on the national alcohol strategy indicating its support for the establishment of a Minimum Unit Price (MUP) for alcohol in order to generate better health and wellbeing and community safety outcomes.

**Alternative options to be considered and recommended to be rejected:**

**Do Nothing:** The Council could decide not to support a minimum unit price for alcohol. However, a letter indicating regional support for a minimum unit price has already been submitted on behalf of the North East local authorities by ANEC and as such this option is not recommended.

**Support a MUP, but not to provide an opinion as to the level of pricing:** This is not recommended as significant evidence exists on the impact of specific MUP levels to support a decision.

**Support the proposals in the Home Office consultation of a 45p MUP:** This is not recommended as it would have a lower impact on crime and disorder figures and on the health and wellbeing of Sunderland residents than 50-60p rate. It would also reduce the impact of the regional minimum 50p campaign and further consideration would also need to be given to cross-border purchases if a MUP below that proposed for Scotland (50p) is set.

**Impacts considered and documented:**

Equality  Y Privacy  Y Sustainability  Y Crime and Disorder  Y

**Is this a “Key Decision” as defined in the Constitution?** No

**Is it included in the 28 Day Notice of Decisions?** No

**Scrutiny Committee**

**NATIONAL MINIMUM PRICE OF ALCOHOL CONSULTATION**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE, ASSISTANT CHIEF EXECUTIVE AND THE DIRECTOR OF PUBLIC HEALTH**

**1.0 PURPOSE OF THE REPORT**

- 1.1 The report seeks Cabinet's agreement to respond to the Government consultation on the national minimum price level of the unit cost of alcohol, as part of a consultation on the National Alcohol Strategy.

**2.0 DESCRIPTION OF THE DECISION (RECOMMENDATIONS)**

- 2.1 Cabinet is recommended to:
- a) Respond to the Government consultation on the National Alcohol Strategy indicating its support for the establishment of a Minimum Unit Price for alcohol in the range of 50 – 60p.

**3.0 BACKGROUND**

- 3.1 When the National Alcohol Strategy was launched by the Government in March 2012, it stated it would introduce a MUP for alcohol as one of the measures to reduce the availability of cheap alcohol and reduce consumption by linking the price of alcohol to its strength. A consultation on a MUP of 45p was launched on 28<sup>th</sup> November 2012 and runs until 6<sup>th</sup> February 2013.
- 3.2 A MUP at a slightly higher level of 50p is supported by the British Medical Association, the Association of Chief Police Officers, Alcohol Concern and Balance (the regional alcohol office) as they believe this level would impact more significantly on alcohol consumption and generate better health and wellbeing and community safety outcomes. This view is echoed by the Sunderland Director of Public Health.

**6.0 REASON FOR THE DECISION**

- 6.1 To provide a response to the Government consultation on the national alcohol strategy indicating its support for the establishment of a Minimum Unit Price (MUP) for alcohol in order to generate better health and wellbeing and community safety outcomes..

**7.0 ALTERNATIVE OPTIONS**

- 7.1 Cabinet could make a decision not to support a minimum unit price for alcohol. However, a letter indicating regional support for a minimum unit price has already been submitted on behalf of the North East local authorities by ANEC and as such this option is not recommended.

- 7.2 Cabinet could make a decision to support a MUP, but not to provide an opinion as to the level of pricing. This is not recommended as significant evidence exists on the impact of specific MUP levels to support a decision.
- 7.3 Cabinet could support the proposals in the Home Office consultation of a 45p MUP. This is not recommended as it would have a lower impact on crime and disorder figures and on the health and wellbeing of Sunderland residents. It would also reduce the impact of the regional minimum 50p campaign and further consideration would need to be given to cross-border purchases if a MUP below that proposed for Scotland (50p) is set.

## 8.0 IMPACT ANALYSIS

**Equalities** – MUP is a targeted measure and is estimated to affect harmful drinkers and those who generally consume cheap alcohol. It would affect moderate drinkers in a minor way (under a minimum price of 50p per unit a moderate drinker would spend an extra 25p a week on alcohol)

**Crime and Disorder** – It is anticipated that the introduction of a MUP would impact positively on crime and disorder.

**Privacy** – there are no privacy impacts identified

**Sustainability** – MUP will provide long term and sustainable improvements around health, economic and crime conditions in Sunderland, regionally and nationally

## 9.0 RELEVANT CONSIDERATIONS/CONSULTATIONS

- 9.1 At its meeting in October 2012, the Safer Sunderland Partnership (SSP) Board confirmed its commitment to supporting MUP as have the Adults Partnership Board and Children's Trust.
- 9.2 Balance is seeking support across the region for a 50p MUP and is asking key partners and key strategic partnerships to respond. This would include the SSP, Health and Wellbeing Board, Adults Partnership Board and Children's Trust.

## BACKGROUND PAPERS

§ Home Office Alcohol Strategy Consultation  
<http://www.homeoffice.gov.uk/publications/about-us/consultations/alcohol-consultation/>



## **CABINET MEETING – 16 JANUARY 2013**

### **EXECUTIVE SUMMARY SHEET – PART I**

**Title of Report:**

Localisation of Council Tax Support Scheme

**Author(s):**

Executive Director of Commercial and Corporate Services

**Purpose of Report:**

To provide Cabinet with an update on the consultation results for the proposed Local Council Tax Support Scheme, to explain the implications of the Government's Transitional Grant Scheme and to recommend that the Local Council Tax Support Scheme set out at Appendix B be implemented with effect from 1 April 2013.

**Description of Decision:**

To recommend Council to :

- (i) Consider feedback received during the consultation period from
  - precepting authorities,
  - the public, including representatives/representative groups of Council Tax payers and Council Tax benefit claimants, voluntary organisations and community groups,and also consider the implications of the Government's Transitional Grant Scheme.
- (ii) approve the Council's Local Council Tax Support Scheme as set out in paragraph 6 and Appendix B.
- (iii) authorise the Executive Director of Commercial and Corporate Services to administer the Local Council Tax Support Scheme including undertaking the consideration and determination of applications for support and authorise the Head of Law and Governance to amend the constitution accordingly to reflect this
- (iv) authorise the publication of the approved Scheme on the Council's website and in any additional manner determined by the Executive Director of Commercial and Corporate Services in consultation with the Leader of the Council and Cabinet Secretary.

**Is the decision consistent with the Budget/Policy Framework? \*Yes**

**If not, Council approval is required to change the Budget/Policy Framework**

|   |                                  |
|---|----------------------------------|
| <p><b>Suggested reason(s) for Decision:</b></p> <p>a) The council must have a Local Council Tax Support Scheme approved by 31 January 2013, otherwise, the default scheme will be imposed</p> <p>b) The changes referred to in this report result from Government's reduction in funding. Consultation on the scheme as originally proposed by the Council confirmed that the majority of respondents were in support of the proposals. The scheme which is now recommended in this report has been revised to take into account the Government's Transitional Relief Grant Scheme and it is considered that the amended scheme broadly follows the approach of the original proposed scheme, as referred to in section 6 of the report. Impacts will be closely monitored following the scheme's introduction.</p> |                                  |
| <p><b>Alternative options to be considered and recommended to be rejected:</b></p> <p>The alternative option of the default scheme has been considered but rejected on the basis of affordability and lack of alignment, the strategy of a fair and equitable solution; everyone paying something, the individual meeting part of the cost and the Council meeting part of the cost.</p>  |                                  |
| <p><b>Impacts analysed;</b></p> <p>Equality <input checked="" type="checkbox"/> Privacy <input checked="" type="checkbox"/> Sustainability <input checked="" type="checkbox"/> Crime and Disorder <input checked="" type="checkbox"/></p>   |                                  |
| <p><b>Is this a "Key Decision" as defined in the Constitution?</b><br/>Yes</p> <p><b>Is it included in the Forward Plan?</b><br/>Yes</p>  | <p><b>Scrutiny Committee</b></p> |

**LOCALISATION OF COUNCIL TAX SUPPORT SCHEME**

**REPORT OF THE EXECUTIVE DIRECTOR OF COMMERCIAL AND CORPORATE SERVICES**

**1. Purpose of the Report**

- 1.1 To provide Cabinet with an update on the consultation results for the proposed Local Council Tax Support Scheme, to explain the implications of the Government's Transitional Grant Scheme and to recommend that the Local Council Tax Support Scheme set out at Appendix B be implemented with effect from 1 April 2013.

**2. Description of Decision**

- 2.1 To recommend Council to :
- (i) Consider feedback received during the consultation period from
    - precepting authorities,
    - the public, including representatives/representative groups of Council Tax payers and Council Tax benefit claimants, voluntary organisations and community groups,and also consider the implications of the Government's Transitional Grant Scheme.
  - (ii) approve the Council's Local Council Tax Support Scheme as set out in paragraph 6 and Appendix B.
  - (iii) authorise the Executive Director of Commercial and Corporate Services to administer the Local Council Tax Support Scheme including undertaking the consideration and determination of applications for support and authorise the Head of Law and Governance to amend the constitution accordingly to reflect this
  - (iv) authorise the publication of the approved Scheme on the Council's website and in any additional manner determined by the Executive Director of Commercial and Corporate Services in consultation with the Leader of the Council and Cabinet Secretary.

**3. Background**

- 3.1 On 8 March 2012, the Welfare Reform Act received Royal Assent. The Act legislates for the biggest change to the welfare system in decades and includes the abolition of the national Council Tax Benefit system, for it to be replaced (via the recently enacted Local Government Finance Act 2012) with a Local Council Tax Support scheme (termed a "Council Tax Reduction Scheme" in the Act) from 1 April 2013.

- 3.2 Currently, Council Tax Benefit (CTB) is a means tested benefit that is administered by Local Authorities on behalf of the Department for Work and Pensions (DWP). Claimants in receipt of means tested out-of-work benefits generally receive full assistance; eligible claimants who work or have other income are likely to get partial relief and around 60% of all pensioners are entitled to CTB, although not all who are entitled actually claim. Nationally, current expenditure equates to approximately £4.8 billion and over 5.8 million people claim CTB, more than any other means tested benefit.
- 3.3 As well as the transfer of responsibility from Central to Local Government, the Government cut the level of grant support to Local Authorities by an average of 10% nationally in 2013-14. For Sunderland the reduction is £2.8m which represents a cut of 11.7%. Within Sunderland, as with wider Welfare Reform, there are significant concerns as to the adverse impact of this grant reduction on both the City and its residents.
- 3.4 The Local Government Finance Act 2012 provides that where billing authorities do not adopt a locally approved scheme by 31 January 2013, then the Government's default scheme will need to be used. This default scheme would retain the criteria and allowances in the current CTB scheme and include default procedures that any local scheme must also cover. As there are significant financial disincentives for Local Authorities in using the default scheme, a draft scheme for Sunderland was designed in September 2012 and presented to Cabinet on the 18<sup>th</sup> September. Approval was given to the scheme to be opened to consultation with a closing date of 30 November 2012.
- 3.5. Consultation on the Council's scheme commenced on 5<sup>th</sup> October 2012, and was well underway when later in October the Government announced one off funding could be accessed on the basis of adoption of a Scheme that complies with the criteria for a Transitional Grant.

#### **4.0 Results of Consultation on the Local Council Tax Support Scheme**

##### **4.1 Precepting Authorities**

- 4.1.1 Consultation was undertaken with the major precepting authorities, the Police and Fire Authorities, who will potentially share the effects of any increases or reductions in demand for Council Tax benefits and costs based on the local scheme offered. There were no issues arising other than the Fire Authority seeking assurances from local authorities to minimise any impact on their budget from new LCTB Schemes.

## **4.2 Public**

- 4.2.1 Consultation was also carried out with the public on the content of the proposed scheme during the eight weeks between 5 October and 30 November 2012..
- 4.2.2 The format of the consultation was to utilise an on-line questionnaire, which was widely publicised and made available to all the city's residents. A workshop was also held with the VCS and Equality Forums to help identify where there may be any adverse impact on any particular group or individuals.
- 4.2.3 The results of the on-line survey and feedback from the workshop have been analysed. Overall there is support for Sunderland's scheme as originally proposed and the key findings are summarised at Appendix A.
- 4.2.4 Results of the consultation in broad terms show support for Sunderland's proposed scheme, with recognition that this comes at a time when people are struggling with their finances generally. As could be expected, those that are less likely to agree are those that are currently in receipt of Council Tax Benefit and who will be directly impacted by the changes.

## **5. Transitional Grant Scheme**

- 5.1 As referred to earlier, during October the DCLG published a Transitional Grant (TG) Scheme, which includes a transitional grant to help councils reduce the impact of reductions in council tax support that take effect 1 April 2013, as councils introduce their own schemes to replace the current council tax benefit. The full grant is £100m, of which Sunderland's allocation is £566k, excluding preceptors. The announcement came at a time when Sunderland's proposed Local Council Tax Support Scheme was already out to public consultation.
- 5.2 To apply for the grant, the council must adopt a Council Tax Support Scheme that is compliant with the TG Scheme criteria (a "TG compliant Scheme").
- 5.3 Members will recall that the Council's proposed scheme reported at the Cabinet meeting on 18 September sought to mitigate the impact of reductions in benefit on individuals as well as mitigate the financial impact upon the overall Council budget. This balanced approach is also reflected in the broad approach of the Transitional Scheme which restricts increases in council tax bills to 8.5% which mirrors the council position of not imposing all of the imposed financial reduction on either benefit claimants or the Council budget and in effect finding a middle ground.

- 5.2 The effect of a TG compliant Scheme would mean that the Council would limit the increase in liability for those currently receiving 100% council tax benefit to 8.5%. In addition, the Council would have additional discretions, a number of which are similar to the Sunderland proposed scheme that was put out to consultation, including withdrawing Second Adult rebate and a limited increase in non dependant deductions in some instances.
- 5.3 The main difference between the two schemes is how benefit is reduced. A TG compliant Scheme reduces benefit by 8.5% whilst the Council's original proposed scheme reduces benefit by £2 per week for households with dependant children and £3 per week for those households with no dependant children. However, as this broadly equates to 11% for the £2 per week proposal, the impact is similar.
- 5.4 For those directly impacted by the scheme, all households will be better off under the TG compliant Scheme than with the scheme as originally proposed.
- 5.5 Whilst the funding of TG compliant schemes has been indicated as being on a one off basis, it is proposed that a TG compliant Scheme is adopted on an ongoing basis from 1 April 2013, unless there are significant changes which necessitate a review of the Scheme, with any financial implications dealt with within the overall financial position of the Council.
- 5.6 Appendix B sets out key features of the proposed scheme to be adopted within Sunderland taking into account the principles of the Local Council Tax Support Scheme consulted upon and the guidance in respect of the Transitional Grant scheme. Collectable income from the proposed Scheme is estimated to be £1.2m.

## **6. Proposed Local Council Tax Support Scheme**

- 6.1 Following evaluation of the feedback from consultation and the implications of the schemes it is proposed that the Council adopt the TG compliant scheme as set out in Appendix B on the basis that:
- The TG compliant Scheme broadly follows the approach taken by the original proposed Sunderland Local Council Tax Support Scheme in that everyone will have to pay something towards their Council Tax bill,
  - The limit of Council Tax Benefit support reduction in the TG compliant Scheme is 8.5% and the originally proposed Sunderland Scheme limit starts at 11% (although it is acknowledged that it is higher for some categories) which broadly mirrors the strategy of a fair and equitable solution; everyone paying something, the individual meeting part of the cost and the Council meeting part of the cost

- Significant optional elements of the TG compliant Scheme, are also features of the original Sunderland Scheme, such as adjustments for second adult rebate and reduction in Council Tax support for non-dependents
- The consultation response is summarised in paragraph 4 and Appendix A, and is supportive of the original Sunderland Scheme, and therefore, given the similarities of the TG compliant Scheme and the Sunderland Scheme, and the fact that those directly impacted would be better off under the TG compliant Scheme, it was considered that further consultation was not necessary

## **7. Financial Implications**

After the transitional grant income is taken into account there remains a potential shortfall that has been taken into account within the overall resource position for 2013/2014.

## **8. Impact Analysis**

- 8.1 A comprehensive Equality Impact Assessment has been undertaken, taking into account analysis of public consultation data and comments. Further work will be undertaken to understand the actual impact upon Sunderland's more vulnerable residents e.g. those with a disability.
- 8.2 Work will continue to assess the impact of this scheme alongside the related impacts of the significant number of welfare and benefit reforms either already introduced or still being planned by Government. Any unintended consequences of the new scheme will be closely monitored and considered during review of the scheme

## **9. Reasons for the Decision**

- a) The council must have a Local Council Tax Support Scheme approved by 31 January 2013, otherwise, the default scheme will be imposed
- b) The changes referred to in this report result from Government's reduction in funding. Consultation on the scheme as originally proposed by the Council confirmed that the majority of respondents were in support of the proposals. The scheme which is now recommended in this report has been revised to take into account the Government's Transitional Relief Grant and it is considered that the amended scheme broadly follows the approach of the original proposed scheme, as referred to in section 6 of the report. Impacts will be closely monitored following the scheme's introduction.

## **10. Alternative Options**

- 10.1 The alternative option of the default scheme has been considered but rejected on the basis of affordability and lack of alignment, the strategy of a fair and equitable solution; everyone paying something, the

individual meeting part of the cost and the Council meeting part of the cost.

## **11. Other Relevant Considerations**

### 11.1 Legal Implications

11.1.1 The comments of the Head of Law and Governance have been taken into account in preparing this report

### 11.2 Employee Implications

11.2.1 To accommodate a local scheme, some changes to the Council tax and Benefits service may be required. Any changes will also need to take into account the significant future Housing and Welfare benefit changes resulting from the introduction of Universal Credit.

## **12. Background Papers**

Welfare Reform Act 2012

Local Government Finance Act 2012



| <b>Change</b>  | <b>Respondents agreeing</b> | <b>Respondents not agreeing</b> | <b>Respondents with no views either way</b> | <b>Subgroups of respondents agreeing less than others in their group<br/>(%age of subgroup agreement)</b>  |
|--|-----------------------------|---------------------------------|---|--|
| i) Reduce entitlement by:<br>- £2 per week for families with dependant children<br>- £3 per week where there are no dependant children | 72%                         | 23%                             | 5%  | Respondents:<br>- in receipt of council tax benefit (55%)<br>- in the age range 64 and under (71%)<br>- in the West of Sunderland (67%)<br>- with a disability (64%)<br>- lone parent households (46%) |
| ii) Maximum benefit calculated at Band B   | 68%                         | 21%                             | 11%   | Respondents:<br>- in receipt of council tax benefit (54%)<br>- in the age range 64 and under (67%)   |
| iii) Abolish Second Adult Rebate   | 70%                         | 20%                             | 10%   | Respondents:<br>- in receipt of council tax benefit (56%)<br>- in the West of Sunderland (58%)<br>- lone parent households (53%)   |
| iv) Reduce the capital (savings) limit from £16k to £8k  | 62%                         | 30%                             | 8%  | Respondents:<br>- with a disability (51%)<br>- in the age range 35 and over (60%)  |
| v) A further £1 reduction in benefit for non-dependents.   | 77%                         | 16%                             | 7%  | Respondents:<br>- in receipt of council tax benefit (62%)<br>- in the West of Sunderland (72%)<br>- in the age range 35 to 44 (67%)<br>- lone parent households (42%)                                  |



## Consultation Results

## Appendix A

- 1 Approximately 70% (detail at appendix A) of the 671 respondents are in overall agreement with Sunderland's proposed Scheme, with some 20% disagreeing and 10% having no views either way. Groups that agreed less than others, yet still with a majority agreement, differed depending upon which of the five changes they were commenting upon. In the main, these groups were those that currently receive Council Tax Benefit, residents from the West of the City and respondents with a disability. The household group that mostly objected were lone parents.
- 2 Respondents were also asked how the changes would have an impact upon them, what they thought of the scheme overall and whether they had any other suggestions. One third of respondents felt the new scheme would have an impact upon them and analysis on the level of impact was found to be 7% high, 13% medium and 13% low. The main groups in this category are those aged 45 to 54, men, those with a disability and lone parent households.
- 3 Where further comments were made on perceived impact of the changes (89), slightly over half raised concerns regarding the rise of living costs generally and the inability to pay more council tax at a time when pay and benefits are being frozen or reducing and prices are rising. These views were also expressed during the workshop, noting that people are having to cope with many changes as a result of wider welfare reforms. Other respondents' comments were either generally in agreement or highlighted concerns that the changes unfairly impact upon those that work, have savings, or live in larger properties.
- 4 Further comments made with regard to the scheme overall (148) included approximately one quarter expressing support for the scheme in that it was seen to be fair and that everyone should pay something toward services. Again this view was supported during the workshop.
- 5 Other comments included suggestions on alternate ways to cover the shortfall; the most popular suggestions being in relation to recycling and green energy, tighter benefit checks to reduce fraud and also reduction of elected member costs. With regard to the majority of the remaining comments, there were two groups with opposing views; some wanted more protection for vulnerable and low income/non working households, whilst others felt that such groups were already supported by benefits and the changes would impact unfairly on those that work and have no dependents.

- 1 Reduce Council Tax Benefit by a maximum of 8.5% for those entitled to 100% Council Tax benefit.  
Council Tax Support will be calculated in accordance with the TR Scheme and all entitlement will be reduced by a maximum of 8.5%
- 2 Allows councils to abolish Second Adult Rebate  
Second Adult Rebate is a reduction of up to 25% of the Council Tax where a customer's income is too high to receive benefit but they have other adults living in the household whose income is low. Second Adult Rebate will be removed.
- 3 Allows councils to amend non dependant deductions within the limits of point 1 above  
Non dependant deductions - a further £1 per week reduction for those in receipt of partial benefit as allowed under the TR Scheme will be applied.
- 4 Capital limit of £16,000  
Any claimant with more than £16,000 will not qualify for Council Tax Support.  
Any capital under £6000 will be disregarded  
Any capital over £6000 but under £16,000 will be treated as tariff income - £1.00 of income for every £250 or part thereof
- 5 No property band limit  
All claims will be calculated on the Council Tax liability for that property, and no property band limit will be applied.
- 6 Taper limits restricted to 20% (20p of benefit to £1 of income)  
For every £1 above the appropriate Needs Allowance, the claimant's maximum entitlement (which is equal to 100% of their liability) will be reduced by 20p

## CABINET MEETING – 16<sup>th</sup> January 2013

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

Review of Discretionary Council Tax Discount on Empty Properties and Second Homes

**Author(s):**

Executive Director of Commercial and Corporate Services

**Purpose of Report:**

To review the policy on Council Tax discounts for Empty Properties and Second Homes as a result of the change in legislation to Exempt properties and the introduction of the Empty Homes Premium.

**Description of Decision:**

To recommend Council to amend the current policy on Council Tax discounts for Empty Properties and Second Homes with effect from 1<sup>st</sup> April 2013 by:

1. Introducing the Empty Homes Premium of 150% on properties that have been empty and unfurnished for more than 2 years
2. Awarding a discount of 25% on properties that have been empty for a period of up to 12 months that require, or are undergoing structural alterations.
3. Awarding a discount of 25% on properties that are empty and unfurnished for up to 6 months with the exception of properties that are empty and unfurnished that are reoccupied within 1 month where the discount awarded will remain at 100%, and
4. Reducing the discount on Second Homes from 10% to zero.

**Is the decision consistent with the Budget/Policy Framework?** N/A

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

To review the Council Tax Discount policy of the council for 2013/14 in response to changes in legislation.

**Alternative options to be considered and recommended to be rejected:**

None.

**Is this a “Key Decision” as defined in the Constitution?**

Yes

**Is it included in the 28 Day Notice of Decisions?**

Yes

**Scrutiny Committee:**



## **Cabinet – 16<sup>th</sup> January 2013**

### **Review of Discretionary Council Tax Discount on Empty Properties and Second Homes**

#### **Report of the Executive Director of Commercial and Corporate Services**

#### **1. Purpose of Report**

- 1.1. To review Council Tax discounts for Empty Properties and Second Homes resulting from the Council Tax technical reforms that come into effect on 1<sup>st</sup> April 2013.

#### **2. Description of Decision**

- 2.1 To recommend to Council to amend the current policy on Council Tax discounts for Empty Properties with effect from 1<sup>st</sup> April 2013 by:
  - 2.1.1 Introducing the Empty Homes Premium of 150% on properties that have been empty and unfurnished for more than 2 years
  - 2.1.2 Awarding a discount of 25% on properties that have been empty for a period of up to 12 months that require or are undergoing structural alterations.
  - 2.1.3 Awarding a discount of 25% on properties that are empty and unfurnished for up to 6 months with the exception of properties that are empty and unfurnished that are reoccupied within 1 month where the discount will remain at 100%, and
  - 2.1.4 Reducing the discount on Second Homes from 10% to zero.

#### **3. Background**

- 3.1 The Local Government Resource Review has three elements: local retention of Business Rates, replacement of Council Tax benefits with local Council Tax Support schemes and technical reforms to Council Tax. This report covers the latter area of technical reforms following the Governments publication of its consultation response at the end of May 2012 resulting in changes to legislation under The Local Government Finance Act 2012. The changes that take effect from 1<sup>st</sup> April 2013 are in relation to second homes discounts, homes previously exempt because they require or are undergoing structural alterations and empty properties. Councils are also given powers to set an Empty Homes Premium of up to 150% on properties that have been empty for more than 2 years.
- 3.2 Under current legislation 2<sup>nd</sup> Homes (empty but furnished properties) must receive a minimum of 10% discount, however this will reduce to zero from 1<sup>st</sup> April 2013. Many second homes are owned by investors who are not renting out the property. From 1<sup>st</sup> April 2012 the council reduced 2<sup>nd</sup> Homes discount from 50% to the statutory minimum 10% and this policy change has helped

reduce the number of second homes from 738 to 617. To reduce this discount to zero should further encourage owners to either to sell or rent their properties.

