

CIVIC CENTRE,  
SUNDERLAND  
21 January 2013

**TO THE MEMBERS OF SUNDERLAND CITY COUNCIL**

**YOU ARE SUMMONED TO ATTEND A MEETING** of Sunderland City Council to be held in the Council Chamber, Civic Centre, Sunderland, on **WEDNESDAY 30 JANUARY 2013** at **6.00 p.m.**, at which it is proposed to consider and transact the following business:-

| <b>Item</b>  | <b>Page</b> |
|--|-------------|
| 1. To read the Notice convening the meeting.   |             |
| 2. To approve the minutes of the ordinary meeting of the Council held on 28 November 2012 (copy herewith). | 3           |
| 3. Receipt of Declarations of Interest (if any).   |             |
| 4. Announcements (if any) under Rule 2(iv).  |             |
| 5. Reception of Petitions.   |             |
| 6. Apologies.  |             |
| 7. Report of the Cabinet (copy herewith).  | 17          |
| 8. Written Questions (if any) under Rule 8.2.  |             |
| 9. To receive a report on action taken on petitions.   | 137         |
| 10. To consider the attached motions.  | 141         |

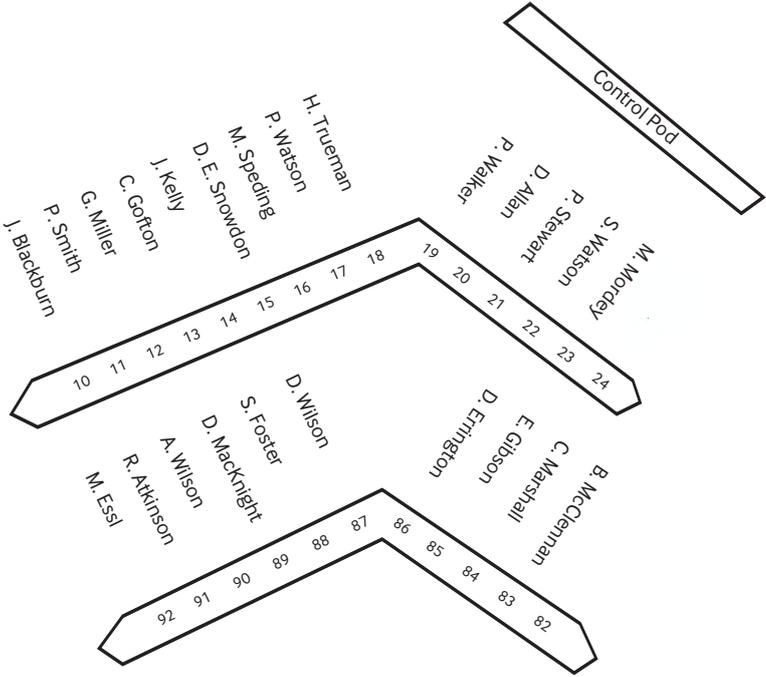
Contact: Christine Tilley, Governance Services Team Leader Tel: 0191 561 1345  
Email: [christine.tilley@sunderland.gov.uk](mailto:christine.tilley@sunderland.gov.uk)

Information contained in this agenda can be made available in other languages and formats on request.

|  |            |
|--|------------|
| <b>11. To consider the undermentioned reports:-</b>  | <b>145</b> |
| <b>(i) Quarterly Report on Special Urgency Decisions – Report of the Leader (copy herewith), and</b>   | <b>147</b> |
| <b>(ii) Arrangements for the Exercise of Executive Functions - Report of the Leader (copy herewith), and</b>   | <b>149</b> |
| <b>(iii) Appointments to Committees and Outside Bodies – South Tyneside NHS Foundation Trust and Marine Activity Centre Board – Report Of The Executive Director Of Commercial And Corporate Services (Copy herewith).</b> | <b>151</b> |

A handwritten signature in black ink, appearing to read "D. Smith", with a small dot at the end.

**CHIEF EXECUTIVE**



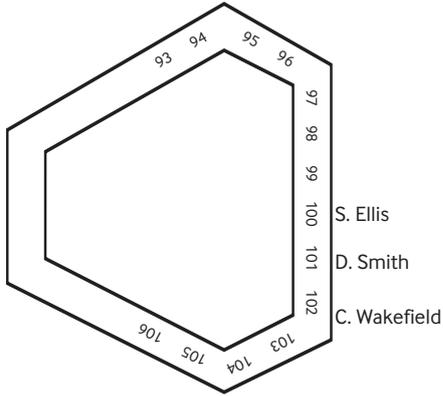
Head of Law and Governance  
E. Waugh

Mayor  
I W Kay

Chief Executive  
D. Smith

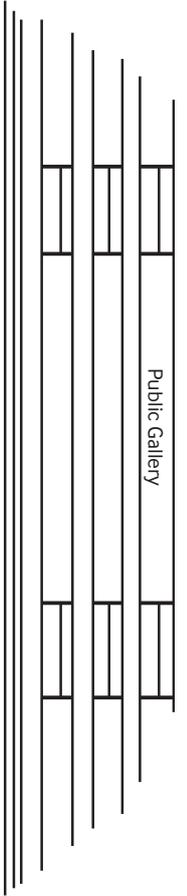
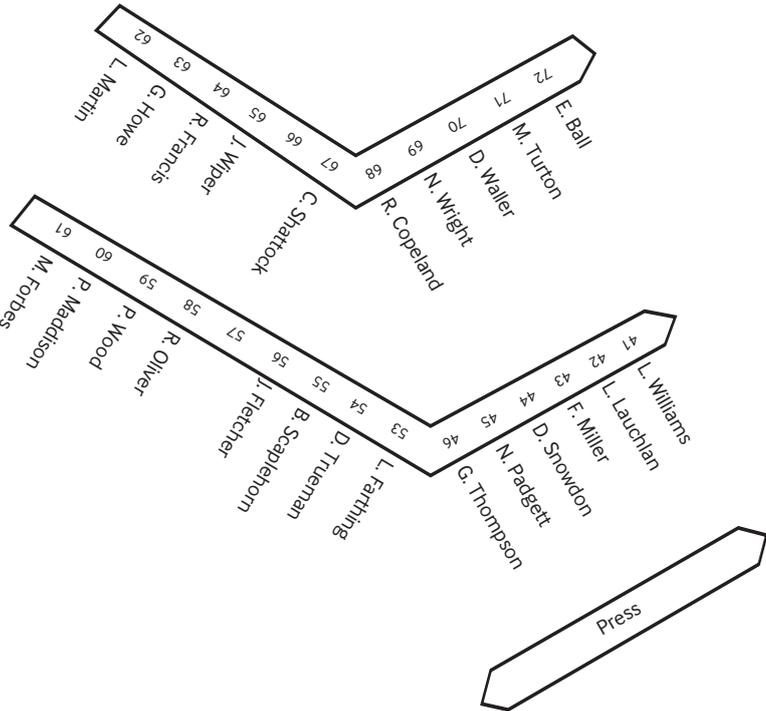
Deputy Mayor  
R. Heron

Governance Services  
Governance Services



- 81 F. Anderson
- 80 D. Tate
- 79 D. Richardson
- 78 L. Scanlan
- 77 B. Price
- 76 R. Bell
- 75 R. Davison
- 74 A. Farr
- 73 A. Emerson

- 29 A. Lawson
- 30 J. Scott
- 31 P. Tye
- 32 P. Gibson
- 33 T. Wright
- 34 L. Smiles
- 35 S. Porthouse
- 36 D. Dixon
- 37 B. Curran
- 38 S. Bonallie
- 39 J. Jackson
- 40 T. Martin





# ***Minutes***



## Sunderland City Council

At a meeting of SUNDERLAND CITY COUNCIL held in the CIVIC CENTRE on WEDNESDAY, 28<sup>TH</sup> NOVEMBER, 2012 at 6.00 p.m.

**Present:** The Deputy Mayor (Councillor R. Heron) in the Chair

|             |           |            |                |             |
|-------------|-----------|------------|----------------|-------------|
| Councillors | Allan     | Foster     | Oliver         | Tate        |
|             | Anderson  | Francis    | Padgett        | Thompson    |
|             | Atkinson  | Gibson, E  | Porthouse      | Trueman, D. |
|             | Ball      | Gibson, P  | Price          | Trueman, H. |
|             | Bell      | Gofton     | Richardson, D. | Turton      |
|             | Blackburn | Howe       | Scanlan        | Tye         |
|             | Bonallie  | Jackson    | Scaplehorn     | Wakefield   |
|             | Copeland  | Kelly      | Shattock       | Walker      |
|             | Davison   | Lauchlan   | Smiles         | Watson, P   |
|             | Dixon     | Lawson     | Smith, D       | Watson, S.  |
|             | Ellis     | MackKnight | Smith, P.      | Williams    |
|             | Emerson   | Marshall   | Snowdon, D     | Wilson, A.  |
|             | Errington | Martin, L  | Snowdon, DE    | Wiper       |
|             | Essl      | Martin, T  | Speding        | Wood        |
|             | Fletcher  | Mordey     | Stewart        | Wright, N   |

The notice convening the meeting was read.

### Minutes

RESOLVED that the minutes of the ordinary meeting of the Council held on 26<sup>th</sup> September 2012 (copy circulated) be confirmed and signed as a correct record subject to the inclusion of Councillors Errington, Farthing, Lawson, Rolph and Wiper in the apologies for absence and the removal of Councillor Lawson as being present.

### Declarations of Interest

Item 12(ii) –  
Appointments to  
Committees and Outside  
Bodies – Tyne and Wear  
Fire and Rescue  
Authority

Councillor Price

Nominated person for the  
Authority

## **Announcements**

### **(i) Death of Former Councillors David Thompson, Richard Heron and Dorothy Whiteman**

The Mayor paid tribute to former Councillors and colleagues, David Thompson, Richard Heron and Dorothy Whiteman who had recently passed away. Members and Officers stood for a minute's silence as a mark of respect.

### **(ii) Chartered Institute of Personnel and Development Awards**

At the invitation of the Mayor, Councillor Trueman informed the meeting of the Council's success in gaining an award from the Chartered Institute of Personnel and Development which was given to the Council in recognition of how a change initiative had altered the organisation.

The Judges were impressed by the Council's "extremely innovative approach to a huge challenge of significant cost cutting and potential job losses with strong commitment from leadership in supporting the change".

### **(iii) North East Contact Centre Awards**

At the invitation of the Mayor, Councillor Gofton informed the meeting of the Council's success in achieving a regional award from the North East Contact Centre Awards which was given to the Council in recognition of the innovative use of technology in the partnership between the Customer Service Network and the Telecare Service.

The North East Contact Centre Awards celebrates and recognises outstanding achievement in one of the regions leading industries.

### **(iv) 2012 Royal Horticultural Society Britain in Bloom Awards**

At the invitation of the Mayor, Councillor Blackburn informed the meeting of the success enjoyed by the City Council in this year's Northumbria In Bloom Competition; the Silver Gilt Certificate was awarded by the Royal Horticultural Society, in the National Finals of the Large City Class of Britain In Bloom 2012.

Sunderland was nominated to represent the Northumbria region in the National Finals and Royal Horticultural Society judges from across UK visited the City last summer to compare our parks and open spaces with the best in Britain.

The Silver Gilt award matched the highest the City had ever achieved in the National Finals, and was a great reflection of the fantastic efforts made by the Council's employees, and those community groups across the City which contributed to the success.

#### **(v) International Schools Federation swimming championships**

At the invitation of the Mayor, Councillor Kelly informed the meeting that Sunderland Aquatic Centre hosted the prestigious International Schools Federation swimming championships on Saturday 17 November. Young swimmers aged between 11 - 18, competed in the tri-nations event, with teams from England, Ireland and Wales competing for gold, silver and bronze - and England eventually winning gold.

Sunderland City Council were proud to host this major international event, which was the first time it has been held in the North East.

Following the successful hosting of the event a commemorative shield was presented to the Council for its outstanding contribution to event management and ensuring every aspect of the competition ran smoothly.

#### **Reception of Petitions**

RESOLVED that the under - mentioned petitions, submitted by the Councillors named, be received and referred for consideration in accordance with the Council's Petitions Scheme:-

Councillor Padgett – Petition calling for some form of prevention of speeding on Vigo Lane.

Councillor Ellis – Petition from residents of and visitors to the Dairy Lane Estate, Houghton le Spring, particularly Longacre and Dunelm Drive calling for action for Sunderland City Council to take all necessary action to prevent a recurrence of flooding of our homes which appears to be being caused by flooding in Gilpin Wood and the culverting of run-off water from the Rainton Meadow Industrial Estate to discharge adjacent to homes.

#### **Apologies for Absence**

Apologies for absence were submitted to the meeting on behalf of Councillors Curran, Farr, Farthing, Forbes, Kay, McClennan, Maddison, F. Miller, G. Miller, Rolph, Scott, Waller, D.Wilson and T.H Wright.

**The Cabinet reported and recommended as follows: -**

**1. Audit Commission Annual Audit Letter 2011/2012**

That they had given consideration by Council a report of the Chief Executive (copy attached) on the Audit Commission Annual Audit Letter covering the year 2011/2012 together with a copy of the Audit Letter which included issues arising from the audit of the Council's financial statements and the results of the Audit Commission's work undertaken as part of the assessment of the Council's arrangements to securing value for money in its use of resources.

The Cabinet recommended the Council to note the contents of the report.

**2. Budget Planning Framework 2013/2014 and Medium Term Financial Strategy 2013/2014 – 2015/2016**

That they had given consideration to a joint report of the Chief Executive and the Executive Director of Commercial and Corporate Services (copy attached) outlining the key factors influencing the development of the Councils financial plans into the medium term and setting out the headlines and context for the Medium Term Financial Strategy for 2013/2014 to 2015/2016.

They also referred the report to the Scrutiny Committee for its comments in the context of the approved consultation arrangements for the Council's budget. The Scrutiny Committee supported the proposed Budget Planning Framework and endorsed the Medium Term Financial Strategy and recommended that both were submitted to Council for approval.

Accordingly, the Cabinet recommended the Council to:-

- (i) approve the proposed Budget Planning Framework summarised at Section 11 of the report which will guide the preparation of the Revenue Budget for 2013/2014, and
- (ii) note that the full Medium Term Financial Strategy 2013/2014 to 2015/2016 will be presented to Cabinet in February.

