

## **THE CABINET reports as follows:-**

### **1. Revenue Budget 2009/2010**

That they have given consideration to a joint report of the Chief Executive (Designate) and the City Treasurer (copy attached) noting the impact of the provisional Local Government Finance Settlement on the Budget Planning Framework for 2009/2010 and submit the provisional budget proposals for 2009/2010 as a basis for continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement.

Accordingly the Cabinet recommends the Council 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 2009/2010.

They also referred the report to the Policy and Co-ordination Review Committee for further advice and consideration. The comments of the Review Committee will be reported to the meeting.

### **2. Calculation of Council Tax Base**

That they have given consideration to a report of the City Treasurer (copy attached) seeking approval to the calculation of the Council Tax Base for 2009/2010 in accordance with the Local Government Finance Act 1992 and recommend to Council that:-

- (i) the report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2009/2010 be approved, and
- (ii) 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 2003, the amount calculated by the City of Sunderland Council as its Council Tax Base for the year 2009/2010, shall be £80,089 and for the area of Hetton Town Council shall be £4,032.

### **3. Capital Programme – Third Review 2008/2009 and Provisional Resources 2009/2010**

That they have given consideration to a report of the City Treasurer on the outcome of the Third Review of the Capital Programme since the Second Capital Review 2008/2009 and the provisional allocation of resources for 2009/2010. The report advised of the:-

- reprofiling to projects since the Second Capital Programme Review was reported;

- inclusion of additional schemes and revisions to cost for 2008/2009 and associated resourcing since the Second Capital Programme Review was reported;
- overall updated Capital Programme following the Third Review;
- latest notifications of supported capital allocations for 2009/2010.

Accordingly the Cabinet recommends the Council to approve the additional schemes in 2008/2009 as set out in the attached extract.

They also referred the extract of the additional schemes in 2008/2009 to the Policy and Co-ordination Review Committee, for advice and consideration. The comments of the Review Committee will be reported to the meeting.

**REVENUE BUDGET 2009/2010**

**Report of the Chief Executive (Designate) and City Treasurer**

**1. Purpose of Report**

- 1.1 Following the receipt of the provisional Local Government Finance Settlement, which was reported to Cabinet in detail on 3rd December 2008, attention has been given to the impact of the settlement on the Budget Planning Framework for 2009/2010 established and approved by the Cabinet at its October 2008 meeting.
- 1.2 This report sets out for 2009/2010 provisional budget proposals, as a basis for the continuation of budget consultation, prior to receipt of the final Local Government Finance Settlement.

**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 2009/2010.

**3. Impact of the Provisional Local Government Finance Settlement on the Budget Planning Framework for 2009/2010**

- 3.1 The outcome of the provisional Local Government Finance Settlement for 2009/2010 was reported to Cabinet on 3<sup>rd</sup> December 2008. The provisional settlement for 2009/2010 is the second year of the first three year settlement announced in December 2007 and was announced with an indicative settlement for 2010/2011.

A brief summary of the main features of the settlement is set out below:

**General Government Grant System**

- 3.2 The Provisional 2009/2010 Settlement continues to be based on the four block system for the allocation of formula grant.

- 3.2.1 The Four Block system consists of the following elements:

**a) Relative Needs Block**

This block is calculated using Relative Needs Formulae (RNF) split into service blocks covering Children's Services, Adult Services, Police, Fire and Rescue, Highways, Environmental Protective and Cultural Services (EPCS), and Capital Financing. The formula for each service block is based on an amount per client with top-ups to reflect local circumstances, mainly deprivation and area cost adjustments.

**b) Relative Resource Amount**

This block takes into account the different capacity of Local Authorities to raise income from the Council Tax. This is a negative amount in the formula.

**c) Central Allocation**

This block is allocated on a per capita basis.

**d) Floor Damping Block**

This block ensures that all Authorities receive a minimum grant increase in line with the Government's proposals by type of Authority. Different increases for each type of Authority have been announced in the settlement.

**Floor Damping Arrangements**

3.2.2 The floor damping arrangements are now an integral part of the four block grant system whereby each Authority receives a minimum increase in grant, based upon type of Authority. This is paid for by scaling back the grant increase for other Authorities, within the relevant type of Authority, which, under the formula, are to receive above the minimum increase. The floor increases have remained unchanged from those previously announced and are as follows:

	<b>2009/2010</b>	<b>2010/2011</b>
Education and Social Services Authorities	1.75%	1.5%
District Councils	0.5%	0.5%
Police Authorities	2.5%	2.5%
Fire Authorities	0.5%	0.5%

Whilst it is difficult to argue against the use of floor increases, particularly as the Council has benefited from this measure in the past, it would be fairer and more beneficial to the Council if government funded the floor element in future settlements so that each authority receives the full benefit from grant formula allocations. The effect of scaling back the Council's settlement is a reduction in grant of £1.675 million in 2009/2010 and £1.344 million in 2010/2011.