- 3.3 Where a property is unfurnished and requires or is undergoing structural alterations the owner is exempt (Class A) from paying council tax for a period of up to 12 months. There are currently 117 properties receiving this exemption. From 1<sup>st</sup> April 2013 this exemption is no longer available and is replaced by a discount which can range between 0% and 100%. At present with in effect a 100% discount applied (exempt) there is little incentive for the property owners to bring the property back into use but by reducing the discount to 25% this should act as an incentive to encourage owners to get properties back into use more quickly in line with the Council's Housing Strategy.
- 3.4 Where a property is empty and unfurnished the owner is exempt (Class C) for a period of up to 6 months. There are approximately 1,700 properties receiving this exemption at any one time. During a financial year this exemption is awarded in approximately 11,000 instances with 4,800 for periods of less than one month. From 1<sup>st</sup> April 2013 this exemption is no longer available and is replaced by a discount which can range between 0% and 100%. By reducing the discount to 25% for those properties that are empty for longer than 1 month should encourage owners to bring properties back into use more quickly in line with the Council's Housing strategy. Properties that are reoccupied within one month will continue to receive the 100% discount.
- 3.5 Finally, there are currently 700 properties that have been empty and unfurnished for a period greater than 2 years. These properties currently receive no discount, in effect paying 100%. From 1<sup>st</sup> April 2013 the council has the option to impose a premium of up to 50% (Empty Homes Premium) to encourage owners to either sell or rent out their properties. It is anticipated that applying this option in full, which is also consistent with all neighbouring Authorities, should have a positive effect on getting properties back into use which again is in line with the Council's Housing Strategy.

#### **4. Discretionary Relief**

- 4.1 Section 13A of the Local Government Finance Act 1992 (as inserted by Section 76 of the Local Government Act 2003), gives the Council power to reduce the amount of tax payable for example where it can be demonstrated by the liable person that they are suffering from financial hardship, or a particular class of case determined by the local authority.
- 4.2 In such cases, a reduction in liability of up to 100% can be granted.
- 4.3 This discretionary power could be used to alleviate problems to individual council tax payers, but only in exceptional cases.
- 4.4 There will be a potential loss of income associated with this policy, dependent upon the number of successful applications. A prudent estimate will be built into the Medium Term Financial Plan in recognition of this.



## **5. Financial Implications**

- 5.1 It is estimated that the proposals in respect of discounts to Empty Properties and Second Homes and application of the Empty Homes Premium would increase council tax income collected by around £1.3m a year from 2013/14.

It is expected that in 2013/14 and in subsequent years the Council will receive the full benefit of the additional income without it affecting Revenue Support Grant because of changes to the way funding is to be distributed under the new Local retention of business rates system.

- 5.2 The revised policy would impact upon Social Housing and private landlords as their costs would potentially increase to reflect the amended lower discounts offered by the Council from 1<sup>st</sup> April 2013.

## **6. Other Factors**

Whilst policies have not been confirmed all neighbouring local authorities have indicated that they are reviewing their discount policies in line with the recent changes in legislation.

## **7. Consultation**

- 7.1 Statutorily, there is a requirement to publish a notice in a local newspaper within 21 days of making such a determination should Cabinet and the Council choose to implement the recommendations with effect from 1<sup>st</sup> April 2013.

- 7.2 The proposed review also needs to be approved by members before the Council approves its Council Tax Base for 2013/2014 for the changes to become effective from 1<sup>st</sup> April 2013.

## **8. Suggested reason(s) for Decision**

- 8.1 To review the Council Tax Discount policy of the council for 2013/14 in response to changes in legislation .

## **9. Alternative options**

- 9.1 None

## **10. Background papers**

- 10.1 Local Government Act 2003 and the subsequent regulations; the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003

## **Appendix 1**

### **Legal Implications**

Sections 11, and 12 of the Local Government Finance Act 2012 gives the Council the necessary legal powers to implement the proposals made in this report regarding discounts and exemptions for empty homes. The ability to raise income from second homes will be made by amending existing legislation.

### **Sec 13a Local Government Finance Act 1992**

#### **Billing Authority's power to reduce amount of tax payable**

- 1) Where a person is liable to pay council tax in respect of any chargeable dwelling and any day, the billing authority may reduce the amount which he is liable to repay as respects the dwelling and the day to such extent as it thinks fit.
- 2) the power under (1) above includes power to reduce an amount to nil.
- 3) the power under (1) above may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by determination.

|   |                                  |
|---|----------------------------------|
| <p><b>CABINET MEETING – 16 January 2013</b></p> <p><b>EXECUTIVE SUMMARY SHEET- PART I</b></p>   |                                  |
| <p><b>Title of Report:</b><br/>Review of the Non-Domestic Rates Discretionary Relief Policy to Academy and Voluntary Aided Schools</p>  |                                  |
| <p><b>Author(s):</b><br/>Executive Director of Commercial and Corporate Services</p>  |                                  |
| <p><b>Purpose of Report:</b><br/>To review the current policy of Discretionary Relief for Non-Domestic Rates awarded to Academy and Voluntary Aided Schools.</p>  |                                  |
| <p><b>Description of Decision:</b><br/>To recommend Council to amend the current policy on Non-Domestic Rates Discretionary Relief, by removing discretionary relief paid to Academy and Voluntary Aided Schools with effect from 1st April 2013.</p> |                                  |
| <p><b>Is the decision consistent with the Budget/Policy Framework?</b> Yes</p>  |                                  |
| <p><b>If not, Council approval is required to change the Budget/Policy Framework</b></p>  |                                  |
| <p><b>Suggested reason(s) for Decision:</b><br/>To achieve a saving for the authority of approximately £271,000 per year.</p>   |                                  |
| <p><b>Alternative options to be considered and recommended to be rejected:</b><br/>Continue to offer Discretionary Relief in line with our current policy.</p>  |                                  |
| <p><b>Impacts analysed:</b></p> <p>Equality <input type="text" value="N/A"/> Privacy <input type="text" value="N/A"/> Sustainability <input type="text" value="N/A"/> Crime and Disorder <input type="text" value="N/A"/></p>                         |                                  |
| <p><b>Is this a “Key Decision” as defined in the Constitution?</b> Yes</p> <p><b>Is it included in the 28 Day Notice of Decisions?</b> Yes</p>  | <p><b>Scrutiny Committee</b></p> |



**Cabinet 16<sup>th</sup> January 2013**

**Review of the Non-Domestic Rates Discretionary Relief Policy to Academy and Voluntary Aided Schools**

**Report of the Executive Director of Commercial and Corporate Services**

**1. Purpose of Report**

- 1.1. This report advises members of the implications arising from changes to school funding, the increase in the number of maintained schools converting to academy status and the financial implications of the Council's current policy on the awarding of discretionary relief to Academy and Voluntary Aided Schools.

**2. Description of Decision**

- 2.1 To recommend Council to amend the current policy on discretionary relief for non-domestic rates by removing discretionary relief paid to Academy and Voluntary Aided Schools with effect from 1st April 2013.

**3. Background**

- 3.1 The Dedicated Schools Grant (DSG) was introduced in 2006/2007, and is the principal source of funding for schools and related activities. The grant was introduced in place of funding previously allocated via the Formula Grant and a number of smaller specific grants. The DSG is a ringfenced grant that can only be used to support Schools and related activities.
- 3.2 In relation to Non Domestic Rates relief, where a ratepayer is in receipt of Mandatory relief, the local authority can chose to allocate further discretionary relief, the cost of which is partially borne by the local authority from its mainstream budget.
- 3.3 There are currently 29 Academy and Voluntary Aided (VA) schools who are in receipt of both mandatory and discretionary relief in accordance with the current council policy on discretionary relief. The current policy pre dates the introduction of the DSG. The discretionary relief currently charged to the mainstream budget in respect of these schools is £271,000 for 2012/2013.
- 3.4 School Funding Reform from April 2013 ensures that schools will receive budget equal to the cost of business rates. Any increases in business rates through revaluations or change in policy will be funded from the DSG.

#### 4. Benefits of Removing Discretionary Relief Paid to Academy and Voluntary Aided Schools

4.1 It is current Government policy to increase the numbers of Academies. In Sunderland the number of schools that have converted or expect to convert Academies is shown in the table below:

| Year                         | No. of Academies |
|------------------------------|------------------|
| 2008/2009                    | 1                |
| 2009/2010                    | 2                |
| 2010/2011                    | 2                |
| 2011/2012                    | 3                |
| 2012/2013 (Expected - Mar13) | 14               |
| Total                        | 22               |

4.2 As part of the Academy Funding agreement Maintained schools that convert to Academies receive funds equivalent to 20% of the business rates charge.

4.3 Based on current policy, the following financial implications arise from Academy conversion:

|                         |  |
|-------------------------|--|
| Dedicated Schools Grant | 80% saving on the cost of business rates   |
| Academy                 | 20% saving as funding is provided but discretionary relief is awarded by the LA under the current policy |
| Local Authority         | Mainstream budget Implication of awarding 20% discretionary relief (£158,000 in 2012/2013)               |

4.4 A change in policy will protect the Local Authority from an increase in the cost of business rate relief as more schools convert to Academy status. By removing discretionary rate relief Academies would pay business rates equivalent to the funding they receive through the Academy Funding Agreement.

4.5 In order to apply the policy fairly and consistently to all Schools and Academies it is also appropriate to consider discretionary relief awarded to VA schools. This is particularly relevant as VA schools convert to Academy status and it is helpful to consistently apply the same policy.

4.6 School Funding is provided through the ringfenced Dedicated Schools Grant. The existing policy of awarding discretionary relief to VA schools was introduced before the introduction of the Dedicated Schools Grant. This means that the Local Authority is paying £113,000 from its mainstream budget

for discretionary relief which should be provided through the Dedicated Schools Grant.

- 4.7 The additional cost to VA schools of ceasing discretionary relief would be funded by DSG from savings realised from the reduction in business rates incurred as more schools convert to Academy status.
- 4.8 Funding would be provided to VA Schools equivalent to the cost incurred. There is therefore no funding implication at individual school level.

## **5. Consultation**

- 5.1 Under the Non Domestic Rating (Discretionary Relief) Regulations 1989 No. 1059 there is a requirement for the authority to give notice in writing to the ratepayer of the revocation of a decision of discretionary relief. The authority must give at least 1 years notice to cease or vary a ratepayer's entitlement to discretionary relief; any change must take effect at the expiry of a financial year. There is no statutory requirement to consult ratepayers on a revision to the authorities' discretionary relief policy.
- 5.2 Notices were served to ratepayers in receipt of discretionary relief in March 2012 to advise them that their entitlement to discretionary relief will cease on 31<sup>st</sup> March 2013.

## **6. Suggested reason(s) for Decision**

- 6.1 By removing the discretionary relief paid to Academy and Voluntary Aided Schools the Council would realise a saving of £271,000.

## **7. Alternative options**

- 7.1 Continue to offer Discretionary Relief to Academies and VA schools. The cost to the authority of providing discretionary relief would remain at £271,000 but likely to increase each year as more schools convert to Academies.





## CABINET MEETING – 16 January 2013

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

Council Tax Base 2013/2014.

**Author(s):**

Executive Director of Commercial and Corporate Services

**Purpose of Report:**

To detail the calculation of the Council Tax Base for 2013/2014 and to seek approval to recommend to Council the Council Tax Base for 2013/2014 in accordance with the Local Government Finance Act 1992 as amended by the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2012.

**Description of Decision:**

Cabinet is recommended to recommend to Council:

The report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2013/2014 be approved.

That pursuant to the report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, as amended by Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2012 the amount calculated by Sunderland City Council as its Council Tax Base for the year 2013/2014, shall be £64,094 and for the area of Hetton Town Council shall be £3,122.

**Is the decision consistent with the Budget/Policy Framework?**

Yes

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

To comply with statutory requirements.

**Impacts analysed:**

Equality  Privacy  Sustainability  Crime and Disorder

**Is this a “Key Decision” as defined in the Constitution?**

Yes

**Scrutiny Committee**

**Is it included in the 28 Day Notice of Decisions?**

Yes



## **Cabinet – 16 January 2013**

### **Calculation of Council Tax Base 2013/14**

#### **Report of the Executive Director of Commercial and Corporate Services**

##### **1. Purpose of Report**

- 1.1. To detail the calculation of the Council Tax Base for 2013/2014 and to seek approval to recommend to Council the Council Tax Base for 2013/2014 in accordance with the Local Government Finance Act 1992 as amended by Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2012.

##### **2. Description of Decision**

Cabinet is recommended to recommend to Council:

- 2.1. The report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2013/2014 be approved.
- 2.2. That pursuant to the report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 and the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2012, the amount calculated by Sunderland City Council as its Council Tax Base for the year 2013/2014, shall be £64,094 and for the area of Hetton Town Council shall be £3,122.

##### **3. Background to the Calculation of the Council Tax Base**

- 3.1 The Council Tax Base is the estimated number of properties in each valuation band adjusted to take account of the estimated number of discounts, disregards and exemptions. The Council levies a Council Tax on the basis of properties in band D and thus the numbers for each valuation band are adjusted to the proportion which their number is to band D. The Council must then estimate its level of collection for the year and apply this figure to arrive at the Council Tax Base figure.
- 3.2 The Council Tax Base must be calculated for both the Billing Authority and for the Hetton Town Council (a local parish precept). The Billing Authority Tax Base will be used to calculate the Council Tax for the City Council and as the basis for the major precepting authorities (Northumbria Police Authority and Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.
- 3.3 Under the Council Tax (Reductions for Disabilities) Regulations 1992 properties adapted to meet the needs of a disabled person are charged at a rate equal to the next lowest valuation band. For instance a qualifying band C property would be charged at the band B rate. This lower band is described as the 'alternative valuation band'. Prior to 1<sup>st</sup> April 2000 properties already in band A could not qualify for any disabled reduction as there was not a lower band to be charged at. From the 1<sup>st</sup> April 2000, however, the regulations were amended to introduce an additional 'alternative valuation band' (below band A) to allow band A properties to qualify for a disabled reduction. Instead of paying the normal band A charge (six-ninths of the band D charge) a qualifying band A property is now charged at five-ninths of the band D charge. For the purpose of the Council Tax Base calculation it

is necessary to show Band A properties which qualify for disabled reduction as if it was an additional valuation band. In this report the 'additional' valuation band is shown as either (A) or Disabled (A).

3.4 There are two major legislative changes that impact on the calculation of the Tax Base calculations from 2013/2014 as they become effective on 1<sup>st</sup> April 2013. These relate specifically to:

- Technical adjustments to Council Tax Discounts and Exemptions
- Localisation of Council Tax Benefit Scheme (LCTBS)

Both of these areas have been covered in detail in separate reports elsewhere on today's agenda, and the implications of both reports impact directly on the Council Tax Base calculations in accordance with the amended regulations.

3.5 The Technical adjustments have a positive impact on the Tax Base calculations and are accommodated within existing calculations.

3.6 The introduction of the LCTBS from 1<sup>st</sup> April 2013, however, has a major impact on the Tax Base calculations for 2013/2014 which will see a significant reduction in the council tax base compared to previous years. This has been estimated as equivalent to a reduction of 18,839 Band D properties. This is because the new scheme, which replaces council tax benefit, is treated as a council tax discount in the new calculations (Item Z referred to as the Council Tax Reduction Scheme) and is based on the scheme approved by the council. The Tax Base thus includes the full implications of the LCTB scheme to be implemented.

The Government will still provide grant funding known as Council Tax Support Grant but this is included within the Council's Revenue Support Grant allocation for 2013/2014 and reflects the 10% national funding reduction imposed through the new arrangements.

#### **4. Calculations of the Billing Authority's Council Tax Base**

4.1 This calculation is in two parts – 'A' - the calculation of the estimated adjusted band D properties and 'B' - the estimated level of collection.

4.2 The calculation of 'A' - the relevant amounts for each band is complex and includes a number of calculations which are shown at Appendix 1.

4.3 The relevant amounts 'A' as calculated in Appendix 1 are shown below:

| BAND         | RELEVANT AMOUNT |                  |
|--------------|-----------------|------------------|
|              | 'A'             |                  |
|              | £               | p                |
| Disabled (A) |                 | 90.83            |
| A            | 29,638.21       |                  |
| B            | 10,482.10       |                  |
| C            | 12,219.61       |                  |
| D            | 7,350.80        |                  |
| E            | 3,304.33        |                  |
| F            | 1,377.87        |                  |
| G            | 914.68          |                  |
| H            |                 | <u>23.50</u>     |
|              |                 | <u>65,401.93</u> |

#### 4.4 Calculation of Item 'B' - Estimate of Collection Rate

This element of the formula is to reflect the level of collection anticipated. Last year an anticipated collection rate of 98% was assumed. On the basis of current collection levels it is suggested that the collection rate should remain at 98% for 2013/2014.

#### 4.5 Calculation of Council Tax Base

The Council's Tax Base is therefore: 'A' £65,401.93 x 'B' 98% = £64,093.89

Appendix 2 shows, for Members information, the Tax Base for each property band.

### 5. Calculation of Council Tax Base for Hetton Town Council - Local Precept

5.1 The rules for calculating the Council Tax Base for the area covered by Hetton Town Council are similar to those used in calculating the Billing Authority's Tax Base. These detailed calculations are shown in Appendix 3.

5.2 The amounts calculated for each band are shown below:

| BAND         | RELEVANT AMOUNT |                 |
|--------------|-----------------|-----------------|
|              | 'A'             |                 |
|              | £               | p               |
| Disabled (A) |                 | 6.81            |
| A            | 1,829.71        |                 |
| B            | 619.93          |                 |
| C            | 354.84          |                 |
| D            | 208.34          |                 |
| E            | 95.71           |                 |
| F            | 51.28           |                 |
| G            | 18.33           |                 |
| H            |                 | <u>1.00</u>     |
|              |                 | <u>3,185.95</u> |

- 5.3 The same collection rate is required to be used for Parish precepts as for the Billing Authority. The Tax Base for Hetton Town Council is therefore:

$$\begin{aligned} & \text{'A' x 'B' (where 'B' is the estimated collection rate)} \\ & \text{£3,185.95 x 98\% = £3,122.23.} \end{aligned}$$

Appendix 2 shows, for Members information, the Tax Base for each property band.

**6. Reasons for Decision**

- 6.1 To comply with statutory requirements.

**7. Alternative Options**

- 7.1 No alternative options are proposed.

**8. Impact Analysis**

- 8.1 There are no implications.

**9. List of Appendices**

Appendix 1 - Calculation of the Billing Authority's Council Tax Base

Appendix 2 - Council Tax Base - City of Sunderland

Appendix 3 - Calculation of Council Tax Base For Hetton Town Council - Local Precept

## Calculation of the Billing Authority's Council Tax Base

- 1.1 Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (S.I. 1992 No. 612) and amended by (S.I. 2012 No. 2914) states that a Billing Authority's Council Tax Base for a financial year shall be calculated by applying the formula -

$$'A' \times 'B'$$

Where 'A' is the total of the relevant amounts for each of the Valuation Bands which are shown or likely to be shown in the Authority's Valuation List as at 30 November in the year prior to the year in question and where 'B' is the Authority's estimate of its collection rate for that year.

- 1.2 As stated above the Council is required to approve the calculation of both items 'A' and 'B' in arriving at its Tax Base.

Calculation of Item 'A' - relevant amounts for each Valuation Band:

- a) Regulation 5 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, states that item 'A' should be calculated by applying the following formula:

$$((H - Q + E + J) - Z) \times (F/G)$$

- where H = number of chargeable dwellings  
 Q = is a factor to take account of discounts of Council Tax payable. It is calculated as  $Q = (R \times S)$   
 R = number of discounts estimated to be payable in respect of these dwellings  
 S = the percentage relating to each discount classification  
 E = is a factor to take account of premiums to be added to the Council Tax Base  
 J = adjustment (whether positive or negative) in the numbers of dwellings or discounts during the period  
 Z = the amount that the authority estimates will be applied in respect of the Council Tax reduction scheme  
 F = the relevant prescribed proportions for each Band  
 G = the relevant prescribed proportion for Band D

- b) The calculation of each of the above items is, where appropriate, to be made in accordance with paragraph 2-13 of Regulation 4 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012. The different items are to be calculated as follows:

Item H - the number of chargeable dwellings is the sum of:

The number of dwellings listed in each Band in the copy of the Valuation List on the relevant day less an estimate of the number of such dwellings which were exempt on that day.

Item Q – a factor to take account of the discounts to which the amount of Council Tax payable was subject to on the relevant day. It is calculated by taking the aggregate of amounts found by multiplying, for each different relevant percentage, R by S, where:

Item R – the number of dwellings for which the amount of Council Tax payable for the relevant day was reduced. For 2013/2014 the following reductions are to be applied:

- a) Single Person Discount – awarded to properties with only one adult resident
- b) Single Disregard – awarded to properties in which all but one resident has been disregarded
- c) Double Disregard – awarded to properties in which all residents have been disregarded
- d) Class A Discount – Awarded to properties that cannot be occupied throughout the year (for example beach huts) – there are currently no such properties within the city area
- e) Class B Discount – awarded to furnished, unoccupied properties
- f) Class BE Discount – awarded to properties left furnished and unoccupied because the Council Tax payer is working away from home
- g) Class C Discount 1 – awarded to substantially unfurnished properties vacant for less than one month
- h) Class C Discount 2 – awarded to substantially unfurnished properties vacant for more than one month, for a maximum period of 6 months
- i) Class C Discount 3 – awarded to substantially unfurnished properties vacant for more than 6 months
- j) Class D Discount - awarded to vacant properties requiring or undergoing structural alteration or major repair, for a maximum period of 12 months
- k) Class E Discount - awarded to members of the armed forces living in accommodation provided by the Secretary of State
- l) Class F Discount – awarded to annexes forming part of a single property which the resident is using as their sole or main residence

Item S - the relevant percentage. For 2012/2013 the relevant percentage is as follows:

- a) Single Person Discount - 25%



|                       |   |               |
|-----------------------|---|---------------|
| b) Single Disregard   | - | 25%           |
| c) Double Disregard   | - | 25% x 2 (50%) |
| d) Class A Discount   | - | 0%            |
| e) Class B Discount   | - | 0%            |
| f) Class BE Discount  | - | 50%           |
| g) Class C Discount 1 | - | 100%          |
| h) Class C Discount 2 | - | 25%           |
| i) Class C Discount 3 | - | 0%            |
| j) Class D Discount   | - | 25%           |
| k) Class E Discount   | - | 50%           |
| l) Class F Discount   | - | 0%            |

The relevant percentage for items a) to c) above, is calculated in accordance with Section 11 Local Government Finance Act 1992. The relevant percentage for item d) to f) is calculated in accordance with the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003, and Section 11A of the Local Government Finance Act 1992. The relevant percentage for items g) to l) is calculated in accordance with the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2012, Section 11A of the Local Government Finance Act 1992 and the Local Government Finance Act 2012.

Item E – The amount of any additional premium charged on all long term empty properties which have remained unoccupied for a period of greater than 2 years. The amount of the premium is 50% of the amount of the Council Tax charge for that property. This will mean that properties are charged at a 150% rate.

Item J - the amount of any adjustment in respect of this item is equal to an estimate of dwellings not listed in H above but which will be listed during part or all of the year less an estimate of the number of dwellings listed in H above but which will not be listed for all or part of the year.

Item Z - the amount of support provided under the Council Tax reduction scheme. This is the scheme which is replacing Council Tax benefit. The support is shown as a discount and the reduction in the base is equivalent to the level of Council Tax that will not be collected because of awards made under the Council Tax reduction scheme

Item F - the relevant prescribed proportions for each band are set out in Section 5 of the Local Government Finance Act 1992 as follows:

|            |     |   |   |   |   |    |    |    |    |
|------------|-----|---|---|---|---|----|----|----|----|
| Band       | (A) | A | B | C | D | E  | F  | G  | H  |
| Proportion | 5   | 6 | 7 | 8 | 9 | 11 | 13 | 15 | 18 |

Item G - the relevant prescribed proportion for Band D is 9 (as above).

c) The calculation  $((H - Q + E + J) - Z) \times (F/G)$

The results of these calculations are shown below.