**3. Capital Programme Second Review 2012/2013 (Including Treasury Management)**

That they had given consideration to a report of the Executive Director of Commercial and Corporate Services which detailed changes made to the Capital Programme 2012/2013 since the First Capital Review and provided an update on progress in implementing the Treasury Management Borrowing and Investment Strategy for 2012/2013.

They also referred the report to the Scrutiny Committee for advice and consideration in the context of inclusion of an additional scheme for 2012/2013 costing over £250,000 which was set out in the attached extract. The Scrutiny Committee supported the proposed additional scheme as set out in the extract to the report and recommended that the scheme was submitted to Council for approval.

Accordingly, the Cabinet recommended the Council to approve the inclusion of the additional scheme for 2012/2013 and associated resourcing of the Capital Programme since the First Review of the Capital Programme was approved by Council in July 2012.

**4. Revenue Budget Second Review 2012/2013**

That they had given consideration to a report of the Executive Director of Commercial and Corporate Services on the overall Revenue position following the second review for 2012/2013 including proposed contingency transfers.

In accordance with the Council's Budget and Policy Framework certain transfers require Council approval. The following extract refers to those transfer of funds:

*'savings on capital financing charges as a result of slippage on the capital programme and income from interest on investments are anticipated to result in savings of approximately £4m at year end. It is proposed that these amounts and any further underspendings arising from unspent contingencies at the end of 2012/2013 are earmarked to support the overall 2012/13 position and transitional costs arising from the 2013/2014 budget setting process'.*

They also referred the above extract of the budget transfers to the Scrutiny Committee, for advice and consideration. The Scrutiny Committee supported the transfer of funds to support the overall 2012/13 position together with the transitional costs from the 2013/14 budget setting process and recommended that the transfer was submitted to Council for approval.

Accordingly the Cabinet recommended the Council to approve the budget transfers for the second quarter of 2012/2013 as set in the above extract.

**5. Youth Justice Plan 2012-2013**

That they had given consideration to a report of the Executive Director of Children's Services (copy attached) on the Youth Justice Plan 2012-2013 outlining the background, purpose and intentions of the Plan.

They also referred the report to the Scrutiny Committee for advice and consideration. The Scrutiny Committee supported the intention of the Plan to prevent offending and re-offending by young people.

Accordingly the Cabinet recommended the Council to approve the Youth Justice Plan 2012-13.

**6. Children and Young People's Plan Annual Report 2011-2012**

That they had given consideration to a report of the Executive Director of Children's Services (copy attached) on the Children and Young People's Plan Annual Report 2011-2012 which informed of the of progress and performance against the outcomes set out in the Children and Young People's Delivery Plan 2010-2013 covering the period of 2011-2012.

They also referred the report to the Scrutiny Committee for advice and consideration. The Scrutiny Committee recognised the achievements of the Council and partners in relation to children and young people and supported the scope of the areas for further improvement.

Accordingly the Cabinet recommended the Council to approve the Children and Young People's Plan Annual Report 2011-2012.

**7. Gambling Act 2005 – Approval of the Council's Statement of Principles**

That they had given consideration to a report of the former Executive Director of City Services (copy attached) on the draft statement of principles under the Gambling Act 2005.

They also referred the report to the Scrutiny Committee for advice and consideration. The Scrutiny Committee supported the intention of the Policy.

Accordingly the Cabinet recommended the Council to approve the statement of principles under the Gambling Act 2005.

Upon the report of the Cabinet being put to the meeting, it was: -

RESOLVED that the views of the Scrutiny Committee be noted and the report of Cabinet be approved and adopted.

### **Written Questions under Rule 8.2**

Pursuant to Rule 8.2 of the Council Rules of Procedure, Members of the Council asked questions of the Leader and Members of the Executive.

### **The Human Resources Committee reported and recommended as follows:-**

That they have given consideration to a report of the Director of Human Resources and Organisation Development (copy attached) on the progress to date on proposed changes to the senior management structure which contributed to meeting the significant budgetary challenge facing the Council.

The Human Resources Committee reviewed and approved the proposed changes to the organisation senior management structure following the resignation of the Executive Director of City Services, to take effect on 29 November 2012, following the Council meeting.

Accordingly the Human Resources Committee recommended Council to authorise the Head of Law and Governance to amend the delegation scheme in respect of chief officers as set out in the constitution, in order to reflect the reallocation of areas of responsibility.

Upon the report of the Human Resources Committee being put to the meeting, it was: -

RESOLVED that the Head of Law and Governance be authorised to amend the delegation scheme in respect of chief officers as set out in the constitution, in order to reflect the reallocation of areas of responsibility.

### **Action Taken on Petitions**

The Council received the under mentioned reports on action taken in relation to petitions which had been presented to Council.

**(i) Petition against the closure of the Grindon Walk in Centre Minor Injuries Unit – Presented by Councillor Waller on 20 June 2012.**

The petition which was signed by 800 service users was forwarded to the Chief Officer designate for the NHS Sunderland Clinical Commissioning Group who is leading on this work. The Council has been advised that the proposed changes are subject to a formal consultation with local people and responses using their consultation document and website [www.sotw.nhs.uk/yoursay/consultations](http://www.sotw.nhs.uk/yoursay/consultations) were encouraged and were required to be made formally, using these routes to ensure that they are taken account of in the consultation process, which runs until 30 November 2012.

Councillor Waller and the lead petitioner had been informed accordingly.

**(ii) Petition to improve street lighting in various parts of Farringdon Estate – Presented by Councillor Porthouse on 26 September 2012**

The Deputy Chief Executive has investigated the petition and advised that this area had already been identified as one which requires improvement and has commissioned designers to work up a scheme that would satisfy current lighting standards.

The intention is to install new lighting in the near future and once a commencement date for works has been agreed with the Council's street lighting partner, Aurora, this will be notified to the Lead Petitioner and Ward Councillor accordingly.

Councillor Porthouse and the lead petitioner had been informed accordingly.

## **Notices of Motion**

### **Notice of Motion – Newcastle International Airport Limited**

Councillor Oliver seconded by Councillor Wood, moved the following motion in relation to Newcastle International Airport Limited:-

“We believe the council should consider selling its shares in Newcastle International Airport Limited.”

Upon being put to the vote the motion was defeated with 5 Members voting in favour, viz:-

|             |         |      |        |               |
|-------------|---------|------|--------|---------------|
| Councillors | Francis | Howe | Oliver | Wiper<br>Wood |
|-------------|---------|------|--------|---------------|

55 members voting against, viz:-

The Deputy Mayor (Councillor R. Heron) in the Chair

|             |           |           |               |            |
|-------------|-----------|-----------|---------------|------------|
| Councillors | Allan     | Fletcher  | Porthouse     | Thompson   |
|             | Anderson  | S. Foster | Price         | D. Trueman |
|             | Atkinson  | P. Gibson | D. Richardson | H. Trueman |
|             | Ball      | Gofton    | Scanlan       | Turton     |
|             | Bell      | E. Gibson | Scaplehorn    | Tye        |
|             | Blackburn | Jackson   | Shattock      | Wakefield  |
|             | Bonallie  | Kelly     | Smiles        | Walker     |
|             | Copeland  | Lawson    | D. Smith      | P. Watson  |
|             | Davidson  | Lauchlan  | P. Smith      | S. Watson  |
|             | Dixon     | Marshall  | D. Snowdon    | Williams   |
|             | Ellis     | MacKnight | D.E. Snowdon  | A. Wilson  |
|             | Emerson   | T. Martin | Speding       | N. Wright  |
|             | Errington | Mordey    | Stewart       |            |
|             | Essl      | Padgett   | Tate          |            |

It was therefore:-

RESOLVED that the motion be defeated.

**(ii) Notice of Motion – Revaluation of Business Rates**

The Leader of the Council seconded by Councillor Kelly moved the following motion in relation to the revaluation of business rates:-

Upon being put to the meeting, the motion was carried unanimously and it was: -

RESOLVED that following the Tory led Coalition Government's recent decision to postpone the 2013 revaluation of business rates for two years, which effectively means the revaluation due to be implemented in 2015 will not now take place until 2017.

This Council calls upon the Tory led Coalition Government to reverse this preposterous, scandalous, perverse and damaging decision which will only result in businesses in Sunderland subsidising businesses in the wealthy south.

**(iii) Notice of Motion – Coalition Government’s Energy Policy**

Councillor Speding seconded by Councillor P. Smith moved the following motion regarding the Coalition Government’s Energy Policy

Upon being put to the meeting, the motion was carried unanimously and it was: -

RESOLVED that following recent contradictory statements from Ministers, which has caused utter confusion around this Governments Energy Policy and given their dismissive attitude towards renewable energy. This Council requests that the Tory led Coalition Government gets its act together and lays out definitively its intentions for future energy generation and supply so that there is clarity for the citizens of Sunderland.

**Quarterly Report on Special Urgency Decisions**

The Leader of the Council submitted a quarterly report (copy circulated) on executive decisions which had been taken under Regulation 11 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

(For copy report – see original minutes)

RESOLVED to note the report.

**Appointments to Committees and Outside Bodies – Human Resources Committee, Children’s Trust, Adult Partnership Board, Sunderland AFC Foundation Partnership Board and Appeals under the Education Acts – Constitution of Panel Members**

The Executive Director of Commercial and Corporate Services submitted a report (copy circulated) requesting Council to consider appointments to the Hylton Red House Academy Trust, the Tyne and Wear Fire and Rescue Authority, the Northumbria Police and Crime Panel and the Sunderland AFC Foundation Partnership Board.

(For copy report – see original minutes).

The Leader moved the recommendations contained within the report and the addendum and was duly seconded by the Deputy Leader.

RESOLVED that approval be given to: -

- (i) the appointment of Councillor Bell in place of Councillor Davison to the Hylton Red House Academy Trust,
- (ii) the nomination of Councillor Price to replace Councillor Waller on the Tyne and Wear Fire and Rescue Authority,
- (iii) the nomination of the Deputy Leader of the Council to replace Councillor Gofton on the Northumbria Police and Crime Panel and the Cabinet Secretary to replace both the Deputy Leader of the Council and Councillor S. Watson as the substitute, and
- (iv) the nomination of the Deputy Chief Executive as a replacement to serve on the Sunderland AFC Foundation Partnership Board.

(Signed) R. Heron  
Deputy Mayor.



# ***Report of the Cabinet***



## **The CABINET reports and recommends as follows:-**

### **1. Review of the Procurement Procedure Rules**

That they have given consideration to a joint report of the Executive Director of Commercial and Corporate Services and Head of Law and Governance (copy attached) on proposed amendments to the Procurement Procedure Rules.

Accordingly the Cabinet recommends the Council to make amendments to the Procurement Procedure Rules, which are part of the Constitution, as set out in the report.

### **2. Localisation of Council Tax Support Scheme**

That they have given consideration to a report of the Executive Director of Commercial and Corporate Services (copy attached) on the localisation of Council Tax Support Scheme, providing an update on the consultation results for the proposed Local Council Tax Support Scheme, explaining the implications of the Government's Transitional Grant Scheme and recommending that the Local Council Tax Support Scheme whose principal features are set out at Appendix B be implemented with effect from 1 April 2013. Further that they have agreed that the detailed scheme document – based upon the default scheme set out in the Council Tax Reduction Schemes (Default Scheme) Regulations 2012, modified as necessary to incorporate the features outlined in Appendix B of the report - be prepared by the Executive Director under delegated powers in consultation with the Leader and Cabinet Secretary, for submission to full Council.

Accordingly the Cabinet recommends the 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 proposed Council Tax Support Scheme described in the report and now summarised in Appendix C and set out in full at [www.sunderland.gov.uk/counciltaxsupport](http://www.sunderland.gov.uk/counciltaxsupport), to take effect from 1<sup>st</sup> April 2013;
- (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; and

- (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. Review of Discretionary Council Tax Discount on Empty Properties and Second Homes**

That they have given consideration to a report of the Executive Director of Commercial and Corporate Services (copy attached) 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.

Accordingly the Cabinet recommends the 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:

- (i) Introducing the Empty Homes Premium of 150% on properties that have been empty and unfurnished for more than 2 years
- (ii) 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.
- (iii) 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
- (iv) Reducing the discount on Second Homes from 10% to zero.

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

That they have given consideration to a report of the Executive Director of Commercial and Corporate Services (copy attached) to review the current policy of Discretionary Relief for Non-Domestic Rates awarded to Academy and Voluntary Aided Schools.

Accordingly the Cabinet recommends the 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.

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

That they have given consideration to a report of the Executive Director of Commercial and Corporate Services (copy attached) seeking approval to the calculation of the Council Tax Base for 2013/2014 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 2013/2014 be approved.
- (ii) 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.

## **6. Business Rates Income Forecast 2013/14**

That they have given consideration to a report of the Executive Director of Commercial and Corporate Services (copy attached) concerning the forecast income in respect of business rates for 2013/2014 which must be submitted to Government following Council approval no later than 31<sup>st</sup> January 2013. Further, that the income forecast included in the report should be amended if necessary taking into consideration further information notified by government about the calculation – and that the Executive Director of Commercial and Corporate Services be given delegated power to prepare the final version of the NNDR1 form in consultation with the Leader and Cabinet Secretary, for submission to full Council.

Accordingly the Cabinet is seeking Council approval to the amended NNDR1 form which estimates the business rates income for the coming financial year and recommends to Council that:-

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 - £41,682,298;
- Amount of NNDR to be retained by Council - £40,885,578;
- Amount of NNDR to be passed to Tyne and Wear Fire and Rescue Authority - £834,400.

## **7. Revenue Budget Proposals 2013/2014**

That they have given consideration to a joint report of the Chief Executive and Executive Director of Commercial and Corporate Services (copy attached) to advise of 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.

They also referred the report to the Scrutiny Committee for further advice and consideration. The Scrutiny Committee supported the Cabinet recommendation to recommend the Council to approve the provisional Revenue Budget proposals 2013/2014.

The Scrutiny Committee congratulated the Executive Director of Commercial and Corporate Services and his Finance Team on managing to present the provisional Revenue Budget proposals to the Council in the required budgetary timescales despite the very late notification of the provisional settlement from Government and final amendments to budget related documentation being needed following the receipt of further notified changes from Government.

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 2013/2014.

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

That they have given consideration to a report of the Executive Director of Commercial and Corporate Services on 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.