**Provisional Settlement 2009/2010 and Indicative Settlement for 2010/2011**

3.2.3 The provisional and indicative settlements covering the years 2009/2010 and 2010/2011 are as follows:

	<b>2009/2010</b> %	<b>2010/2011</b> %
<b>Provisional / Indicative Settlement</b>	2.16	1.84

## Formula Review

3.2.4 There have been no changes to the overall formula grant allocations for both 2009/2010 and 2010/2011 to those already published and released in January 2008. The Minister has stated that he expects the 2010/2011 settlement to remain unchanged for next year. However, the Council expressed concerns in December 2007 when the original three year settlement was announced about the use of the population figures released by the ONS and, following representations from this and other Councils, the Minister has subsequently commissioned a national review of the use of population figures for use in future Comprehensive Spending Reviews.

## Dedicated Schools Grant Position

3.3 Schools funding is separate from the General Formula Grant system and is instead funded through the ring fenced Dedicated Schools Grant (DSG). However, Non Schools Education Services (Local Authority central education functions) are still financed through the General Formula Grant system.

3.3.1 The headline national increases announced as part of the 3 year settlement were for 2009/2010 and 2010/2011:

	<b>2009/2010</b>	<b>2010/2011</b>
DSG	3.3%	4.1%
Per Pupil Increase	3.7%	4.3%

3.3.2 The DSG for Sunderland is forecast to increase in cash terms by 2.0% in 2009/2010 and 2.3% in 2010/2011, though the precise increases will be determined by the final pupil numbers submitted to the Department for Children, Families and Schools (DCFS) in February each year. The DSG increases locally reflect the falling school rolls experienced in Sunderland Schools. The per pupil increases are, however, much nearer to the national average increases, with a per pupil increase in 2009/2010 of 3.7% and for 2010/2011 of 4.2%.

3.3.3 The strong focus on personalising teaching and learning to meet the needs of every child will continue over the three year period, with £535 million in 2009/2010 and £912 million in 2010/2011 earmarked within the DSG. This additional funding is to support the universal roll out of a personalised offer to all pupils – including those with special educational needs. To complement this increased funding through DSG, the DCFS will roll out funding of £138 million in 2009/2010, and £315 million in 2010/2011, to help improve the rate at which children progress, ensuring all children can meet their potential, and those who are behind expectations, or are falling behind, get back on track. A current pilot of this approach will run until July 2009, after which the funding will be made available to improve progression in all schools.

- 3.3.4 The increased funding for progression will continue to be delivered through the Standards Fund for the next 2 years, as will increases in funding to extend the entitlement to free nursery education from 12.5 to 15 hours, announced by the Minister for Children, Young People and Families, (Beverley Hughes), on 7th November 2007.
- 3.3.5 In addition, the government has prescribed a Minimum Funding Guarantee (MFG) at school level based on a percentage uplift per pupil. The MFG reflects the average cost pressures and an assumed efficiency gain of 1.0%. The MFG for all schools has been set at 2.1% for the 3 year period.
- The application of the MFG of 2.1% was also applied to the majority of School Based Grants.
- 3.3.6 The Learning Skills Council introduced a new allocation and funding approach across the whole of the post 16 further education sector from 1<sup>st</sup> April 2008. A major change is that the MFG will no longer apply. The Council is awaiting information of funding to be received in 2009/2010.
- 3.3.7 Finally, in order to protect Authorities with sharply falling school rolls a minimum cash increase in DSG of 2% has been established.
- 3.3.8 The table below details the potential call on the total indicative funding available:

	<b>£m</b>
<b>Total Indicative Funding Available</b>	<b>166.551</b>
MFG Requirement (2.1%)	149.547
Rates	2.338
Needs Led Formula Requirement	0.948
Total ISB Budget	152.833
School Contingency	0.639
School Block - Other Expenditure	10.858
<b>Total Indicative Call on Funding</b>	<b>164.330</b>
Indicative Available Headroom	2.221
<b>Total Indicative Funding Available</b>	<b>166.551</b>

- 3.3.9 The Schools Forum will meet to decide upon the use of the indicative available headroom. The outcome will be reported to Cabinet in February 2009.

## Specific and Special Grants

- 3.4 Notwithstanding the flexibilities that the Council enjoys as a top rated Council, specific and special grants continue to be allocated for specific purposes, with the final determination for use to be agreed as part of the overall budget by Cabinet, or otherwise where Cabinet deems appropriate, in consultation with the relevant Cabinet Portfolio holder.
- 3.4.1 Specific and special grants will increase nationally by 4.9% for 2009/2010 and by 5.3% for 2010/2011, compared to the 2008/2009 adjusted figures. The above inflation increases in specific and special grants are welcomed, though not all grant allocations, particularly capital grants, will be known until late January 2009.
- 3.4.2 The government also introduced some new special grants in 2008/2009 to help meet service pressures and added legal responsibilities. The main grant was the Social Care Reform Grant which was introduced to support the transformation of social care over the period of the 3 year settlement. The grant is intended to support councils with social services responsibilities to redesign and reshape their services and systems, to enable them to deliver this transformation. The allocations for Sunderland are as follows:

Year	£000
2009/2010	1,288
2010/2011	1,580

- 3.4.3 The government also retained grant funding and increased grant funding in specific service areas to address their national priorities, particularly in the areas of deprivation, youth and education.