1.3 Tax Base Calculation  $((H - Q + E + J) - Z) \times (F/G)$

|        | Disabled<br>Band(A) | Band<br>A | Band<br>B | Band<br>C | Band<br>D | Band<br>E | Band<br>F | Band<br>G | Band<br>H |
|--------|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Item H | 174                 | 77490     | 16726     | 15650     | 7932      | 2887      | 994       | 600       | 18        |
| Item Q | 10.5                | 9280.84   | 1336.92   | 1016      | 382.50    | 128.51    | 47.53     | 45.39     | 6.25      |
| Item E | 0                   | 249.50    | 36        | 33        | 18.50     | 7.5       | 2.5       | 2.5       | 0         |
| Item J | 0                   | -80       | 105       | 105       | 49        | 8         | 18        | -1        | 0         |
| Item Z | 0                   | 23921.35  | 2053.10   | 1024.94   | 266.20    | 70.45     | 13.06     | 7.30      | 0         |
| Item F | 5                   | 6         | 7         | 8         | 9         | 11        | 13        | 15        | 18        |
| Item G | 9                   | 9         | 9         | 9         | 9         | 9         | 9         | 9         | 9         |

1.4 Applying the figures in section 1.3 to the calculation  $((H - Q + E + J) - Z) \times (F/G)$  produces a relevant amount for each Valuation Band - Item A in Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012 as follows:

**BAND RELEVANT AMOUNT**

|              | 'A'              |
|--------------|------------------|
|              | £ p              |
| Disabled (A) | 90.83            |
| A            | 29,638.21        |
| B            | 10,482.10        |
| C            | 12,219.61        |
| D            | 7,350.80         |
| E            | 3,304.33         |
| F            | 1,377.87         |
| G            | 914.68           |
| H            | 23.50            |
|              | <u>65,401.93</u> |

## Council Tax Base - City of Sunderland

| Band | Item 'A'                |       | Item 'B' | Tax Base                |       |
|------|-------------------------|-------|----------|-------------------------|-------|
|      | £                       | p     |          | 'A' x 'B'               | £     |
| (A)  |                         | 90.83 | 98       |                         | 89.01 |
| A    | 29,638.21               |       | 98       | 29,045.45               |       |
| B    | 10,482.10               |       | 98       | 10,272.46               |       |
| C    | 12,219.61               |       | 98       | 11,975.22               |       |
| D    | 7,350.80                |       | 98       | 7,203.78                |       |
| E    | 3,304.33                |       | 98       | 3,238.24                |       |
| F    | 1,377.87                |       | 98       | 1,350.31                |       |
| G    | 914.68                  |       | 98       | 896.39                  |       |
| H    | 23.50                   |       | 98       | 23.03                   |       |
|      | <b><u>65,401.93</u></b> |       |          | <b><u>64,093.89</u></b> |       |

## Council Tax Base - Hetton Town Council

|     |                        |  |    |                        |  |
|-----|------------------------|--|----|------------------------|--|
| (A) | 6.81                   |  | 98 | 6.67                   |  |
| A   | 1,829.71               |  | 98 | 1,793.12               |  |
| B   | 619.93                 |  | 98 | 607.53                 |  |
| C   | 354.84                 |  | 98 | 347.74                 |  |
| D   | 208.34                 |  | 98 | 204.17                 |  |
| E   | 95.71                  |  | 98 | 93.80                  |  |
| F   | 51.28                  |  | 98 | 50.25                  |  |
| G   | 18.33                  |  | 98 | 17.96                  |  |
| H   | 1.00                   |  | 98 | 0.98                   |  |
|     | <b><u>3,185.95</u></b> |  |    | <b><u>3,122.23</u></b> |  |

**Calculation of Council Tax Base For Hetton Town Council - Local Precept**

1.1. The rules for calculating the Council Tax Base for any part of a Billing Authority's area (e.g. Local Parish) are the same as the rules contained in Appendix 1 except that chargeable dwellings and discounts are to be taken for only those dwellings and discounts relating to the area for which the Council Tax Base is to be calculated.

1.2. As in Appendix 1 the rules require the calculations of items 'A' and 'B'.

Item A is calculated by the formula:

$$((H - Q + E + J) - Z) \times (F/G)$$

1.3. The calculations detailed above have been carried out in respect of the Hetton Town Council for each relevant band and the result of the calculations is shown below:

1.4. Tax Base Calculation - Hetton  $((H - Q + E + J) - Z) \times (F/G)$

|        | Disabled Band (A) | Band A  | Band B | Band C | Band D | Band E | Band F | Band G | Band H |
|--------|-------------------|---------|--------|--------|--------|--------|--------|--------|--------|
| Item H | 13                | 4785    | 939    | 430    | 215    | 84     | 38     | 13     | 1      |
| Item Q | 0.75              | 643.42  | 74.39  | 25.85  | 10.59  | 5.75   | 2.50   | 2      | 0.50   |
| Item E | 0                 | 29.50   | 2.50   | 1      | 0.50   | 0.50   | 0      | 0      | 0      |
| Item J | 0                 | -5      | 5      | 10     | 11     | 2      | 0      | 0      | 0      |
| Item Z | 0                 | 1421.52 | 75.06  | 15.96  | 7.57   | 2.44   | 0      | 0      | 0      |
| Item F | 5                 | 6       | 7      | 8      | 9      | 11     | 13     | 15     | 18     |
| Item G | 9                 | 9       | 9      | 9      | 9      | 9      | 9      | 9      | 9      |

1.5 Applying the figures in section 1.4 to the calculation  $((H - Q + E + J) - Z) \times (F/G)$  produces a relevant amount for each Valuation Band - Item A in Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2003 as follows:

| BAND         | RELEVANT AMOUNT |
|--------------|-----------------|
|              | 'A'             |
|              | £ p             |
| Disabled (A) | 6.81            |
| A            | 1,829.71        |
| B            | 619.93          |
| C            | 354.84          |
| D            | 208.34          |
| E            | 95.71           |
| F            | 51.28           |
| G            | 18.33           |
| H            | 1.00            |
|              | <u>3,185.95</u> |

## CABINET MEETING – 16<sup>TH</sup> JANUARY 2013

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

Business Rates Income Forecast 2013/14

**Author(s):**

Executive Director of Commercial and Corporate Services

**Purpose of Report:**

This report details the new regulations of the Local Government Finance Act 2012 that require billing authorities from 2013/14 to have Cabinet and full Council approve their NNDR1 form which estimates the business rates income for the coming financial year by 31 January.

**Description of Decision:**

Cabinet is recommended to recommend to Council that the Council approves the attached NNDR1 form (Appendix 1) of estimated business rates income for the year 2013/14 in accordance with new regulations which will form the basis of the necessary allocation of the estimated total business rate income for the year in the following proportions:

- Amount of NNDR to be paid to Central Government - £41,868,381;
- Amount of NNDR to be retained by Council - £41,067,939
- Amount of NNDR to be passed to Tyne and Wear Fire and Rescue Authority - £838,121

**Is the decision consistent with the Budget/Policy Framework?** Yes

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

To comply with new Government regulations that require Cabinet and full Council to approve the NNDR1 return on an annual basis from 2013/14. The final estimated Business Rates Income Return figures for 2013/14 have also to be formally notified by 31<sup>st</sup> January 2013 to both the Government and the Tyne and Wear Fire and Rescue Authority.

**Alternative options to be considered and recommended to be rejected:**

No alternative options are proposed.

**Impacts analysed:**

Equality  Privacy  Sustainability  Crime and Disorder

|  |                                  |
|--|----------------------------------|
| <p><b>Is this a “Key Decision” as defined in the Constitution?</b>      Yes</p> <p><b>Is it included in the 28 Day Notice of Decisions?</b><br/>Yes it now forms part of the Budget setting process.</p> | <p><b>Scrutiny Committee</b></p> |
|--|----------------------------------|

## **Cabinet – 16th January 2013**

### **Business Rates Income Forecast 2013/2014**

#### **Report of the Executive Director of Commercial and Corporate Services**

##### **1. Purpose of Report**

- 1.1 This report details the new regulations of the Local Government Finance Act 2012 that require billing authorities from 2013/14 to have Cabinet and full Council approve their NNDR1 form which estimates the business rates income for the coming financial year by 31 January.

##### **2. Description of Decision:**

- 2.1 Cabinet is recommended to recommend to Council that the Council approves the attached NNDR1 form (Appendix 1) estimated business rates income for the year 2013/14 in accordance with new regulations which will form the basis of the necessary allocation of the estimated total business rate income for the year in the following proportions:
- Amount of NNDR to be paid to Central Government - £41,868,381;
  - Amount of NNDR to be retained by Council - £41,067,939
  - Amount of NNDR to be passed to Tyne and Wear Fire and Rescue Authority - £838,121

##### **3. Introduction and Background Information**

- 3.1 The Local Government Finance Bill was made law on 21st November 2012 and its requirements are due to come into effect from 1<sup>st</sup> April 2013 and therefore apply to the 2013/2014 Budget.
- 3.2 Under the new legislation, 50% of Non-Domestic Rates (NDR) more commonly referred to as business rates will be retained locally by billing authorities and 2% of this total will be shared with the Tyne and Wear Fire and Rescue Authority. Currently all NDR collected is paid to the Government under the national funding and pooling arrangements.
- 3.3 The remaining 50% balance of business rate income collected, adjusted for technical adjustments in respect of Enterprise Zones will be paid over to central Government as the central share to fund Revenue Support Grant and the Police and other core grants.
- 3.3 Currently, Officers complete a return known as the NNDR1 form before the start of each financial year which is returned to the Department for Communities and Local Government (DCLG). This form provides the local tax base for business properties in the area for the forthcoming year and forms part of the national pool.

- 3.4 Under the Business Rates Retention Scheme the NNDR1 form becomes a key document in the budget setting process. An initial submission to Government of the provisional NNDR1 form for 2013/14 was required by 7<sup>th</sup> January 2013. A final version “signed-off by the Council” must be approved and returned to the DCLG no later than 31 January 2013.

#### **4. Issues / Proposals**

- 4.1 The need to obtain sign-off of the NNDR1 form is a new requirement and is date critical. Officers prepared and submitted the provisional return on 7<sup>th</sup> January 2013 in line with requirements set out in legislation. The provisional return is attached to this report as Appendix 1.

Page 2 of the NNDR 1 return summarises the position as follows:

- £41,868,381 - NNDR income collected to be paid to Central Government being 50% of net rate yield excluding transitional arrangements less government defined technical adjustment for enterprise zones;
- £41,067,939 - NNDR income collected to be retained by the Council being 49% of net rate yield excluding transitional arrangements;
- £838,121 - NNDR income collected to be passed to Tyne and Wear Fire and Rescue Authority being 1% of net rate yield excluding transitional arrangements.

- 4.2 The cycle of Council meetings can accommodate the submission of the final return to DCLG in January following Cabinet and Council approval. If prior to Cabinet on 16th January, any changes arise to the provisional submission of 7th January (as shown at Appendix 1 attached), an amended NNDR 1 form will be tabled at the meeting.
- 4.3 The provisional submission assumes agreement to the proposed changes to the Review of the Non-Domestic Rates Discretionary Relief Policy to Academy and Voluntary Aided Schools which are reported elsewhere on today’s Cabinet agenda. The draft submission will be amended in light of any change in approach following Cabinet / Council prior to final submission.
- 4.4 Although no exact process has been specified for the sign-off process, DCLG and the Chartered Institute of Public Finance and Accountancy (CIPFA) have indicated that they would expect Councils to adopt a similar process to the one used for approving the Council Tax Base.
- 4.5 The provisional and final figures must be reported to the DCLG and any relevant precepting authorities. In the case of the Council it must formally notify the Tyne and Wear Fire and Rescue Authority of their proportionate share of the Councils total estimated business rates income for 2013/14.
- 4.6 Full Council in January will approve the final agreed estimated Retained Business Rate Income for 2013/14 for inclusion in the Council budget.



## **5. Equality**

- 5.1 The council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equality Act 2010 and related statutes.
- 5.2 There are no implications.

## **6. Privacy**

- 6.1 There are no implications.

## **7. Sustainability**

- 7.1 None specific from this report. More widely, the system of funding Councils from retained business rates emphasise the importance of continuing to support business growth.

## **8. Crime and Disorder**

- 8.1 Under the Crime and Disorder Act 1998, the council has to have regard to the need to reduce crime and disorder in exercising any of its functions.
- 8.2 There are no implications

## **9. Reasons for Decision**

- 9.1 To comply with new Government regulations that require Cabinet and full Council to approve the NNDR1 return on an annual basis from 2013/14. The final estimated Business Rates Income Return figures for 2013/14 have also to be formally notified by 31<sup>st</sup> January 2013 to both the Government and the Tyne and Wear Fire and Rescue Authority.

## **10. Alternative Options**

- 10.1 No alternative options are proposed.

## **11. List of Appendices**

Appendix 1 – NNDR1 (Provisional) Return for 2013/2014

## **12. Background Papers**

None



|   |                                   |
|---|-----------------------------------|
| <p><b>CABINET MEETING – 16<sup>th</sup> January 2013</b></p> <p><b>EXECUTIVE SUMMARY SHEET – PART I</b></p>   |                                   |
| <p><b>Title of Report:</b><br/>The Provisional Local Government Finance Settlement for 2013/14 and Indicative Settlement 2014/15</p>  |                                   |
| <p><b>Author(s):</b><br/>Executive Director of Commercial and Corporate Services</p>  |                                   |
| <p><b>Purpose of Report:</b><br/>To set out the details of the Provisional Local Government Finance Settlement for 2013/14 and some key points in response to the consultation.</p>   |                                   |
| <p><b>Description of Decision:</b><br/>Cabinet is recommended to –</p> <ul style="list-style-type: none"> <li>(a) note the content of the impact of the provisional Local Government settlement for Sunderland and the potential implications for the development of the Council’s Budget for 2013/14, 2014/15 and future years;</li> <li>(b) consider and comment on the key issues and concerns raised in the report, which will be developed into the City Council’s formal response by the consultation response date of 15 January.</li> </ul> |                                   |
| <p><b>Is the decision consistent with the Budget/Policy Framework?</b> <span style="float: right;">Yes</span></p>   |                                   |
| <p><b>If not, Council approval is required to change the Budget/Policy Framework</b></p>  |                                   |
| <p><b>Suggested reason(s) for Decision:</b><br/>The outcome of the Local Government Settlement informs the Council of Central government resources to be made available which helps inform the Revenue Budget proposals for 2013/2014.</p>  |                                   |
| <p><b>Alternative options to be considered and recommended to be rejected:</b><br/>No alternative options are proposed.</p>   |                                   |
| <p><b>Is this a “Key Decision” as defined in the Constitution?</b><br/>No</p> <p><b>Is it included in the 28 Day Notice of Decisions?</b><br/>No</p>  | <p><b>Scrutiny Committee:</b></p> |



## **Cabinet report – 16<sup>th</sup> January 2013**

### **The Provisional Local Government Finance Settlement for 2013/14 and Indicative Settlement 2014/15**

#### **Report of the Executive Director of Commercial and Corporate Services**

##### **1. Purpose of Report**

- 1.1 To set out the details of the Provisional Local Government Finance Settlement for 2013/14 and proposed basis of response to the consultation.

##### **2. Description of Decision**

- 2.1 Cabinet is recommended to –
  - note the content of the impact of the provisional Local Government settlement for Sunderland and the potential implications for the development of the Council's Budget for 2013/14, 2014/15 and future years
  - consider and comment on the key issues and concerns raised in the report, which will be developed into the City Council's formal response by the consultation response date of 15 January.

##### **3. Introduction**

- 3.1 On 19 December the Secretary of State for Communities and Local Government announced the 2013/14 Revenue Support Grant and issued a consultation paper on 'Payments in Connection with Local Retention of Non-Domestic Rates and Revenue Support Grant for 2013/14; and Related Matters. In addition provisional grant figures for 2014/15 were also announced. The deadline for responses to the consultation paper is 15 January 2013.
- 3.2 The provisional settlement reflects the new approach to funding Local Government from 2013/14 arising from the Local Government Resource Review.

##### **4.0 Summary Implications**

- 4.1 Whilst the settlement information is still being analysed due to the lateness of receipt and information still outstanding our analysis of the impact on Sunderland shows that the figures for 2013/14 are broadly in line with planning assumptions but the grant funding cuts for 2014/15 are significantly higher than assumed. This could mean that our funding gap by the end of 2014/15 could be around £6m higher than had been assumed. If this then feeds through to 2015/2016 then at this stage the three year savings requirement for the City Council is likely to be in the region of £100million. However, as stated information is still outstanding and the position may change when further clarification is received.

- 4.2 The main elements of the settlement announcement are:
- Start Up Funding - the total amount of funding allocated to the authority provided through the estimated business rates share and formula funding including grants which have rolled into it
  - Specific grant funding not included in the Start Up Funding
  - Spending Power calculation - the Government has retained the spending power to establish the overall impact on local authority funding. This includes the Council Tax requirement, New Homes Bonus, the Start Up Funding, most Specific Grants and NHS funding for social care that also benefits health.
- 4.3 Analysis so far has revealed within the start up funding and for specific grants not included within the start up funding, areas such as Sunderland are impacted more adversely than others.
- 4.4 The Secretary of State's statement to the House of Commons referred to an overall reduction in spending power next year of 1.7 per cent. Spending power is made up of grant funding as well as income raised through council tax. DCLG have estimated that our spending power will fall by 1.6% (£4.8m in cash terms) in 2013/14 compared with a national average reduction of 1.7%. However an analysis of the detailed figures published since the announcement shows that the published cut in spending power is substantially understated, giving an inaccurate picture of the scale of cuts actually being made. This is similar to previous years when certain changes to grants were not included in the figures. It also ignores cost pressures from other funding transfers, such as the LACSEG Education transfer
- 4.5 Appendix 1 sets out the position in respect of the national settlement, local impact and response to the settlement (copy to follow ). Paragraph 5 below gives a high level analysis of the impact on Sunderland together with the key points that it is proposed are raised as part of the consultation response.

## **5. Impact on Funding for Sunderland 2013/2014**

### **5.1 Start up Funding Assessment and Government Funding 2013/2014**

- 5.1.1 The Government have determined the Council's Start up Funding assessment level as £187.773m representing a reduction of £5.312m compared to 2012/13.
- 5.1.2 The Council is to receive Revenue Support Grant (RSG) of £112.758m in 2013/2014 from Government.
- 5.1.3 Sunderland's baseline funding level is therefore £75.015m. Within this the Government have assessed the level of Retained Business Rates income which the Council will collect and retain as £40.415m. The Council will therefore also receive Government Top Up Grant of £34.600m.
- 5.1.4 The Safety Net Threshold is set by Government at 92.5% of a Council's baseline funding level which equates to £69.389m for Sunderland.
- 5.1.5 However, it should be noted that the Council must determine for itself the anticipated level of Business Rate Income collection and the proposals for the level of retained income for inclusion within the Council budget for 2013/14 are reported elsewhere on today's agenda. That has been assessed at £41.067m compared to the £40.415m assessed level.

Significantly, the Start Up Funding Assessment includes Government assumptions about the level of collection of business rates which the government have assessed will be achieved. This represents a significant area of risk, the burden of which is transferring to local authorities from April 2013.

In relation to business rates collection, the Government will only fund losses on business rate collection after a certain level of loss has been incurred through the Safety Net mechanism. Based on our assumptions on business rate income collection, income retained by the Council could fall by up to £6.2m before the Government will provide 100% safety net funding. This means that business rates collected would have to fall by £12.4m circa 16% before the threshold is triggered. This therefore represents a significant area of risk.

## **5.2 Local Council Tax Support**

Sunderland is to receive Local Council Tax Support Grant of £20.981m which represents a circa 11.5% reduction to the comparable figure for 2012/13. This is slightly better than originally anticipated.

Implementation of the Council Tax support scheme represents a further significant risk to the Council in setting its budget. The risk of not being able to collect council tax income from those who might have benefited from the previous Council tax benefit support scheme falls fully to the Council from April 2013.

The way the new arrangements will operate in 2014/15 however is an additional issue as the new local Council Tax Support funding has not been protected in 2014/15 within the Councils Start Up Funding Assessment. This means the Council is potentially facing a further reduction of 8.8% in this funding.

## **5.3 Revenue Spending Power 2013/14**

5.3.1 The Government has announced that no Council would lose more than 8.8% of its total revenue spending power in 2013/2014. Poorest areas are to be protected by an average reduction of less than 3%.

5.3.2 Appendix 2 shows the overall Revenue Spending Power according to the Government for Sunderland of £292.953m representing a reduction in funding resources of 1.6% (£4.8m) in 2013/14.

5.3.3 In 2013/14 the overall cut in funding takes into account increases in funding to support social care of £1.5m, New Homes Bonus funding increases of £0.552m and the potential 2013/14 Council Tax Freeze grant £0.967m.

5.3.4 The Council has received most of its other grant allocations within the Settlement details released (Appendix 3), however significant allocations for Public Health responsibilities and the Education Services Grant (replacing LACSEG) are still to be released. The PFI core grant has also not yet been confirmed but the allocation for the council is not expected to change from the previous year's allocation. Notification of the Extended Rights to Free Travel Grant is also outstanding.

The overall funding position is broadly as anticipated when taking into account the risks in respect of Business Rate and Council Tax Income collection referred to at paragraphs 5.1 and 5.2.

## **5.4 Council Tax Freeze Grant**

The Council will receive approximately £0.967m in Council Tax Freeze Grant should it elect to agree a zero Council Tax increase for 2013/14. The amount will also be included within the base funding position in the next Spending Review (2013).



## **5.5 New Homes Bonus**

The provisional total allocation for 2013/14 of £1.7m comprises:

|                                       |         |
|---------------------------------------|---------|
| 2011/12 - year 3 of allocation        | £0.575m |
| 2012/13 - year 2 allocation           | £0.577m |
| 2013/2014 - year 1 allocation (prov.) | £0.552m |

This was as anticipated within the budget planning assumptions.

## **5.6 Formula Grant – Academies Adjustment**

- 5.6.1 As part of the funding changes £5.416m has been deducted from Sunderland's allocation in respect of the former Local Authority Central Spend Equivalent Grant funding required to pay for statutory central education functions. This will be distributed via a new Education Services Grant to Academies and Local Authorities for maintained schools. Provisional local authority Education Services Grant allocations will be issued in early 2013.

## **5.7 Schools Funding**

### **5.7.1 Dedicated Schools Grant**

The Funding Reform requires the funding baselines to be restated to manage the introduction of using the October Pupil count and the disaggregation of the Dedicated Schools Grant into 3 funding Blocks: Schools, Early Years and High Needs

Funding for Sunderland schools continues to be influenced by changes in pupil numbers. The October 2012 census data shows that pupil numbers have decreased by 330 and consequently school block funding has reduced by £1.495m.

Sunderland's Early Years DSG will be increased by £3.142m in respect the expansion of the offer of 15 hours free nursery education to a greater number of 2 year old children . Part of this funding is movement of funding from the Early Intervention Grant into the Dedicated Schools Grant.

The following table shows the restated 2012/2013 position and the indicative Dedicated Schools Grant 2013/2014 allocation:

| Dedicated Schools Grant   | 2012/2013     |                | 2013/2014     |                | Change       |                |
|---------------------------|---------------|----------------|---------------|----------------|--------------|----------------|
|                           | Pupil No.s    | Total Funding  | Pupil Nos.    | Total Funding  | Pupil Nos    | Funding change |
|                           |               | £m             |               | £m             |              | £m             |
| Schools Block             | 35,403        | 160.586        | 35,073        | 159.091        | (330)        | (1.495)        |
| Early Years               | 2,520         | 12.892         | 2,520         | 12.892         |              | 0.000          |
| High Needs Block          |               | 21.135         |               | 21.172         |              | 0.037          |
| Disadvantaged 2 year olds |               |                |               | 3.142          |              | 3.142          |
| NQT                       |               |                |               | 0.054          |              | 0.054          |
| <b>Total</b>              | <b>37,923</b> | <b>194.613</b> | <b>37,593</b> | <b>196.351</b> | <b>(330)</b> | <b>1.738</b>   |

### 5.7.2 Pupil Premium Funding

Based on January 2012 pupil numbers Pupil Premium funding for Sunderland Schools and Academies would be £11.346m, representing an increase of £3.488m.

The pupil premium is paid to the local authority as part of the pupil premium grant. It must be passed on in its entirety to schools.

## 6. Impact on funding for Sunderland 2014/2015

### 6.1 Revenue Spending Power 2014/15

Appendix 2 shows Revenue Spending Power will reduce by a further 5.4% (£15.770m) in 2014/15 to £277.183m using the Government's measure.

The reduction in 2014/15 is higher than the national average reduction in spending power of 3.8% and £6m worse than anticipated in the Council medium term financial planning, even taking into account the additional 2% cuts announced in the Autumn Statement.

It is also be noted that the Revenue Spending Power net reduction includes Government assumed increases in core grants in respect of New Homes bonus £0.551m and funding to support social care of £0.268m, together with government assumed increases in Business Rate Collection at 3.1%. If these are excluded, Revenue Support Grant in isolation is reducing by £18.9m representing a reduction of 16.7%. This is a further significant decrease in government funding.

