

**Notes of Budget Consultation meeting between representatives of the Council and the Chamber of Commerce held at Sunderland Civic Centre on Tuesday, 3<sup>rd</sup> February 2015 at 10.30 am**

**Present:**

**Council Representatives**

Councillor Paul Watson	-	Leader of the Council
Councillor Henry Trueman	-	Deputy Leader of the Council
Councillor Mel Speding	-	Cabinet Secretary
Dave Smith	-	Chief Executive
Janet Johnson	-	Deputy Chief Executive
John Rawling	-	Deputy Director of HR and OD
Sonia Tognarelli	-	Director of Finance

**Chamber of Commerce Representatives**

Sue Harrison	-	SHB
David Allenson	-	SHB
Anthony Mills	-	Station Taxis
Trevor Hines	-	Station Taxis
Ken Dunbar	-	Sunderland BID
Ernie Johnson	-	North East Vending Ltd
Jonathan Walker	-	NECC
Ralph Saelzer	-	Liebherr Sunderland Works Ltd

The Leader of the Council welcomed representatives from the North East Chamber of Commerce and thanked them for their attendance. The Leader invited Sonia Tognarelli, Director of Finance, to outline the current position with regard to the Council's revenue budget for 2015/16 and the Medium Term Financial Strategy 2019/20.

The Director of Finance outlined the context within which the Council was working in establishing the budget position for 2015/2016 and into the medium term. The Government were continuing the deficit reduction plan with an objective to eliminate the deficit by 2018/19 with a new fiscal objective to have a surplus budget by 2020.

The Medium Term Financial Strategy took into account the draft settlement of 18<sup>th</sup> December 2014. The headline figures from government referred to a national reduction in revenue spending power for 2015/16 of 1.8% but this figure included ring fenced spending relating to health. The actual reduction in Local Government funding for 2015/16 was much higher at 15% and within this it was important to note that the revenue support grant – which under previous funding systems was intended to recognise low income bases and relative need had been reduced by 28%. The impact on Councils was therefore disproportionate, as the across the board percentage cuts, led to a re-allocation of funding from deprived areas.

A number of independent reports including that by the National Audit Office referred to the need for the Government to recognise the cumulative impact of funding cuts and system changes on fulfilling statutory responsibilities in the next few years.

The overall funding position was a reduction following Government Grant Changes of £25.7m in 2015/16, £25.3m in 2016/17, £12.7m in 2017/18, £8.6m in 2018.19 and £5.6m in 2019/20.

The Director of Finance explained that in addition to grant cuts the Council had to absorb spending pressures. These cost pressures were estimated to cost the Council £68m over the next five years. Major pressures included Adult Social Care as a result of an increasing ageing population by 2024, such predictions estimated 23% more people aged 65+ and 57% more people aged 85%. In addition Safeguarding, looked after children, had increased by 13% in the last year.

Once spending pressures were added this equated to a total estimated on-going pressure and grant reduction, for 2015/16, of £36.6m with a further £109m of potential reduction in resources by 2019/20.

The Director of Finance reported that the Council had implemented savings equating to £171.5m over the last five years through new ways of working and in doing so had tried to protect front line services as much as possible. £97m of the savings had been delivered through the reduction of non customer facing services for example back office, procurement and property rationalisation. In addition there had been changes to front line services for example to responsive local services and arrangements for social care through different delivery models, but there was an expectation that further changes to service delivery would be needed in the future.

The Director of Finance explained that the reductions would need to be met from an overall controllable budget of £308m after taking into account ring fenced budgets for schools for example. Within this £185m was allocated to Adult Social Care and Children and Families services, which represented 60% of the overall budget. Following the further budgetary reductions expected Sunderland would no longer be in a position to protect these services and there was a need to look at all areas.

Given the scale of reductions the Council would need to radically consider the core purpose of the Council and what was needed to deliver the best for the city and its communities. It would become increasingly important to work together within the city to develop relationships to meet the highest priority needs through more collaboration with Health and other partners, and creating opportunities to promote economic growth. There was a need to take forward greater community involvement in looking after neighbourhoods in different ways, target resources and reduce the reliance of the community on the Council to provide services.

The Director of Finance highlighted the proposals for meeting the revenue budgetary requirement for 2015/16.

The Director of Finance outlined the proposed Capital Programme for 2015/16 which reflected the priority of the Council to continue to invest in the city's infrastructure to support economic development and regeneration leading to more employment opportunities and growth. There was a £112m Capital Programme for 2015/16, of which £91m was allocated for on-going commitments, for example the start of the new Wear Bridge and Enterprise Zone infrastructure developments alongside a wide range of other important developments which should start to give significant benefits, for example the new college and Vaux site.

The Leader of the Council invited views and comments from the North East Chamber of Commerce representatives.

Ralph Saelzer queried if the budgetary reductions would be met through redundancies or reducing the number of agency staff. The Leader explained savings had already been met from arrangements in place in relation to support care packages or other operational services. There may be some staffing implications but these would not be significant in 2015/16 but beyond this period further consideration would be needed.