## Area Based Grant

- 3.5 A new Area Based Grant was created in the settlement for 2008/2009 into which a range of existing special grants were transferred.
- 3.5.1 The Council's allocation for Area Based Grant for the 3 year period, is set out below:
- 2008/2009 - £25.4 million; (£3.3m transfer in respect of the Connexions Service included)  
2009/2010 - £28.0 million;  
2010/2011 - £39.0 million; (£11.3m transfer in respect of Supporting People included).
- 3.5.2 Whilst the introduction of the Area Based Grant, which is not ring-fenced, can be used to help fund general revenue expenditure, thus providing more flexibility in how this funding is to be used by the Council, each of the grants now included within the new Area Based Grant originally came with clear grant conditions and performance expectations. In the

vast majority of instances, these performance expectations remain and will be considered through the Comprehensive Performance Assessment, Comprehensive Area Assessment and other service based inspections. Accordingly, the Area Based Grants were passported through to their host Portfolio / Directorate for 2008/2009 and a review has been undertaken during 2008/2009, to ensure value for money and the appropriateness of expenditure in light of any changes in priority and performance targets and expectations.

Working Neighbourhoods Fund (WNF)

- 3.5.3 The Neighbourhood Renewal Fund (NRF) has been replaced by the Working Neighbourhoods Fund and is a major grant included within the Area Based Grant. The Council's WNF allocations for the next two years are:

Year	£m
2009/2010	10.499
2010/2011	11.024

The grant is intended to be used to address worklessness and economic development within the more deprived areas and a Working Neighbourhoods Strategy was recently approved by Cabinet.

#### **Capping Powers and Reserve Powers**

- 3.6 The Government has retained capping and reserve powers. The Local Government Minister, John Healey, wrote to all local authorities on 10<sup>th</sup> December 2008 stating that the Government expect to see average council tax increases next year of substantially less than 5% and have stated that local government should be under no illusions that they are prepared to use their capping powers. He further advised that the criteria for capping will not be known until council budgets have been set, and that past criteria should not be used as a guide to future criteria.

#### **4. Directorate Cash Limits**

- 4.1 When the Budget Planning Framework was approved in October 2008, it was agreed that Directorate cash limits would be based on the following:

- provision for pay increases to be included on the basis of prudent assumptions given the economic outlook and the announcements made by the Treasury in relation to public sector pay awards;
- no additional provision for pension contributions, on the basis that results of the actuarial review of the Tyne and Wear Pension Fund as at 31st March, 2007 confirmed that there was no need to raise employer contributions. It was noted that the next actuarial review is planned for 31<sup>st</sup> March 2010, the results of which will be



implemented in 2011/2012. At this stage it is difficult to determine with any certainty whether further increases in pension costs may occur. Factors to take into account are the phased financial impact of the introduction of the new pension arrangements, increasing mortality age and the current volatility of investment performance in financial markets given the "credit crunch";

- provision for price increases on the basis of a targeted but stringent approach to allocating budget provision for inflation:
  - o Contract or Income Related budgets – 2.5% - but subject to review at individual contract level;
  - o Other budgets – 0%;
  - o Independent Care Providers - prudent provision for increases in charges;
  - o Energy - Fuel and Utilities - a sustained rise in the price of utility costs has created a significant additional spending pressure. Notwithstanding very recent decreases in prices, energy prices will continue to be kept under review during the final stages of the preparation of the budget;;
- provision for increased fees and charges - it was noted that the policy of assuming an increase of fees and charges in cash limits has resulted in a significant increase in income over recent years, but where this was demonstrated to be unsustainable due to market conditions exemptions from this requirement have been agreed. For all other areas fees and charges were to be included on the basis of a 2.5% increase and a presumption that where a 2.5% increase was proven to be unachievable in certain areas, efficiency reductions are to be made to compensate;
- provision for spending commitments and any adjustments in respect of:
  - o PTA levy;
  - o debt charges;
  - o landfill tax and waste disposal;
  - o repairs and renewals.
- that the commitments against balances be noted and the scope to utilise resources from this source be explored;
- that the identified spending pressures be noted and that all spending pressures not specifically identified either as commitments be accommodated within Directorate cash limits;;
- that Corporate Efficiency Reviews be progressed and savings maximised;
- that a review of Area Based Grants be completed and the scope to utilise efficiency savings from this source be explored;
- that Directors be requested to bring forward options for efficiency savings which could be implemented without service or policy implications equivalent to 4% of their net delegated budgets in priority order.

4.2 Since the Budget Planning Framework 2009/2010 report was approved by Cabinet in October 2008, and in light of the Provisional Local Government Finance Settlement, draft budgets have been amended to

reflect:

- latest estimates of utility costs for gas and electricity supply and fuel;
- a re-assessment of the provision for waste disposal to reflect latest projections of waste collection and the impact of recycling initiatives;
- the latest estimate of the PTA levy increase;

4.3 Directors have reviewed their budgets after consultation with relevant Cabinet Portfolio Holders. All Directorates returned their budgets in line with the cash limit.