In accordance with the Council's Budget and Policy Framework certain transfers require Council approval. The following extract refers to those transfer of funds:

*'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.'*

They also referred the above extract of the budget transfers to the Scrutiny Committee for further advice and consideration. The Scrutiny Committee supported the Cabinet recommendation to recommend the Council to approve the transfer of funds.

Accordingly the Cabinet recommends the Council to approve the budget transfers for the third quarter of 2012/2013 as set in the above extract.

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

That they have given consideration to a report of the Executive Director of Commercial and Corporate Services which detailed changes made to the Capital Programme 2012/2013 since the Second Capital Review, the inclusion of additional schemes and revisions to costs and resourcing for 2012/2013 since the Second Capital Review, the allocation of capital resources for 2013/2014, subject to any adjustments required when final resource announcements are made and the progress in implementing the Treasury Management Strategy for 2012/2013.

They also referred the report to the Scrutiny Committee for advice and consideration in the context of inclusion of an additional scheme for 2012/2013 costing over £250,000 which is set out in the attached extract. The Scrutiny Committee supported the Cabinet recommendation to recommend the Council to include the additional scheme for 2012/2013.

Accordingly, the Cabinet recommends the Council to approve the inclusion of the additional scheme for 2012/2013 and associated resourcing of the Capital Programme since the Second Review of the Capital Programme was approved by Council in October 2012.

**10. Establishment of Sunderland Events Management Company**

That they have given consideration to a joint report of the Director of Corporate Affairs and Communications and the Executive Director of Commercial and Corporate Services (copy attached) on a proposed approach to development of the Sunderland Events Management Company and the next steps for action in order to establish the company as a local authority owned company at the earliest opportunity.

Accordingly the Cabinet recommends the Council to appoint three Directors to the Board of the Company.



**CABINET**

**5 DECEMBER 2012**

## **REVIEW OF THE PROCUREMENT PROCEDURE RULES**

### **Joint Report of the Executive Director of Commercial and Corporate Services and Head of Law and Governance**

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

- 1.1 To seek agreement to recommend to Council changes to the Procurement Procedure Rules, to provide more responsive procurements that maximise the local economic impact whilst securing the desired outcomes and value for money.

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

- 2.1 To recommend Council to make amendments to the Procurement Procedure Rules, which are part of the Constitution, as set out in the report.

#### **3 Background**

- 3.1 The Council spends significant amounts on the procurement of goods, services and works. Whilst the Council has a strong track record of successful procurement, delivering value for money and securing savings, the context within which this activity takes place is changing due to:
- the difficult economic position, and the impact that the Council's procurement activity can have in this regard
  - the increased consideration and use of Alternative Service Delivery Models and commercial models
  - increased regulation/complexity and higher levels of challenge
- 3.2 Given the future and changing procurement requirements, a Procurement Review was recently undertaken.
- 3.3 The overall conclusion of the review was that the arrangements in place are, in the main, good and there is a high degree of satisfaction from local suppliers. However, more can be done in relation to supporting local business win work, market development, improving awareness and knowledge of commissioners, and speeding up the process.

## **4. Proposals**

- 4.1 A number of improvements were identified and in order to facilitate some of these it is proposed that the Procurement Procedure Rules be updated, as follows.
- a) At present the threshold for a formal tender exercise to be undertaken, as opposed to seeking quotes, is £75,000 or over regardless of the nature / complexity of the procurement or the ability of SME's / VCS organisations to bid. Directorates are not required to work with the Council's Corporate Procurement team for procurements under this £75,000 threshold. In order to ensure greater involvement of procurement professionals and provide flexibility as to the most appropriate procurement method to adopt it is proposed that all procurements over £5,000 be routed through Corporate Procurement who will determine the most appropriate procurement process up to the EU Threshold of £173,934. The use of Buy Sunderland First (the Council's e-quotation system) is also mandated for any quote processes.
  - b) A requirement for Chief Officers to ensure that the relevant Portfolio Holder(s) are consulted as appropriate prior to advertising and are provided with progress reports at appropriate intervals throughout the procurement process has been included.
  - c) Specifically in relation to procurement that relate to the Port, given its unique nature, the new Rules allow significant flexibility to allow the most appropriate procurement process to be adopted for those contracts under the EU Threshold.
- 4.2 A copy of the proposed PPRs, as amended in accordance with the proposals outlined in this report, is appended for members' consideration. The changes to Rules and any additions/clarifications are highlighted. The Rules have been also been re-drafted to make them easier to understand.
- 4.3 In order to address other findings from the review an updated Corporate Procurement Strategy shall be presented to Cabinet for consideration in due course.

## **5 Reasons for the Decision**

- 5.1 The changes proposed are considered appropriate in order to provide more responsive procurements that maximise the local economic impact whilst securing the desired outcomes and value for money.

## **6. Alternative Options**

- 6.1 One alternative is to not to update the PPR's but this is not recommended as it will not achieve the objectives referred to in paragraph 5 above.
- 6.2 Another alternative is to implement some but not all of the changes proposed. Again, this is not recommended.

## **7. Impact Analysis**

- 7.1 The proposals do not have any direct impact on equalities, sustainability, privacy or reduction of crime and disorder – community cohesion / social inclusion issues. Members and Officers will still be required to have regard to these matters when undertaking any procurement activity.

## **8. Background Papers**

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



# Section 7 - Procurement Procedure Rules

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## **Section 1 – Introduction and Scope**

- 1.1 These Rules apply to all purchasing, licensing, contracting, commercial partnering and the establishment of frameworks in respect of the provision of works, goods or services from third parties by the City Council.
- 1.2 All procurement shall comply with:
  - a) all applicable statutory provisions;
  - b) the applicable European procurement rules (the EC Treaty (including the general Treaty principles of equal treatment, non-discrimination and transparency) and the Public Contract Regulations 2006 (as amended));
  - c) the Council's Constitution including the Codes of Conduct and Scheme of Delegation;
  - d) any Council Procurement Codes of Practice.
- 1.3 Where a new legal entity is to be created by the Council which meets any of the criteria set out below then the Constitution of that new entity must include a scheme of Procurement Procedure Rules as approved by the Executive Director of Commercial and Corporate Services.

Rule 1.3 shall apply to the following entities:

- (a) Where the new legal entity is financed wholly or mainly by the Council; or
  - (b) Where more than half of the Board of Directors or members of the new entity are appointed by the Council.
- 1.4 Chief Officers and managers are responsible for ensuring that employees comply with these rules and that appropriate contractual provisions are in place for compliance by agency workers, interims, consultants and agents.
  - 1.5 The use of any exceptions to these Rules (see para 4.) must be agreed in writing with the Executive Director of Commercial and Corporate Services.

## **2. Interpretation and Definitions**

- 2.1 "Third party" for the purposes of these Rules includes any economic operator, public sector body, a works contractor, a supplier, a services provider, a consultant, a firm, a company, a partnership or an individual.
- 2.2 "OJEU" means the Official Journal of the European Union.

2.3 "Port Contract" means a contract or framework agreement for the procurement of works, services or goods for the Port of Sunderland. In relation to a Port Contract, all references in these Rules to Cabinet shall be interpreted as meaning the Port Board.

## **3. Exemptions**

- 3.1 The following are exempt from these Rules:
  - a) employment contracts (but not agency / interim / self employed workers);
  - b) contracts relating solely to disposal or acquisition of an interest in land or property;
  - c) contracts for specialist legal advice or representation or medical advice, or other expert advice in the context of actual or potential litigation or otherwise which the Head of Law and Governance considers it necessary to obtain.

## 4 Exceptions

- 4.1 Where a Chief Officer considers an exception to the requirements of paragraphs 11-19 should apply he must first discuss this with Corporate Procurement prior to seeking advance written approval of the Executive Director of Commercial and Corporate Services, and, as appropriate, authorisation from Cabinet.
- 4.2 Subject to paragraph 4.1 above, a Delegated Decision Form is to be completed by the relevant Chief Officer including the rationale for the application of the exception and a copy provided to Corporate Procurement where a central record will be maintained.
- 4.3 Subject to Paragraphs 4.1 and 4.2, paragraphs 11 to 19 of these Rules do not need to be applied to the following categories of procurement, provided that where the procurement is equal to or exceeds £250,000, the prior approval of Cabinet is obtained.
- a) Where the goods / asset are being sold through an auction.
  - b) Procurement when, for technical or artistic reasons, or for reasons connected with the protection of exclusive rights, the contract can only be awarded to a particular third party.
  - c) Execution of mandatory works by statutory undertakers.
  - d) Execution of works or services in which the personal skill or knowledge of the person(s) carrying out the works or services is of primary importance.
  - e) Personal social services contracts for the provision of residential and / or nursing care and packages which form an alternative to residential care.
  - f) Call-offs via a framework agreement previously awarded by the Council or under which the Council has a right to participate which offers value for money and provided the Council follows the framework's call-off procedures.
  - g) Contracting via a contract awarded by a third party under which the Council has a right to participate and offers value for money, and provided the Council follows the terms and conditions of the contract.
  - h) Urgency, when (but only if it is strictly necessary) the time required to fully comply with these Rules would be prejudicial to the Council's interests or its ability to discharge its statutory duties. In these cases, consideration should still be given to those parts of the Rules that could still be followed particularly the need for competition. Where the value of the procurement is equal to or over £250,000 a report shall be submitted to the next Cabinet with an explanation of the circumstances giving rise to the need for the exception and detailing the procurement process actually followed. The requirements of the Public Contracts Regulations 2006 must still be followed.
  - i) The award of any Port Contract which is below the relevant EU Threshold as contained in the Utilities Contracts Regulations 2006 and provided that consideration is given to those parts of these Rules that can be reasonably followed for the particular procurement.

- j) Procurement of works, goods or services below the applicable EU threshold to meet the requirements of principal contracts that have been awarded in-house as a result of a competitive tendering process. Where the principal contract has not been awarded via competition then this exception shall not apply. Further, this exception is restricted to those elements of these Rules that cannot reasonably be followed.

## **5. Responsibilities**

### **5.1 Executive Director of Commercial and Corporate Services**

#### **5.1.1 Corporate Procurement, on behalf of the Executive Director of Commercial and Corporate Services, will:**

- a) agree the procurement process for all procurements valued £5,000 and over;
- b) Chair procurement evaluation panels;
- c) organise and manage corporate contracts (including framework agreements and standing lists for supplies or services);
- d) keep complete records for procurements of £5,000 or over, where such procurements are led by Corporate Procurement;
- e) maintain a corporate contract management framework;
- f) support procurements led by directorates, where appropriate.

### **5.2 Chief Officers**

#### **5.2.1 Chief Officers are responsible for:**

- a) ensuring that the relevant Portfolio Holder(s) are consulted as appropriate prior to advertising and are provided with progress reports at appropriate intervals;
- b) ensuring that an appropriate level of engagement with Members and service users is undertaken relating to procurements within their areas of responsibility;
- c) engaging with Corporate Procurement at the earliest opportunity, including the options appraisal stage of any proposals that may lead to a procurement £5,000 and over. This does not include call-offs from existing contracts;
- d) ensuring, where Council contracts exist (including framework agreements and standing lists), or a commitment has been given for the Council to participate in a consortium contract, those arrangements are adhered to, except in exceptional circumstances, which shall be documented and approved in advance by the Executive Director of Commercial and Corporate Services;
- e) complying with the corporate contract management framework;
- f) prior to advertising or awarding (as appropriate) any contract:
  - (i) producing a clear written specification of the Council's requirement (outcome based where appropriate) and evaluation criteria; and
  - (ii) ensuring sufficient budget provision is available.
- g) procuring goods, works and services under £5,000, where not covered by an existing Council contract, in accordance with these Rules;
- h) ordering goods and calling-off services in accordance with the conditions of existing contracts;
- i) keeping complete records for procurements where they are the lead.

## **6. Collaborative or joint procurement arrangements**

- 6.1 Where the Council acts as the lead or host authority in any collaborative or joint procurement arrangement these Rules will apply, unless otherwise agreed by the Executive Director of Commercial and Corporate Services.

- 6.2 Subject to Paragraphs 9 and 10, where a Chief Officer wishes to participate in a proposed collaborative or joint procurement arrangement to be undertaken by a third party, the prior written agreement of the Executive Director of Commercial and Corporate Services shall be obtained. The procurement process followed should be broadly comparable to that set out in these Rules.

## **Section 2 - Thresholds**

### 7.1 Procurements below £5,000

- 7.1.1 A Chief Officer may procure works, supplies or services (that are not already covered by an existing Council contract or a contract in which the Council has committed to participate) up to a value of less than £5,000 provided that he can objectively demonstrate value for money, **has considered obtaining quotes and the use of local suppliers.**

### 7.2 Procurements between £5,000 and such level as equates to the applicable EU Threshold for goods and services (which is currently £173,934).

**(For the avoidance of doubt, Rule 7.2 applies to all contracts for goods, services and works)**

- 7.2.1 **All proposals for a procurement at or above £5,000 (excluding routine call-offs from existing frameworks) must be notified to Corporate Procurement at the earliest opportunity. Corporate Procurement shall then determine, in consultation with the Chief Officer, the most appropriate procurement strategy.**

#### 7.2.2 Quotes

Where a quotation process is deemed by Corporate Procurement to be appropriate, at least three written relevant quotations shall be obtained and considered from suitable third parties. In addition, where available, any in-house provider must also be asked to provide a quotation. **Where a corporate electronic quotation system is provided this is to be used.**

Where it is not reasonably practicable to obtain three quotations the Executive Director of Commercial and Corporate Services and the relevant Chief Officer may agree to reduce the number of quotations required to be obtained provided the reasons for this are documented before the purchase is made or the contract is let.

#### 7.2.3 Tenders

Where a tender process is deemed by Corporate Procurement to be appropriate, the contact shall be awarded after following one of the procurement procedures below:

- a) the Open Procedure
- b) the Restricted Procedure
- c) a Call-Off pursuant to an existing Framework Agreement let by the Council or other Third party (where the Council has the right to participate)
- d) the Competitive Dialogue Procedure
- e) the Negotiated Procedure

A tender process must be followed for works contracts over the EU Threshold for goods and services.