## 7. Proposed Draft Comments to Government on the Settlement

7.1 The lateness of the settlement data which was released just before Christmas, on 19<sup>th</sup> December 2012 has given very little time to properly analyse the settlement and also due to the unprecedented number of significant changes in the funding regime the process is much more complex than in previous years. Information has been drip fed therefore the analysis work is still ongoing. The main points to note at the time of writing this report are set out below. A full response will be included at Appendix 1:

- Fairness of the Settlement
 

The primary concern for Sunderland is the cumulative impact of some of the formula and system changes which are hitting deprived areas hardest. There are issues regarding the Governments Revenue Spending Power calculations released which may have understated the true position. This includes the omission of a number of revenue grants and not fully taking into account the impact of some funding transfers. The fair starting point takes on even greater significance as the basis of the system will not be changed until 2020 at the earliest if not addressed.
- Resource Equalisation – starting point
 

The Government committed to restore the Relative Resource block amount to -£6.550m (an increase of £988.8m) which was part of the formula grant system so that it reflected the 2010/11 level - which was something we supported as a council. Whilst this change has happened the way this has been adjusted by the Government has not produced the desired outcome and has actually led to the more deprived areas being affected most. This Government has adjusted the Relative Needs block by a reduction of £573.2m (which is distributed based on need) and has increased the Central Share block by £871.4m which is distributed on population numbers rather than a needs based approach. It would have been fairer if the government had made an equal proportionate change to both of these blocks of £298.2m (the difference between the two blocks of figures) instead to accommodate the change necessary to the Relative Resources element. Our response will seek to restore the balance between Relative Needs and the Central Share which would help address this area and provide for a much fairer starting point for the council.
- Business Rates – Baseline Funding Assessment
 

The Government mechanism for calculating the baseline funding assessment uses a national apportionment which takes no account of the Council's business rates collection resulting in a baseline funding assessment lower than the business rates collected. This means that the safety net threshold calculation is too low and increases the risk of income loss before Government intervention through the safety net mechanism.
- Safety Net Threshold
 

Based on the way the new system works the Council can incur a drop in retained Business Rates income in 2013/14 of almost £6.2m (gross drop of £12.4m) under the new system before the Government will step in with 100% safety net funding. Losses of income at this kind of level is a significant issue for the Council as a result of the threshold level being set at a much lower base than expected business rate levels ie 16% lower.
- Business Rate Revaluations
 

The amount of funding of £593m included by the Government in the national settlement, for businesses who appeal their rating valuations to the (independent) Valuation Office, may not be sufficient to fully address

the implications of these appeals if successful and means that Local Government will be carrying a significant risk to the amount of business rates they will be able to collect in future years. A fair modification to the system will be suggested whereby the Government reviews the cost of appeals annually to ensure that the full costs incurred by Local Government are fully funded by Central Government and that this risk is effectively transferred back to the Government.

- Council Tax Support Grant  
A reduction in RSG funding of 8.8% in 2014/15 represents a significant further reduction in funding. This will mean that those grants rolled into the new start up funding assessment, in particular the Council Tax Support Grant which has not been separately identified and protected are likely to be reduced in future as RSG funding is reduced year on year. This may not have been intended by the Government but will, if left unaddressed, become a significant funding issue in future years.
- New Homes Bonus Grant  
The Council does not support the above grant initiative unless the Government fully funds the grant. The way this funding works effectively top slices Government funding (that was previously needs based) for local government and redistributes this based on the number of new homes and empty properties brought back into by each council annually. This favours the more affluent parts of the country where new housing developments are in higher demand because of their better and/or growing economies which is in effect being paid for by the more deprived areas who can not grow at the same rate but are in effect having their funding top sliced to pay for this grant. We would call upon the Government to bring greater transparency into this area of funding so that each council can see clearly what impact this initiative has had and is having on their funding levels.
- Early Intervention Grant  
There have been significant cuts to this funding with grant being transferred into schools. The council has seen its funding reduce by £4.720m in 2013/14 but the council is concerned that the government has held back £150m of this funding nationally and would request that the Government considers releasing this funding to councils.
- 2014/2015 – Potential flaw with the new arrangements  
A key problem for 2014/15 has been identified in that there will be no separate calculation of relative needs under the new system from 2014/15 onwards. The needs figures, the resources amounts and the council tax support grant are all treated as a single figure in the new arrangements from 2014/15 and will, if not protected, be cut as a result by the standard percentage applicable for the authority when the government scale back Revenue Support Grant. For Sunderland this equates to 8.8% cut in 2014/15 and effectively means that needs (or resource equalisation) will be cut by 8.8%. It will have the impact of further significant funding redistributions from the poorest to the wealthiest councils each year unless this issue is addressed as the needs based assessment is eroded.

**8. Suggested Reason for Decision**

- 8.1 The outcome of the Local Government Settlement informs the Council of central government resources to be made available which helps inform the Revenue Budget proposals for 2013/2014.

**9. Alternative options to be considered and recommended to be rejected**

- 9.1 There are no alternative options recommended for approval.

**To follow**

**Appendix 1**

## Appendix 2

### a) Revenue Spending Power 2013/2014 compared to 2012/13 (Adjusted)

|  | 2012/13<br>Adjusted<br>£m | 2013/14<br>Provisional<br>£m | Change<br>£m  | Change<br>%  |
|--|---------------------------|------------------------------|---------------|--------------|
| Council Tax excl Parish Precepts                     | 96.302                    | 96.302                       | 0.000         | 0.0%         |
| Top Up Grant   |                           | 34.600                       |               |              |
| Assumed business rates based on proportionate shares |                           | 40.415                       |               |              |
| Revenue Support Grant                                |                           | 112.758                      |               |              |
| Start Up Funding Assessment                          | 193.085                   | 187.773                      | -5.312        | -2.8%        |
| Council Tax Freeze Grant 12/13                       | 2.408                     | 0.000                        | -2.408        | -100.0%      |
| Council Tax Freeze Grant 13/14                       | 0.000                     | 0.967                        | 0.967         | 100.0%       |
| Inshore Fisheries Conservation                       | 0.014                     | 0.014                        | 0.000         | 0.0%         |
| Lead Local Flood Authorities - adj                   | 0.037                     | 0.037                        | 0.000         | 0.0%         |
| Social Fund Admin Grant                              | 0.273                     | 0.254                        | -0.019        | -7.0%        |
| Community Right To Challenge                         | 0.008                     | 0.008                        | 0.000         | 0.0%         |
| Community Right to Bid                               | 0.005                     | 0.008                        | 0.003         | 60.0%        |
| New Homes Bonus                                      | 1.152                     | 1.704                        | 0.552         | 47.9%        |
| Local Reform and Community Voices DH                 | 0.272                     | 0.275                        | 0.003         | 1.1%         |
| NHS Funding to Support Social Care and Benefit Healt | 4.154                     | 5.611                        | 1.457         | 35.1%        |
| <b>Revenue Spending Power</b>                        | <b>297.710</b>            | <b>292.953</b>               | <b>-4.757</b> | <b>-1.6%</b> |

### b) Grants outside of Spending Power Calculation

|   | 2012/13<br>£'m | 2013/14<br>£'m |
|---|----------------|----------------|
| Housing and Council Tax Support Administration Grai | 3.162          | 2.882          |
| New Burdens - Council Tax Support Scheme            | 0.000          | 0.216          |
| Community Safety                                    | 0.157          | 0.000          |
| Extended Rights to Free Travel                      | 0.191          | TBC            |
| Weekly Collection Support Grant                     | 1.010          | 2.231          |
| Public Health Funding                               | 0.000          | TBC            |
| Education Services Grant                            | 0.000          | TBC            |
| Social Fund Set Up grant                            | 0.012          | 0.000          |
| Social Fund - programme                             | 0.000          | 1.202          |
|   | <b>4.532</b>   | <b>6.531</b>   |

## 3

## Revenue Spending Power 2014/2015 compared to 2013/14

|   | 2013/14           |                | 2014/15           |                | Change  |                | Change |              |
|---|-------------------|----------------|-------------------|----------------|---------|----------------|--------|--------------|
|   | Provisional<br>£m | £m             | Provisional<br>£m | £m             | £m      | £m             | %      | %            |
| Council Tax excl Parish Precepts                      |                   | 96.302         |                   | 96.302         |         | 0.000          |        | 0.0%         |
| Top Up Grant  | 34.600            |                | 35.662            |                | 1.062   |                | 3.1%   |              |
| Assumed business rates - proportionate shares         | 40.415            |                | 41.653            |                | 1.238   |                | 3.1%   |              |
| Revenue Support Grant                                 | 112.758           |                | 93.881            |                | -18.877 |                | -16.7% |              |
| Start Up Funding Assessment                           |                   | 187.773        |                   | 171.196        |         | -16.577        |        | -8.8%        |
| Council Tax Freeze Grant 13/14                        |                   | 0.967          |                   | 0.967          |         | 0.000          |        | #####        |
| Inshore Fisheries Conservation                        |                   | 0.014          |                   | 0.014          |         | 0.000          |        | 0.0%         |
| Lead Local Flood Authorities - adj                    |                   | 0.037          |                   | 0.037          |         | 0.000          |        | 0.0%         |
| Social Fund Admin Grant                               |                   | 0.254          |                   | 0.233          |         | -0.021         |        | -8.3%        |
| Community Right To Challenge                          |                   | 0.008          |                   | 0.009          |         | 0.001          |        | 12.5%        |
| Community Right to Bid                                |                   | 0.008          |                   | 0.008          |         | 0.000          |        | 0.0%         |
| New Homes Bonus                                       |                   | 1.704          |                   | 2.255          |         | 0.551          |        | 32.3%        |
| Local Reform and Community Voices DH                  |                   | 0.275          |                   | 0.283          |         | 0.008          |        | 2.9%         |
| NHS Funding to Support Social Care and Benefit Health |                   | 5.611          |                   | 5.879          |         | 0.268          |        | 4.8%         |
| <b>Revenue Spending Power</b>                         |                   | <b>292.953</b> |                   | <b>277.183</b> |         | <b>-15.770</b> |        | <b>-5.4%</b> |



**CABINET MEETING – 16 JANUARY 2013**  
**EXECUTIVE SUMMARY SHEET – PART I**

**Title of Report:**

Revenue Budget 2013/2014 Proposals

**Author(s):**

Chief Executive and Executive Director of Commercial and Corporate Services

**Purpose of Report:**

To report the provisional budget proposals for 2013/2014, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2013/2014.

**Description of Decision:**

Cabinet is requested to approve the provisional budget proposals, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2013/2014.

**Is the decision consistent with the Budget/Policy Framework?**

Yes – it is seeking to inform a future decision to change the Budget and Policy Framework for 2013/2014.

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

To enable constitutional requirements relating to the development of the Revenue Budget to be met.

**Alternative options to be considered and recommended to be rejected:**

There are no alternative options recommended for approval.

**Impacts analysed:**

Equality  Privacy  Sustainability  Crime and Disorder

**Is this a “Key Decision” as defined in the Constitution?**

Yes

**Is it included in the 28 Day Notice of Decisions?**

Yes

**Scrutiny Committee:**



**REVENUE BUDGET 2013/2014 PROPOSALS****Report of the Chief Executive and Executive Director of Commercial and Corporate Services****1. Purpose of Report**

- 1.1 This report sets out the provisional budget proposals for 2013/2014, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2013/2014 and final approval of the 2013/2014 Budget in due course.
- 1.2 Details of the provisional Local Government Finance Settlement received on 19th December 2012 are set out elsewhere on this agenda

**2. Description of Decision**

- 2.1 Members are requested to approve the provisional budget proposals, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2013/2014 and final approval of the 2013-14 Budget in due course.

**3. National Economic Context to 2013/2014 Budget**

- 3.1 Government Autumn Statement - Impact of the Deficit Reduction Plan

The Government confirmed in the Autumn Statement that it intends to continue to address the deficit by following its deficit reduction plan. Although the UK economy has come out of a double dip recession with growth in quarter 3, the overall position is still an anticipated 0.1% negative growth for the year, down from forecast growth in the Governments March Budget statement of 0.8%. All other projections into the medium term have also all been downgraded.

The Government has reduced growth forecasts to 1.2% in 2013, 2.3% in 2014, 2.5% in 2015, 2.7% in 2016 and 2.8% in 2017. It also announced that the reduction plan will be extended by a further year to include 2017/2018.

The Government also announced cuts to spending of an additional 1% in 2013/2014 and 2% in 2014/2015 in addition to those announced in the March Budget. These cuts alongside the planned changes in taxation and welfare benefits will produce savings of £5bn which the Government is to use to finance investment in infrastructure projects including transport, mainly road upgrades, and to build 100 new schools.

Local Government will be exempt from the 1% reduction in 2013/2014 but the 2% reduction in 2014/2015 will apply. The Government is also

planning to set out its spending plans for the next Spending Review period (2015/2016 to 2018/2019) in the first half of 2013. The outlook for public sector funding therefore continues to remain very challenging with prolonged public sector funding reductions envisaged until at least 2017/2018.

### 3.2 National Funding Totals

3.2.1 The Government has indicated that total funding will be revised to reflect the worsening economic position and other known factors resulting in significantly greater funding reductions than those set out in SR10 – currently the position is:

- 2013/2014 revised from -0.8% to -12.3% remains at -12.3%
- 2014/2015 revised from -5.8% to -8.7% now -10.7%

## 4. **Summary of the Provisional Local Government Settlement for 2013/2014 and Indicative Settlement 2014/2015**

### **Provisional Settlement 2013/2014**

4.1 In preparing the 2013/2014 budget proposals a significant level of uncertainty has arisen as a result of the impact of the Government's Local Government Resource Review and the financial implications caused by the introduction of the Localisation of Council Tax Benefit from 1st April 2013. This unprecedented level of complexity combined with the very late notification of the provisional settlement have made initial analysis challenging.

4.2 In summary, the provisional settlement is a very difficult one with significant reductions required for 2013/14, 2014/15 and beyond. The prognosis therefore remains challenging and bleak.

4.3 On 19th December 2012 Government announced the Provisional Local Government Settlement for 2013/2014 and Indicative Settlement 2014/2015. Details of the Provisional Finance Settlement are reported elsewhere on this agenda, however a summary of the position for Sunderland is set out below.

4.4 In presenting the provisional Local Government Settlement and its impact on local Council's the Government refer to the concept of "Revenue Spending Power" to describe the changes to Local Government funding. A Local Authority's "Revenue Spending Power" is made up from a combined total of Council Tax, Business Rates, and Government grant funding.

4.5 The Spending Power reduction for Sunderland in 2013/2014 is 1.6% which represents a cash reduction of £4.8m. However, it should be noted that:

- The net reduction includes an increase in funding to support social care and benefit health of £1.5m. However this resource has already been taken into account in addressing the overall savings requirement and to meet ongoing pressures in this area in 2013/2014.
- The net reduction includes Government assumptions about the level of collection of business rates income and full recovery of income lost through the implementation of the Localisation of Council Tax Benefit. These represent significant risks transferring to the Council from April 2013 which need to be taken into account when setting the budget. For example the Government will only fund reductions on forecast levels of business rate income after income falls below a certain threshold (referred to by Government as the Safety Net Threshold). For 2013/2014 the Finance Settlement indicates Business Rates income retained by the Council can drop by £6.2m before the Council would receive any funding from government through the Safety Net arrangement.
- This clearly represents a significant and new area of risk and financial volatility for the Authority. Planning assumptions to date have recognised this to ensure the 2013/14 budget is prudently based.
- The reduction in resource assumes that the 2013/2014 council tax freeze grant of £0.967m is taken into account
- A number of significant grants are still to be announced including the Public Health Grant and Education Services Grant

4.6 Therefore, as outlined above, in overall terms the provisional settlement has confirmed that the original budget planning framework assumptions of a reduction in resource of £13.9m need to be maintained, given the risks associated with Business Rate income from April 2013 and continued uncertainties set out above.

#### **Indicative Settlement 2014/2015**

4.7 For 2014/2015 spending power reduces by 5.4% representing a £15.8m reduction in funding. This is a £6m greater reduction than previously forecast reflecting the additional 2% reductions announced in the Autumn Statement as well as additional reductions included through the provisional settlement process. Planning figures for 2014/2015 will be amended to take account of this additional funding reduction requirement.

### **5. Detail of Key Funding Elements for 2013/2014**

5.1 From 2013/2014 the key funding elements to support the revenue budget will comprise

- Retained Business Rates
- Revenue Support Grant
- Top Up Grant

- Other Core Grant Funding
- Council Tax

The impact of the Local Government Resource Review on each of the above elements is set out below:

#### 5.1.1 Retained Business Rates

A new Business Rates Retention system replaces formula grant funding from 2013/2014. The system has been consulted upon and the final scheme details are set out in the Finance Settlement reported elsewhere on this agenda. Key features are:

- 50% of Business rates will form part of the national 'central' share retained by Central Government to be redistributed; 50% will be retained locally. Of this 50% the Council must distribute 2% to the Tyne and Wear Fire and Rescue Authority.
- A safety net arrangement is included with the intention of protecting Authorities from significant falls in their Business Rates income which has been set at 92.5% of their base line funding limit.

The forecast income from Business Rates for 2013/2014 which will be retained by the Council is £41.1m further details of which are reported elsewhere on this agenda for approval prior to submission to Central Government.

#### 5.1.2 Revenue Support Grant

The Government has confirmed that they are to incorporate a number of Core revenue grant funding allocations into the new Business Rates Retention system including Formula Grant, Early Years Intervention, Learning Disabilities, Council Tax Support and Preventing Homelessness.

The amount of Revenue Support grant to be received by Sunderland announced as part of the Provisional Settlement on 19<sup>th</sup> December 2012 is £112.8m.

#### 5.1.3 Top up Grant

'Top up' councils such as Sunderland will have their allocations fixed but will be index linked to RPI each year. The amount of Top up grant to be received by Sunderland announced as part of the Provisional Local Government Finance Settlement is £34.6m.

#### 5.1.4 Other Core Grant and Revenue Funding

The core and revenue grants of significant value which have been confirmed as part of the provisional settlement are:

- The New Homes Bonus Grant is intended to incentivise local

authorities to build and bring into use more homes, with a special emphasis on creating more affordable housing. The level of grant awarded is based on the increase in housing stock through new build properties and through returning empty properties back into use. Each years allocation is awarded for a 6 year period after which the grant ceases. Given the Government has top sliced total available resources for 2013/2014 to fund the New Homes Bonus it is proposed the 2013/2014 allocations be used to support the overall budget position. The provisional total allocation for 2013/14 of £1.7m comprises:

|                                       |         |
|---------------------------------------|---------|
| 2011/12 - year 3 of allocation        | £0.575m |
| 2012/13 - year 2 allocation           | £0.577m |
| 2013/2014 - year 1 allocation (prov.) | £0.552m |

Support to Housing investment initiatives will continue to be addressed via the Capital Programme and revenue budget as required.

- NHS funding to support Social Care and Benefit Health Grant has increased by £1.458m to £5.611m. The additional resource has already been taken into account in addressing the overall savings requirement and to meet ongoing pressures in this area in 2013/2014.
- A reduction in Housing and Council Tax Benefit Administration grant of £0.280m to £2.882m was notified to the Council after the Budget Planning Framework was presented to Cabinet in October but has been built into the planning assumptions.
- In November 2012, the Council was awarded £4.722m Weekly Collection Support grant to retain weekly refuse collection arrangements. The award of grant means that funding will be provided for three years (£1.010m in 2012/13, £2.231m in 2013/2014 and £1.481m in 2014/2015) and the Council has committed to retaining weekly collections for five years, through to 2016/2017. The budget planning assumptions currently ensure that the grant will be sufficient to facilitate this whilst also delivering planned reductions during that period.
- Social Fund Grant of £1.202m in respect of DWP Care and Crisis Loans activities (former Social Fund) for which responsibility transfers to the Council from April 2013. This level of funding was taken into account in assessing the impact of the Governments Welfare Reform agenda.

At this stage significant allocations for Public Health responsibilities and the Education Services Grant (replacing LACSEG) are still to be released. The PFI core grant has also not yet been confirmed but the allocation for the Council is not expected to change from the previous year's allocation. Notification of the Extended Rights to Free Travel

Grant is also outstanding.

#### 5.1.5 Council Tax

##### Capping Powers and Reserve Powers

The Localism Act received royal assent on 15th November 2011 and provides for the provision of referendums to veto excessive council tax increases. This effectively places a limit on council tax increases and if councils exceed Government limits then the public will be able to vote to agree or veto any considered 'excessive' increase.

The provisional settlement confirmed the threshold percentage to hold a referendum will be 2% for 2013/2014.

##### Council Tax Freeze Grant

The settlement also confirms the third year funding for the 2011/2012 Council Tax freeze. This funding will be provided until 2015/2016 to compensate councils for not increasing their council tax in 2011/2012.

The Government has announced grant funding to allow local authorities to freeze council tax for 2013/2014 (based on a 1% council tax increase) with this funding to be provided for both 2013/2014 and 2014/2015. The funding is offered to compensate those Authorities who decide not to increase their Council tax in 2013/2014. As the funding is not of a permanent nature any use of the grant to support on going revenue expenditure will require alternative funding to be identified in the following years should the Council decide to access and accept the grant.

#### 5.2 Schools Funding

As a result of the additional resources through pupil premium, the continued operation of protection to the funding of schools with falling rolls and some additional funding in respect 15 hours free nursery education to a greater number of 2 year old children, the overall quantum of schools funding will increase in 2013/2014. Details are set out below:

##### 5.2.1 Schools Funding Formula

New funding arrangements are to be introduced from April 2013 for all Schools and Academies. This is the first stage of introducing a national funding formula in the next spending review period.

The Government is to continue to apply a national protection arrangement for schools whereby no school will see a per pupil reduction compared to its 2012/2013 budget (excluding sixth form funding) of more than 1.5 per cent before the pupil premium is applied.



## 5.2.2 Dedicated Schools Grant

The October 2012 census data shows that pupil numbers have decreased by 330 and consequently school block funding has reduced by £1.495m.

In 2013/2014 the expansion of the offer of 15 hours free nursery education to a greater number of 2 year old children who meet criteria for deprivation will be implemented. Sunderland's Early Years DSG will be increased by £3.142m. Part of this funding is movement of funding from the Early Intervention Grant into the Dedicated Schools Grant.

## 5.2.3 Pupil Premium Funding

The Pupil Premium level of funding for 2013/2014 for Sunderland Schools and Academies is estimated to be £11.346m, based on January 2012 pupil numbers representing an increase of £3.488m compared to 2012/2013.

## 5.2.4 Education Services Grant

Following consultation during the summer, the Department for Education has announced that a new grant, the Education Services Grant is to replace the Local Authority Central Spend Equivalent Grant (LACSEG) from September 2013. This is not additional funding.

Provisional local authority Education Services Grant allocations will be issued in early 2013. Current planning assumes funding of £3.0m will be received.

# 6. Provision for Spending Pressures and Commitments

6.1 When the Budget Planning Framework was approved in October 2012 Cabinet agreed that the following spending commitments would be taken into account:

- The Government has indicated a limit on public sector pay of a 1.0% pay increase. Prudent assumptions have been included from 2013/2014.
- price increases to be included on the basis of prudent assumptions in respect of energy and contractual arrangements.
- provision taking account of the results of the Actuarial review of the Local Government Pension Scheme 2010, covering the three years to 2013/2014.
- provision be made for spending commitments in respect of:
  - debt charges and interest receipts;
  - landfill tax and waste disposal strategic solution;
- the impact of demographic changes in respect of adult social care;
- pressures relating to safeguarding and external placements;

- service pressures as a result of the economic downturn;
- Replacement of one off resources utilised in setting the 2012/2013 budget of £2.272m.
- Provision for services pressures identified in 2012/2013 in respect of adult social care which need to be addressed in 2013/2014 and the need to replace planned savings from end to end service reviews with alternative savings in 2013/2014.

6.2 In this context and within the Budget Planning Framework approved, in the preparation of the Revenue Budget for 2013/2014, it is proposed to make provision to address a number of spending commitments and pressures as set out below:

### **6.3 Cabinet Secretary**

The following proposals are made:

#### **6.3.1 Welfare Reform**

The Council continues to make plans for the significant number and challenging nature of Welfare Reform changes, of which the majority impact in April and October 2013. These include the implementation of new responsibilities resulting from the transfer of former Social Fund responsibilities to Local Authorities, measures that seek to mitigate against the significant adverse impacts anticipated across the city and changes to internal administration and support arrangements. Appropriate provision has been included within the budget in order to meet these additional responsibilities and liabilities.

#### **6.3.2 Capital Financing**

Prudential borrowing has been provided for within the medium term financial position in relation to known investments over that period, together with a provision to provide future flexibility to enable strategic priorities of the Council to be addressed.

### **6.4 Adults Health and Housing**

The following proposals are made:

#### **Adult Services Demand / Demographic Issues**

The increasing longevity of the national and specifically, the city's, population continues to place significant pressure on Adult Social Services budgets. In addition, increasing demand to support clients with complex needs to enable clients to maintain independent living, is requiring reconfigured services and additional investment. With these pressures in mind the Government announced additional funding for Primary Care Trust's for the period of the spending review with an expectation that the funding is passported to Local Authorities for investment within Social Care services.

The impact of additional cost pressures and necessary investment have been factored into plans on an appropriate basis.

## 6.5 Children's Services

The following proposals are made:

### Children's Demand Pressures – External Placements

There continues to be increasing demand pressures in relation to safeguarding and specifically external placements and prudent provision has been made for this purpose.

## 6.6 City Services

The following proposal is made:

### Waste Disposal

The impact of cost variations in relation to waste disposal have been factored into the Medium Term Financial Strategy including landfill tax, volume of waste, recycling implications, and the impact of implementing the Waste Disposal Strategic Solution.