## **5. Budget Consultation**

5.1 The Budget and Policy Framework procedure rules contained within the Constitution of the Council requires consultation on budget proposals to take place. In September 2008 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2009/2010 and proposed briefings to the following stakeholders:

- Trade Unions;
- North East Chamber of Commerce;
- Youth Parliament;
- Independent Advisory Groups (IAGs);
- Schools Forum, Head Teachers and Governors; and

Presentations were made to the first four stakeholder categories and feedback noted. A planned event with the Schools Forum is due to take place in January, 2009 and Headteacher events are planned for early February, 2009. Feedback from these sessions will be taken into account in the final budget proposals to be reported to Cabinet in February, 2009.

At each stage in the budget preparation process reports are referred to the Policy and Co-ordination Review Committee for scrutiny and comment.

5.2 In addition, a survey was undertaken of the citizen's panel - Community Spirit - of eight priorities for further investment. Whilst there was strong support for all of the priorities, the following ranking resulted from the consultation:

1. Creating safer communities;
2. Health and well-being;
3. Supporting people to live in their own homes;
4. Clean streets;
5. Recycling and waste disposal;
6. Activities and facilities for young people;
7. City Centre;
8. Customer services.

- 5.3 Finally, four 'focus groups' were held in different locations throughout the city at which members of the Citizens' Panel were provided with enhanced information to assist them in considering potential budget implications. The Group were asked to rank, in priority order, a variety of spending pressures, taking account of varying levels of resource scenarios.
- 5.4 All of the feedback has been considered. Detailed analysis of the feedback is still being finalised but the provisional budget proposals in this report are consistent with the summary findings. This report will become the basis for second stage consultation.

## **6. Spending Pressures and Priorities**

- 6.1 At this point in the preparation of the Revenue Budget for 2009/2010, provision has been made to address a number of spending pressures and priorities. This provision is both a recognition for the need to invest additional resources to high priority areas and also to support projects or initiatives that had previously been met from the Neighbourhood Renewal Fund (NRF), where they do not meet the criteria for funding from the new Working Neighbourhoods Fund (WNF). The paragraphs below include details of the proposed additional provisions:

### **6.2 Adults Services Portfolio**

In October 2008, the Vision for 2025 was launched which sets out the clear vision for transforming adult social care. The first 3 year Delivery Plan to start the journey to achieve the vision was also launched. Additional provision of £3.212 million has been included for Adult Services in recognition of the need to invest resources in preventative and community based services, to address the particular inflationary pressures of the independent providers of care and to fund the Shopmobility project. Further details are set out below:

#### **Preventative / Independence Services**

The Social Care Reform Grant (please see paragraph 3.4.2 above) was introduced in 2008/2009 to help Councils modernise Adult Social Services and thereby deliver more cost efficient and effective care packages for the elderly. The following sums were allocated as part of the 3 year grant settlement:

2008/2009	£0.554m
2009/2010	£1.288m
2010/2011	£1.580m

These amounts are earmarked to support new methods of care which seek to maximise the independence of older people and enable more people to live in their own homes independently for longer

*This will address the strategic priority of 'healthy city'.*

#### Independent Care Providers

Significant additional provision is proposed to be provided to assist in funding fees for independent care providers for residential, nursing and other social care services in 2009/2010. Notwithstanding the modernisation of Adult Services underway, it is important that capacity is retained in the independent care market.

*This will address the strategic priority of 'healthy city'.*

#### Shopmobility

This project was previously funded from NRF but does not meet the criteria for continued funding from WNF. Mainstream funding of £20,000 is therefore proposed to continue to support this high priority project.

*This will address the strategic priorities of 'healthy city' and of 'attractive and accessible city'.*

### **6.3 Children's Services Portfolio**

#### Fostering and Adoption Services

A provisional additional sum of £475,000 has been provided for the Fostering and Adoption Service. It is proposed that the additional funding will be used to implement a new fostering and adoption strategy which is aimed at improving outcomes for children in care and seeking to avoid high costs associated with the use of extra district placements where this is not the best intervention to meet an individual child's needs.

*This will address the strategic priorities of 'safe city' and 'healthy city'.*

#### Youth Initiatives

A bid has been made to the Big Lottery Fund to fund the capital costs associated with mobile youth facilities. The use of such facilities was successfully tested in the West and South areas during the summer 2008. The outcome of the Lottery bid will not be known until late February 2009, but if successful, will enable expansion of the provision or alternatively other youth initiatives where these can be shown to deliver the same or better outcomes. Funding of £300,000 is proposed to provide revenue support for these initiatives which will be considered and confirmed over the coming months.

*This will address the strategic priorities of 'safe city', 'attractive and accessible city' and 'learning city'.*

#### Fees for Independent Care Providers

An additional £215,000 is proposed to be provided to assist in funding fees for independent care providers for children's social care in 2009/2010.

*This will address the strategic priorities of 'healthy city'.*

#### Youth Offending Service

The Restorative Justice and Phoenix projects were previously funded from NRF but do not meet the criteria for continued funding from WNF. Mainstream funding of £271,000 is proposed to continue to support these high priority projects.