### 7.3 Contracts with a value equivalent or exceeding the relevant EU Thresholds

- 7.3.1 These procurements must be undertaken in accordance with one of the procedures set out in the Public Contracts Regulations 2006 (as amended). These thresholds are subject to variation by legislation from time to time. The current thresholds are:

|           |            |
|-----------|------------|
| Works:    | £4,348,350 |
| Supplies: | £173,934   |
| Services: | £173,934   |

- 7.3.2 In the case of Port Contracts, the relevant EU Thresholds are contained in the Utilities Contracts Regulations 2006 (as amended) and the current thresholds are:

|          |            |
|----------|------------|
| Works:   | £4,348,350 |
| Supplies | £347,868   |
| Services | £347,868   |

Port Contracts above these EU thresholds shall be awarded in accordance with one of the procedures set out in the Utilities Contracts Regulations 2006 (as amended).

## 8. **Estimating Contract Values/Aggregation**

- 8.1 Where there is a reference to the value of any contract, framework agreement or transaction, it shall mean its total estimated value net of VAT over the entire term of the contract or framework (as the case may be), including all options, permitted extensions and variations. Where a contract does not include a total price the estimated value will be the amount of the consideration payable each month multiplied by 48 (i.e. 4 years).
- 8.2 Corporate Procurement and Chief Officers shall have regard to the optimum packaging of works, supplies or services, particularly works, supplies or services of a similar nature, which are likely to be carried out in connection with a particular project in order to achieve the best value for money, **including social value**. A proposed contract must not be divided into separate lower value contracts simply to avoid the full application of these Rules. This does not affect the determination of the number and size of lots within a Framework Agreement.

### **Section 3 – Approvals**

#### 9. **General Procurements**

- 9.1 **The Executive Director of Commercial and Corporate Services (through Corporate Procurement) must agree the procurement process for all procurements with a value equal to or over £5,000.**
- 9.2 **In all cases the relevant Chief Officer must consider the level of engagement needed with Members, and service users.** Where the aggregate value of the intended procurement (other than consultancy services) is estimated to be equal to or over £250,000 Cabinet approval is required prior to advertising, except in urgent cases where approval is required before award.

The above requirements do not apply to those corporate contracts that are in place to underpin the day to day workings of the Council (e.g. utility supplies, stationery supply) provided that the prior agreement of the Executive Director of Commercial and Corporate Services has been obtained before relying on this provision.

## **10 Consultancy Services**

- 10.1 Where the aggregated value of the intended procurement is estimated to be under £100,000 the prior written approval of the Chief Executive or Deputy Chief Executive is required before advertising. Where the cost is estimated to be equal to or exceed £100,000 the prior approval of Cabinet is required before advertising, except in urgent cases where approval is required before award. In the case of external consultants Corporate Procurement and the Chief Officers must also comply with the additional requirements set out in the Appendix to these Rules.

### **Section 4 – Procurement Process**

## **11. Advertising Contracting Opportunities**

- 11.1 Where the value of the proposed contract is on or above the applicable EU threshold a Contract Notice must first be published in the OJEU in the form prescribed.
- 11.2 For tender opportunities Corporate Procurement, in consultation with the relevant Chief Officer, shall consider the most appropriate and cost effective form of publicity for the particular opportunity including considering the use of local media / newspapers / trade journals / online channels.
- 11.3 All procurement opportunities (regardless of value) should be considered as to whether their advertising would be beneficial in order to encourage competition.

## **12. Tender Procedures**

### **12.1 Open Procedure**

- 12.1.1 The Open Procedure means a tender procedure leading to the award of a contract / framework agreement whereby all interested parties may tender.
- 12.1.2 Tender documentation shall be sent to all who apply prior to the tender closing date.

### **12.2 Restricted Procedure**

- 12.2.1 The Restricted Procedure means a tender procedure leading to the award of a contract whereby only parties pre-selected by the Council may submit tenders for the contract.
- 12.2.2 A Pre-qualification Questionnaire (“PQQ”) must be provided to all third parties requesting to participate, which shall be used to determine the third party’s eligibility, financial standing and technical capacity.

- 12.2.3 For tenders over the EU threshold, Officers should select not less than five companies or individuals to be invited to tender. If fewer than five companies or individuals return questionnaires or are not eligible to be invited to tender, the procurement may only proceed with the prior written agreement of the Executive Director of Commercial and Corporate Services.
- 12.2.4 For tenders under the EU threshold that relate to Design and Build works contracts, only three companies or individuals need to be invited to tender.
- 12.3 Standing Lists
- 12.3.1 Any Standing Lists will be maintained by the Executive Director of Commercial and Corporate Services.
- 12.4 Framework Agreements let by the Council
- 12.4.1 Where required, the Executive Director of Commercial and Corporate Services will maintain Framework Agreements with a range of third parties for works, goods or services.
- 12.4.2 Any Framework Agreement shall be awarded in accordance with these Rules. For the avoidance of doubt, the procurement of a Framework Agreement for consultancy services shall also comply with the requirements set out in Section 5 of these Rules (Additional Requirements on the Use of Consultants).
- 12.4.3 Any call-off contract awarded pursuant to a Framework Agreement shall be undertaken in accordance with the procedures set out in the relevant Framework Agreement.
- 12.5 Competitive Dialogue Procedure
- 12.5.1 Competitive Dialogue Procedure means a procedure in which any third party may make a request to participate, and whereby the Council conducts a dialogue with the third party admitted to that procedure with the aim of developing one or more suitable alternative solutions capable of meeting its requirements and on the basis of which the third parties chosen by the Council are invited to tender.
- 12.5.2 The Competitive Dialogue Procedure may only be used in the award of contracts which are, in the opinion of the Executive Director of Commercial and Corporate Services, complex contracts and where there is a need for the Council to discuss all aspects of the proposed contract with candidates. Such dialogue is not permitted under open and restricted procedures.
- 12.6 Negotiated Procedure
- 12.6.1 Negotiated Procedure means a procedure leading to the award of a contract whereby the contracting authority negotiates the terms of the contract with one or more third parties selected by it.
- 12.6.2 This procedure may only be used in very exceptional circumstances and with the prior agreement of the Executive Director of Commercial and Corporate Services.

### **13. Invitation to Tender**

- 13.1 The Invitation to Tender (or Participate in Dialogue or Negotiate) shall include details of the Council's requirements for the particular contract including but not limited to:
- a) a description of the works, supplies or services (this should be outcome bases where appropriate);
  - b) the rules and instructions for submitting of tenders including the tender return date and time;
  - c) a specification containing the Council's requirements;
  - d) a statement as to whether any variants to the specification are permissible;
  - e) the Council's terms and conditions applicable to the contract;
  - f) the tender evaluation criteria including applicable weightings;
  - g) pricing schedule and instructions for completion;
  - h) a statement as to whether in the Council's view TUPE may apply;
  - i) instructions for the completion and content of any method statement;
  - j) the period which the Council requires that the tender offer shall remain open;
  - k) a statement that the Council does not bind itself to accept the lowest or any tender;
  - l) the Council's requirements in respect of any bond, parent company guarantee or liquidated damages;
  - m) the Council's requirements in respect of insurance and indemnity.

### **14. Submission of Tenders**

- 14.1 Tenders shall comply with and be submitted in accordance with the rules and instructions set out in the invitation to tender.
- 14.2 Tenders will normally be submitted through a secure electronic system whereby they are not 'opened' until the deadline has passed for receipt of tenders.
- 14.3 Where tenders are not submitted electronically, tender documents must be submitted in a plain sealed envelope which shall bear the word "tender" followed by the subject to which it relates and addressed to the 'Civic Centre Main Reception', but shall not bear any name or mark indicating the sender. Such envelopes shall be held securely until the appointed time for their opening.

### **15. Opening of Tenders**

- 15.1 Tenders for a particular contract shall be opened at one time and only in the presence of a Member of the Council and an officer not party to the procurement and designated by the Executive Director of Commercial and Corporate Services. The Executive Director of Commercial and Corporate Services shall keep a Register of Tenders opened. The Register of Tenders shall include the names, addresses, value and the date and time of opening.
- 15.2 The Member and officer in whose presence tenders are opened shall initial the Register, and where the tender is a hard copy, any summary page of the tender.
- 15.3 Unless submitted electronically, controlled copies shall be taken of every priced page of the tender and securely held by the Executive Director of Commercial and Corporate Services.

## **16. Amending Tenders, Bids or Quotations and Tender Errors**

- 16.1 Where a tenderer identifies an error in their tender after submission but before the closing date for receipt of tenders, they may submit a correction in accordance with the rules applicable to the submission of tenders generally.
- 16.2 Genuine arithmetical error(s) may be amended with the consent of the tenderer.
- 16.3 Correction of any other tender error(s) shall be made at the discretion of the Executive Director of Commercial and Corporate Services.

## **17. Evaluation of Pre-Qualification Questionnaires, Tenders or Quotations**

- 17.1 Evaluation criteria (including any and all sub-criteria) shall be determined in advance of the procurement and set out in descending order of importance in the Invitation to Tender documentation.
- 17.2 The evaluation criteria, including the weighting between quality and cost, for all procurements where the tender process applies shall be agreed with the Executive Director of Commercial and Corporate Services (through Corporate Procurement).

## **18. Negotiations**

- 18.1 In open and restricted procedures, all negotiations with candidates or bidders on fundamental aspects of contracts or variations, which are likely to distort competition (in particular on prices), are not permitted.
- 18.2 Negotiations following receipt of tenders or quotations may only take place with the approval of the Head of Law and Governance.

## **19. Acceptance of Quotations and Tenders**

- 19.1 A Chief Officer may accept a tender or quotation on the basis of the offer, which he considers, is the most economically advantageous to the Council or offers the lowest price, as determined in accordance with the evaluation criteria as set out in the invitation to tender or quote.
- 19.2 Where a Chief Officer wishes to accept a tender on the basis of the most economically advantageous offer where the tender is not also the lowest price, he shall do so only after obtaining the written agreement of the Executive Director of Commercial and Corporate Services and the reasons shall be documented. For clarity, this provision does not apply to the acceptance of quotations.

## **20. Standstill Period**

- 20.1 In respect of a contract which exceeds the EU threshold, as soon as possible after the decision has been made to award a contract, Corporate Procurement shall give notice to any third party which submitted an offer or applied to tender, of the decision to award, in line with the Public Contracts Regulations.
- 20.2 A period of at least 10 days should elapse between the date of despatch of the notice referred to in rule 20.1 and the date on which the Council proposes to enter into the contract during which time an unsuccessful third party may raise challenges to the intended award.

## **21. Award Notice**

21.1 In respect of a contract which exceeds the relevant EU threshold an Award Notice shall be published by Corporate Procurement no later than 48 days after the date of award of the contract.

## **22. Contract Terms and Conditions**

22.1 All contracts and orders shall be in writing or in an approved electronic format, and every contract, which equals or exceeds £75,000 in value or amount, shall be in writing in a form to be approved by the Head of Law and Governance and executed in accordance with Article 14 of the Council's Constitution. The following areas must be adequately covered within the terms and conditions:

- The Contract Period (including any extensions)
- The Contract Price
- The Council's requirements (i.e. specification and performance requirements)
- Termination

Express provision dealing with the following areas must also be included in the terms and conditions, where appropriate:

- Insurance and Liability
- Bribery and Corruption
- Prohibition against Assignment / Novation (without agreement of the Council)
- Liquidated Damages and Guarantees
- Safeguarding Authority Registration
- Dispute Resolution
- TUPE
- Contract Variations
- Data Protection
- Freedom of Information
- Law and jurisdiction
- Audit access rights

## **23. Nominated Contractors and Sub-Contractors**

23.1 In exceptional circumstances where there is a case for nominating sub-contractors to main contractors the provisions of these Rules shall apply in relation to the selection of the nominated sub-contractor.

## **24. Authorised Payments and certificates for variations incurring extras**

24.1 All contract variations shall be consistent with the scope and terms of the existing contract and proportionate in value to the total value of the contract when originally awarded.

- 24.2 Any variation or series of variations incurring extras shall be authorised prior to the work being undertaken, as follows:
- a) where the net cumulative value of variations does not exceed £50,000 or 20% of the value of the contract, whichever is the lower, by the Chief Officer provided payment can be contained within the relevant budget provision, if not, written authorisation must be provided by the Executive Director of Commercial and Corporate Services;
  - b) where the net cumulative value of variations is between £50,000 and does not equal or exceed £250,000 or at least 20% of the value of the contract, whichever is the lower, by the Chief Officer having obtained prior written agreement of the Executive Director of Commercial and Corporate Services, provided payment can be contained within the relevant budget provision. If not, prior authorisation must be obtained from Cabinet.
  - c) where the net cumulative value of variations is equal to or exceeds £250,000 Cabinet approval must be sought regardless of whether this can be contained within the budget for the contract.
  - d) where the net cumulative value of variations in respect of a contract is estimated to equal or exceed 50% of the original contract value the Chief Officer may only authorise the variation or series of variations after consultation with the Head of Law and Governance as to application of the Public Contract Regulations.
- 24.3 Once duly authorised, approved variations must be ordered in writing and payments made in accordance with the terms of the contract.
- 24.4 The Chief Officer shall issue separate certificates, showing all extras less deductions presented to the Council for payment, stating the amounts of extras ordered to date and the amount certified for payment.
- 24.5 Where the Council has entered into a standard form contract in a form prepared on behalf of a professional organisation, which has been approved by the Head of Law and Governance, this Rule shall not prevent the discharge of the Council's obligations in connection with the granting of variations incurring extras or compensation events which arise or become due under the terms of the contract provided that records are kept in a form acceptable to the Executive Director of Commercial and Corporate Services.

## **25. Contract Extensions**

- 25.1 A contract may be extended before the expiry date where the extension is in accordance with its original terms, can be shown to offer value for money and with the approval of the applicable Chief Officer and the Executive Director of Commercial and Corporate Services.
- 25.2 Where the contract terms do not provide expressly for an extension:
- a) contracts subject to the EU Regulations may be extended only in limited circumstances and on the written approval of the applicable Chief Officer and the Head of Law and Governance.

- b) contracts not subject to the EU Regulations may only be extended by formal written variation where the extension to a contract can be shown to offer value for money and is reasonable in all the relevant circumstances on the written approval of the applicable Chief Officer and Executive Director of Commercial and Corporate Services.

In addition, where the contract does not include an express right of extension, any proposed extension will also constitute a contract variation for the purpose of Paragraph 24 above and therefore the provisions of that Paragraph will also need to be followed.

- 25.3 After the expiry of the term of a contract it may not be extended or varied.