## 7. Summary Funding Gap

The financial provisions proposed for the areas of spending pressures outlined are set out in the following table. When taken alongside the current forecast reduction in funding the overall gap to be addressed is also summarised below.

|  | 2013/14 |              | 2014/15 |              |
|--|---------|--------------|---------|--------------|
|  | £m      | £m           | £m      | £m           |
| <b>Forecast Resources Reduction</b>                                      |         | <b>13.89</b> |         | <b>15.77</b> |
| <b>Spending Pressures</b>  |         |              |         |              |
| Pay Pensions and Other Cost Pressures                                    | 6.78    |              | 7.01    |              |
| Waste Disposal   | 1.05    |              | 0.99    |              |
| Health Housing and Adult Services Service Demand / Demographic Pressures | 5.37    |              | 1.59    |              |
| Children's Services Demand Pressure - External Placements                | 1.67    |              |         |              |
| Welfare Reform   | 1.34    |              | -0.10   |              |
| Financing Capital Programme  | 2.50    |              | 0.50    |              |
| CSN End to End   | 2.14    |              |         |              |
| Replacement 2012/13 & 2013/14 Use of One off Resources                   | 2.26    | <b>23.11</b> | 4.54    | <b>14.53</b> |
| <b>Total Resource and Spending Pressures</b>                             |         | <b>37.00</b> |         | <b>30.30</b> |

## 8. Proposals to Meet the Funding Gap 2013/2014

- 8.1 As part of the Budget Planning Framework for 2013/2014 Cabinet agreed in October 2012 to progress the approach to meeting the funding gap by:

- Progressing the existing improvement programme of savings which aims to meet needs and achieve savings while protecting as far as possible frontline services and maximising non frontline savings. Throughout the programme Strategic and Shared Services are being refocused and reduced by an average 50%.
- Continuing to protect so far as possible front line services which are being reshaped and refocused to:
  - Ensure services are responsive to local needs
  - Protect core services particularly those most vulnerable
  - Target resources rather universal service provision.

8.2 The proposals to meet the funding gap are set out in the table below and reflect measures being implemented through the emerging new framework including through:

Demand Management - Developing the strategies and actions that enable the Council to manage demand and deliver services in a different and more agile way within communities;

Cost of Supply and Customer Services Network (CSN) development - Increased focus on the CSN as the gateway and connector of demand and supply for services with the aim of targeting resources to areas of greatest need alongside continued delivery of efficiencies within Council services;

Development of Alternative Service Delivery Models for services – continuing to look at the most effective and efficient models of provision for services over the short to medium term;

Strategic Services and Fixed Assets – further and continual review to meet the future needs of the Council and its communities, maximise use of assets and deliver significant savings.

Summary of Proposed Savings Plans

|  | <b>2013/14</b> | <b>2014/15</b> |
|--|----------------|----------------|
|  | <b>£'m</b>     | <b>£'m</b>     |
| <b>Corporate and Cross Cutting</b>           |                |                |
| Strategic and Shared Services                | 7.19           | 0.53           |
| People Based Commissioning Reviews           | 1.00           | 3.00           |
| Voluntary and Community Sector Review        | 0.49           |                |
| Integration of Public Health                 | 2.00           |                |
| Corporate Resources (ITA /NHB)               | 2.70           | 1.00           |
| SWITCH Resource Repatriated                  | 5.10           | 3.20           |
|  | <b>18.48</b>   | <b>7.73</b>    |
| <b>Improvement Plans</b>                     |                |                |
| Place and Economy                            | 5.12           | 0.41           |
| People - Children's Services                 | 3.76           | 1.25           |
| People - Health Housing and Adult Services   | 5.12           | 2.45           |
|  | <b>14.00</b>   | <b>4.11</b>    |
| <b>Use of One off savings</b>                |                |                |
| Capitalisation of highways and repairs spend | 1.00           | 1.00           |
| Temporary Use of balances                    | 3.52           | 1.00           |
|  | <b>4.52</b>    | <b>2.00</b>    |
| <b>Total Ongoing Programmed Savings</b>      | <b>37.00</b>   | <b>13.84</b>   |

Further work is continuing to develop a full suite of proposals to meet the 2014/2015 Funding Gap as well as the further savings forecast to be required in 2015/16 and beyond. An update will be provided to Members in February as part of the updated Medium Term Financial Strategy 2013-2016.

In respect of 2013/2014, further detail on the savings proposals is set out below.

### 8.3 Ongoing Programmed Savings

#### 8.3.1 Corporate and Cross Cutting (£18.476m)

- **Strategic and Shared Services (£7.190m)**  
A further reconfiguration of support services to meet the future requirements of the Council and deliver efficiencies involving continued refinement and implementation of new ways of delivering support services by redesigning processes and using ICT to maximise efficiencies.
- **People Based Commissioning Reviews (£1.0m)**  
Efficiencies through re-commissioning and integrated working with childrens, families adults and health services will deliver savings estimated at £1million in 2013/2014.
- **Review of Voluntary and Community Sector (£0.486m)**  
Savings will be achieved through reviewing commissioning arrangements with the voluntary sector on a strategic basis.
- **Integration of Public Health (£2.0m)**  
Efficiency savings will be achieved through integration of public health arrangements. The proposed savings are based on unallocated spending within the current budget and also forecastsavings on overheads when the service transfers from the PCT to the Council.
- **Corporate Resources Savings (£2.7m)**  
Given the Government have top sliced formula grant to support the New Homes Bonus it is proposed that the allocation for New Homes Bonus anticipated in 2013/2014 is used to support the budget. In addition savings arising from the ITA levy can also be taken into account to support the budget.
- **SWITCH Resource Repatriated (£5.1m)**  
Following the implementation of the Severance Scheme and the cessation of SWITCH an updated approach to workforce planning will be implemented alongside the 2013/2014 budget proposals. Budget resources of £5.1m can therefore be released to support the budget for 2013/2014.

#### 8.3.2 Place and Economy (£5.113m)

- **Smarter Working (Utilisation of premises) (£0.905m)**  
The review of smarter working has already identified savings in premises costs (utilities, repairs and renewals etc.) through the planned closure of administrative buildings and this programme will continue as well as the review focussing on delivering savings from

operational buildings as well as opportunities for collaborative service working and co-location.

- **Income Generation and Cost Reduction across Office of the Chief Executive (£0.467m)**

Planning and Property Services have identified a number of initiatives aimed at increasing income and reducing costs including in relation to additional income from nationally-set planning fees, income delivered by the Control Room, Cash in Transit and Property Services as well as through rent reviews of the Council's property portfolio.

- **Establish New Events Company (£0.115m)**

Through establishing a new Events Company, appropriate partnership arrangements will be entered into which will generate additional commercial opportunities and income.

- **Review of Transport and Fleet (£0.866m)**

Savings are being realised through better utilisation of vehicles, removing vehicles in line with changes in service in the council, more efficient hire and maintenance arrangements and alternative service delivery of the fleet stores function.

- **Waste Collection (weekly collection and demand management (£0.998m))**

Savings will be achieved following the successful bid for Government funding to retain weekly waste collection arrangements. In addition, measures are proposed to better manage customer demand in two services currently provided free of charge in respect of bulky items collection and wheelie bin replacements. Savings will be achieved through reduced waste disposal costs, fee income and lower staff and vehicle costs.

- **Review of Highways and Network Management (including maintenance) (£0.409m)**

Savings will be achieved by maximising income earning opportunities, better prioritisation of activity with a focus on fee earning activity, and the evaluation of alternative Service Delivery Models. Additional savings will be delivered from the highways maintenance programme through developing more streamlined processes to carry out repairs, and utilisation of more cost effective materials.

- **Income Generation (Bereavement Services and Car Parking) (£0.288m)**

A review of Bereavement Services charges has identified efficiency savings in relation to the simplification of charges and a requirement to offset the cost of installing and operating mercury abatement technology required to meet new legislative

requirements. Opportunities to increase car parking income through increasing usage will also be considered.

- **Responsive Local Services (RLS) and Parks Phase II (£0.468m)**  
Savings will be achieved following the further integration of the Parks function.
- **Management Restructure (£0.270m)**  
This saving arises from senior management restructuring.
- **Other Streetscene Reviews, including regulatory Services (£0.327m)**  
A review of regulatory activities is ongoing and the shape of services is currently being re-examined in light of the new corporate structure. A number of other reviews are being delivered in Streetscene including in relation to a restructure of the Commissioning and Change Management function following the disestablishment of City Services, better procurement of Pathology and Laboratory Services for the Coroner's Service, a restructure of the Registrar's Service and the introduction of a permit system for vans and trailers using the household waste recycling site to reduce incidents of illegal use of the site by traders.

### **8.3.3 Children's Services Reviews (£3.764m)**

- **Full Year Impact of previous year's decisions (£1.059m)**  
This is the full year impact of previous year's agreed savings decisions, all of which have been implemented in the current financial year.
- **Review of Children's Services Structures (£0.756m)**  
Review of management structures.
- **Children Looked after Strategy (Ongoing) (£0.817m)**  
The Council has invested significantly over the past 3 years in foster care recruitment. This strategy is now paying dividends through the gradual reduction in the number of children in Independent Fostering Agency placements.
- **Safeguarding structures (Ongoing) (£0.494m)**  
This is linked to the review of management structures that was implemented in 2012/2013 and the flexibilities afforded through the improved stability of the Social Work workforce.
- **Cessation of Childcare sufficiency funding (£0.120m)**  
Nationally plans are in place to extend the offer of 15 hours free nursery education to a greater number of 2 year old children who meet criteria for deprivation. This will significantly increase demand for places in 2013/2014 and further in 2014/2015, providing £2m of



additional funding in 2013/2014 to fund places in appropriate settings. This should allow all settings to be sustainable and therefore financial support is proposed to be withdrawn.

- **Review of Commissioning & Family, Adult and Community Learning Teams (£0.200m)**

The Family, Adult and Community Learning and Children's Services commissioning functions review will amalgamate teams and produce efficiencies.

- **Review of Home to School Transport (£0.318m)**

A careful and full review of Home to School Transport to include the consideration of non-statutory 'discretionary' transport costs and a detailed review of how the current statutory home to school transport policy is applied.

#### **8.3.4 Health Housing and Adult Services Reviews (£5.122m)**

- **Future Models of Care and Support (£0.374m)**

Continuing review of existing Care and Support services for Adult Social Care with the aim of developing alternative models of care to meet customer need. The review will look to provide more community based activity and will look to maximise the usage of existing building based facilities.

- **Expansion of Reablement Model on new customers (£0.115m)**

The on-going development of the Adult Social Care Re-ablement services to ensure more people maintain their independence within their own homes. Expansion of this service will reduce reliance upon, and the cost of on-going services such as home care and ultimately prevent admissions to residential and nursing care.

- **Further Implementation of Personalisation (£0.836m)**

The further implementation of personalisation will allow individuals to have choice and control in respect of the care and support they receive to meet their assessed need and prevent admissions to residential and nursing care.

- **Managing the Provider Market (£0.640m) and Demand Management in Social Care (£2.000m)**

This review will continue to work with the Adult Social Care provider market and partners to develop cost effective solutions to meet peoples care and support needs. This will include reaching agreements with the independent provider market and other partners for services for all client groups that incentivises quality but contains costs.

- **Culture, Sport and Leisure - review of Libraries, Heritage, Arts, Sport, Leisure and Wellness services (£1.052m)**

A commercial model is being developed for Sport and Leisure services to ensure that the current level of subsidisation for services is reduced through a combination of increasing income, shifting and maximising demand from peak times and through reducing costs. The model will also identify opportunities for alternative service delivery.

In relation to the Libraries service, the focus will be on re-provisioning services with a greater community focus for reading, learning and giving access to information. With regard to Heritage and Museums, new arrangements will involve the Council in leading the delivery of the museums service and include the opportunity for extended working with other partners.

- **Culture, Sport and Leisure – other savings proposals (£0.105m)**

This will include a focus on developing a relationship with schools and other organisations whereby they commission sports and wellness related services, reviewing operations at F Pit and Fulwell Mill and looking at the potential from invest to save initiatives to enhance income streams.

#### **8.4 Use of One Off Resources**

After taking account of total ongoing programmed savings for 2013/2014 of £32.5m, there remains a funding gap of £4.5m. At this stage it is proposed to utilise one off funding in terms of £1.0m through capitalisation of Highways expenditure and using £3.5m of transitional funding held in balances on a temporary basis.

### **9. Overall Position**

#### **9.1 Outstanding Uncertainties**

At this stage there are a number of uncertainties still to be resolved in relation to next year's budget, including:

- transitional costs in relation to the implementation of savings proposals;
- the outcome of the final Local Government Revenue Support Grant Settlement for 2013/2014 and related grant announcements;
- the forecast Income from Business Rates
- the final Collection Fund position.

In addition, it will be necessary to consider the outcome of further consultation to take place on the budget.

### **10 Budget Consultation**

#### **10.1 The Budget and Policy Framework procedure rules contained within**

the Constitution of the Council requires consultation on budget proposals to take place. In October 2012 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2013/2014 and proposed briefings to the following stakeholders:

- Trade Unions;
- North East Chamber of Commerce / Representatives of Business Ratepayers;
- Voluntary Sector;
- Youth Parliament;
- Schools Forum, Head Teachers and Governors.

- 10.2 In addition to the above stakeholder consultation, a survey was undertaken to gain an understanding of views on the overall approaches to meeting the budget challenge.
- 10.3 To supplement the survey, workshops were held, with Community Spirit panel members and representatives from the voluntary and community sector, in different locations throughout the city.
- 10.4 Initial findings of the survey and discussions at the workshops demonstrate general support for the overall approach.
- 10.5 To date budget consultation with these groups has concentrated on the overall approaches to meeting the budget challenge. Further detailed consultation in relation to each of the proposals will be undertaken as each proposal is developed.
- 10.6 At each stage in the budget preparation process Scrutiny Committee is being consulted.
- 10.7 This report will become the basis for second stage consultation. Elements of the consultation undertaken to date, which has not yet been fully analysed, together with the results of the second stage of consultation will be considered in framing the final budget proposals to be submitted to Cabinet in February, 2013.

## **11 Equalities Impact Assessment**

- 11.1 In accordance with the approach followed in previous years the Council continues to fully consider the impact of its plans by following a robust approach to equalities analysis. Appendix 1 sets out the approach adopted to the budget setting process.

## **12 General Balances**

- 12.1 A Statement of General Balances is attached at Appendix 2.
- 12.2 As reported at the Second Revenue Review Report to Cabinet, some savings have been generated in 2012/2013 from Interest on Balances

and Debt Charges, and unutilised contingency provisions. Any savings generated will be required to fund one off spending pressures and additional costs associated with implementing the budget proposals as part of the prudent and robust approach to setting the 2013/14 Revenue Budget.

- 12.3 The balances position will be updated / reviewed as the budget is progressed. A full risk analysis will be presented with the final budget proposals to the February meeting of Cabinet.

### **13 Suggested Reason for Decision**

- 13.1 To enable constitutional requirements relating to the development of the revenue budget to be met.

### **14 Alternative options to be considered and recommended to be rejected**

- 14.1 There are no alternative options recommended for approval.

### **Background Papers**

Budget and Planning Framework 2013/2014 (October 2012 Cabinet)

**1 How equality analysis has fed into the budget-setting process**

1.1 Each Directorate has undertaken equality analysis of their proposals, as appropriate, using the Council adopted equality analysis approach. The detail of the analysis is dependent on the nature of the proposal and its stage of development. For those proposals which are not sufficiently detailed to undertake a full equality analysis at the present time an initial consideration of the impacts has been undertaken. In these cases further analysis when the proposals are further developed will be undertaken.

**2 Consultation**

2.1 Consultation and engagement are central to Sunderland's approach to equality and diversity and as such a key part of the equality and diversity awareness has been for equality groups to be involved in the budget consultation process. To achieve this consultation has included an online survey as well as targeted events for groups such as Community Spirit (the Residents' Panel), the Voluntary and Community sector and Equality Fora of the Sunderland Partnership. The Equality Fora cover a range of protected characteristics including disability, sexuality, faith and belief, race and age.

**3 Key Messages**

3.1 Individual proposals for additional savings are currently at different stages of equality analysis depending on the stage of the development of the proposal. In summary, the equality analysis can be summarised as follows:

- Equality analysis complete at this stage with:
  - identified impacts and actions, or
  - identified data/intelligence gaps, meaning that action is needed to address these gaps before repeating the equality analysis.
- Initial considerations of equality analysis have been undertaken and services have already identified potential impacts on particular groups and are planning further detailed equality analysis as the proposals are further developed.
- No impact on service delivery, but will have impacts on the Council as an employer. In these instances where there are only impacts as an employer, equality analysis will be undertaken by HR and OD.

3.2 The large scale and wide-ranging nature of changes to business approaches and structures will have implications for the Council in terms of meeting its own objectives for a diverse workforce and each

change to the business practices of the Council will need to be analysed for potential equality implications.

- 3.3 A number of the proposals provide the opportunity for improving quality and diversity of provision through more tailored and personalised approaches and greater opportunity for independent living which will better meet the needs of individuals. These changes however could also impact on the cost-effectiveness of some services provided and will require individual support to ensure individuals; particularly those with protected characteristics receive the best options for their own situation.

#### **4 CONCLUSIONS**

- 4.1 The Council continues to seek to meet its obligations in relation to equality and diversity and has procedures in place at both a general and budget specific level to incorporate equality and diversity issues into decision making processes and the assessment of proposals.
- 4.2 The current equality analysis does highlight some areas where actions to mitigate the potential negative implications of the proposals will be needed. These will be taken forward by the services and directorates to assess how this may be achieved. Similarly there are some areas where a full equality analysis is not possible at the current stage of proposal development. Where a proposal includes a review of services a full and/or updated version of the equality analysis will be undertaken and published as proposals are shaped.

## Appendix 2

### Statement of General Balances

|  | £m           |
|--|--------------|
| <b>Balances as at 31<sup>st</sup> March 2012</b>   | <b>7.570</b> |
|  |              |
| <b>Use of Balances 2012/2013</b>   |              |
| - Contribution to Revenue Budget (approved as part of 2012/2013 budget )                                       | (2.272)      |
| <b>Additions to Balances 2012/2013</b>   |              |
| Transfer from Strategic Investment Reserve to Support Transition Costs (approved as part of 2012/2013 budget ) | 2.272        |
|  |              |
| <b>Estimated Balances 31<sup>st</sup> March 2013</b>   | <b>7.570</b> |

The above position will be reviewed and updated and reported to Cabinet as part of the final budget proposals in February, 2013.

The above shows that balances will remain at £7.570m – transitional funding will be used to support the budget over the medium term as proposals are implemented





|   |                                  |
|---|----------------------------------|
| <p><b>CABINET MEETING – 16<sup>TH</sup> JANUARY 2013</b></p> <p><b>EXECUTIVE SUMMARY SHEET- PART I</b></p>  |                                  |
| <p><b>Title of Report:</b><br/>Revenue Budget Third Review 2012/2013</p>  |                                  |
| <p><b>Author(s):</b><br/>Executive Director of Commercial and Corporate Services</p>  |                                  |
| <p><b>Purpose of Report:</b><br/>To report details of the outcome of the Revenue Budget Third Review for 2012/2013.</p>   |                                  |
| <p><b>Description of Decision:</b><br/>Cabinet is recommended to<br/> <ul style="list-style-type: none"> <li>- approve the contingency transfers proposed at Appendix A and budget transfers</li> </ul> </p>                  |                                  |
| <p><b>Is the decision consistent with the Budget/Policy Framework?</b>                      Yes</p>   |                                  |
| <p><b>If not, Council approval is required to change the Budget/Policy Framework</b></p>  |                                  |
| <p><b>Suggested reason(s) for Decision:</b><br/>To respond to variations in expenditure and income which have arisen in 2012/2013 and enable effective budgetary control to be exercised.</p>                                 |                                  |
| <p><b>Alternative options to be considered and recommended to be rejected:</b><br/>No alternative options are proposed.</p>   |                                  |
| <p><b>Impacts analysed:</b></p> <p>Equality <input type="text" value="N/A"/> Privacy <input type="text" value="N/A"/> Sustainability <input type="text" value="N/A"/> Crime and Disorder <input type="text" value="N/A"/></p> |                                  |
| <p><b>Is this a “Key Decision” as defined in the Constitution?</b><br/>Yes</p> <p><b>Is it included in the 28 Day Notice of Decisions?</b><br/>Yes</p>  | <p><b>Scrutiny Committee</b></p> |



# **Cabinet 16<sup>th</sup> January 2013**

## **Revenue Budget Third Review 2012/2013**

### **Report of the Executive Director of Commercial and Corporate Services**

#### **1. Introduction**

This report advises Members of the overall Revenue position following the third review for 2012/2013 including proposed contingency transfers and budget transfers for the third quarter of 2012/2013.

#### **2. Description of Decision**

- 2.1. Cabinet is requested to approve contingency transfers proposed at Appendix A and Budget Transfers set out in Appendix B.

#### **3. Revenue Budget Monitoring 2012/2013**

##### **Overall Position**

- 3.1 In overall terms there continue to be challenges in delivering the savings requirement for 2012/2013. On-going mitigating actions have been put in place by Portfolio holders, which coupled with continued rigorous budget management and corporate actions agreed in relation to workforce planning, will ensure that a positive outturn position will be achieved.

A full review has been undertaken and a summary of the position following the third review is set out in the report for each Portfolio, together with the contingency allocations proposed for the third quarter.

In addition further one off savings of £5million are anticipated to arise in respect of capital financing charges due to both slippage in the capital programme and additional income from interest on investments as a result of continued robust treasury management. These savings will be used to meet the in year service pressures if required at outturn, with the balance set aside in the Strategic Investment Reserve to meet transitional costs arising in 2012/13 and 2013/14 and/or potential Equal Pay liabilities.. Any final underspendings on contingencies will also be transferred to support transitional costs arising from future years budgets.

#### **3.2 Contingency Transfers**

A full review has been undertaken for each service and full details of proposed contingency transfers are set out at Appendix A.

The workforce planning project has enabled the early release of £1.745m planned savings for 2013/2014 which have been captured corporately. As part of the 2013/14 budget planning process it is proposed this amount be used to support the 2013/14 budget on a one off basis.

Additional corporate savings have been realised through flexible working and smarter working arrangements.

### **3.3 Budget Transfers**

Budget Transfers since the second review primarily relate to unification of budgets to reflect operational arrangements in accordance with Sunderland Way of Working principles.

### **3.4 Implementation of Savings Plans and Budget Pressures**

3.4.1 The budget process for 2012/2013 took account of the requirement for reductions in expenditure of £25.86 million. Progress in implementing the proposals is being rigorously monitored in conjunction with Portfolio holders. Monthly monitoring of the budget is carried out at an enhanced level to ensure the position is understood and actions put in place to mitigate any impact.

3.4.2 In addition budget pressures are also being experienced across all portfolios for which mitigating actions have been and are actively being sought. This reflects the increasing challenge in delivering budget reductions faced by the Authority.

3.4.3 Portfolio holders and Directors have been considering the position in respect of pressure areas and actions are in hand to address the position ongoing. However given the demand pressures being experienced in relation to adult social care at this stage it is anticipated that some corporate funding is likely to be required. While the Directorate are actively seeking to ensure that this is minimised the position clearly remains very challenging.

3.4.4 In relation to savings targets the following is noted in overall terms:

- £16.965 million of the savings have been fully realised to date;
- £6.047 million of reductions are no longer to be achieved as originally intended however alternative actions have been identified which will realise the savings required on a permanent ongoing basis;
- £0.657 million of reductions are not yet scheduled for full implementation although good progress is being made with action plans developed, responsibilities assigned and timescales identified. At this stage therefore it is not anticipated this will impact on the overall financial position of the Council as the full year saving is still anticipated although it is imperative that these reductions are driven through to implementation in line with agreed timescales.
- £2.191 million is in respect of areas where issues have been encountered in relation to Adult Social Care and no alternative mitigating action has yet been identified.

- 3.4.5 In addition to the above, budget pressures have arisen across portfolios. While mitigating actions are being actively implemented to address the position, there remains a £3.070m pressure in relation to Adult Social Care pressures for which mitigating action is still being considered. This overall pressure of £5.261m on Adult Social Care remains a cause for concern.
- 3.4.6 Further details of these areas are included as appropriate within the relevant portfolio monitoring update below.

### **Portfolio Budget Monitoring 2012/2013**

3.5 The following issues are drawn to Members attention:

#### **3.5.1 Leader**

No Issues to raise at this stage

#### **3.5.2 Deputy Leader**

No Issues to raise at this stage

#### **3.5.3 Cabinet Secretary**

No Issues to raise at this stage

#### **3.5.4 Children's Services**

Demand for external placements continues to increase resulting in a budget pressure of £2.303m. Earmarked reserves and contingencies are available to largely mitigate the position and Children's Services have identified in year efficiencies to ensure a balanced budget at year end. As part of the budget setting process for 2013/2014 proposals have been developed to provide for the continued pressures faced in external placements.

#### **3.5.5 Health, Housing and Adult Services**

Continued demand pressures in adult social care are leading to budget pressures totalling £7.423m. After proposed mitigating actions, there remains a shortfall of £5.261m in year with an ongoing impact into 2013/2014 currently estimated at £3.281m assuming some positive impact from actions underway over the final quarter of 2012/13. Work is continuing to mitigate this position. However at this stage it is anticipated that use of some corporate funding will be required in 2012/2013, with the ongoing position provided for as part of the 2013/2014 budget planning process.

The key issues are set out below:

Residential and Nursing Care (including Reablement and Independent Home Care)  
As reported at the Second Revenue Review additional demand pressures are being experienced residential, nursing and home care budgets. The Directorate are reviewing progress in respect of the implementation of current strategies concerning alternative solutions in respect of care arrangements which are designed to both save costs and improve outcomes for people. The Directorate are to use delegated balances and other directorate underspends to reduce the shortfall to £4.683m in 2012/2013. The ongoing pressure into 2013/2014 of £2.800m has been taken into account in the 2013/2014 budget planning process.