*This will address the strategic priority of 'safe city'.*

### 6.4 **Culture and Leisure Portfolio**

#### Silksworth Swimming Pool

Provision of £100,000 is proposed to meet the net additional running costs of Silksworth swimming pool which will be opened during 2009/2010.

*This will address the strategic priority of 'healthy city'.*

#### Community Development

Provision has previously been made available from NRF but does not meet the criteria for continued funding from WNF. There is only limited existing mainstream provision to support community development and therefore it is proposed to include £288,000 to enable existing services to be continued and enable implementation of the Community Development Plan.

*This will address the strategic cross cutting priority of 'creating inclusive communities'.*

#### Anti Smoking Initiatives

Provision of £40,000 is proposed to replace NRF. Anti smoking initiatives do not meet the criteria for continued funding from the WNF. This will enable the Council to continue joint working with the PCT in this important area which includes a joined up approach between GP referrals and wellness provision and the continued regulation of smoke free environments.

*This will address the strategic priority of 'healthy city'.*

### 6.5 **Housing and Public Health Portfolio**

A provision of £202,000 is proposed to meet the costs of a wide range of housing related posts dealing with high priority issues which have previously been funded from NRF but which do not now meet the

criteria of WNF. It is proposed to provide mainstream funding for posts related to homelessness, warm homes, anti social behaviour and neighbourhood renewal.

*This will address the strategic cross cutting priority of 'housing'.*

## 6.6 **Leader and Deputy Leader Portfolio**

### Community Safety Initiatives / Neighbourhood Police Officers

Community safety was identified in the stage 1 consultation on the budget as the top priority by the public (see section 5). Additional resources of £162,000 is proposed plus £432,000 to mainstream priority projects previously funded by NRF which do not meet the new criteria for WNF. The additional funding will help support security measures for small retailers and address prolific offenders as a priority. It should also be noted that Northumbria Police have announced an additional 30 Neighbourhood Police Officers for Sunderland.

*This will address the strategic priority of 'safe city'.*

### Existing CCTV Operating Costs

Provision of £42,000 is proposed to replace funding from NRF and NDC that is no longer available to meet the operating costs of existing CCTV installations.

*This will address the strategic priority of 'safe city'.*

### Service Review

Provision of £150,000 is proposed to conduct service reviews that will strengthen the internal challenge and review of services to ensure that they are delivering best value and are focused on the needs of customers.

*This will address the Corporate Improvement Objective of 'Efficient and Effective Council (CIO3)'.*

### Communications

In relation to Customer Services, the Community Spirit Survey highlighted the highest priority for additional investment to be 'to improve information about the council services available and how residents can access them' and the second highest priority 'to give local residents more local and citywide information about events, activities, developments and councillors' work'. In addition, there is a recognised need to improve awareness of issues such as sustainability and community safety, and what can be expected in terms of local provision of services. In addition, steps have recently been taken to give local people a greater say in key decisions of the Council. In order to allow this area to develop and these key issues to continue to be addressed it is proposed to earmark an additional sum of £250,000.

*This will address the Corporate Improvement Objective of Efficient and Effective Council (CIO3).*

#### City / Services Marketing

In order to enable a more joined up approach across partners to marketing services and also provide resources for city marketing it is proposed to earmark a sum of £150,000 for this purpose.

*This will address the Corporate Improvement Objective of Efficient and Effective Council (CIO3).*

#### Partnership Support

The operational support to the Local Strategic Partnership was formerly funded through NRF. The replacement of NRF with WNF means that this source of funding is no longer available for this purpose. In order to provide pump priming funding to lever in support from other partners it is proposed to provide £170,000 for this purpose.

*This will address the Corporate Improvement Objective of Improving Partnership Working to Deliver 'One City' (CIO4).*

### **6.7 Neighbourhood and Street Services Portfolio**

#### Enforcement Officers

It is proposed to make provision of £100,000 to appoint additional Enforcement Officers to address environmental crimes such as litter, dog fouling etc. which will increase the number in the five proposed areas of the city to 3 each (15 total).

*This will address the strategic priority of 'attractive and accessible city'.*

#### Waste Disposal Strategic Solution

In accordance with the policy of gradually building up provision within the Council's base budget to fund the eventual affordability gap associated with the Waste Disposal Solution, it is proposed to make provision of £900,000 for 2009/2010, taking into account the landfill tax that will be saved when the Waste Disposal Strategic Solution comes on stream.

The overriding intention of the strategic solution is to minimise the use of landfill as a means of waste disposal in the future. Whilst the Outline Business Case only contains illustrative affordability gaps at this stage based on a wide range of assumptions, it is clear that the annual affordability gap will be significant for all three partners within the partnership (Gateshead MBC, South Tyneside MBC and this Council).

Whilst the final annual affordability gap is not yet known, the proposal to increase provision by £900,000 will increase the Council's provision to £2.2 million which represents a prudent approach given the

timescales which are being worked to. The strategic waste disposal solution is not planned to become operational until 2014/2015.