## **26 Assignment and Novation**

- 26.1 The relevant Chief Officer, in consultation with the Executive Director of Commercial and Corporate Services, shall have authority to determine whether permission to assign or novate a contract is given on behalf of the Council.

## **27. Termination**

- 27.1 Where a Chief Officer wishes to terminate a contract early he may do so only after consulting with the Executive Director of Commercial and Corporate Services as to the financial and legal impact of the termination.

## **Section 5 – Additional Requirements on the use of Consultants**

Where consultancy services can be provided in-house their use should be considered first, and discussed with the relevant service area, before seeking external consultants.

### **28 Application**

- 28.1 These additional requirements govern the selection, appointment and use of consultants in all Directorates of the Council.
- 28.2 The term “consultants” is intended to extend to all persons, firms or organisations who market their services as a consultancy service for whatever purpose, whether management, technical (including engineering, surveying and architectural services), financial, I.T., marketing, personnel etc., and are generally understood to come within the term “consultants”. This does not include staff employed via job agencies or other organisations that carry out day-to-day work on the Council’s behalf.
- 28.3 For the avoidance of doubt these guidelines will not apply to the engagement of individual professional witnesses or representatives.
- 28.4 These Rules are intended to supplement the main requirements of the Procurement Procedure Rules, not replace them.

### **Identification of Need**

- 29.1 The objectives of the work and what the recommendations arising from the work are to achieve or change need to be clearly identified in a Project Brief.
- 29.2 Any proposals to use external consultants shall be approved, in writing, in advance by the Chief Executive or Deputy Chief Executive.
- 29.3 A budget for the exercise must be identified.
- 29.4 Where the cost of the procurement is estimated to exceed £100,000, Cabinet approval to the use of external consultants must be sought prior to advertising.
- 29.5 Any report to Cabinet must include the justification for using consultants and shall assess and document the benefits of employing consultants in the light of probable costs.

### **Preparation**

- 30.1 A project brief shall be prepared by the Chief Officer in all cases.
- 30.2 Standard terms should be used to ensure comparability of consultants’ submissions.
- 30.3 Terms of reference should include a number of standard features to ensure that the consultants have sufficient information to make informed and feasible proposals.

These should include:

- a) the objectives of the project;
- b) what resources the Council will provide, e.g. staff, data;
- c) how the results are to be reported and presented;

- d) the time scale;
- e) how the project is to be monitored;
- f) an outline of the suggested approach;
- g) the basis upon which tenders are sought (fixed fee inclusive of expenses is to be preferred over daily rate);
- h) a requirement for consultants to outline relevant experience and personnel to be used;
- i) provision for any bonuses or deductions.

### **Invitation to Tender**

- 31.1 External consultants should normally be selected on the basis of competitive tender unless satisfactory reasons to the contrary exist – refer to the exceptions set out in Section 1 of these Rules.
- 31.2 Chief Officers shall have regard to the likelihood of multistage consultancy and shall, wherever possible, consider all stages of work when assessing the overall value of the consultancy exercise, and for obtaining quotes or tenders. Tenders/quotations should identify all potential stages of the work.
- 31.3 In selecting suitable consultants from whom to invite quotations regard shall be had to firms who have worked for the Council previously and to any assessment of their past performance.
- 31.4 All tenderers and those submitting quotations shall be asked to provide the names of at least two customers for reference purposes, at least one of whom shall be a recent customer.
- 31.5 In the following circumstances, the requirement to seek written quotations or tenders may be dispensed with:
  - a) the value of the project is less than £5,000 (although regard must still be had to achieving value for money).
  - b) the firm it is proposed to use has developed a detailed knowledge of the particular project through past work with the Council.
  - c) the skills of a particular individual are demonstrably required.

The above exemptions are in addition to those set out in Section 1 of these Rules.

- 31.6 The reasons for not seeking written quotations or tenders shall be documented.

### **Monitoring Progress**

- 32.1 The relevant Chief Officer is to nominate a named officer to be responsible for monitoring progress of the consultant.



**CABINET BRIEFING**

**16 JANUARY 2013**

**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%)                                  |



- 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



**SUNDERLAND CITY COUNCIL**

**COUNCIL TAX SUPPORT**

**SCHEME**

**Summary Document**

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## **Preface**

This document contains a summary of the Sunderland City Council Council Tax Support Scheme which will have effect from 1 April 2013.

The scheme will replace Council Tax Benefit, which will be abolished on 31 March 2013 by s.33 Welfare Reform Act 2012.

The scheme complies with the requirements of section 13A and Schedule 1A of the Local Government Finance Act 1992 (inserted by section 10 Local Government Finance Act 2012).

This document should be read in conjunction with the Local Government Finance Act 1992 (as amended by Local Government Finance Act 2012), the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 and Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) (Amendment) Regulations 2012.

## **Introduction**

On the 1 April 2013 Central Government is abolishing the current national Council Tax Benefit scheme, and it will be replaced by a new Council Tax Reduction scheme which will be defined by each local authority.

Under section 13A and Schedule 1A of the Local Government Finance Act 1992 (inserted by section 10 Local Government Finance Act 2012), each local authority is required to make a Council Tax Reduction scheme specifying the reductions which are to apply to the amounts of council tax payable by persons in their area who are considered by the authority to be in financial need. Sunderland City Council's Council Tax Support Scheme is its Reduction Scheme for the purposes of the Act.

The Secretary of State has introduced regulations to ensure that all Council Tax Reduction Schemes include certain requirements prescribed by government. These regulations are called the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 ['the Prescribed Requirements Regulations'] and can be accessed at:

[http://www.legislation.gov.uk/uksi/2012/2885/pdfs/uksi\\_20122885\\_en.pdf](http://www.legislation.gov.uk/uksi/2012/2885/pdfs/uksi_20122885_en.pdf)

The Secretary of State has prescribed a default scheme that will apply if a local authority fails to make a local scheme by 31 January 2013 ['the Default Scheme']. The Default Scheme is set out in the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 ['the Default Scheme Regulations']. These can be accessed at:

[http://www.legislation.gov.uk/uksi/2012/2886/pdfs/uksi\\_20122886\\_en.pdf](http://www.legislation.gov.uk/uksi/2012/2886/pdfs/uksi_20122886_en.pdf)

The Regulations and Default Scheme have been amended by Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) (Amendment) Regulations 2012. These can be accessed at:

[http://www.legislation.gov.uk/uksi/2012/3085/pdfs/uksi\\_20123085\\_en.pdf](http://www.legislation.gov.uk/uksi/2012/3085/pdfs/uksi_20123085_en.pdf)

## **Reduction in Government Funding**

Central Government have changed the way in which Council Tax support is funded, by reducing the level of grant support by an average of 10% nationally for 2013 -2014. For Sunderland the reduction is £2.8m, which represents a cut of 11.7%. This means that the Council will have to find ways to make up the shortfall by either funding this or by reducing the level of support to be given under the new Council Tax Support Scheme ['the CTS Scheme' or 'the Scheme'].

The Council has considered a wide range of options to make up this shortfall and believes that the fairest proposal is to

- Increase revenue received from Council Tax by changing the exemptions and discounts which apply to second homes and empty properties; and
- Reduce benefit expenditure through the new CTS Scheme

In October 2012 the Government announced a Transitional Grant scheme which includes a transitional grant to help councils reduce the impact of reductions in council tax support. To apply for the grant the council must adopt a Council Tax Support scheme which is compliant with the Transitional Grant scheme criteria.

The Transitional Grant scheme broadly restricts increases in council tax bills to 8.5%, which mirrors the council's position of not imposing all of the reductions to either benefit claimants or the Council itself.

The Council believes that by adopting the Transitional Grant compliant scheme it supports the Council's fairness policy in that everyone pays something towards their Council Tax.

## **Section A - Sunderland City Council's Council Tax Support Scheme - Overview**

Sunderland's CTS Scheme adopts the provisions of the Default Scheme subject to a number of modifications.

A full copy of the Scheme is available to download from [www.sunderland.gov.uk/counciltaxsupport](http://www.sunderland.gov.uk/counciltaxsupport).

A summary of the scheme is given below.

### **Pensioners**

The Prescribed Requirements Regulations require that Pensioners must be protected from the reforms. The Regulations provide for a scheme that replicates current Council Tax Benefit legislation, and which must be included in all Council Tax Reduction Schemes. The Council must ensure that the level of support given to Pensioners is not reduced and therefore proposes to follow Default Scheme provisions in relation to this class of claimant.

### **Working Age Claimants**

The Council has also adopted the provisions of the Default Scheme for working age claimants but with some key modifications, as summarised below;

- Entitlement to Council Tax Support, calculated in accordance with the Scheme, will be reduced by a maximum of 8.5%. Those claimants who would previously have received 100% Council Tax Benefit must now contribute to their Council Tax.
- The Alternative Maximum Council Tax Benefit (also known as Second Adult Rebate) will be removed. 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.
- Increase in non-dependant deductions for those claimants not in receipt of maximum benefit. A non-dependant deduction is applied to a claimant's Council Tax Support depending on that non-dependant's income and circumstances. The Council propose that all non-dependant charges specified in the default regulations be increased by £1.00 per week for working age claimants.
- War Pensions will not be taken into account when calculating a claimant's income. The Default Scheme Regulations only allow for a disregard of £10.00 per week. The council proposes to continue its previous practice that all war pensions are disregarded in full.

The Council Tax Support Scheme does not and cannot make any changes to the scheme of discounts and exemptions available in Council Tax. Such changes will be detailed elsewhere

### **Monitoring and Review of the Scheme and Annual Uprating**

The Council will monitor and review the Council Tax Support Scheme to ensure that it continues to support the Council's policies. The Scheme may be amended for subsequent years, but should this happen there will be further consultation. If no revised Scheme is published, this Scheme will continue to apply to subsequent years. However, the figures set out in the Scheme in respect of applicable amounts, income and capital disregards and non-dependants deductions may still be uprated to allow for inflation. Any such uprating will take effect on 1 April each year.

In relation to the uprating of applicable amounts, income/capital disregards and non-dependant deductions that have been taken from the Default Scheme, these will usually be increased in line with changes made by government to the Default Scheme. However if in future years the government does not publish uprated figures as part of the Default Scheme, or in relation to any amounts in the CTS Scheme which were not taken from the Default Scheme, the Council reserve the right to uprate these annually by reference to the consumer price index, retail price index, rates used for housing benefit and universal credit or by some other method decided by the Council. The ability to uprate these amounts will be subject to any restrictions imposed by the Local Government Finance Act 1992 and the Prescribed Requirements Regulations.

Applicants who are affected by uprating will be notified in advance of implementation.

## **Section B – Persons Excluded from the Scheme**

The classes of person excluded from the CTS Scheme are as set out in Part 5 of the Scheme

These explanatory notes give an overview of those provisions. The notes are for guidance only and reference should be made to the detailed provisions of the Scheme.

### **Classes of persons excluded from the CTS Scheme**

The following groups of people are not entitled to apply for a reduction under the Scheme. These exclusions replicate those which currently apply to Council Tax Benefit.

#### **Persons treated as not being in Great Britain**

Persons who are not habitually resident in the United Kingdom, Channel Islands, Isle of Man or Republic of Ireland are not be able to apply for CTS unless they fall within one of the narrow exceptions defined in paragraphs 21(5) or (6) of the Scheme

#### **Persons subject to immigration control**

Foreign nationals subject to immigration control within the meaning of section 115(9) Immigration and Asylum Act 1999 and non-economically active EEA nationals who are not exercising EU treaty rights, are not be able to apply for CTS. However persons who have recognised refugee status; have been granted humanitarian protection; have been granted limited leave to enter or remain in the UK outside of the immigration rules; or are deemed not to be a person subject to immigration control and who were removed from another country to the UK by compulsion of the law; will be able to apply for CTS so long as their status has not been revoked.

#### **Students**

Full time students (as defined in the Scheme) and students that are treated as not being in Great Britain will not be able to apply for CTS. (Note: Full-time students are generally exempt from council tax liability and therefore have no need to claim CTS. Where a student is liable to pay council tax (eg. part time students), provision is made for them within the scheme for working age claimants).

#### **Persons whose capital exceeds £16,000**

Persons who have capital exceeding £16,000 are not able to apply for CTS. Regulations state what should and should not be treated as capital but, generally speaking, this will include savings and income generating assets.

## Section C – Scheme for Pension Age Claimants

The Council adopts all provisions in the default Scheme relating to pensioners. These explanatory notes give an overview of those provisions. Again, the notes are for guidance only and reference should be made to the detailed provisions of the Scheme.

### Meaning of Pensioner

A person is a Pensioner if:

- they have attained the qualifying age for State Pension Credit; and
- they are not, or if they have a partner their partner is not, a person on Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance or Universal Credit.

This means that if a person has attained the qualifying age for State Pension Credit but they or their partner are on one of the welfare benefits listed above, they are not classed as a Pensioner for the purpose of the CTS Scheme and you should therefore refer to that part of the CTS Scheme which relates to persons who are not pensioners (referred to in this document as Working Age claimants - see Section D).

### Classes of Pensioner who are entitled to Council Tax Support

There are three classes of Pensioner entitled to CTS. For each class there is a number of qualifying criteria.

In all cases individuals must:

- meet the definition of a Pensioner;
- not be of a prescribed class exempted from support;
- be liable to pay council tax in respect of the dwelling in which they are resident;
- be somebody in respect of whom a maximum council tax reduction amount can be calculated
- not be absent from the dwelling, unless falls within a period of temporary absence as defined in the Default Scheme, and
- have made an application for a reduction under the scheme

The three classes are as follows.

#### **Class A: Pensioners whose income does not exceed the applicable amount**

To qualify for Class A, the Pensioner must:

- not have capital above £16,000\*;
- be a person whose income\* for the relevant week does not exceed their applicable amount (the amount calculated in accordance with the Scheme that represents their weekly financial need/deemed living allowance).

\*Where a person is in receipt of the guarantee credit element of State Pension Credit, that person's income and capital will be counted as zero.

### **Class B: Pensioner whose income is greater than the applicable amount**

To qualify for Class B, the Pensioner must:

- not have capital above £16,000;
- be a person whose income for the relevant week is greater than their applicable amount;
- be a person in respect of whom Amount A exceeds Amount B, where Amount A is the maximum council tax reduction in respect of the day in the applicant's case and Amount B is a prescribed percentage (2  $\frac{6}{7}$  per cent) of the difference between their income for the relevant week and their applicable amount.