#### Housing Related Support

As reported at second review, consultation and finalisation of arrangements in respect of a review of Housing Related Support Services is anticipated to lead to a temporary one-off shortfall which will be partially met from delegated balances and reserves with further options being considered to mitigate the remaining shortfall of £0.300m in 2012/2013. Actions have been identified to address the ongoing position into 2013/2014.

#### Care and Support

Costs arising from a review of operational arrangements will result in a shortfall which is to be partially met by use of delegated balances in year. Officers are considering options to address the remaining shortfall of £0.278m in 2012/2013 with the ongoing position taken into account in the 2013/2014 budget planning process.

### **3.5.6 Public Health, Wellness and Culture**

No Issues to raise at this stage

### **3.5.7 City Services**

No Issues to raise at this stage

### **3.5.8 Responsive Services and Customer Care**

#### Customer Services End to End Service Reviews

As reported at the Second Revenue Review current planned reviews indicate a shortfall of £2.135m at the end of 2012/2013. It is anticipated the shortfall will need to be accommodated within the overall corporate position for the year while the ongoing position has been taken into account as part of the 2013/2014 budget planning process.

### **3.6 Other Corporate Issues**

- 3.6.1 As reported to HR Committee and subsequently Cabinet in November the workforce planning project has enabled the successful and full mitigation of a projected overspending at year end of £5million and also enabled the early release of planned savings for 2013/2014. This additional saving in 2012/2013 of £1.745m will support the budget for next year. As reported to the HR Committee, costs in 2012/13 have been met from reserves earmarked for this purpose and the overall project demonstrated strong value for money for the Authority.
- 3.6.2 There continues to be a holistic approach to monitoring salaries costs across the council with savings arising from vacancies and flexible working arrangements captured corporately. These savings will be used to meet transitional costs and in year service pressures if required at outturn.
- 3.6.3 Municipal Mutual Insurance Ltd (MMI) were the leading local authority insurer until 1992 when they ceased underwriting operations however they continue to receive historic claims. They were the Council's Employers Liability insurer until 1992. MMI's accounts have shown an increasing deficit of liabilities over assets and an administrator has now been appointed. As such the arrangements put in place at the time to allow for it to continue to meet past claims (called the Scheme of Arrangement) means that a clawback of a percentage of previous claims paid relating to Sunderland City Council is likely. The exact levy is not known at this stage however the current best estimate is circa £1.6m and it is proposed to set aside a sum in this regard. This will be partially met from the annual actuarial review of insurance reserves as well as proposed underspendings on contingencies at year end.
- 3.6.4 As reported and endorsed by Cabinet, the Council is undertaking settlement discussions in respect of equal pay claims. It is likely that this will result in settlement payments being made from January 2013 onwards. Costs will be funded through a combination of sources including earmarked reserves, provisions and borrowing secured through capitalisation directions.

### **4. Reasons for Decision**

- 4.1 To respond to variations in expenditure and income which have arisen in 2012/2013 and enable effective budgetary control to be exercised.

### **5. Alternative Options**

- 5.1 No alternative options are proposed.

### **6. Impact Analysis**

- 6.1 Impact assessments of Directorate actions to ensure the achievement of savings targets and a balanced budget position, will be undertaken within Directorates as each action is developed.

## **7. Other Relevant Considerations / Consultations**

- 7.1 The report identifies a number of risks in relation to the delivery of budget savings. However, actions in place, and the identified use of available transitional fund resources and planned under spends are anticipated to be sufficient to mitigate the risks identified.



**Cabinet Meeting – 16<sup>th</sup> January 2013**  
**Variations Necessitating Contingency Transfers 2012/2013**

|   | <b>Justification /<br/>Approval</b> | <b>2011/2012<br/>£</b> | <b>Full Year<br/>Effect<br/>£</b> |
|---|-------------------------------------|------------------------|-----------------------------------|
| <b>Deputy Leader</b>                                      |                                     |                        |                                   |
| Counsel fees  | General Provision                   | 246,240                | 0                                 |
| <b>Cabinet Secretary</b>                                  |                                     |                        |                                   |
| Counsels Fees   | General Provision                   | 56,076                 | 0                                 |
| Emergency Response to flooding at Houghton and Washington | General Provision                   | 46,688                 | 0                                 |
| Port Dredging   | Specific Provision                  | 218,588                | 218,588                           |
| <b>Children's Services</b>                                |                                     |                        |                                   |
| Hendon Old Orphanage - Security                           | Specific Provision                  | 38,800                 | 93,120                            |
| Social Care Contract Inflation                            | Specific Provision                  | 390,000                | 390,000                           |
| <b>Public Health, Wellness and Culture</b>                |                                     |                        |                                   |
| Olympics Sunderland 2012 Events                           | Specific Provision                  | 155,979                | 155,979                           |
| <b>City Services</b>                                      |                                     |                        |                                   |
| Apprentices - Street Scene                                | Specific Provision                  | 230,000                | 230,000                           |
| Waste Disposal - Landfill Tax and inflationary increase   | Specific Provision                  | 1,217,000              | 1,217,000                         |
| <b>Corporate / Cross Cutting</b>                          |                                     |                        |                                   |
| Rates – Empty Properties                                  | Specific Provision                  | 276,597                | 276,597                           |
| Utilities – Inflationary increase                         | Specific Provision                  | 887,267                | 887,267                           |
| <b>Improvement Programme Efficiencies</b>                 |                                     |                        |                                   |
| Improvement Efficiencies                                  |                                     | (715,285)              |                                   |
| Flexible Working Efficiencies                             |                                     | (66,591)               |                                   |
| Workforce Planning  |                                     | (1,745,004)            |                                   |
| <b>Portfolio Total</b>                                    |                                     |                        |                                   |
|   |                                     | <b>1,236,355</b>       | <b>3,468,551</b>                  |

Cabinet Meeting – 16<sup>th</sup> January 2013

## Revenue Budget Position After Second Review 2012/2013

|   | Second<br>Review<br>2012/2013 | Budget<br>Transfers | Transfers<br>from<br>Contingency<br>fund | Third<br>Review<br>2012/2013 |
|---|-------------------------------|---------------------|--|------------------------------|
|   | £'000                         | £'000               | £'000                                    | £'000                        |
| <b>Portfolio</b>  |                               |                     |  |                              |
| Leader  | 6,876                         | (19)                | (274)                                    | 6,583                        |
| Deputy Leader   | 4,678                         | 372                 | 5  | 5,055                        |
| Cabinet Secretary   | 6,135                         | (6)                 | (172)                                    | 5,957                        |
| Children's Services   | 53,619                        | 1,919               | 79                                       | 55,617                       |
| Health, Housing and Adult Services  | 69,417                        | (332)               | (132)                                    | 68,953                       |
| Public Health, Wellness and Culture   | 18,910                        | (12)                | 137                                      | 19,035                       |
| City Services   | 43,873                        | (1,905)             | 1,622                                    | 43,590                       |
| Responsive Services and Customer Care   | 4,055                         | (17)                | (28)                                     | 4,010                        |
| <b>Portfolio Expenditure</b>  | <b>207,563</b>                | <b>0</b>            | <b>1,237</b>                             | <b>208,800</b>               |
| <b>Contingencies and Provision for<br/>Transitional Costs and Service<br/>Pressures</b> | 27,489                        | 5,000               | (1,237)                                  | 31,252                       |
| <b>Technical Adjustments</b>  | (22,976)                      | 0                   | 0  | (22,976)                     |
| <b>Levies</b>   | 15,709                        | 0                   | 0  | 15,709                       |
| <b>Capital Financing Costs:</b>   |                               |                     |  |                              |
| Revenue Contributions to Capital<br>Programme   | 2,570                         | 0                   | 0  | 2,570                        |
| Debt Charges and Interest   | 16,959                        | (5,000)             | 0  | 11,959                       |
| <b>Total Expenditure</b>  | <b>247,314</b>                | <b>0</b>            | <b>0</b>                                 | <b>247,314</b>               |
| Use of Balances   | (2,272)                       | 0                   | 0  | (2,272)                      |
| <b>Net Budget Requirement</b>   | <b>245,042</b>                | <b>0</b>            | <b>0</b>                                 | <b>245,042</b>               |

## CABINET MEETING – 16<sup>th</sup> January, 2013

### EXECUTIVE SUMMARY SHEET- PART I

**Title of Report:**

Capital Programme - Third Review 2012/2013, Provisional Resources 2013/2014 and Treasury Management Review 2012/2013

**Author(s):**

Executive Director of Commercial and Corporate Services

**Purpose of Report:**

This report details:

- reprofiling of projects since the Second Capital Review for 2012/2013 was approved in October 2012;
- the inclusion of additional schemes and revisions to costs and resourcing for 2012/2013 since the Second Capital Review was reported;
- the allocation of capital resources for 2013/2014, as set out in Section 5, subject to any adjustments required when final resource announcements are made;
- the progress in implementing the Treasury Management Strategy for 2012/2013.

**Description of Decision:**

In relation to the Capital Programme for 2012/2013, Cabinet is asked to approve, and where necessary recommend to Council, the inclusion of additional schemes or variations to existing schemes for 2012/2013 detailed at Appendix A, as a variation to the Capital Programme.

In relation to the Capital Programme for 2013/2014, Cabinet is asked to note that the allocation of resources as set out in Section 5 will be subject to final resource announcements; and note that Cabinet Members with Portfolios for areas covered by the Children's Services, Adult, Housing, Highways and Other Services Blocks will consider proposals for new starts based on resource allocations to be confirmed in due course in order to incorporate proposed new starts in the 2013/14 Capital Programme to be presented to Cabinet in February 2013.

In relation to the Treasury Management Strategy and Prudential Indicators, Cabinet is asked to note the continued very positive progress made in implementing the strategy for 2012/2013.

**Is the decision consistent with the Budget/Policy Framework? Yes**

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

To respond to proposed variations in expenditure and funding which have arisen since the Second Capital Review 2012/2013 was approved to enable effective budgetary control to be exercised.

To note the progress in implementing the Treasury Management Strategy for 2012/2013 in line with the approved Treasury Management Policies.

**Alternative options to be considered and recommended to be rejected:**

No alternative options are proposed.

**Impacts analysed:**

Equality  Privacy  Sustainability  Crime and Disorder

**Is this a “Key Decision” as defined in the Constitution?**

Yes - new capital project detailed at Appendix A estimated to cost above £250,000.

**Is it included in the 28 Day Notice of Decisions?**

Yes provisionally - in light of content of this report it is necessary.

**Scrutiny Committee**

## **Cabinet 16th January 2013**

### **Capital Programme - Third Review 2012/2013, Provisional Resources 2013/2014 and Treasury Management Review 2012/2013**

#### **Report of the Executive Director of Commercial and Corporate Services**

#### **1. Purpose of the Report**

##### 1.1 This report details:

- reprofiling of projects since the Second Capital Programme Review was reported;
- the inclusion of additional schemes and revisions to costs and resourcing for 2012/2013 since the Second Capital Programme Review was reported;
- the allocation of capital resources for 2013/2014, as set out in Section 5, subject to any adjustment when final resource announcements are made;
- the progress in implementing the Treasury Management Strategy for 2012/2013.

#### **2. Description of Decision:**

##### 2.1 Cabinet is recommended to:

- (i) In relation to the Capital Programme for 2012/2013, Cabinet is asked to approve, and where necessary recommend to Council, the inclusion of additional schemes or variations to existing schemes for 2012/2013 detailed at Appendix A, as a variation to the Capital Programme;
- (ii) In relation to the Capital Programme for 2013/2014, Cabinet is asked to note that the allocation of resources as set out in Section 5 will be subject to final resource announcements; and note that Cabinet Members with Portfolios for areas covered by the Children's Services, Adult, Housing, Highways and Other Services Blocks will consider proposals for new starts based on resource allocations to be confirmed in due course in order to incorporate proposed new starts in the 2013/14 Capital Programme to be presented to Cabinet in February 2013;
- (iii) In relation to the Treasury Management Strategy and Prudential Indicators, Cabinet is asked to note the positive progress made in implementing the strategy for 2012/2013.

#### **3. Introduction**

- 3.1 During the year additional approvals to incur expenditure are received from Government and other agencies with associated funding accompanying those approvals. Accordingly, the Capital Programme changes during the year as notifications of additional schemes and resourcing are received, and phasing of schemes is reviewed. Variations to anticipated expenditure and financing of the 2012/2013 capital programme since the Second Review was reported to Cabinet on 10<sup>th</sup> October 2012 are shown in Section 4 of this report. Those increases that exceed £250,000 will require Council approval in due course.

3.2 Performance in implementing the Treasury Management Strategy and adhering to the agreed Prudential Indicators is detailed in Section 6 along with confirmation that the Council is operating within its agreed borrowing limits.

#### **4. Third Capital Review 2012/2013**

4.1 Since the Second Capital Programme was reported to Council in October 2012, there have been some changes required to the Capital Programme both in terms of expenditure and resourcing. In total, reprofiling and other adjustments have led to the 2012/2013 Capital Programme reducing by £17.966m from £82.743m to £64.777m. This can be analysed as follows:

- Reprofiling expenditure of £9.378m between 2012/2013 and 2013/2014. The primary reasons for this reprofiling relate to external influences outside of the Council's control;
- Additional fully funded schemes and cost variations notified since the Capital Programme was last reported reducing the capital programme by £0.655m.
- Technical Adjustments of £7.933m.

Appendix A gives a summary of the changes to expenditure and resources for 2012/2013 with the principal variations set out below:

#### **4.2 Reprofiling of Expenditure between 2012/2013 and future years**

Schemes where significant reprofiling of expenditure and resources are being proposed are set out below.

##### **4.2.1 Leader and Deputy Leader**

###### **Vaux Redevelopment - St Marys Boulevard & Magistrates Square**

On 20<sup>th</sup> June 2012 Cabinet approved the development of St Marys Boulevard & Magistrates Square with an estimated cost of £13.400m. Following detail costings of designs for the scheme, the total cost has reduced by £1.536m to £11.864m. The reduced overall costs include savings through advance payment for utility works, with these works commencing earlier than forecast, in January 2013, and necessitating acceleration of £1.014m from 2013/2014 into 2012/2013. Following confirmation of funding from ERDF of £2.127m, the overall Council contribution to this scheme therefore is now £9.737m, this includes temporary funding of £2.500m via the Growing Places Fund which will require repayment from Council resources.

###### **Enterprise Zone Infrastructure**

Detailed proposals are currently being developed to ensure that the Council meets business needs in respect of the Enterprise Zone development and maximises available external funding. It is therefore necessary to reprofile £2.000m expenditure relating to infrastructure works near to the A19/A1231 interchange into 2013/2014.

###### **Modernisation Improvements**

A provision of £1.000m was established to enable investment to support business transformation and the delivery of further efficiencies in key areas including employee self service and document management. This provision is being synchronised with emerging 2013/14 budget proposals and will be reprofiled into 2013/2014.

### **Investment Corridors**

Investment in public realm improvements to strategic corridors within the city have been reprofiled to compliment other regeneration works planned to take place within the city centre and to optimise opportunities for further private sector investment within those areas. It is estimated that the majority of works will now take place in future years, requiring £0.990m reprofiling into 2013/2014.

### **Former Vaux Site Advance Works**

Remediation works to the former Vaux site are substantially complete, however discussions in relation to overall redevelopment of the site have led to £0.561m of works being reprofiled into 2013/2014.

### **Digital Challenge**

Discussions with schools over the most appropriate use of Digital Challenge grant to provide IT facilities to pupils in deprived areas are ongoing and it is anticipated that £0.330m of works will require reprofiling into 2013/2014.

## **4.2.2 Cabinet Secretary**

### **Old Sunderland Townscape Heritage Initiative**

The old orphanage at the East End in Hendon is to be converted into accommodation for older people with dementia. However, due to delays with the developer obtaining all of the necessary statutory ecological consents for works, £0.996m will require reprofiling into 2013/2014.

### **Seafront – Phase 2**

The scheme to undertake Phase 2 of the improvements to Roker and Seaburn promenades contained in the Seafront Regeneration Strategy has been reprofiled to align with a bid to Big Lottery for Coastal Communities funding in order to enhance the scheme. A sum of £0.370m will therefore be reprofiled into 2013/2014.

### **Roker Pier and Lighthouse**

Following outcomes from an initial survey that identified damage to the pier wall a further structural survey to the pier is to be undertaken. The second survey is expected to be completed in March 2013 and £0.364m spend will be reprofiled into 2013/2014.

## **4.2.3 City Services**

### **Integrated Transport Schemes**

Various integrated transport schemes within the city totalling £0.558m require to be reprofiled into 2013/2014 following extensive public consultations and also for prioritisation given to meeting requirements for major projects such as St Mary's Boulevard & Magistrates Square.

## **4.2.4 Public Health, Wellness and Cultural**

### **Football Investment Strategy**

There are two main football investments schemes that were planned to commence in the current financial year. Negotiations on the purchase of land for the Northern Area Pavilion have delayed the start of this project and will require reprofiling of £0.504m into

2013/2014. A successful bid to Sport England for part-funding of the Billy Hardy Pavilion will mean that this scheme will commence but not until 2013/2014, requiring reprofiling of £0.435m into that year.

### **Washington Leisure Centre**

On 10<sup>th</sup> October 2012 Cabinet approved the replacement Washington Leisure Centre. Significant site surveys were required prior to approval by Cabinet. This along with the need for full planning permission and associated stop orders will require reprofiling of £1.200m into 2013/2014.

## **4.3 Additional Schemes and Cost Variations 2012/2013**

### **4.3.1 Leader and Deputy Leader**

#### **Software Centre**

The Council anticipate achieving savings of £0.860m with total costs of this scheme reducing from £9.742m to £8.882m. This is mainly due to a lower than expected cost for site preparation works and internal design fees.

## **5 Capital Resources 2013/2014**

Funding allocations are in the form of capital grants. The Council may supplement external funding allocations from its own resources or undertake prudential borrowing. Prudential borrowing undertaken will not be supported by any funding from the government. Local borrowing levels must be set within the Authority's Prudential Limits, which will be reported to Council in March 2013.

At the time this report was produced the Coalition Government had released details of capital grants awarded through needs-based formulas from the Department for Transport for Highways Maintenance and Integrated Transport grants and from the Department of Health for Community Capacity grant. These grant awards are shown in the table below. The Council is awaiting details of Education grants and Disabled Facilities grants that will be awarded to support the 2013/2014 capital programme.

Both the Highways Capital Maintenance and Integrated Transport funding blocks in Metropolitan Areas are allocated to the Integrated Transport Authority in that area who vire capital funding between local authorities. Agreed four year allocations to Sunderland are detailed below. The Highways Capital Maintenance Grant includes additional one off funding of £0.804m (£0.520m in 2013/2014 and £0.284m in 2014/2015) allocated in the Chancellor's Autumn Statement on 5<sup>th</sup> December 2012, for which the Council must publish a short statement on its website at the end of each financial year setting out what and where this additional funding has been spent and how it has complemented planned highways capital expenditure.

|  | <b>2011-12<br/>£000s</b> | <b>2012-13<br/>£000s</b> | <b>2013-14<br/>£000s</b> | <b>2014-15<br/>£000s</b> |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Highways Maintenance                               | 2,804                    | 2,919                    | 3,397                    | 3,052                    |
| Integrated Transport                               | 2,008                    | 2,141                    | 2,141                    | 3,011                    |
| <b>Total Transport</b>                             | <b>4,812</b>             | <b>5,060</b>             | <b>5,538</b>             | <b>6,063</b>             |
| <b>Department of Health<br/>Community Capacity</b> | <b>829</b>               | <b>848</b>               | <b>843</b>               | <b>860</b>               |



It is proposed to continue the existing practice of allocating resources to Children's Services, Adult Services, Highways and Housing up to the limit of their allocation in the context of revenue budget pressures. Actual capital grant awarded to Sunderland will be reported to Cabinet once they become known.

## **6. Review of the Prudential Indicators and Treasury Management Strategy for 2012/2013**

6.1 The Prudential Indicators for 2012/2013 were approved by the Council on the 7th March 2012 and are regularly reviewed to ensure that:

- the Council remains within its Authorised Limit for External Debt;
- Treasury Management decisions are taken in accordance with the Treasury Management Code of Practice and the agreed Council Treasury Management Policy and Strategy;
- the capital expenditure control framework operated locally is consistent with, and supportive of, local strategic planning, local asset management planning, and proper option appraisal.

6.2 Internal monitoring procedures track performance daily against the various prudential indicators agreed by the Council. At this stage, the Council is operating within its Authorised Borrowing Limit, which is a statutory limit determined under Section 3 (1) of the Local Government Act 2003 and there are no areas for concern or any issues which require any review of the indicators as originally approved.

### **Borrowing Strategy for 2012/2013**

6.3 The Borrowing Strategy is based upon the Council's anticipated borrowing requirement and prospects for interest rates. Economists have recently revised their forecasts for the Bank Base Rate, with no change to the current 0.5% rate predicted until after the December 2014 quarter at the earliest. PWLB rates and bond yields remain extremely unpredictable and there are still exceptional levels of volatility which are highly correlated to the sovereign debt crisis and to political developments in the Eurozone. This uncertainty is expected to continue into the medium term.

6.4 The Government announced in the March 2012 budget plans to introduce a 0.20% discount on PWLB loans under the prudential borrowing regime for those authorities that provided 'improved information and transparency on their locally determined long-term borrowing and associated capital spending plans' and who successfully applied and were eligible for the lower rate. The Council successfully applied to access loans at the lower PWLB certainty rate, which came into effect on 1<sup>st</sup> November 2012 and eligibility lasts until 31<sup>st</sup> October 2013 when authorities must reapply to access the PWLB certainty rate for the following 12 months.

6.5 Taking into account changes to PWLB rates and market conditions no new borrowing has been undertaken in the current financial year upto 30<sup>th</sup> November 2012. The Council's strategy for 2012/2013 is to continue to adopt a pragmatic and flexible approach and to respond to any changing circumstances to seek to secure maximum benefit for the Council. Consideration will be given to various options, including utilising some investment balances to fund the Council's borrowing requirement in 2012/2013.

## **Investment Strategy for 2012/2013**

- 6.6 The primary aim of the Investment Strategy is the security of Council funds, then having regard to liquidity i.e. the availability of cash to meet council requirements, and finally to secure a reasonable rate of return on its investments.
- 6.7 As at 30<sup>th</sup> November 2012 , the funds managed by the Council's Treasury Management team has achieved a rate of return on its investments of 1.90% compared with the benchmark rate (i.e. the 7 day rate) of 0.42%. Performance is therefore very positive and is significantly above the benchmark rate, whilst adhering to the prudent policy agreed by the Council.
- 6.8 Due to high levels of volatility that currently exist in financial markets the Council is following advice that investments with non-part government owned institutions should be kept to shorter periods of a maximum of three months. The investment policy is regularly monitored and reviewed to ensure it has flexibility and to take full advantage of any changes in market conditions to the benefit of the Council.

## **7. Reasons for Decision**

- 7.1 To respond to variations in proposed expenditure and income which have arisen since the 2012/2013 Capital Programme was approved to enable effective budgetary control to be exercised and to update Cabinet on the progress in implementing the Treasury Management Borrowing and Investment Strategy for 2012/2013.

## **8. Alternative Options**

- 8.1 No alternative options are proposed.

## **9. Impact Analysis**

- 9.1 Impact assessments will be undertaken by Directorates to ensure programmes are delivered within budget.

## **10. List of Appendices**

- 10.1 Appendix A - Other variations to the 2012/2013 capital programme to those previously reported.

## **11. Background Papers**

- 11.1 Sunderland City Council Capital Programme 2011/12 to 2015/16  
Second Capital Review 2012/2013.

## Appendix A

### Scheme Variations since the Second Capital Review 2012/2013

|  | £000    | £000            |
|--|---------|-----------------|
| <b>Reprofiling of Expenditure from 2012/2013 to future years since the Second Review</b>   |         |                 |
| <b>Leader and Deputy Leader</b>  |         |                 |
| St Marys Boulevard & Magistrates Square  | 1,014   |                 |
| Enterprise Zone Infrastructure   | (2,000) |                 |
| Modernisation Improvements   | (1,000) |                 |
| Investment Corridors   | (990)   |                 |
| Former Vaux Site Advance Works   | (561)   |                 |
| Digital Challenge  | (330)   |                 |
| Other Schemes  | (256)   | (4,123)         |
| <b>Cabinet Secretary</b>   |         |                 |
| Old Sunderland Townscape Heritage Initiative   | (996)   |                 |
| Seafront – Phase 2   | (370)   |                 |
| Roker Pier and Lighthouse  | (364)   |                 |
| Other Schemes  | (136)   | (1,866)         |
| <b>Health, Housing and Adults</b>  |         |                 |
| Other Schemes  |         | (175)           |
| <b>City Services</b>   |         |                 |
| Integrated Transport Schemes   | (558)   |                 |
| Other Schemes  | (474)   | (1,032)         |
| <b>Public Health, Wellness and Cultural</b>  |         |                 |
| Football Investment Strategies   | (982)   |                 |
| Washington Leisure Centre – approved by Cabinet 10 <sup>th</sup> October,  | (1,200) | (2,182)         |
|  |         | <b>(9,378)</b>  |
| <b>Technical Adjustments</b>   |         |                 |
| Airport Long Term Loan Notes reduction requirement   | (5,000) |                 |
| Software Centre Phase 2 – expenditure and funding transferred to Revenue   | (272)   |                 |
| Highways Maintenance works funded by borrowing to be repaid on an invest to save basis   | 600     |                 |
| Capital Contingency Schemes – reprofiling to 2013/2014   | (3,261) | <b>(7,933)</b>  |
|  |         |                 |
| <b>Additional Schemes and Revisions to Scheme Costs 2012/2013 – fully funded</b>   |         |                 |
| <b>Leader</b>  |         |                 |
| Software Centre  |         | (860)           |
| <b>Health, Housing and Adults</b>  |         |                 |
| Cluster of Empty Homes – approved by Cabinet 7 <sup>th</sup> November 2012, funded from Cluster of Empty Homes grant and New Homes Bonus grant (£0.271m in 2012/2013 and £0.673m in 2013/2014) |         | 271             |
|  |         |                 |
| Other Fully Funded Additional Schemes and Variations   |         | (66)            |
|  |         | <b>(655)</b>    |
| <b>TOTAL</b>   |         | <b>(17,966)</b> |



## CABINET MEETING – 16 JANUARY 2013

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

Sure Start Review and Integrated Early Intervention Service – Proposals to extend Childrens Centre Commissioning Arrangements for a further 12 months from 1 April 2013

**Author(s):**

Executive Director Children’s Services

**Purpose of Report:**

To seek approval to extend Children’s Centre commissioning arrangements for a further 12 months from April 2013. This will allow Children’s Local Area Boards, established in September 2012 to be fully involved in the shaping of future children’s centre service delivery and to consider alternative models for delivery as appropriate.