*This provision will ultimately address the strategic priority of "attractive and accessible city" and the cross cutting strategic priority of 'sustainability'.*

## **6.8 Resources Portfolio**

### **Procurement**

It is proposed to make provision of £150,000 for further investment in procurement to identify and secure significant corporate and directorate based procurement savings in the future. Specifically work will concentrate on directorate specific spending to maximise the opportunities for contracts and the potential for procurement collaboration will be explored and where value can be added maximised.

*This will address the Corporate Improvement Objective of Efficient and Effective Council (CIO3).*

### **Business Continuity**

It is proposed to make provision of £50,000 to strengthen the Council's business continuity arrangements which is a high priority for the Council and is also a feature of the CPA/CAA process.

*This will address the Corporate Improvement Objective of Efficient and Effective Council (CIO3).*

### **Economic Downturn**

Within the Council's proposed contingency provision, it is proposed to create an earmarked provision to protect against the effects of the economic downturn on Council services. Whilst the presumption will always be that where income reduces costs will be reduced accordingly by the same amount, this may not always be possible in all cases and may not be considered to be in the longer term interests of the Council. For example where costs are fixed in the medium to long term or where expertise needs to be retained irrespective of a downturn in the level of service activity.

*This will address the Corporate Improvement Objective of Efficient and Effective Council (CIO3).*

## **6.9 Regeneration and Community Cohesion Portfolio**

### **Equality and Diversity**

It is proposed to create provision of £260,000 to replace NRF funding (£145,000) which is no longer available to support this activity, and make additional provision (£115,000) which will enable the development of Independent Advisory Groups and the rollout of the



ARCH (Agencies Against Racist Crime and Harassment) system to partners across the city.

*This will address the strategic cross cutting priority of 'creating inclusive communities'.*

Area Committee Support

Following the approval by Cabinet of new area arrangements in October 2008, it is proposed to provide £100,000 to strengthen the support provided to Area Committees.

*This will address the strategic cross cutting priority of 'creating inclusive communities'.*

#### **6.10 Planning and Transportation Portfolio**

Provision of £50,000 has been made to support a public campaign to promote sustainability issues and to develop measures to address the Council's own waste.

*This will address the strategic cross cutting priority of 'sustainability'.*

### **7. Other Priorities**

#### **7.1 Equal Pay and Single Status**

Funds have previously been agreed to meet compensation payments necessary to settle equal pay claims or the outcome of Employment Tribunal proceedings. It is possible that further sums will be required and the position will be kept under review and additional funding earmarked as appropriate.

With regard to Single Status, prudent provision has been included for the further impact of implementing Single Status generally.

### **8. Efficiency Savings**

#### **8.1 As part of the Budget Planning Framework, all Directorates were asked to bring forward options for savings equivalent to 4% of their net delegated budgets in priority order i.e. beginning with those efficiency savings which could be implemented without policy implications.**

The Comprehensive Spending Review 2007 (CSR07) set out a national efficiency target for local government of £4.9billion by the end of 2010/2011 equating to 3% cashable savings per annum.

While there are no mandatory individual targets for councils, performance of individual councils will be monitored through NI179. In addition, the 2009 Use of Resources framework includes references to performance against efficiency targets. Together these indicate it is necessary for Councils to set themselves stretching targets for efficiency for the period of the CSR07.

In order to ensure a successful response to the efficiency requirements of the CSR07, Cabinet agreed the Efficiency Strategy 2008/2009 to 2010/2011.

The strategy is predicated on setting challenging targets for both cash releasing and non-cash releasing efficiencies for the period of the CSR07 as follows:

- 3 % per annum cash releasing efficiencies;
- 0.6% per annum non cash releasing efficiencies.

The identification of efficiency savings for inclusion in the 2009/2010 Budget is therefore being tackled through a combined approach of:

- specific efficiency savings targets for and details of efficiency savings arising from Corporate Efficiency Projects;
- efficiency savings targets arising from policy and service reviews, including through modernising and improving services across the Council;
- Directorate cash limits being tightly drawn and prompting the identification and reinvestment of efficiency savings;
- Directorate specific targets for preparation of the 2009/2010 Revenue Budget.

The above approach has placed the Council in a good position to respond to the Provisional Local Government Finance Settlement for 2009/2010.

8.2 The efficiency savings submitted by Directorates in response to the Budget Planning Framework guidelines were assessed against the following criteria:

- efficiency savings to have no material effect on policy or front line services except where already approved by Cabinet and/or Council;
- minimise the effect on job losses and seek to ensure so far as possible no compulsory redundancies.

8.3 As part of the budget planning framework, it was agreed that a review would be undertaken of all Area Based Grants to ensure value for money and the appropriateness of expenditure in light of any changes in priority and performance targets and expectations. This review identified efficiency savings of £1,946,000 and it is proposed that these savings be used to assist in balancing the budget for next year.

- 8.4 The following table shows the financial impact of draft efficiency savings proposed to be taken into account in the budget for 2009/2010:

<b>Service</b>	<b>2009/2010</b>
	<b>£000</b>
Back Office / Support Services / Corporate Services / Development and Regeneration	1,373
Additional or Alternative Sources of Income	2,288
Overheads/General Efficiencies	1,289
Health, Housing and Adult Services	2,001
Community and Cultural Services	1,194
Children's Services	1,090
Outcome of the Area Based Grants Review	1,946
<b>TOTAL</b>	<b>11,181</b>

The focus of the above proposed efficiency savings has been on back office / support services, income generation and reducing overheads. The savings include the impact in 2009/2010 of savings accepted as part of the Revenue Budget strategy for 2008/2009.