### **Class C: Pensioner living with another adult who attracts an Alternative Maximum Council Tax Reduction (Second Adult Rebate)**

To qualify for Class C, a Pensioner must:

- be somebody who has at least one second adult living with them who is not their partner, does not pay them rent, and who is on a prescribed low wage and/or prescribed benefit.

## **Amount of reduction by class**

### **Class A Reduction**

If a person fulfils the criteria in Class A, they will be entitled to a 100% reduction on their council tax liability subject to any non-dependent deductions that may apply (for details of non-dependant deductions see below).

An individual in receipt of the guarantee credit component of State Pension Credit will have their income and capital counted as zero. This means that their income will automatically be less than their applicable amount and they will qualify for 100% reduction of their council tax liability (subject to any non-dependant deductions that may apply).

Where a person has been awarded only the savings credit element of State Pension Credit, Regulations define the way in which that person's income and capital is to be calculated for the purposes of CTS.

### **Class B Reduction**

If a person fulfils the criteria in Class B, the amount of the reduction to which they are entitled per day is found by deducting Amount B from Amount A, where Amount A is the maximum council tax reduction in respect of the day in their case and Amount B is 2  $\frac{6}{7}$  per cent of the difference between their income for the relevant week and their applicable amount.

**Class C Reduction**

The Class C reduction is referred to as the ‘Alternative Maximum Council Tax Reduction’ (also known as Second Adult Rebate).

If a person fulfils the criteria in Class C, it will mean that they are jointly liable for council tax with a second adult who is not their partner, does not pay rent, and who would normally be expected to contribute towards the council tax bill but who cannot afford to do so based on their low income.

The Second Adult Rebate will be awarded at 25%, 15% or 7.5% of the Council Tax liability depending upon the individuals’ circumstances. The Second Adult Rebate is calculated in relation to the income and circumstances of the second adult; the applicant’s income and capital are not taken into account

The table below shows the possible reductions for this class.

| <b>Second adult</b>   | <b>Alternative maximum council tax reduction (net of discounts) due in respect of a day</b> |
|---|---|
| a) Where the second adult or all second adults are in receipt of Income Support, income-related Employment and Support Allowance, State Pension Credit or income-based Jobseeker’s Allowance.   | a) 25%  |
| b) Where the gross income of the second adult or, where there is more than one second adult, their aggregate gross income (disregarding any Income Support, income-related Employment and Support Allowance, State Pension Credit or an income-based Jobseekers allowance) is:<br><br>(i) less than £183.00 per week;<br><br>(ii) not less than £183.00 but less than £239.00 per week. | b)(i) 15%<br><br>b)(ii) 7.5%  |
| c) Where the dwelling would be wholly occupied by one or more full-time students but for the presence of one or more second adults who are in receipt of Income Support, State Pension Credit, income-related Employment and Support Allowance, income-based Jobseekers Allowance.  | c) 100%   |

**Persons who meets the criteria for more than one class**

If it appears to the Council that the applicant qualifies for both a means-tested council tax reduction (ie. under Class A or B) as well as a Second Adult Rebate (under Class C), a comparison of the available reductions will be made and the applicant will be awarded the greater of the two.

**Non- dependent Deductions**

The maximum council tax reduction to which a person is entitled may be subject to a reduction to take into account non-dependent adults that normally reside in the dwelling who would be expected to contribute to council tax. This adjustment is known as a non-dependant deduction.

The table below lists the non-dependant deductions required to be made under the scheme

| <b>Non-dependant</b>   | <b>Weekly deduction</b> |
|--|-------------------------|
| Under 18   | No deduction            |
| Full-time students (even during summer vacations)  | No deduction            |
| Aged 18 or over and receiving Income Support or income-based Jobseeker's Allowance or income-related Employment and Support Allowance  | No deduction            |
| In receipt of State Pension Credit (whether or not in remunerative work)   | No deduction            |
| Aged 18 or over <u>and not</u> receiving Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance or Pension Credit, <u>and not</u> in remunerative work <u>and not</u> f/t student; | £3.65                   |
| Aged 18 or over and working 16 hours or more each week with a -  |                         |
| - gross income £401.00 per week or more  | £10.95                  |
| - gross income £322.00 - £400.99 per week  | £9.15                   |
| - gross income £186.00 - £321.99 per week  | £7.25                   |
| - gross income less than £186. per week  | £3.65                   |

No deduction will be made in respect of any non-dependant occupying the claimant’s dwelling where the claimant or their partner are registered blind or are in receipt of an Attendance Allowance, the care component of Disability Living

Allowance, the daily living component of Personal Independence Payment or an Armed Forces Independence Payment

### **Determination of Class and Award**

The Council will assess a claim using the rules, means tests and calculations prescribed by the Scheme to determine whether a Pensioner meets the criteria for a class and to calculate the amount of any reduction entitlement. These are similar to the rules, tests and calculations currently applied under Council Tax Benefit.

### **Means Test for Class A and Class B**

The means test is basically a comparison of the income of a claimant (minus any income which the Regulations say must be disregarded) and the applicable amount.

### **Applicable Amount**

The applicable amount is, in effect, a deemed living allowance.

The applicable amount will vary depending on the individual circumstances of the claimant. A person's applicable amount is made up of up to four elements. These are:

- A personal allowance in respect of the applicant;
- An amount in respect of any child or young person who is part of his/her family;
- A family premium element (where the applicant is part of a family of which at least one member is a child or young person); and
- Any other premium amount set out in Regulations which are applicable to the applicant.

The amount allowed for each element is set by government in regulations.

### **Calculation of Income and Capital**

The Scheme prescribes how income and capital for Pensioners is to be calculated and is aligned with the provisions previously applying to claims for Council Tax Benefit.

The income and capital of a claimant's partner (or in the case of a polygamous marriage, partners) will be treated as income and capital of the claimant. Income or capital of any child or young person living with the claimant will not be treated as income or capital of the claimant.

The income or capital of a non-dependent will be treated as if it were the income or capital of the claimant in a case where it appears to the Council that the two have entered into arrangements to take advantage of the system, except where the claimant is on the guarantee credit element of State Pension Credit.

Individuals will be treated as possessing capital of which they have deprived themselves for the purposes of securing council tax reductions.

### **Income and capital – rules for those in receipt of State Pension Credit**

There will be special treatment of income and capital for Pensioners in receipt of State Pension Credit as follows:

- For those in receipt of the guarantee credit element of State Pension Credit, the whole of their income and capital will be disregarded. (This will mean that they will automatically qualify under Class A for a 100% council tax reduction.)
- For those in receipt of only the savings credit element of State Pension Credit, the Council must use the Department for Work and Pension's ['DWP's'] assessment of the income and capital of the individual and adjust these figures to take into account income from this benefit and any other amounts required by regulations.

### **Income and capital – rules for Pensioner's not in receipt of State Pension Credit**

For those who have reached the qualifying age for State Pension Credit, but are not in receipt of this benefit themselves, provisions relating to the calculation of income and capital and what is to be included/disregarded are prescribed by the Scheme and replicate provisions currently applied to calculation of Council Tax Benefit.

### **Tariff income on capital**

Once an amount of capital is calculated, net of any amounts to be disregarded, this will be treated as if it were a weekly income of £1 for every £500 (or part of £500) in excess of £10,000 (but not exceeding £16,000). This amount of tariff income will be added to the initial income calculation to give a total income amount.

### **Income and wider welfare changes**

From October 2013 new working age benefits known as Universal Credit will be introduced to replace some of the existing working age benefits mentioned in the CTS Scheme. Despite these changes being mainly to working-age benefits, they may have relevance for individuals living with a person of pension-credit age and consequently, it may be taken into consideration in their assessment.

### **Changes to State Pension Credit for mixed age couples**

The DWP has indicated that changes will be made at some point in the next two years to the way in which couples of mixed age (that is where one member of the couple has attained the qualifying age for State Pension Credit and one has not) are eligible for State Pension Credit. Currently, save for a few exceptions, such couples would generally be eligible for State Pension.

However, in future (from the point of change and for new applicants only) it will not be possible for a couple to claim State Pension Credit until both members have reached the qualifying age, although such couples may still have access to Universal Credit if they meet all other criteria. The government has indicated that it will at the same time make changes to the legislation regulating CTS to ensure that schemes operate on a similar basis. Government has indicated that any changes will only apply to new applications for CTS so that mixed age couples already

receiving CTS under the pension age scheme before the changes are made, whether or not they are also receiving State Pension Credit, will continue to receive a reduction under the pension age scheme so long they continue to satisfy the other conditions for entitlement.

## **Section D – Scheme for non-pensioner claimants (Working Age)**

In relation to non-pensioners, the CTS scheme adopts the provisions of the default scheme with a number of modifications as described in Section A of this document

Once again, these explanatory notes give an overview of those provisions. The notes are for guidance only and reference should be made to the detailed provisions of the Scheme.

### **Meaning of Working Age**

Claimants who do not meet the definition of Pensioner within the meaning of the Regulations will, by default, be assessed under those parts of the CTS scheme which apply to 'persons who are not pensioners'. For ease of reference these persons are referred to in these notes as 'Working Age claimants.'

This means that persons who either:

- have not attained the qualifying age for state pension credit; OR
- have attained the age for state pension credit but are in receipt of, or have a partner who is in receipt of, Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance or Universal Credit;

will have their claims assessed under the rules relating to Working Age claimants

### **Classes of Persons entitled to CTS**

There are two main classes of Working Age persons entitled to a reduction under this CTS Scheme. For each class there are a number of qualifying criteria and different levels of support will be awarded depending on the type of and amount of income they have in comparison to how much they need to live on.

In all cases individuals must:

- not be a Pensioner;
- not be of a prescribed class exempted from support;
- be liable to pay council tax in respect of the dwelling in which they are resident;
- be somebody in respect of whom a maximum council tax reduction amount can be calculated;
- not be absent from the dwelling, unless this falls within a period of temporary absence as defined by the Scheme, and
- have made an application for a reduction under the scheme.

**Class D: Person whose income does not exceed the applicable amount and who does not fall within a protected group**

To qualify for Class D, the claimant must:

- not have capital above £16,000\*\*; and
- be a person whose income\*\* for the relevant week does not exceed their applicable amount.

\*\* Where a person is in receipt of Income Support, income-based Jobseekers Allowance or income-related Employment and Support Allowance, that person's income and capital will be counted as zero and will therefore fulfil the income/capital conditions that apply to this class.

**Class E: Person whose income is greater than the applicable amount and who does not fall within a protected group**

To qualify for Class E, the claimant must:

- not have capital above £16,000;
- be a person whose income for the relevant week is greater than their applicable amount; and
- be a person in respect of whom Amount A exceeds Amount B, where Amount A is the maximum council tax reduction in respect of the day in the applicant's case and Amount B is a prescribed percentage (2 6/7 per cent) of the difference between their income for the relevant week and their applicable amount.

**Amount of reduction by class**

**Class D Reduction**

The maximum council tax reduction in relation to all claimants is 100% of their council tax liability, as adjusted to take account of any non-dependent deductions (see below). However, if a person falls within Class D, the amount of reduction to which they are entitled under the CTS Scheme per day will be the maximum council tax reduction calculated in accordance with the Scheme in respect of the day in question, reduced by 8.5%.

**Class E Reduction**

If a person fulfils the criteria within Class E, the maximum amount of the reduction to which they are entitled per day will be the amount found by deducting Amount B from Amount A (where Amount A is the maximum council tax reduction in respect of the day in question (adjusted to take account of any non-dependent deductions) and Amount B is 2 6/7 per cent of the difference between their income for the relevant week and their applicable amount), reduced by 8.5%.

## Non-Dependant Deductions

The maximum council tax reduction to which a person is entitled may be subject to a reduction to take into account non-dependant adults that normally reside in the dwelling who would be expected to contribute to council tax. This adjustment is known as a non-dependant deduction.

The non-dependant deductions which apply to the Working Age scheme are shown in the following table.

| Non-dependant  | Weekly deduction |
|--|------------------|
| Under 18   | No deduction     |
| Full-time students (even during summer vacations)  | No deduction     |
| Aged 18 or over and receiving Income Support or income-based Jobseeker's Allowance or income-related Employment and Support Allowance  | No deduction     |
| In receipt of State Pension Credit (whether or not in remunerative work)   | No deduction     |
| Aged 18 or over <u>and not</u> receiving Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance or Pension Credit, <u>and not</u> in remunerative work <u>and not</u> f/t student; | £4.65            |
| Aged 18 or over and working 16 hours or more each week with a -  |                  |
| - gross income £401.00 per week or more  | £11.95           |
| - gross income £322.00 - £400.99 per week  | £10.15           |
| - gross income £186.00 - £321.99 per week  | £8.25            |
| - gross income less than £186. per week  | £4.65            |

No deduction will be made in respect of any non-dependant occupying the claimant's dwelling where the claimant or their partner are registered blind or are in receipt of an Attendance Allowance, the care component of Disability Living Allowance, the daily living component of Personal Independence Payment or an Armed Forces Independence Payment.

## Determination of Class and Award

Determination of the class an individual is put into and the amount of the reduction they receive will be subject to a means test and a capital limit. The means test is basically a comparison of the income of a claimant (minus any disregarded

income) and a deemed living allowance known as the applicable amount. The Council will evaluate income, capital and applicable amounts in accordance with the provisions of the Default Scheme.

### **Applicable Amount**

The applicable amount is, in effect, a deemed living allowance.

The applicable amount will vary depending on the individual circumstances of the claimant. A person's applicable amount is made up of up to four elements. These are:

- A personal allowance in respect of the applicant;
- An amount in respect of any child or young person who is part of his/her family;
- A family premium element (where the applicant is part of a family of which at least one member is a child or young person); and
- Any other premium listed in Default Scheme which is applicable to the applicant.

The amount allowed for each element will be as set out in the Default Scheme

### **Calculation of Income and Capital**

The income and capital of a claimant's partner (or in the case of a polygamous marriage, partners) will be treated as that of the claimant. Income or capital of any child or young person will not be treated as income or capital of the claimant.

The income or capital of a non-dependent will be treated as if it were that of the claimant where it appears to the Council that the two have entered into arrangements to take advantage of the system, except where the applicant is in receipt of, Income Support, income-based Jobseekers Allowance and income-related Employment and Support Allowance.

Applicants will be treated as possessing capital of which they have deprived themselves for the purposes of securing council tax reductions.