Ralph Saelzer queried income generation considerations and whether this would affect business tax. The Leader responded that plans included both spending less and increasing income. Plans were being taken forward for leisure facilities to become income generating resources. In excess of 70% of the budget was spent on front line staff and service delivery and when this service was reconfigured there would be a reduction in staffing but there was a need to realise this may have a knock on effect on the local economy. The Leader acknowledged that there were no alternative options and there was evident concern that the Council may not be able to meet their statutory obligations and may only be able to meet Adult Service's needs. The Government needed to understand when setting statutory duties Local Governments need the budget to meet these responsibilities.

The Director of Finance reported that Government had implemented limitations on the level council tax charges could be raised, this was 1.99% for 2015/2016 without triggering a referendum and business rates were determined by government and capped at a 2% increase for 2015/2016. The Leader acknowledged that this would affect the base budget but noted that the Council had the lowest council tax charges within the North East.

Jonathan Walker enquired about the physical assets and whether future strategies included co-locations, for example with Health or University. The Leader confirmed the strategy was to reduce the current portfolio.

The Chief Executive reported that 19 buildings had already closed and the strategy was both leveraging assets within the private sector and to share assets with other public bodies. Sunderland were one of six Authorities merging Adult Social Care with Community Health Services and these would be based around primary care facilities, therefore working essentially with General Practitioners to provide services in a different way. Health Services were providing investment to meet the resources required for social care. The Chief Executive explained that the Council settings had reduced by 50% from 2010 and further reductions were planned.

Ernie Johnson shared that a Charity had taken over the library premises in Hendon and this arrangement had been handled superbly. The resource had a significant number of users and was a hub, as well as a library, for every aspect of the Council. The Leader agreed this was a success story following the austerity measures implemented. The reconfigured library services had also evidenced an increase in customers and the new service was more cost effective.

The Leader acknowledged that in the next two years there was an expectation to improve the income generation from leisure services, with an expert partner.

Jonathan Walker queried if there were options of joint working with other Local Authorities to enable savings. The Chief Executive confirmed there was and explained Sunderland, South Tyneside and Gateshead worked jointly for waste services. Newcastle Council were approached but had signed up to a ten year contract, which was one of the constraints in place.

The Chief Executive explained that at the present time there were more opportunities available with Public Health than any other bodies but the LA were looking at options.

The Leader explained transport was an ideal example of the constraints being faced, for example the rural roadways which impacted on joint working. The Leader highlighted that the work now undertaken by ANEC, on behalf of twelve Local Authorities in relation to policies and procurement, was another example of working together.

Ken Dunbar questioned if the Sunderland Railway Station regeneration would commence next year. Janet Johnson confirmed work was on-going and the Cabinet Minister was going on site today and hopefully the station project would commence at the end of this calendar year.

In response to Ken Dunbar Cllr Speding explained that once the new design information was received the project would go out for consultation.

Trevor Hines noted that the cuts were disproportionate and queried whether Council were confident that the Government would not readdress this. Trevor stated that in terms of generating income he felt the regeneration plans were quite exciting and he was hopeful that this would help negate some of the reductions.

The Leader reported that the information provided was as factual as possible and felt what was unfair was the unseen and hidden redistribution of budgets, for example the new homes bonus grant mechanism which resulted in a redirection of funding to the South East of England. The Leader highlighted that a very significant proportion of housing with the Sunderland area was within Band A of the council tax.

The Leader stated that he believed the Council had a really good capital programme which would provide new heart into the City Centre. The new college campus would increase the footfall and this would make a difference for the Holmeside area. The Leader shared that he believed the City had never had a reasonable opportunity for a commercial site and this was now available with the Vaux site.

The Chief Executive highlighted that in 5 years the Council had accessed more grant funding than any other City. The Leader was well respected by both Government and officials and the Council's influence was growing in terms of bringing their opinion to bear. The Chief Executive shared that through some of the changes in the way the Council worked and how they worked with others, they now had a different relationship with the business community.

In response to Ken Dunbar's enquiry the Director of Finance confirmed that the budgetary predictions included some expected growth in business rates, growth from new regeneration projects would be added to financial plans in future years. Janet Johnson noted the new development area near the Nissan site should also increase income.

The Leader highlighted that Sunderland was still a low paid City therefore there was a need to drive better value jobs.

Ken Dunbar withdrew from the meeting.

Cllr Speding reported that at the present time there were five vessels in Port at Sunderland. The Leader acknowledged that the collapse in oil prices was detrimental for the operational services for the Port but beneficial if companies needed to lay vessels up.

Trevor Hines questioned the rail links from Leamside. The Leader stated that negotiations were still on-going but highlighted that there were new builds around some areas of the line which may impact on any proposals. The Leader acknowledged that the East Coast rail needed to be alleviated and highlighted that the Durham Coastline was open and operational. Although some remedial work may be required this line linked with York and would be more cost effective.

Trevor Hines queried future plans for a new Court prospect. The Leader stated that this would only be taken forward if the Department of Justice released funding to modernise the current building.

The Leader thanked those present for their attendance and their comments which would be taken into consideration by the Cabinet. The Council valued the contribution of the North East Chamber of Commerce to the budget consultation process and on an on-going basis as plans were being developed and implemented. The Leader then closed the meeting.