At this stage, whilst there is confidence that the total level of efficiency savings detailed above can be achieved, necessary due diligence is being undertaken to scrutinise each proposal in detail to finally validate the precise sums, and where appropriate the consequential actions necessary. The efficiency savings will be reflected in the Corporate Improvement Plan in due course.

- 8.5 As part of the Revenue Budget strategy for 2008/2009 targets were set for a range of Corporate Efficiency Projects. These are currently being reviewed and it is proposed that a fresh target be set for 2009/2010 with the objective of maximising efficiencies from these reviews. An update of the position, and an appropriate target will be included within the final budget proposals to be reported to Cabinet in February, 2009.
- 8.6 The government will be introducing amending regulations that will require councils to include information about efficiency performance on the face of the council tax bill. This will include information in relation to this Council and the Tyne and Wear Fire and Rescue Authority.

The requirements include:

- forecast information relating to the year prior to the council tax billing year i.e. 2008/2009;
- forecast information relating to the council tax billing year i.e. 2009/2010;
- the total impact of forecast efficiencies for the average Band D dwelling in the billing authority's area.

The same Regulations will also require councils to include information

about efficiency performance in the leaflets that accompany demand notices, including prior years performance and benchmarking information.

## 9. Draft Budget 2009/2010

9.1 The Indicative Net Budget Requirement is detailed below taking account of the financial impact of both the funding for the proposed investments to address the Spending Pressures and the Efficiency Savings.

	£m	£m
<b>Net Budget Requirement 2008/2009</b>		<b>243,153</b>
<b>Transfers of Specific Grants into General Grant</b>		
<b>Commitments</b>		
- Pay Awards, Price Increases, and Service Pressures	6,412	
- Energy Price Increases	1,871	
- Passenger Transport Levy	285	
- Debt Charges	365	
- Waste Disposal/Recycling	432	9,365
		252,518
<b>Spending Priorities (by Portfolio)</b>		
- Adult Services	3,212	
- Children's Services	1,261	
- Culture and Leisure	428	
- Housing and Public Health	202	
- Leader / Deputy Leader	1,356	
- Neighbourhood and Street Services	1,000	
- Resources	600	
- Regeneration and Community Cohesion	410	
- Planning and Transportation	50	8,519
<b>Efficiency Savings</b>		
- Other Efficiency Savings including Directorate Efficiency Savings and Area Based Grants		<b>(11,181)</b>
<b>Provisional Net Budget Requirement 2009/2010</b>		<b>249,856</b>

### Outstanding Uncertainties

9.2 There are a number of uncertainties still to be resolved in relation to next year's budget, including:

- the outcome of negotiations on the pay round for 2008/2009 and 2009/2010, which is unlikely to be known before the Budget is considered by Cabinet;
- the outcome of the Final Local Government Revenue Support Grant Settlement;
- the target to be set for Corporate Efficiency Projects for 2009/2010;
- any amount which may be made available from balances principally

- to fund one off items of expenditure;
- the final Collection Fund position.

### **General Balances**

9.3 A Statement of General Balances is attached at Appendix A.

Whilst some savings are being generated in 2008/2009 from Interest on Balances and Debt Charges, and unutilised contingency provisions, the savings generated from Interest on Balances in particular will be significantly affected by the recent reductions to the bank base rate announced by the Bank of England in response to the 'credit crunch'. However, the savings are required to fund the following significant one off spending pressures:

- Equal Pay costs including the Service Transformation Project;
- Waste Disposal Strategy research and development costs;
- Other Services Capital Programme developments including Economic Development and the Business Improvement Programme (on an invest to save basis).

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.

### **Council Tax**

9.4 At this stage it is proposed to consult on the basis of a Council Tax increase within government guidelines. Clearly the increase will be finalised in light of the next stage of the budget consultation and further clarification in relation to the uncertainties outlined above.

### **10. Suggested Reason for Decision**

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

### **11. Alternative options to be considered and recommended to be rejected:**

11.1 There are no alternative options recommended for approval.

### **12. Background Papers**

Local Authority Finance (England) Revenue Support Grant 2009/2010 and related Matters  
Budget and Planning Framework 2009/2010

## Appendix A

### Statement of General Balances

	£000	£000
<b>Balances as at 31<sup>st</sup> March 2008</b>		<b>12,008</b>
<b>Use of Balances 2008/2009</b>		
- Contribution to Revenue Budget	(1,150)	
- Contribution to fund the Capital Programme	(2,899)	(4,049)
<b>Additions to Balances 2008/2009</b>		
- Repayment of Temporary Capital Financing		456
<b>Estimated Balances 31<sup>st</sup> March 2009</b>		<b>8,415</b>

The above position will be reviewed and updated and reported to Cabinet as part of the final budget proposals in February, 2009.