Those receiving Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance will have their income and capital treated as zero.

In addition to the income disregards listed in Schedules 7 and 8 of the Scheme (which includes for example Disability Living Allowance, Personal Independence Payments, Attendance Allowance, Armed Forces Independence Payment, Child Maintenance), the following will also be disregarded in full from the calculation of the applicant's income under this CTS Scheme (see Schedule 8, paragraph 20 of the Scheme):

- War Disablement Pension; and
- War Widow's or War Widower's Pension.

### **Tariff income on capital**

Once an amount of capital has been calculated, net of any amounts to be disregarded, this will be treated as if it were a weekly income of £1 for every £250 (or part of £250) in excess of £6,000 but not exceeding £16,000. This tariff income will be added to the initial income calculation to give a total income amount.

### **Income, Capital and welfare benefit changes**

From October 2013 the Department for Work and Pensions will begin to accept claims for Universal Credit, which will replace some of the existing working age benefits referred to in the CTS Scheme. Claimants of working age benefits will be migrated on to Universal Credit over time so both benefits will co-exist for a number of years. In accordance with the Part 10 of the Scheme, where an applicant (either solely or jointly with their partner) is in receipt of an award of Universal Credit, the Council will use the calculation or estimate of the amount of the income and capital of the applicant (or the applicant jointly with their partner as the case may be) as made by the DWP for the purpose of determining the award of Universal Credit and adjust those figures to take into account any further sums which are required to be included / disregarded under the Scheme.

### **Students**

In relation to those students who are not excluded from making a claim under the CTS scheme (for example part time students), calculation of income and capital for the purpose of determining eligibility for CTS and the amount of any reductions will be assessed in line with Part 11 of the scheme.

## Section E – Extended Reductions

In a limited number of situations a claimant may be entitled to an extended reduction for a period of 4 weeks after their entitlement to a reduction under the general scheme (ie. under Class A to E) ceases.

The situations in which a person is entitled to an extended reduction under the CTS Scheme are as set out in Part 12 of the Scheme.

These explanatory notes give an overview of those provisions. The notes are for guidance only and reference should be made to the detailed provisions of the Scheme.

The situations in which claimants are entitled to an extended reduction are summarised below.

### **Continuing reductions where state pension credit claimed (where a former working age claimant becomes eligible under the pension age scheme)**

This type of extended reduction applies to claimants in receipt of welfare benefits who are moving from the working age scheme to pension age scheme. It is designed to ensure that the claimant continues to receive support during the transition period while they apply for a reduction under the pension age scheme.

Broadly speaking, where a Pensioner:

- is entitled to a reduction under the CTS scheme;
- had, before attaining qualifying age for State Pension Credit, been in receipt of Income Support, income-based Jobseekers Allowance or income-related Employment and Support Allowance;
- had such benefits terminated as a result of them attaining state pension age; and
- has claimed, is treated as having claimed or is required to claim state pension credit;

they will continue to receive a reduction at the rate previously been awarded under the working age scheme for a period of 4 weeks from the day their entitlement to Income Support, income-based Jobseekers Allowance or income-related Employment and Support Allowance ceased.

A similar extended reduction will be available where the claimant's transition between the working age scheme and pension age scheme is triggered by their partner making a claim for State Pension Credit.

## **Other Extended Reductions**

### **Cessation of qualifying contributory benefits – pensioners and working age**

Except in the case of a claimant in receipt of State Pension Credit, an extended reduction will generally be awarded under this head where:

- the claimant or their partner were entitled to a qualifying contributory benefit (ie. Severe Disablement Allowance, Incapacity Benefit, Contributory Employment and Support Allowance);
- their entitlement ceased because they or their partner commenced employment, increased their earnings or increased the number of hours worked;
- that employment or increase in earnings/hours is expected to last at least 5 weeks;
- the claimant or their partner had been in receipt of a qualifying contributory benefit or a combination of qualifying contributory benefits for a continuous period at least 26 weeks immediately prior to it ceasing; and
- neither the claimant or their partner were entitled to a qualifying income-related benefit in the last reduction week prior to the entitlement to a qualifying contributory benefit.

The extended reduction will be awarded for a period of 4 weeks at the rate they were entitled in the last reduction week before their entitlement to the qualifying contributory benefit ceased, unless they would have been entitled to a higher amount under the scheme had the extended reduction provisions not applied.

### **Cessation of qualifying income-related benefits – working age only**

An extended reduction will be awarded where:

- the claimant or their partner were entitled to a qualifying income-related benefit (ie. Income Support, income-based Jobseekers Allowance or income-related Employment and Support Allowance);
- their entitlement ceased because they or their partner commenced employment, increased their earnings or increased the number of hours worked;
- that employment or increase in earnings/hours is expected to last at least 5 weeks; and
- the claimant or their partner had been in receipt of a qualifying income-related benefit or Jobseekers Allowance or a combination of these for a continuous period of least 26 weeks immediately prior to it ceasing.

The extended reduction will be awarded for a period of 4 weeks at the rate they were entitled in the last reduction week before their entitlement to the qualifying income-related benefits ceased, unless they would have been entitled to a higher amount under the scheme had the extended reduction provisions not applied.

**Movers in receipt of extended reduction – pensioners and working age**

Where a claimant in receipt of an extended reduction moves from one local authority area to another, they will continue to be entitled to the extended reduction for the remainder of the extended reduction period at the rate to which they were eligible before the mover (or their partner) ceased to be entitled to the relevant qualifying income-related or contributory benefit.

Where an application is made to the Council for a reduction under this CTS Scheme, and the applicant (or the partner of the applicant) is in receipt of an extended reduction from another authority in England, Wales, Scotland or Northern Ireland, the Council must reduce the reduction to which the claimant is entitled under this CTS Scheme by the amount of that extended reduction.

## **Section F – Procedural Matters**

This section contains information relating to a variety of procedural matters including the application process, dates of entitlement, changes in circumstances and appeals. The procedural provisions of the Default Scheme have been adopted by the Council with some modifications as listed in Section A of this document.

These explanatory notes give an overview of those provisions. The notes are for guidance only and do not constitute an authoritative statement of the law.

Unless otherwise stated, the matters contained in this section apply to claims under both the pension age and working age schemes.

### **Applications**

#### **Making an application – new claimants**

An application for a reduction under the CTS Scheme for Sunderland may be made:

- On-line, using the electronic Council Tax Support application form available on the Council's website ([www.sunderland.gov.uk/benefitclaim](http://www.sunderland.gov.uk/benefitclaim))
- By telephoning the Council's Customer Contact Centre (0191 520 5502)
- In person at one of our Customer Service Centres.
- In writing, on a properly completed form sent to Benefits Section, P O Box 103, Sunderland West LDA, Sunderland, SR2 8YH

#### **Making an application - existing Council Tax Benefit claimants**

Government has indicated that they intend to issue regulations containing transitional provisions to migrate existing claimants of Council Tax Benefit onto their local CTS Schemes. Current indications suggest that these regulations will state that claimants in receipt of Council Tax Benefit on 31 March 2013 are to be automatically treated as having made a claim under the new CTS Scheme and that their entitlement to a reduction will be calculated under the new provisions and automatically applied to their council tax liability from 1 April 2013.

Similarly, it is expected that regulations will state that claimants who have made claims for Council Tax Benefit before 1 April 2013 and are on that date still waiting on a decision, are to be automatically treated as having made a claim for under the CTS Scheme.

### **Permitting a person to act for another person**

A person will be permitted to make an application on behalf of another person in limited certain circumstances as set out in Part 14 of the Scheme; for example, in cases where an application is made on behalf of a couple/members of a polygamous marriage or where a person has been granted a power of attorney over a liable council tax payer.

### **Information and Evidence**

When making a claim applicants must provide information and evidence as required by Part 14 of the Scheme.

Amongst other things, the applicant must provide the National Insurance number for all persons in respect of whom the application is made or, evidence that an application for a National Insurance number has been made.

In accordance with Part 14, paragraph 113(4) of the Scheme, applicants must also furnish the Council with any certificates, documents, information and evidence as may be reasonably required for the purpose of determining that person's entitlement, or continuing entitlement, to a reduction and this must be provided within 1 month of such information/evidence being requested, or such longer period as the authority may consider reasonable.

### **Withdrawal of applications**

In accordance with Part 14 of the Scheme, the Council will also be able to accept withdrawal of applications where it has not yet made a decision. This will have effect on the same day any notice of withdrawal is received by the Council.

### **Periods of Entitlement**

#### **Date on which entitlement begins**

In accordance with Part 13 of the Scheme, entitlement to a reduction under the CTS Scheme will usually begin on the Monday following the date on which the application is made or is treated as having been made.

#### **Date on which applications are treated as being made**

Except where the Scheme provides that an application is to be treated as being made on an earlier date (see below), an application will be treated as having been made on the date the Council receives a properly completed application form.

An application will be treated as being made on an earlier date in certain circumstances as set out in Part 14, paragraph 110 of the Scheme.

For example:

Where State Pension Credit comprising a guarantee credit, Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance or Universal Credit has been awarded to the claimant or their partner and the application for a CTS was made within 1 month of the date on which the claim for the relevant pension credit/benefit was received by the DWP, the application for a CTS will be treated as having been made on the first day of the claimant's entitlement to the relevant pension credit/benefit.

Where a claimant notifies the Council of their intention to apply for a CTS and they submit a properly completed application form within 1 month of such form being issued to them, the date of the application will generally be treated (subject to a few exceptions set out in Scheme) as being the date of the first notification. These arrangements will include any advance applications (see below).

Also, where a claimant needs to amend their application to correct a defect, their application will be treated as having been made on the date on which the original application form was received provided the defect is corrected within 1 month of the Council drawing the claimant's attention to the defect.

### **Advance applications**

In accordance with Part 14, paragraph 110 of the Scheme, where the applicant is not liable to pay council tax but it is anticipated that they will become so liable within a period of 8 weeks, they may apply for a reduction under the scheme at any time within that 8 week period, and provided liability does arise within that period the Council will treat the application as being made on that day on which the liability to pay council tax arises.

Furthermore, if a claimant is not entitled to a reduction under the scheme in the week immediately following the date of the application but the Council consider that unless there is a change in circumstances they will be entitled to a reduction within a prescribed period, the Council may treat the application as being made in the week immediately preceding the first week the application's period of entitlement. In the case of a working age claimant, the relevant prescribed period within 13 weeks of the application; in the case of a Pensioner it is within 17 weeks of the application.

## **Backdating**

### **Pensioners**

In accordance with Part 14, paragraph 111 of the Scheme, Pensioners will be able to back-date their application 3 months.

### **Working age**

In accordance with the Part 14, paragraph 112 of the Scheme, Working Age claimants will be able to back-date their applications by six months provided they had continuous good cause for failing to make the application earlier.

## **Changes in circumstances**

### **Duty to notify changes of circumstances**

In accordance with Part 14, paragraph 115 of the Scheme, if there is a change in circumstances at any time (whether between the making of an application and a decision being made on it, after a decision has been made, or whilst in receipt of any reduction) which the claimant (or any person acting on their behalf) might reasonably be expected to know might affect their entitlement or the amount of a reduction, they are under a duty to notify the Council of that change within a period of 21 days beginning on the date on which the change occurs or as soon as reasonably practicable after the change occurs, whichever is later.

The change can be reported to the Council either in writing, by telephone or in person at any Customer Services Centre.

### **Date on which changes in circumstances affecting entitlement take effect**

Part 13 of the Scheme contains provisions relating to dates on which changes in circumstances take effect. The dates vary depending on the circumstances and the nature of the change but, generally speaking, this will be either the first day of the reduction week following the date on which the change occurs, the first day of the reduction week in which the change occurs or the date on which the change actually occurs.

## **Decisions**

### **Notification of decisions**

In accordance with Part 15 of the Scheme, the Council must notify the applicant in writing of its decision on an application for CTS within 14 days of it receiving a properly completed application form and all relevant information and evidence relating to the application, or as soon as soon as reasonably practicable thereafter.

The decision notice must inform the applicant of the procedure by which an appeal may be made and must refer to the relevant provisions in the Scheme relating to appeals.

Where the decision is to award a reduction, the decision notice must also include a statement as to how that entitlement will be discharged and a statement informing the applicant of the duty to notify change in circumstances; explaining the possible

consequences of not complying with that duty and setting out the circumstances where a change may affect entitlement.

A person who receives a decision notice may, within 1 month of the date of the notice, write to the Council requesting that it provide a written statement setting out the reasons for its decision on any matter set out in the notice. The written statement referred to must be sent within 14 days or as soon as reasonably practicable thereafter.

Where, due to a change in circumstances, the amount of reduction a person is entitled under the CTS Scheme changes, a further decision letter should be issued.

### **Manner of granting the reduction**

Generally those who are entitled to a reduction under the CTS Scheme will receive their reduction as a discount to their council tax bill. However in limited circumstances a claimant may receive their entitlement in the form of a payment.

### **Circumstances in which a payment can be made**

In accordance with Part 16 of the Scheme, where the person entitled to a reduction under the CTS Scheme is jointly and severally liable for council tax then if the authority determines that discharging that persons entitlement by reducing the amount of council tax liability for the relevant year would be inappropriate, it may make a payment of the amount of the reduction to which he is still entitled, rounded down to the nearest penny

### **Repayment of overpayments**

The Council Tax (Administration and Enforcement) Regulations 1992 already contain rules relating to overpayments (and underpayments) of council tax and these will continue to apply. It is not therefore necessary to include provisions in the CTS Scheme to deal with this. However it is worth noting here that the existing rules relating to council tax contain provisions which require, depending on the circumstances, the amount overpaid to be either credited against any subsequent council tax liability of the person or repaid to the person.

### **Appeals**

The Council's CTS Scheme adopts the prescribed procedure for appeals as set out in Part 2 of Schedule 1 of the Scheme. These provisions piggyback onto the appeals process currently used in relation to assessment of council tax, therefore must be read in conjunction with s.16 Local Government Finance Act 1992 (as amended) and the Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009.

In summary, the Scheme contains a statutory right to appeal against decisions made by the Council which affect either a person's entitlement to a reduction under the CTS Scheme or the amount of any such reduction. The procedure for making such an appeal is as follows:

A person who is aggrieved by such a decision may seek a review of the decision by serving a written notice on the Council stating the matter by which, and the grounds on which, he is aggrieved.