**Description of Decision:**

Cabinet is recommended to:

- (i) approve the proposal to extend external contracts for service delivery in Children’s Centres for a further 12 months from April 2013 in line with the request of Children’s Local Area Boards.
- (ii) receive a further report on the outcomes of the review of the commissioning arrangements at the appropriate time.

**Is the decision consistent with the Budget/Policy Framework?      \*Yes/No**

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

The extension to external contracts will allow the Children’s Area Local Boards to make a thorough assessment of the current external commissioning arrangements and the impact that these services are having on outcomes for children and their families.

**Alternative options to be considered and recommended to be rejected:**

The Boards could propose to de-commission external contracts from April 2013 and to undertake a full re-commissioning exercise for future years. However the Boards have requested extension arrangements in order to undertake a full review of current provision.

**Impacts analysed:**

Equality  Privacy  Sustainability  Crime and Disorder

**Is this a “Key Decision” as defined in the Constitution?** Yes

**Is it included in the 28 Day Notice of Decisions?** Yes

**Scrutiny Committee**

**REPORT OF THE EXECUTIVE DIRECTOR CHILDREN'S SERVICES**

**SURE START REVIEW AND AN INTEGRATED EARLY INTERVENTION SERVICE – PROPOSAL TO EXTEND CHILDREN CENTRE COMMISSIONING ARRANGEMENTS FOR A FURTHER 12 MONTHS FROM 1<sup>ST</sup> APRIL 2013**

**1. Purpose of Report**

- 1.1 The purpose of the report is to seek approval to extend Children's Centre commissioning arrangements for a further 12 months from April 2013. This will allow Children's Local Area Boards, established in September 2012 to be fully involved in the shaping of future children's centre service delivery and to consider alternative models for delivery as appropriate.

**2. Description of Decision**

- 2.1 Cabinet is recommended to:

- (iii) approve the proposal to extend external contracts for service delivery in Children's Centres for a further 12 months from April 2013 in line with the request of Children's Local Area Boards.
- (iv) receive a further report on the outcomes of the review of the commissioning arrangements at the appropriate time.

**3. Introduction and Background**

- 3.1 Cabinet received a report on 5<sup>th</sup> September 2012 which set out progress on a number of areas identified in the review of services previously funded by the Sure Start and Early Years and Childcare Grant. This included the new model of service delivery for Children's Centres, the review of all commissioned services and the proposed introduction of 5 Local Area Children's Boards which were established in September 2012.
- 3.2 Prior to April 2012 a fundamental review was undertaken of all commissioned services both external and internal. This involved some de-commissioning of services which were no longer appropriate and a review of service specifications for service provision that was continuing to focus more on outcomes for children and their families. Contracts were originally awarded for a period of 12 months to April 2013 to allow the Children's Local Area Boards to review commissioning arrangements against local need and influence future commissioning decisions. Externally commissioned services are as follows:
- The Community Involvement Contract focusing on parental involvement in children's centres
  - Mobile Creche provision to support parents attending training and parenting programmes;

- Portage services providing support for very young disabled children and their families within their homes;
- An enhanced safety equipment contract to provide equipment in the homes for families eligible for this support;
- Health co-ordination and health care assistant roles to provide health related services within the Children's Centres and targeted outreach;
- Early Years Mental Health Services as part of the wider Tier 2 CAMHS contract.

#### **4. Current Position**

- 4.1 The five Children's Local Area Boards were established in September 2012, developed from the existing Children's Centre Local Advisory Boards. Representation on these boards includes parents from the local area, health and social care representatives, local headteachers, childcare providers, community and voluntary sector groups. The five council members who chair the People Boards are also members of the Children's Local Area Boards, as agreed by Cabinet in September 2012. This has enabled formal links to be made between arrangements for the children's centres and the People Boards.
- 4.2 The five Children's Local Area Boards are now fully up and running in each of the locality areas. One of the first tasks for the Boards has been to review externally commissioned services as outlined in 3.2 above. An analysis has been undertaken of the data available to determine whether services are meeting the needs identified in the needs assessment and whether the service provision is able to evidence improving outcomes. The Boards have also examined where there may also be gaps identified in provision in order to inform future commissioning intentions. Furthermore there is a proposal to further review internally delivered services such as the Early Intervention Team, the Child and Family Support Service and Qualified Teacher Support from April 2013. As a result of the above activities the Boards have requested that external contracts be extended for a further 12 months to April 2014 to allow a full understanding of the effectiveness of all service delivery in meeting outcomes and making a difference for families in Sunderland.

#### **5. Reasons for Decision**

- 5.1 The extension to external contracts will allow the Children's Area Local Boards to make a thorough assessment of the current external commissioning arrangements and the impact that these services are having on outcomes for children and their families.

#### **6. Alternative Options**

- 6.1 The Boards could propose to de-commission external contracts from April 2013 and to undertake a full re-commissioning exercise for future years. However the Boards have requested extension arrangements in order to undertake a full review of current provision.



## **7. Financial Implications**

- 7.1 The overall value of the externally commissioned contracts is £720,000. Funding for externally commissioned services forms part of the overall funding for early years, childcare and early intervention within Children's Services. Should Cabinet agree to extend the contracts for a further 12 months, an exercise will be undertaken with providers to realise efficiencies where appropriate in 2013/14 in line with the Budget Planning Framework.

## **8. Legal Implications**

- 8.1 Current contracts allow for a further 12 months extension period.

## **9. Equality Assessment**

- 9.1 An equality assessment will be completed by each of the Boards in their review of current arrangements.

## **10. Relevant Consultations**

- 10.1 Consultation with service users will be undertaken as part of the review of services.

## **10. Background Papers**

Cabinet Reports: November 2011/ February 2012/ September 2012



**CABINET MEETING – 16 JANUARY 2013**  
**EXECUTIVE SUMMARY SHEET – PART I**

**Title of Report:**

Maximum Contribution for Social Care Charging

**Author(s):**

Executive Director of Health, Housing and Adult Services

**Purpose of Report:**

- I. The purpose of this report is to seek agreement to the proposed changes to the Social Care Contributions Policy.

**Description of Decision:**

Cabinet is recommended to agree:

- a) The review of the maximum contribution a customer can make towards their personal budget for non residential social care.
- b) The removal of the maximum contribution cap to bring this in line with the standard rate of residential care (currently £394.80).
- c) To update the contributions policy in line with Department of Health Guidance

**Is the decision consistent with the Budget/Policy Framework?      Yes**

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

- i. Greater equity for customers.
- ii. Facilitate the implementation of Personalisation
- iii. Bring Sunderland in line with many National and Regional Authorities.

**Alternative options to be considered and recommended to be rejected:**

Do not review the maximum contribution.

Review the maximum contribution to a figure between the current rate and the standard rate of residential care.

**Impacts analysed:**

**Equality**

**Privacy**

**Sustainability**

**Crime and Disorder**

|  |                           |
|--|---------------------------|
| <b>Is this a “Key Decision” as defined in the Constitution?</b><br>Yes | <b>Scrutiny Committee</b> |
| <b>Is it included in the 28 Day Notice of Decisions?</b><br>Yes        |                           |

**REPORT OF EXECUTIVE DIRECTOR OF HEALTH, HOUSING AND ADULT SERVICES**

**Maximum Contribution for Social Care Charging**

**1.0 Purpose of the Report**

1.1 The purpose of this report is to seek agreement to the proposed changes to the Social Care Contributions Policy.

**2.0 Description of the Decision (Recommendations)**

2.1 The decision required is to review the Maximum Contribution a customer can make towards their personal budget for non residential social care.

2.2 It is recommended that the maximum contribution is in line with the standard rate for residential care in the City. This is currently £394.80 per week.

2.3 To update the contributions policy in line with Department of Health Guidance.

**3.0 Introduction/Background**

3.1 The Contributions Policy for Social Care was agreed by Cabinet in February 2012 and has been live since April 2012.

3.2 The policy was introduced in line with the changes to social care associated with the introduction of personalisation.

3.3 The previous charging policy, that applied a charge for units of service (such as an hour of home care, a day of day care or a night of short break) was not workable with the new, more flexible system of personalisation that allows customers to choose how they will spend their personal budget to meet their own needs.

3.4 A policy was needed that could ask customers to make a contribution against their personal budget and not against individual services.

3.5 The policy that was developed and agreed works as follows:

- A customer receives a financial assessment in conjunction with their care assessment.

- This assessment calculates the maximum contribution they can afford to make on a weekly basis – up to the current maximum weekly contribution of £108.70.
- When their support plan is completed and their weekly personal budget is known, the actual contribution they make is calculated.
- This calculation compares their weekly personal budget with their weekly maximum contribution – the customer is asked to contribute up to their own maximum weekly contribution, if their personal budget is less than this figure, then they will contribute the lesser figure; if their personal budget is greater than this figure, then the Council will top up the difference (either via a direct payment, or through the direct provision / commissioning of services for which the customer can be invoiced).
- The contribution covers every service that is purchased using the customer's personal budget, including short break (that was previously assessed for separately).

3.6 A programme of reviewing all customers who were previously assessed under the old charging policy is underway, with a completion date of 31 March 2013.

#### **4.0 Current Position**

4.1 As part of the introduction of the Contributions Policy, it was intended that the Maximum Contribution would be reviewed, the plan being to increase this to the standard rate of residential care (currently £394.80 per week).

4.2 At the time the new policy was agreed, the Dilnot report into the cost of social care had been published and the Government White Paper on the future of social care (that was expected to include charging) was due to be issued later in the year.

4.3 It was decided that the Contributions Policy would be agreed without the change to the maximum contribution. The reason for this was that the Dilnot report looked at capping the total contribution a person can make towards their social care in their lifetime. It was felt that it would be helpful to defer this element of the policy until such time as the contents of the Government white paper was known.

4.4 The Government white paper has now since been released. It does not address the charging issues previously raised – it is not expected that this will be addressed before the next election (from May 2014). With this in mind, it is recommended to go ahead with the review of the Maximum Contribution as previously planned.

## 5.0 Reasons for the Decision

5.1 An element of the agreement of the Contributions Policy was that the Maximum Contribution would be reviewed later in the year.

5.2 The reasons for the decision to increase the Maximum Contribution Cap to bring it in line with the standard rate for residential care (currently £394.80) are as follows:

- Equity for all customers – those customers who are able to afford a higher contribution than £108.70 are provided with a subsidy in the current system, as their maximum contribution is capped, whereas those who can only afford a small contribution (i.e. lower than the current cap) receive no subsidy – meaning that the Council are subsidising only those who are better off.

For example, a customer who can afford a contribution of £220 per week is assessed as being able to afford £108.70, therefore receives a subsidy of £111.30. A customer who can afford a contribution of £20 per week receives no subsidy and is asked to pay as much as they can afford.

- A change in the maximum contribution brings Sunderland more in line with other Local Authorities both regionally and nationally.
- The reason for the use of the residential care rate is that Fairer Charging Guidance issued by the Department of Health prevents a Council charging more for care at home than for residential care, as this would offer a perverse disincentive to customers to opt for residential care while they are still able to live independently.

5.3 A number of minor changes to policy wording are also being proposed to strengthen its operation in practice and to take account of updated Department of Health Guidance from October 2012.

- Guaranteed Income Payments made under the Armed Forces Compensation Scheme have been added to disregarded income following 2012 guidance update.
- Included confirmation that where an individual does not provide full financial information that they would also be assessed to pay the maximum.
- Advised where an individual wishes additional expenditure to be taken into account that this is done through a separate review process.
- Clarified that only heating costs in excess of Government figures can be allowed as expenditure.
- Clarified that it is Sunderland's policy to disregard War Disability and War Pensions fully rather than the first £10 per week.
- Removal of Community Care Alarms as an allowable expenditure

## **6.0 Alternative Options**

- 6.1 Do not increase the maximum contribution cap at all. This would mean that the contributions policy remains inequitable, particularly for those customers who are less well off – with the Council continuing to subsidise the better off only.
- 6.2 Increase the maximum contribution cap to a figure between £108.70 and the standard rate of residential care. This would mean that the Council continues to subsidise only those who can afford to contribute over the maximum figure that is selected. It would also mean that there is no basis for the maximum contribution figure selected (as is the case with £108.70 which related to the previous contributions policy of the equivalent of 10 units of service).  
An option could be that the figure used could be a percentage of the residential care rate, which would at least provide a basis for the use of the figure selected.

## **7.0 Impact Analysis**

### **7.1 Equalities**

An impact equality assessment has been completed to show that this change to the contributions policy is non discriminatory. This is in Appendix One.

### **7.2 Privacy Impact Assessment (PIA)**

A privacy impact assessment is not required for this change to the policy. Reviewing the maximum contribution does not change the collection of information for a financial assessment or the governance around storing this information securely.

### **7.3 Sustainability**

There are no concerns about the sustainability of the review of the maximum contribution. Only those who can afford the increase in contribution will be impacted. Every customer receives a financial assessment that looks at all of their income, savings and expenditure (based on Government guidelines) so no one would be asked to contribute more that they could reasonably afford.



## **8.0 Other Relevant Considerations / Consultations**

### **8.1 Financial Implications / Sunderland Way of Working**

There is a potential impact on income; however this is dependent upon the level of personal budget customers receive as well as on their financial assessment. The creation of the Contributions Policy was in line with the Sunderland Way of Working bringing a proportionate level of interaction with our customers at an appropriate point in their journey. The review of the maximum contribution makes this more equitable for all customers.

### **8.2 The Public**

Prior to the agreement of the Contributions Policy at Cabinet in February 2012, a 12 week public consultation was undertaken relating to the proposed changes that the new policy would bring about to charging for social care in Sunderland.

8.3 The consultation involved a questionnaire that was sent to our current customer base. This was also made available to the wider public via the internet. It also involved attendance at a number of user groups and forums to enable as many of our customers or potential customers to have a say as possible.

8.4 The proposed change to the maximum contribution was included in the consultation.

8.5 Customers were asked whether they believed removing the maximum contribution cap so that all customers were assessed to pay as much as they could afford was a fairer system. In total 36% agreed that this system would be fairer, with 59% disagreeing (and 5% choosing not to respond to the question).

8.6 It has been confirmed that because this consultation has been completed, and the decision was only deferred, there is no requirement to go back out to consultation on the same issue.

## **9.0 List of Appendices**

9.1 Impact Equality Assessment

## **10 Background Papers**

10.1 No background papers were relied upon in the preparation of this report.



## EQUALITY ANALYSIS

### Name of Policy/Decision or Activity: Benefits and Assessment Team

**Equality Analysis completed by:**

Name(s)/Job Title:  
Lynsey Thurgood (Benefits & Assessment  
Team Manager)

Date: 21 November 2012

**Responsible Officer:**

Name /Job Title:  
Joan Reed (Strategic Change  
Manager)

Date: 21 November 2012

## Purpose and Scope

### Purpose

In this section outline briefly what the policy, decision or activity is, what the intended outcomes/benefits (linked to the Corporate Outcomes Framework) are and over what period of time will the outcomes be achieved. Why does it need to be implemented or revised?

The Benefits and Assessment Team are responsible for carrying out financial assessments for recipients of social care service. The service offered includes a welfare benefit check and support in the maximisation of benefits.

We are working to encompass a number of principles into our service, including:

- SWOW – ensuring that our processes are efficient and offer the best and most appropriate service to our customer (this includes the findings from 2 service assessments – Information Advice and Guidance and Health Inequalities)
- Personalisation – ensuring that the service we offer fits well with the principles of personalisation – giving the customer has choice in terms of how their financial assessment is delivered and ensuring that they take as much control over this as they are able.

The outcomes identified for the team are as follows:

- A service offering early intervention for our customers who can seek information online relating to their potential future charges. This will allow them to make a decision whether they want to seek assistance from the Council in relation to the provision of any care they may need.
- A service that works towards the preventative agenda as customers will have the opportunity to maximise their income with disability benefits that will meet their care needs without necessarily needing to come to the Council for assistance and improve financial inclusion.
- A personalised, self directed service that offers customers choices in how their financial assessment is carried out, with the service offered being proportionate to their needs.
- An improved service, with customers streamed out to alternative services at the appropriate time.
- A service that fits within the SWOW approach in that it is efficient and works in partnership with other areas of the Council.
- Customers providing information to the council once, by only given the new sharing of information with other agencies.
- A productive workforce that is able to work flexibly on clearly defined tasks.

## Scope

In this section consider who or where is the target for the policy or activity, this could be specific groups of people or organisations, individual wards, neighbourhoods or communities or the entire city. Links to, and overlap with, wider, local, sub-regional, regional or national priorities or activities should also be considered.

The team takes referrals from the personalisation services. Cases referred for a financial assessment are those most likely to require a social care service – either through a personal budget or the need for residential care.

All customers referred to the team have a likely social care need – by definition, this means that they are the most vulnerable or disabled people within the city. It does not impact to any greater extent on religious groups, race or sexual orientation.

## Intelligence and Information

What sources of information have been used to inform this assessment/analysis? This should include but is not limited to consultations, resident/service user feedback and statistical data and intelligence.

Statistical data has also been used to inform this assessment – this was drawn from information held on current users of social care service – i.e. our current customer base as well as the results of a recent consultation completed relating to the new Contributions Policy – equality information was gathered from respondents to the questionnaire. The questionnaire was sent to all current users of service (a total of just over 3,000 customers received the survey). It was also made available online for the general public. A total of 783 responses were received. The consultation also included attendance at a number of user groups offering attendees the opportunity to contribute.

## Analysis of Impact on People

This section offers an opportunity to assess the intended and potential impact of the policy, decision or activity on the people of Sunderland. This includes specific consideration of the impact on individuals, groups with protected characteristics and communities of interest within the city. Please briefly outline any positive, negative or neutral impacts on the specific groups below. In this assessment it is important to remember the Council is required to give due regard to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

| Characteristic  | List of Impacts |  |          |
|---|-----------------|--|----------|
|   | Positive        | Neutral  | Negative |
| <b>Age</b> – 66% of the current customer base is over 65. |                 | All customers are entitled to receive a financial assessment – this is carried out in a fair way so that everyone is assessed to pay no more than they can afford. |          |

| Characteristic   | List of Impacts   |   |          |
|--|---|---|----------|
|  | Positive  | Neutral   | Negative |
|  | The nature of our customer base means that the majority are aged over 65 – those who are over 65, who have come to social care services due to their age and not due to a life long disability are more likely to be assessed to pay a higher charge. This is due to the fact that older people tend to have a higher level of income or savings as their disabilities probably started later in life, giving them greater opportunity to build up private pensions or capital. |   |          |
| <b>Disability</b> – 34% (983) of the current customer base is under 65 with a disability (Physical Disability / Learning Disability / Mental Health) |   | All customers are entitled to receive a financial assessment – this is carried out in a fair way so that everyone is assessed to pay no more than they can afford.  |          |
|  | Whilst the policy does apply only to those customers who have specific needs, either due to age or disability, customers who have additional expenses that relate directly to their disability or illness, disregards can be made for these when calculating the contribution they are required to make.  |   |          |
| <b>Gender/Sex</b> – 64% (1,853) of the current customer base is female, with 36% (1,050) being male.   |   | All customers are entitled to receive a financial assessment – this is carried out in a fair way so that everyone is assessed to pay no more than they can afford.  |          |
|  | The findings show that males tend to be assessed to pay a higher charge than females. This is more likely to be the case for older males who have either private pensions or capital in their own right. This is especially the case where the male is part of a couple, as the female is more likely to have a lower income level in their own right.  |   |          |
| <b>Marriage and Civil Partnership</b>  |   | The work carried out by the team applies to all, regardless of marital status.  |          |
| <b>Pregnancy and maternity</b>   |   | The work carried out by the team applies to all – pregnancy or maternity will not impact this at all.   |          |
| <b>Race/Ethnicity</b>  |   | The work carried out by the team applies to all, regardless of race or ethnicity.<br>98.7% of the current customer base is recorded as White British. As a result, there is not enough information to accurately assess impact across groups. |          |
| <b>Religion/belief</b>   |   | The work carried out by the team applies to all, regardless of religion or belief.  |          |

| Characteristic                      | List of Impacts |  |          |
|-------------------------------------|-----------------|--|----------|
|                                     | Positive        | Neutral  | Negative |
| <b>Sexual Orientation</b>           |                 | The work carried out by the team applies to all, regardless of sexual orientation. |          |
| <b>Trans-gender/gender identity</b> |                 | The work carried out by the team applies to all, regardless of gender identity.    |          |

### Other individuals or groups impacted on.

The policy or action may also have an impact on other groups or individuals which are not covered by the statutory requirements. Please outline any additional individuals or groups which have not already been covered. This could include socio-economic groups, voluntary and community sector, carers or specific communities which face additional challenges (such as former coal mining areas or areas of high deprivation)

It is possible that carers, particularly parent carers of young adults with a Learning Disability who live at home, will be impacted upon by the financial assessment. This is because the income received by our customer is part of the household income. This is negated by the fact that part of the financial assessment process is to offer assistance with benefits that will ensure that everyone in the household is in receipt of everything to which they are entitled.

### Gaps in intelligence and information

Having undertaken the analysis are there any areas of intelligence or information which need to be improved? Please outline and areas where the current information is not complete enough to take a decision. Addressing this gap should be covered in the action plan.

The majority of social care users are recorded as White British (98.7%), with a similar number responding to the consultation questionnaire, leaving only a very small number of our customer base / respondents from which to gather any information relating to the impact of the policy. The information gathered cannot be used as a basis from which to make any assumptions.

There is no information relating to sexual orientation or gender identity as this information has not been part of the data set for long and most of our customers have not been asked for this information. The question was asked as part of the consultation; however 96.3% of respondents either selected "do not wish to say" or did not respond at all to the question.

In spite of these gaps in information, it is known that the financial assessment is applied in the same way to all individuals – aside from the fact that all of our customers are either vulnerable or disabled – financial status will determine the impact on the customer. Those who are better off – either through savings or private income such as occupational pension – will be assessed to pay a greater charge. This is not affected by marital status, pregnancy or maternity, race, religion, sexual orientation or gender identity.

## **Policy/Decision Activity Title: Benefits and Assessment Team**

**Responsible Officer: Joan Reed**

### **Summary of Impacts and Response to Analysis**

Please provide a summary of the overarching impacts that have been highlighted through the analysis process through the three questions below. It is important to recognise that individuals may belong to one or more of these characteristic groups and the combined impact could be greater than any single impact.

Who will the policy/activity impact on and who will benefit?

Financial Assessments for social care only apply to individuals who are vulnerable or disabled, their disability does not have any impact on the outcome of their financial assessment (except for where additional disregards are made which would reduce their contribution) as this relates entirely to their financial circumstances. Any impact on equality groups is negated because the policies applied are non discriminatory, as they purely relate to financial circumstances and not any of the equality characteristics.

Who doesn't benefit and why not?

The financial assessment and the policies applied do not either benefit / not benefit any groups as they are non discriminatory. They impact more on those who have higher levels of savings or income.

Who should be expected to benefit and why don't they?

The policy does not aim to benefit any groups.

### **Response to Analysis, Action Plan and Monitoring Arrangements**

In this section please outline what actions you propose to take to minimise the negative, and maximise the positive, impacts that have been identified through the analysis. By considering and implementing these actions the policy or action can be refined to make sure that the greatest benefits are achieved for the people of Sunderland. The performance monitoring process should also be set out to explain how ongoing progress is going to be followed to make sure that the aims are met.

From the analysis four broad approaches can be taken, (No major change, continue with the policy/action despite negative implications, adjust the policy/decision/action or stop the policy/action). Please indicate, using the drop down list below which is proposed.