## **Cabinet – 14 January 2009**

### **Calculation of Council Tax Base**

#### **Report of the City Treasurer**

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

- 1.1. To detail the calculation of the Council Tax Base for 2009/2010 and to seek approval to recommend to Council the Council Tax Base for 2009/2010 in accordance with the Local Government Finance Act 1992.

##### **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 2009/2010 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 2003, the amount calculated by Sunderland City Council as its Council Tax Base for the year 2009/2010, shall be £80,089, and for the area of Hetton Town Council shall be £4,032.

##### **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 - local 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 five-ninths of the band D charge. For the purpose of the Council Tax Base calculation it is now necessary to show Band A properties which qualify for disabled reduction as if it were an additional valuation band. In this report the 'additional' valuation band is shown as either (A) or Disabled (A).

#### 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:

<b>BAND</b>	<b>RELEVANT AMOUNT 'A'</b>
	<b>£      p</b>
Disabled (A)	115.14
A	44,563.50
B	11,321.53
C	12,695.78
D	7,467.00
E	3,289.00
F	1,333.94
G	911.25
H	<u>26.00</u>
	<u>81,723.14</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 2009/2010.

#### 4.5 Calculation of Council Tax Base

The Council's Tax Base is therefore:

$$\begin{aligned} & \text{'A' x 'B'} \\ & \text{£81,723.14 x 98\% = £80,088.68} \end{aligned}$$

(for comparison, the tax base for the current financial year is £80,035.68).

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:

<b>BAND</b>	<b>RELEVANT AMOUNT 'A'</b>
	<b>£    p</b>
Disabled (A)	7.50
A	2,797.17
B	615.42
C	330.44
D	200.50
E	95.94
F	47.67
G	19.17
H	<u>0.00</u>
	4,113.81

- 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:

$$\begin{aligned} & \text{'A' x 'B' (where 'B' is the estimated collection rate)} \\ & \text{£4,113.81 x 98\% = £4,031.53.} \end{aligned}$$

(for comparison, the tax base for the current financial year is £4,055.65)

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

## 6. Background Papers

- 6.1 Working papers on individual Tax Band calculations.
- 6.2 Statutory Instrument 2003 No. 3012

## 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. 2003 No. 3012) 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:

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

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 discounts  
J = adjustment (whether positive or negative) in the numbers of dwellings or discounts during the period  
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 2-11 of Regulation 5 of the Local Authorities (Calculation of Council Tax Base) Regulations 2003. 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.



1.4 Applying the figure on the previous page to the calculation  $(H - Q + J) \times (F/G)$  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:

<b>BAND</b>	<b>RELEVANT AMOUNT</b>
	<b>'A'</b>
	<b>£ p</b>
Disabled (A)	115.14
A	44,563.50
B	11,321.53
C	12,695.78
D	7,467.00
E	3,289.00
F	1,333.94
G	911.25
H	26.00
<b>Total</b>	<b><u>81,723.14</u></b>

## Appendix 2

### Council Tax Base - City of Sunderland

Band	Item 'A'		Item 'B'	Tax Base 'A' x 'B'	
	£	p		%	£
(A)		115.14	98		112.84
A	44,563.50		98	43,672.23	
B	11,321.53		98	11,095.10	
C	12,695.78		98	12,441.86	
D	7,467.00		98	7,317.66	
E	3,289.00		98	3,223.22	
F	1,333.94		98	1,307.26	
G	911.25		98	893.03	
H	26.00		98	25.48	
	<b><u>81,723.14</u></b>			<b><u>80,088.68</u></b>	

### Council Tax Base - Hetton Town Council

(A)		7.50	98		7.35
A	2,797.17		98	2,741.23	
B	615.42		98	603.11	
C	330.44		98	323.83	
D	200.50		98	196.49	
E	95.94		98	94.02	
F	47.67		98	46.72	
G	19.17		98	18.79	
H	0.00		98	0.00	
	<b><u>4,113.81</u></b>			<b><u>4,031.54</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:

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

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

	<b>Disabled Band</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
Item H	14	4,833	848	399	209	81	36	14	0
Item R	2	2,533	239	117	38	22	12	10	0
Item S	25	25	25	25	25	25	25	25	25
Item J	0	-4	3	2	1	3	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

<b>BAND</b>	<b>RELEVANT AMOUNT 'A'</b>
	<b>£ p</b>
Disabled (A)	7.50
A	2,797.17
B	615.42
C	330.44
D	200.50
E	95.94
F	47.67
G	19.17
H	<u>0.00</u>
	4,113.81

**Capital Programme – Third Review 2008/2009 and  
Provisional Resources 2009/2010**

**Extract**

**Scheme Variations since the Second Capital Review 2008/2009**

<b>Additional Schemes since the Second Review 2008/2009</b>	
<b>Adults Services</b>	
Campus LD Clients	638
<b>Health and Housing</b>	
Extra Care Scheme – Racecourse Site	791
<b>Revisions to existing scheme costs since the Second Review</b>	
<b>Planning and Transportation</b>	
Local Transport Plan	(716)
<b>Resources</b>	
Wood Boiler Installation – South Hylton House	(225)