Following receipt of such a notice, the Council must consider the matter and either:-

a) notify the aggrieved person that the ground is not well founded, giving reasons for that belief, or

b) notify the aggrieved person that steps have been taken to deal with the grievance, stating the steps taken.

Where, following the above, the person is still aggrieved, or if the Council fails to respond to the aggrieved persons notice within 2 months of it being served, he/she may appeal to the valuation tribunal under section 16 of the Local Government Finance Act 1992.

In accordance with paragraph 21 Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulation 2009, any appeal to the valuation tribunal must be made no later than 2 months beginning on the date on which the Council notified him that his grievance was not well-founded, or that steps had been taken to deal with the grievance as the case may be. If the Council failed to respond to the grievance within the prescribed timescale, then any appeal must be made no later than 4 months of the date of service of the aggrieved persons notice.

### **Applying for a discretionary reduction under s.13A(1)(c)**

The Council has a general discretionary power under section 13A(1)(c) of the Local Government Finance Act 1992 (as amended), to reduce liability for council tax in relation to individual cases where standard discounts, exemptions and reductions do not apply.

An application for a discretionary reduction may be made to the Council in writing.

In the event that the Council makes a determination under section 13(1)(c) in relation to a class of case in which liability is to be reduced and a person in that class would otherwise be entitled to a reduction under Classes A to E of the CTS Scheme, that person's application for a reduction under Classes A to E of the Scheme may also be treated as an application for a reduction under section 13(A)(1)(c). However at the time of writing this Council has made no determinations under section 13(1)(c) in relation to any class of case.



## **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.

**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 – 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<br>'A' x 'B'   |       |
|------|-------------------------|-------|----------|-------------------------|-------|
|      | £                       | p     |          | %                       | £     |
| (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 – 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





Department for  
Communities and  
Local Government

**NATIONAL NON-DOMESTIC RATES RETURN 1  
NNDR1 2013-14**

Please e-mail to : [nndr.statistics@communities.gsi.gov.uk](mailto:nndr.statistics@communities.gsi.gov.uk)

Please enter your details after checking that you have selected the correct authority name.

Please check the figures shown in the cells with a blue border and enter your own figures if you disagree with those suggested.

**A provisional version of the form should be returned to the Department for Communities and Local Government by  
Monday 7 January 2013**

The final version of this form, including a signed copy, must also be sent to the Department for Communities and Local Government by  
**Thursday 31 January 2013**

Select your local authority's name from this list:

|                 |
|-----------------|
| Stroud          |
| Suffolk Coastal |
| Sunderland      |
| Surrey Heath    |
| Sutton          |
| Swale           |

Check that this is your authority :

**Sunderland**

Check that this is your E Code :

**E4505**

Local authority contact name :

Telephone number of local authority contact :

Fax number for local authority contact :

E-mail address of local authority contact :

Ver 1.3

|  |                      |
|--|----------------------|
| 1. Number of hereditaments on the rating list on 30 September 2012   | 7,580                |
| 2. Aggregate rateable value on the rating list on 30 September 2012  | £<br>216,976,220     |
| <b>GROSS CALCULATED RATE YIELD</b>   | <b>£</b>             |
| 3. Enter line 2 x small business non-domestic rating multiplier (0.462)  | 100,243,013.64       |
| <b>MANDATORY RELIEFS</b>   |                      |
| <b>Small business rate relief</b>  | <b>£</b>             |
| 4. Additional yield generated to finance the small business rate relief scheme                                   | 1,716,688.23         |
| 5. Cost of small business rate relief for properties within billing authority area                               | 4,009,266.38         |
| 6. Net cost of the small business rate relief (Line 5 minus Line 4)  | 2,292,578.15         |
| 7. Cost of relief to charities   | 5,028,555.69         |
| 8. Cost of relief to Community Amateur Sports Clubs  | 34,163.23            |
| 9. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops  | 1,636.73             |
| 10. Cost of relief for partly occupied premises  | 500,000.00           |
| 11. Cost of relief for empty premises  | 2,900,206.67         |
| <b>12. Total mandatory reliefs (Sum of lines 6 to 11)</b>  | <b>10,757,140.47</b> |
| <b>DISCRETIONARY RELIEFS</b>   |                      |
| 13. Cost of relief to charities  | 71,579.00            |
| 14. Cost of relief to non-profit making bodies   | 85,292.34            |
| 15. Cost of relief to Community Amateur Sports Clubs   | 565.20               |
| 16. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops | 0.00                 |
| 17. Cost of relief to other rural businesses   | 0.00                 |
| 18. Other Section 47 reliefs (Localism Act discounts)  | 0.00                 |
| <b>19. Total discretionary reliefs (Sum of lines 13 to 18)</b>   | <b>157,436.54</b>    |
| <b>20. Gross Rate Yield after reliefs (Line 3 minus lines 12 &amp; 19)</b>                                       | <b>89,328,436.63</b> |
| 21. Estimate of 'losses in collection'   | 3,000,000.00         |
| 22. Allowance for Cost of Collection   | 333,442.82           |
| 23. Special Authority Deductions - City of London Offset   |                      |

**NATIONAL NON-DOMESTIC RATES RETURN 1 2013-14**

**Sunderland**

Ver 1.3

**Section 2**

**Enterprise Zones**

|   |                   |                       |
|---|-------------------|-----------------------|
| 24. Estimated level of discount to be awarded in 2013-14                                      |                   | £<br><b>37,680.00</b> |
| 25. Estimated value of non-domestic rates in the Enterprise Zone area in 2013-14              | <b>513,744.00</b> |                       |
| 26. Enterprise Zone baseline  | <b>133,736.00</b> |                       |
| 27. Total estimated value of business rates to be retained in 2013-14 (Line 25 minus line 26) |                   | <b>380,008.00</b>     |

**New Development Deals**

|   |  |             |
|---|--|-------------|
| 28. Estimated value of non-domestic rates in the New Development Deals area in 2013-14        |  |             |
| 29. New Development Deals baseline  |  |             |
| 30. Total estimated value of business rates to be retained in 2013-14 (Line 28 minus line 29) |  | <b>0.00</b> |

**Renewable Energy Schemes**

|  |  |                      |
|--|--|----------------------|
| 31. Total estimated value of business rates to be retained in 2013-14  |  |                      |
| 32. Net Rate Yield excluding transitional arrangements and rate retention (Line 20 minus the sum of lines 21 to 23, 27, 30 & 31) |  | <b>85,614,985.81</b> |

**Rate retention adjustments**

|   |             |                     |
|---|-------------|---------------------|
| 33. Estimate of the change in rateable value between 1 October 2012 and 30 September 2013                         |             | <b>5,000,000.00</b> |
| 34. Estimate of the change in receipts as a result in the change in rateable value (line 33 times the multiplier) |             | <b>2,310,000.00</b> |
| <b>This equates to a percentage change of</b>   | <b>2.30</b> |                     |

|   |  |                      |
|---|--|----------------------|
| 35. Local authority's estimate of adjustment due to appeals   |  | <b>4,485,030.00</b>  |
| 36. Net Rate Yield excluding transitional arrangements but after rate retention adjustments (Line 32 plus lines 34 and minus line 35) |  | <b>83,439,956.00</b> |

**Section 3**

**Transitional arrangements**

|   |                   |                      |
|---|-------------------|----------------------|
| 37. Addition revenue received because reduction in rates have been deferred                   | <b>35,094.01</b>  |                      |
| 38. Revenue foregone because increase in rates have been deferred                             | <b>243,597.18</b> |                      |
| 39. Net cost of transitional arrangements (Line 38 minus line 37)                             |                   | <b>208,503.17</b>    |
| 40. Net Rate Yield after transitional arrangements and rate retention (Line 36 minus line 39) |                   | <b>83,231,453.00</b> |

**NNDR Summary for : Sunderland**

These figures show the percentage shares of the NNDR you estimate your authority will collect in 2013-14. They are based on line 36. See the *Tier Split* tab for full information

|  |                           |
|--|---------------------------|
| Amount of NNDR to be paid to central government                      | £<br><b>41,682,298.00</b> |
| Amount to be retained by Sunderland under the rates retention scheme | <b>40,885,578.00</b>      |
| Amount to be passed to Tyne and Wear Fire                            | <b>834,400.00</b>         |

**Certificate of Chief Financial Officer**

I certify that the entries in lines 3, 12, 19, 20, 36, 39 and 40 of this form are the best I can make on the information available to me and that the figures given in lines 1 and 2 used in the calculating the amount shown in lines 36 and 40 are, to the best of my knowledge and belief those shown in the rating list for my authority as at 30 September 2012, subject to any order made before 15 January 2013 under the Local Government Act 1972 implementing boundary changes. I also certify that the authority has made proper arrangements for securing efficiency and effectiveness in relation to the collection of non-domestic rates. I also certify to the best of my knowledge and belief that any amount included as legal costs in line 22 and discretionary relief in line 24 meet the conditions set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

Chief Financial Officer : .....

Date : .....

Ver 1.3

**CABINET**

**16<sup>th</sup> JANUARY 2013**

**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

|  | 2013/14<br>£'m | 2014/15<br>£'m |
|--|----------------|----------------|
| <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.

## 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

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

|   | £000 | £000 |
|---|------|------|
| <b>Health, Housing and Adults</b>   |      |      |
| Cluster of Empty Homes – Scheme to return properties back into use in areas where 10% of properties are empty by providing funding to owners to enable them to carry out necessary refurbishments. The scheme was approved by Cabinet 7 <sup>th</sup> November 2012, and will cost £0.944m funded from Cluster of Empty Homes grant and New Homes Bonus grant (£0.271m in 2012/2013 and £0.673m in 2013/2014) |      | 271  |
|   |      |      |



**CABINET**

**16 JANUARY 2013**

## **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 contract/ 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.



# ***Action on Petitions***



**ACTION TAKEN ON PETITIONS**

**Council members are asked to note the action taken in relation to the under mentioned petition which was presented to Council.**

**(i) Petition to provide additional parking facilities in the vicinity of Lakeside Towers – Presented by Councillor Porthouse on 26 September, 2012**

The Head of Streetscene has considered the petition for additional parking places at Lakeside Towers and recognises the issues, however, there is no opportunity to improve the facilities within the existing Highway Boundary and this limits the Council's ability to intervene.

The provision of new parking facilities must be considered the responsibility of the owner / developer of the site and therefore a copy of the petition and the Head of Streetscene's response has been copied to Gentoo for their consideration.

Councillor Porthouse, the Portfolio Holder Councillor Blackburn and the lead petitioner have been informed accordingly.



# ***Notices of Motion***



**NOTICES OF MOTION**

Council Members are asked to consider the under mentioned Motions:-

**(i) Notice of Motion – Sunderland Schools converting to Academy Status**

This Council welcomes the increasing number of schools in Sunderland converting to academy status.

Councillor R Oliver  
Councillor G E Howe  
Councillor J S Wiper  
Councillor P Wood

**(ii) Notice of Motion – Meals at Full Council Meetings**

Given the continuing economic problems facing the residents of the City of Sunderland, we the undersigned believe the current practice of providing a substantial free meal to all Councillors and visitors after Full Council meetings is no longer acceptable and urge all Members to vote to stop this practice effective from the next meeting of the Council and thereafter, with the exception of the annual meeting of the Council when the new Mayor takes office.

Councillor C Wakefield  
Councillor S Ellis  
Councillor D Smith

**iii) Notice of Motion – Coalition Government Policies**

This council notes with grave concern the devastating effect that this Governments' policies are having on the children and most vulnerable of this City and calls upon the Tory led coalition Government to stop their deliberate targeting of those least able to defend themselves.

Councillor J. Kelly  
Councillor T. Wright



# ***Reports***



## **Quarterly Report on Special Urgency Decisions**

### **Report of the Leader**

The Council's Constitution requires that a quarterly report be submitted to Council on executive decisions which have been taken as a matter of special urgency. This requirement is now contained in Regulation 11 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

This is the special urgency provision under which key decisions may be taken by the executive, although not contained in the 28 day Notice of Key decisions (whether proposed to be taken in public or private), where compliance with Regulation 10 (the general exception) was also impracticable.

There have been no such instances since the last quarterly report.

### **Recommendation**

That the Council notes the content of this report.



**(ii)**

**COUNCIL**

**30 January 2013**

**Arrangements for the Exercise of Executive Functions**

**Report of the Leader**

The constitution provides that any amendments made by the Leader to the arrangements for the exercise of executive functions shall be reported to Council for information.

As a result of the changes to the senior management structure that were reported to the meeting of Council on 28 November 2012, appropriate amendments have been made to the delegations of executive functions to officers, in order to reflect the reallocation of responsibilities.

**Recommendation**

That the Council notes the content of this report.



**APPOINTMENTS TO COMMITTEES AND OUTSIDE BODIES - SOUTH TYNESIDE  
NHS FOUNDATION TRUST AND MARINE ACTIVITY CENTRE BOARD****Report of the Executive Director of Commercial and Corporate Services****1.0 Introduction**

1.1 The purpose of this report is to consider appointments and nominations to the South Tyneside NHS Foundation Trust and Marine Activity Centre.

**2.0 South Tyneside NHS Foundation Trust**

2.1 With effect from 1<sup>st</sup> July 2011 the South Tyneside NHS Foundation Trust has taken responsibility for the provision of Community Services for Sunderland, Gateshead and South Tyneside as part of the Transforming Community Services programme. The Trust has accordingly changed the composition of its Council of Governors to allow for the appointment of a Governor from each of Sunderland, Gateshead and South Tyneside Councils.

2.2 Council is therefore invited to consider nominating a Member to the Council of Governors of the South Tyneside NHS Foundation Trust.

**3.0 Marine Activity Centre Board**

3.1 At the Annual Meeting of the Council in May 2012 the Council appointed the Public Health, Wellness and Culture Portfolio Holder and the Executive Director of City Services to serve on the Marine Activity Centre Board.

3.2 The Majority Group have now nominated the Executive Director of Health, Housing and Adult Services to replace the Executive Director of City Services on the Board and the Council is accordingly invited to consider the nomination.

**4.0 Recommendations:**

4.1 The Council is accordingly recommended to consider:

- (i) nominating a Member to the Council of Governors of the South Tyneside NHS Foundation Trust; and
- (ii) the Executive Director of Health, Housing and Adult Services to replace the Executive Director of City Services on the Marine Activity Centre Board.