No major change

### **Action Plan and Monitoring**

| <b>ACTION</b>                               | <b>WHO</b>                         | <b>WHEN</b>      | <b>MONITORING ARRANGEMENTS</b> |
|---|------------------------------------|------------------|--------------------------------|
| Benefits & Assessment Team Redesign – Phase | Benefits & Assessment Team Manager | From August 2012 |                                |

|   |  |                   |  |
|---|--|-------------------|--|
| One (Process, Structure, Roles and Responsibilities)  |  |                   |  |
| Benefits & Assessment Team Redesign – Phase Two (Information Sharing, Outreach, Residential Charging Policy Review) | Benefits & Assessment Team Manager         | From October 2012 |  |
| Benefits & Assessment Team Redesign – Phase Three (Self Serve)  | Benefits & Assessment Team Manager         | From April 2013   |  |
| Review INRA   | Benefits & Assessment Team Management Team | Annually          |  |



**CABINET – 16 JANUARY 2013**

**EXECUTIVE SUMMARY SHEET – PART I**

**Title of Report:**

Sunderland City Council Strategic Tenancy Policy.

**Author:**

Report Of The Executive Director Of Health, Housing and Adult Services.

**Purpose of Report:**

The purpose of this report is to seek Cabinet approval for the adoption of the Council's first Strategic Tenancy Policy.

**Description of Decision:**

Cabinet is requested to endorse the Strategic Tenancy Policy and the policies outlined within, regards the letting of social housing across the City.

**Is the decision consistent with the Budget/ Policy Framework? Yes**

**If not, Council approval is required to change the Budget/ Policy Framework**

**Suggested reason(s) for Decision:**

The Council has a statutory duty to adopt a Strategic Tenancy Policy, (under provisions made within the Localism Act 2011).

The option to not adopt a Strategic Tenancy Policy was therefore never considered.

**Alternative options to be considered and recommended to be rejected:**

The option of not developing a Strategic Tenancy Policy was not considered as per the above. However other policy approaches within the overall policy were considered and discounted.

Allowing flexible tenancies to be adopted widely would; reduce the stability of local communities, create increased transience and instability within family homes especially those of the most vulnerable and impact upon our access to housing function with increased requests for service.

Suggesting that Affordable Rent tenancies could not be used would; prevent Registered Providers from accessing grant funding from the HCA and additional rental income which would stifle the development of new social housing.

Therefore both these options were rejected in favour of the options outlined in the table in section 4.3.

**Impacts analysed:**

Equality  Privacy  Sustainability  Crime and Disorder

**Is this a “Key Decision” as defined in the Constitution?**

Yes

**Is it included in the 28 Day Notice of Decisions?**

Yes

**Scrutiny Committee**

**SUNDERLAND CITY COUNCIL STRATEGIC TENANCY POLICY****REPORT OF THE EXECUTIVE DIRECTOR OF HEALTH, HOUSING AND ADULT SERVICES****1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to seek Cabinet approval for the adoption of the Council's first Strategic Tenancy Policy.

**2.0 DESCRIPTION OF DECISION**

- 2.1 Cabinet is requested to endorse the Strategic Tenancy Policy and the policies outlined within regards the allocation of social housing across the City.

**3.0 BACKGROUND**

- 3.1 The Localism Act (2011) placed a new duty on every local authority to publish a Strategic Tenancy Policy by January 2013. It must outline an authority's broad objectives regards the allocation of social rented properties in their area and outline how it expects Registered Providers to allocate and manage such properties.
- 3.2 In addition, the Strategic Tenancy Policy will also cover proposed reforms in housing such as, whether an authority will discharge of their homelessness responsibilities via an offer of suitable accommodation within the private rented sector, and how an authority manages its own housing waiting list.

**4.0 DEVELOPMENT OF THE STRATEGIC TENANCY POLICY**

- 4.1 The Council has developed a Strategic Tenancy Policy which encompasses a 'balanced' approach to housing policy, which ensures that the appropriate type/s of tenancy are used by providers of social housing.
- 4.2 The Council policies outlined within ensure security of tenure, stability of local communities and that the allocation of social housing is fair for all. Fundamentally, the Council's position is that it would like to see as much social housing retained in the city and its preference would be that any new social housing that is built in the city is at a social rent. The Council, therefore, will do whatever it can to further this position, notwithstanding the fact that Registered Housing Providers are obliged to follow the Government's Affordable Rent programme.
- 4.3 The table below highlights the main policy issues which affect Registered Providers and the policy approach recommended within the Strategic Tenancy Policy.

| <b>Policy Issue</b>   | <b>Recommended Policy</b>   | <b>Comments</b>   |
|---|---|---|
| Type of tenancies the Council expects Registered Providers to offer, including the use of the newly introduced flexible tenancies | Flexible tenancies should not be used, other than in very specific situations, and/or for certain groups to be specified by the Council. These centre upon properties adapted for disabled persons  | This will provide stability for both tenants and registered providers   |
| How Registered Providers will use the affordable rent model for existing properties   | Registered Providers can 'convert' social rent properties to affordable rent at re-let stage if this is in line with an RP's policy and discussions and agreements previously made with the Council | The affordable rent product was introduced to generate increased income for registered providers. Allowing providers to use the product will generate increased capital for the development of further new affordable homes.  |
| How Registered Providers will use the affordable rent model for new build properties  | Registered Providers can use affordable rent on all new-build social housing properties   |   |
| How will the Council operate the housing waiting list, i.e. who qualifies to join it  | The Council is not proposing to move away from a policy of assessing and prioritising housing allocations based on the housing needs of applicants.   | Work will be done to determine if criteria, (which is to be determined), can be introduced to exclude certain categories of people from the housing waiting list to enable the list to be managed more effectively and therefore provide a more effective service to those in need  |
| Discharge of the Council's homelessness duty with an offer of a property in the private rented sector                             | The Council already make offers of property in this sector and will continue to do so in line with the options outlined in the Localism Act 2011  | <p>In applying this policy the Council will take all steps necessary to ensure that only suitable private rented accommodation is used, mainly by use of accredited landlords</p> <p>Using the private rented sector to discharge our homelessness duty only after an assessment of the individual needs have concluded that private sector housing is appropriate and the tenancy is offered at least a 12-month basis</p> <p>Also, mechanisms will be put in place to monitor the effect of placing people into the private rented sector and to offer advice and support</p> |

## **5.0 CONSULTATION**

- 5.1 The Council has undertaken consultation with Registered Providers on two separate occasions.
- 5.2 An initial event took place in October 2011. This was a sub-regional consultation event, organised by the Local Authorities of the sub region and many Registered Providers including, Gentoo, Home Housing and Fabrick Housing Association were in attendance.
- 5.3 This event took a general approach and covered the various options available to Registered Providers and Local Authorities. The feedback from Registered Providers confirmed that none were keen on, or likely to employ flexible tenancies. Nor were any planning on converting a large amount of existing social stock to affordable rent.
- 5.4 Other salient points were noted, such as the providers stating that they were likely to bid for, and utilise affordable housing funding from the Homes & Communities Agency for the development of new build social properties to be let on an affordable rent.
- 5.5 The event provided the Council with information regards the intentions and views of the larger Registered Providers at an early stage. This provided the Council with a starting point from which to develop the Strategic Tenancy Policy.
- 5.6 A formal period of consultation took place between 26 November 2012 and 7 December 2012, with a local consultation event taking place 28 November 2012. This was attended by several Registered Providers, including Gentoo, Home Housing and Two Castles HA.
- 5.7 The basis for the consultation was the draft Strategic Tenancy Policy which was sent to all Registered Providers, for comment. Feedback from Registered Providers is outlined within appendices.
- 5.8 Two consultation sessions were undertaken for elected members. These were held 23 October and 13 December 2012. There was good attendance from members at both events. Members were informed of the context behind the need for a Strategy Tenancy Policy and what should be included in the Policy.
- 5.9 Their views were sought on the 'policy issues' referred to in the table overleaf and there was a general consensus that this was the right approach. One issue which was raised by members during the briefings was that where the Council contributes land or finances to a development they would like to see social rented housing built. This was discussed with the Registered Providers who voiced concerns based on the fact that they have now fully engaged with the Affordable Rent programme, as a way of generating funds to help develop new build housing in the future. Also, the Registered Providers who operate nationally have made a policy decision that all new build is let on an affordable rent. This merits further consideration and discussion with Registered Providers as to the Council's determination on this matter.

## **6.0 REASON FOR DECISION**

- 6.1 The adoption of the Strategic Tenancy Policy is required under the guidance of the Localism Act 2011.
- 6.2 However the Strategic Tenancy Policy also adds value to the Council's strategic view regards housing options and allocations. The Strategic Tenancy Policy is a valuable policy in its own right as it provides strategic guidance to all Registered Providers and service users.

## **7.0 ALTERNATIVE OPTIONS**

- 7.1 The option of not developing a Strategic Tenancy Policy was not considered as per the above. However other policy approaches within the overall policy were considered and discounted.
- 7.2 Allowing flexible tenancies to be adopted widely would; reduce the stability of local communities, create increased transience and instability within family homes especially those of the most vulnerable and impact upon our Access to Housing function with increased requests for service.
- 7.3 Suggesting that Affordable Rent tenancies could not be used would; prevent Registered Providers from accessing grant funding from the HCA and additional rental income which would stifle the development of new social housing.
- 7.4 Therefore both these options were rejected in favour of the options outlined in the table in section 4.3.

## **8.0 IMPACT ANALYSIS**

- 8.1 Equalities. The Strategic Tenancy Policy focuses on ensuring that the housing needs of all are met. An Equality Impact Assessment has been carried out and any relevant actions arising from it will be implemented.

## **9.0 OTHER RELEVANT CONSIDERATIONS**

- 9.1 Financial Implications. No costs have been incurred regards the development of the Strategic Tenancy Policy and there are no costs in its implementation other than the monitoring of its effect / impact.

## **10.0 BACKGROUND PAPERS**

- (Draft) Strategic Tenancy Policy November 2012 (For Consultation).

# **Sunderland City Council**

# **Strategic Tenancy Policy**

# **January 2013**

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Strategic Tenancy Policy

Council Allocations and Housing Waiting List

Annual Review of Strategic Tenancy Policy



## **BACKGROUND**

The Localism Act 2011 (The Act) places a duty on every local authority to publish an agreed Strategic Tenancy Policy by 15 January 2013.

The Strategic Tenancy Policy must outline Sunderland City Council's broad objectives regarding the allocation of social rented properties within its administrative area and outline how the Council expects Registered Providers to allocate and manage such properties.

The Act requires Registered Providers to have regard to Sunderland City Council's Strategic Tenancy Policy.

In addition the Strategic Tenancy Policy covers the proposed reforms in housing such as:-

- whether the Council will discharge its homelessness duty via an offer of suitable accommodation within the private rented sector, and
- how the Council manage its own housing waiting list.

The development of the Strategic Tenancy Policy forms part of the strategic housing function and must show that policies are being developed and implemented based on clear evidence and consultation.

The City Council acknowledges the valuable role and contribution that all Registered Providers make in helping meet housing need in Sunderland and the strategy aims to promote the continuous collaborative working relationship between the Council and the Registered Providers.

The changes within The Act stem from the Government's drive to generate an increased supply of affordable housing nationally, both by freeing up existing stock and by incentivising the development of new stock within the social housing sector through the affordable rent model.

The new options around flexible tenancies introduced by government will only apply to new social rented tenancies. Existing secure and assured tenants' rights will not be affected; this includes their succession rights and their security of tenure.

The Homes and Communities Agency, (HCA), have introduced a 'Tenancy Standard' which guarantees that existing secure and assured tenants will be granted a new tenancy of the same status by their landlord if they move to another socially rented property.

The 'standard' also ensures that new tenants who still require social housing, for example those with a long-term illness or disability, will continue to be guaranteed secure social housing for life.

## Sunderland's Housing Environment

Sunderland lies on the North East coast of England and at the mouth of the River Wear. It is located in the Tyne and Wear conurbation and it has a population of 275,500 who are housed in 124,577 homes.

Sunderland has the following tenure profile:-

- Owner Occupied – 71,918 (57.7%)
  - Social Rented Sector, (Registered Providers) – 32,399 (26%)
  - Private Rented Sector – 15,441 (12.4%)
  - Empty Properties – 4,819 (3.9%)
- (Figures taken from the 2011 census)

Sunderland's Strategic Tenancy Policy will be focused on meeting the housing needs and aspirations of local communities and will demonstrate that the Council understands the local housing market and the prevailing issues regarding homelessness. This has been achieved by interrogating information from the Access to Housing Team and the findings of the Strategic Housing Market Assessment 2012 (SHMA 2012).

### Homelessness

The latest homelessness statistics for, 2011/12, indicate that a total of 110 decisions were made on households declaring themselves as homeless across Sunderland. Of these households, 82 were classified as homeless and in priority need.

Over the four years 2008-2012 an average of 234 decisions have been made each year across Sunderland and an average of 161 households have been declared as homeless and in priority need.

Homeless decisions and acceptances 2008 - 2012.

| Year                  | Decisions Made | Accepted as Homeless |
|-----------------------|----------------|----------------------|
| 2008/09               | 351            | 217                  |
| 2009/10               | 245            | 178                  |
| 2010/11               | 228            | 168                  |
| 2011/12               | 110            | 82                   |
| <b>Annual Average</b> | <b>234</b>     | <b>161</b>           |

### Allocations into Social Housing Stock

Sunderland City Council is a non-stock holding authority, and therefore works with Registered Providers to allocate social housing stock to individual households via pre-agreed nominations agreements.

The table below, shows the number of households re-housed into social housing stock each year since 2006/7 It also highlights the percentage of the these moves as a percentage of the overall waiting list.

| <b>Year</b> | <b>Households Re-housed via Nominations</b> | <b>Households on Waiting List</b> | <b>Percentage of those on List Re-housed</b> |
|-------------|---|-----------------------------------|--|
| 2006/7      | 557   | 1,799                             | 31.96%                                       |
| 2007/8      | 425   | 2,180                             | 19.5%  |
| 2008/9      | 496   | 2,184                             | 22.71%                                       |
| 2009/10     | 454   | 2,141                             | 21.21%                                       |
| 2010/11     | 498   | 2,819                             | 17.67%                                       |
| 2011/12     | 451   | 3,949                             | 11.42%                                       |

### **Existing Households expected to fall into Housing Need**

An estimate of the number of existing households falling into housing need each year has been established by drawing upon the Registered Providers lettings data. This suggests that over the period 2008/9, 2009/10 and 2010/11, a total of 103 households moved into the social rented sector because they had fallen into housing need and were homeless, representing an annual average of 34.

Total newly arising housing need is calculated to be 1,227 households each year across Sunderland.

### **How many people were made offers into the Private Rented Sector (PRS)?**

Sunderland City Council has, for some time disposed of their homelessness duty via the offer of a property, (tenancy), in the private rented sector. The table below outlines the level/s of disposals in this manner.

|                                  | <b>2007/08</b> | <b>2008/09</b> | <b>2009/10</b> | <b>2010/11</b> | <b>2011/12</b> | <b>Grand Total</b> |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| Number Discharged into PRS       | 26             | 29             | 20             | 13             | 6              | <b>94</b>          |
| % of all disposals (nominations) | 10.1%          | 10.9%          | 10.8%          | 7.2%           | 7.7%           | <b>9.7%</b>        |

### **Welfare Reform**

In developing the Strategic Tenancy Policy the council has considered the likely impact of the government's welfare reforms. It is clear that changes to the welfare system arising from the introduction of the Welfare Reform Act 2012 will have an impact on the demand for housing and the associated services.

It is important that local providers are able to respond effectively to these changing demands and the Strategic Tenancy Policy.

## **STRATEGIC TENANCY POLICY**

### **Objectives**

This Strategic Tenancy Policy sets out a series of principles for registered providers to consider when managing their properties. These principles will:-

- Ensure socially rented housing is allocated to those most in need,
- Make the best use of existing and new build housing stock,
- Support the development of affordable housing and ensure that Registered Providers maximise funding and work in partnership with Sunderland City Council and the Homes and Communities Agency,

### **Issues**

The main issues to be covered within the Strategic Tenancy Policy are:-

- the types of tenancy the Council expect Registered Providers to offer. This includes the use of flexible and affordable tenancies,
- the circumstances in which Registered Providers grant a particular type of tenancy,
- Registered Providers use of the affordable rent model / tenancy within their existing stock,
- Council policy regards how it will operate it's own housing waiting list,
- Council policy regards discharging the statutory homelessness duty in relation to offering private sector tenancies,

### **Flexible Tenancies**

As of April 2012, Registered Providers were able to offer 'Flexible Tenancies' as an alternative to a secure tenancy which traditionally meant that social homes were allocated for life.

The option of flexible tenancies has been introduced with the aim of increasing mobility within the social housing sector and freeing up homes for those who are in the most need.

Flexible tenancies will give Registered Providers more flexibility to decide what sort of tenancy they offer based on their levels of housing stock, the rate of turnover and the needs of individual tenants. The key feature of the proposed flexible tenancy will be how long it lasts. Possibilities include:

- Short (2 year minimum) fixed term tenancies
- Medium (2-5 year) fixed term tenancies
- Long (7 year plus) fixed term tenancies.

Registered Providers will retain the option to offer a tenancy for life.

It is expected that Registered Providers should provide longer tenancies to families and other households, (such as vulnerable groups, i.e. older persons and people with a disability), who require a tenancy that would be longer than the fixed term. These categories are outlined in the HCA's new Tenancy Standard.

Tenants with flexible tenancies will have the same protection as secure tenants as Registered Providers will still be required to rely on one of the grounds for possession, such as non-payment of rent, to progress eviction proceedings. Registered Providers will also need to prove that they acted reasonably when deciding to seek possession.

When a flexible tenancy reaches its conclusion, it is up to the Registered Provider, in accordance with its own policies, to decide whether the tenant will be entitled to remain in the property, or be granted another property or tenancy. Should a Registered Provider decide not to renew a tenancy at the end of the prescribed term, (as this is in line with their policies), then the Registered Provider must provide advice and assistance to help that tenant find suitable alternative accommodation.

It is for Registered Providers to implement their own policies around the selection of properties to be let as fixed term tenancies.

It is the council's view that it is the likely future need of the potential occupant/s for the property that should be the determining principle when considering a flexible tenancy. It is important that a landlord's fixed term tenancy policy does not reduce the personal security of individuals and families.

SCC does not want flexible tenancies to have a detrimental impact on local communities. The promotion of sustainable communities should be at the heart of any decisions taken about the allocation of flexible tenancies.

For these reasons SCC would want to see flexible tenancies applied in very limited situations.

### **Flexible Tenancy Policy**

Sunderland City Council's policy regards Flexible Tenancies is:-

***'Flexible tenancies should not be used, other than in very specific situations, and/or for certain groups specified below by the Council.'***

Below is a list of the specific situations in which the Council would consider endorsing the use of flexible tenancies:-

- 1) If a Registered Provider uses a property which is, 'an addition to the social housing stock'. An example would be where a Registered Provider brings a private sector property into use as a social rented property, perhaps as part of a time limited leasing scheme with a private owner. The rationale for this being that a lifetime tenancy would be difficult to offer.

- 2) Upon the letting of properties with major adaptations and/or specialist equipment, (which are defined in appendix one), for disabled persons. That is, when a disabled person/s moves into an adapted property, along with other non-disabled person/s. If the disabled person/s remained in the property the Registered Provider must offer a renewal of the existing tenancy.

If however the disabled person/s has left the property, leaving the major adaptations unused, this would not prove to be the most effective use of the property. Therefore the Council would expect the Registered Provider to end the flexible tenancy in order to ensure that the property was again allocated to a further disabled person/s and thus ensuring the best use of the stock.

The Council would expect the Registered Provider to provide an offer of suitable accommodation to the person/s left at the property to ensure that their housing needs continue to be met.

It is expected that the minimum length of tenancy to be offered by a Registered Provider is 5 years. Registered Providers can offer longer term tenancies if appropriate to the individual circumstances.

### **Affordable Rent Tenancies**

The Government introduced the new 'affordable rent' product which can be offered by Registered Providers on new social rented properties from April 2011.

Affordable rent is higher than a social rent, but lower than a local market rent, (a private rent). A Registered Provider will be able to set an affordable rent at up to 80% of the local market rent.

The Government have introduced affordable rent tenancies as a mechanism for generating funding to pay for the future development of affordable housing. The monetary difference between a social rent and affordable rent must be reinvested back into the development of new-build affordable homes.

Affordable rent tenancies are intended to be offered to households who would otherwise be unable to afford adequate housing in the private sector and as an alternative to traditional social rent, which is best allocated to those who are in most housing need.

Tenants on affordable rent will still be able to apply for housing benefit.

Registered Providers can set an affordable rent on both new-build properties and existing properties, the latter being changed or 'converted' from social rent to affordable rent when the property is re-let to a new tenant.

Once a property is converted from social rent to affordable rent it cannot be converted back to social rent. Therefore as lettings and conversions continue, the level of social rent properties in the City will reduce, albeit slowly. It will be necessary to monitor the level of conversions to determine the numbers of social rented properties converted year on year.

An affordable rent must be charged on new build properties which receive affordable housing funding from the HCA. The Council will retain nomination rights on affordable rent properties at levels already in place with Registered Providers.

### **Affordable Rent Policy**

Regarding conversions at re-let stage within the existing social rented stock, the Council's policy is:-

***'Social rent properties can be 'converted' to affordable rent at re-let stage if this is in line with discussions and agreements previously made with the Registered Provider concerned, and the HCA where applicable.***

This option will allow Registered Providers to generate funding for the development of further affordable housing, (i.e. through affordable rent income), within a conversion level previously discussed and agreed with the Council.

Regarding the use of affordable rent on new-build properties:-

***'An affordable rent can be charged on all new-build social rented properties, apart from developments where the Council contribute land at nil-cost or finance. On such sites a social rent should be charged.'***

This will support the use of the affordable rent product when it forms part of a framework agreement with the HCA to deliver affordable housing. Registered Providers must be able to evidence an understanding of how this will meet the needs of local residents and have clear policies for ensuring tenants are able to afford and sustain the tenancy.

This acknowledges that affordable rent is now an option, and will enable the delivery of further affordable housing units as a result of the extra income generated. The Council's fundamental position is that as much social housing should be retained in the city as possible. Whilst the Government's position is that all new social housing should be developed under the affordable rent model and that existing housing can be converted to affordable rent, the Council's preference would be to see social rented housing provided. The Council will work closely with Registered Providers to discuss its position and how its preference for social rented housing can be delivered.

## **COUNCIL ALLOCATIONS AND HOUSING WAITING LIST**

Included within the Localism Act are new powers which allow authorities to set their own rules about who qualifies to join the housing waiting list.

### **Council Policy**

At this stage the Council is not proposing to move away from a policy of assessing and prioritising housing allocations based on the housing needs of applicants. Going forward, work will be undertaken to determine if the Council could manage the list more effectively and therefore provide a more effective service by prioritising certain groups and excluding others.

### **Homeless Allocations into the Private Rented Sector**

Another key change relating to homelessness is that councils can also discharge their duty to someone who is homeless and has a 'priority need', (such as having dependents), by offering them a tenancy within the private rented sector. This is an addition to allocating social rent and affordable rent properties which Council will continue to do.

Previously, councils were obliged to offer a social rented housing property unless the tenant requested a private sector property, but now a private sector can be offered even if the applicant doesn't request one.

Sunderland City Council already work closely with landlords and letting agents in the private rented sector to secure accommodation for homeless cases. This change in legislation presents the Council with greater opportunities to allocate into the private rented sector.

### **Council Policy**

***'It is proposed that Sunderland City Council should, having reference to appropriate safeguards include the option of discharging its homelessness duty by offering a tenancy within the private rented sector as well as using the current option of a social rented home.'***

In applying this policy the Council will take all steps necessary to ensure that only suitable private rented accommodation is used and that all Landlords are accredited.

The following safeguards will be applied when using this new power:

- Using the private rented sector to discharge the homelessness duty only after an assessment of the individual needs have concluded that the private sector housing is appropriate
- Ensuring that an appropriate property is available on a 12-month tenancy.



In addition mechanisms will be put in place to monitor the affect of placing people into the private rented sector and to offer advice and support.

## **ANNUAL REVIEW OF STRATEGIC TENANCY POLICY**

Sunderland City Council has a responsibility to understand, strategically plan, and monitor the impacts of reforms and other policy changes. These are set against changing housing need, varied housing markets, reduction in housing funding streams and the reform of the welfare benefit system.

Therefore the Strategic Tenancy Strategy will be reviewed annually and Sunderland City Council will work with all of its Register Provider partners to actively monitor the provision of flexible tenancies, affordable rented homes, private rented sector discharges and waiting list numbers. This will include:-

- measuring the number of flexible tenancies issued per annum,
- measuring the number of affordable rented properties built or converted per annum,
- measuring the number of discharges of homelessness duty in the private sector,
- reporting on the number of applicants on the housing waiting list,

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## **APPENDIX ONE**

Below is a list of the adaptations and specialist equipment which would warrant the employment of a flexible, (time limited), tenancy as referred to in Flexible Tenancies Section on page 7.

Adaptations would include:-

- Doors widened
- Adapted kitchen
- An over bath shower
- Level access shower
- Construction of a ground floor bedroom for medical needs
- Construction of an additional ground floor bath or shower room
- Internal walls removed to provide wheelchair space
- Permanent or prefabricated ramp installed

- Additional upstairs WC installed to suit the needs of an occupant.

Specialist Equipment would include the fitting of:-

- Stair lift
- Ceiling tracking hoist
- Through floor wheelchair lift
- Rise and fall bath
- Step lift
- Environmental control systems

The above list is not comprehensive and other adaptations and equipment may be added to the list in future if it's deemed necessary to do so.

All of the above could have been provided with a disabled facilities grant.