

<p>CABINET MEETING – 13th JANUARY 2010</p> <p>EXECUTIVE SUMMARY SHEET – PART I</p>	
<p>Title of Report: Revenue Budget 2010/2011</p>	
<p>Author(s): Chief Executive and Director of Financial Resources</p>	
<p>Purpose of Report: To report the provisional budget proposals for 2010/2011, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2010/2011.</p>	
<p>Description of Decision: Cabinet is requested to approve the provisional budget proposals, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2010/2011.</p>	
<p>Is the decision consistent with the Budget/Policy Framework? Yes – it is seeking to inform a future decision to change the Budget and Policy Framework for 2010/2011.</p>	
<p>If not, Council approval is required to change the Budget/Policy Framework</p>	
<p>Suggested reason(s) for Decision: To enable constitutional requirements relating to the development of the Revenue Budget to be met.</p>	
<p>Alternative options to be considered and recommended to be rejected: There are no alternative options recommended for approval.</p>	
<p>Is this a “Key Decision” as defined in the Constitution? No</p> <p>Is it included in the Forward Plan? No</p>	<p>Relevant Scrutiny Committee: Management</p>

REVENUE BUDGET 2010/2011

Report of the Chief Executive and Director of Financial Resources

1. Purpose of Report

- 1.1 Following the receipt of the provisional Local Government Finance Settlement on 26th November 2009, attention has been given to the impact of the settlement on the Budget Planning Framework for 2010/2011 established and approved by Cabinet at its October 2009 meeting.
- 1.2 This report sets out the provisional budget proposals for 2010/2011, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2010/2011.

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 2010/2011.

3. Impact of the Provisional Local Government Finance Settlement on the Budget Planning Framework for 2010/2011

- 3.1 The outcome of the provisional Local Government Finance Settlement for 2010/2011 was announced on 26th November 2009 and is the subject of a separate report on this Cabinet agenda. The provisional settlement for 2010/2011 is the final year of the three year settlement announced in December 2007.

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

General Formula Grant System

- 3.2 The Provisional 2010/2011 Settlement continues to be based on the four block system for the allocation of general formula grant, comprising:
 - Relative Needs Block - designed to measure the relative resource needs of each local authority
 - Relative Resource Amount - to take account of the relative resources available to each local authority through council tax - this is a negative amount within the formula
 - Central Allocation - a fixed amount per head of population
 - Floor Damping Block - this block ensures that all Authorities receive a minimum grant increase in line with the Government's proposals by type of Authority. Different increases for each type of Authority have

been announced in the settlement. The table below sets out the level of the floor for each type of local authority:

	2010/2011
Education and Social Services Authorities	1.5%
District Councils	0.5%
Police Authorities	2.5%
Fire Authorities	0.5%

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

Provisional Settlement for 2010/2011

- 3.3 The provisional settlement for 2010/2011 of £157.462 million remains unchanged from the indicative figures announced in late January 2009 and is welcomed. It is hoped and expected that the settlement will remain unchanged once it is approved by Parliament.
- 3.4 The Council's grant increase of 1.84%, although below the national average increase of 2.65%, is still above the minimum (floor) increases for Education and Social Services Authorities, of 1.5%.

Formula Review

- 3.5 The government has not made any changes to the formula grant system, consequently the Authority's formula grant increase for 2010/2011 has not been affected by the settlement and the increase set out in the consultation paper, remains unchanged at 1.84%. However, the Council expressed concerns in December 2007 when the original three year settlement was announced about the use of the population figures released by the Office for National Statistics. Following representations from this and other Councils, the Minister subsequently commissioned a national review of the methodology used to determine the population figures and the results of the review are now being consulted upon to inform the inclusion of population figures in future Comprehensive Spending Reviews. The initial proposals, would, if adopted, benefit the Council. It is proposed that representations be made to give general support to the government's proposals.

Dedicated Schools Grant Position

- 3.6 Schools funding is separate from the General Formula Grant system and is instead funded through the ring fenced Dedicated Schools Grant (DSG). However, Non Schools Education Services (Local Authority

central education functions) are still financed through the General Formula Grant system.

- 3.6.1 The headline national increases announced as part of the 3 year settlement were for 2010/2011:

	2010/2011
DSG	4.3%
Per Pupil Increase	4.3%

- 3.6.2 To protect Authorities with sharply falling school rolls a minimum cash increase in DSG of 2.0% was established. The DSG for Sunderland is forecast to increase in cash terms by 2.0% in 2010/2011, although the precise increases will be determined by the final pupil numbers submitted to the Department for Children, Schools and Families (DCSF) in February. The DSG cash increases locally reflect the falling school rolls experienced in Sunderland Schools. The per pupil increases are, however, much nearer to the national average increases, with a per pupil increase for 2010/2011 of 4.2%.
- 3.6.3 The strong focus on personalising teaching and learning to meet the needs of every child continues over the three year period, with £912 million in 2010/2011 earmarked within the DSG. This additional funding is to support the universal roll out of a personalised offer to all pupils – including those with special educational needs. To complement this increased funding through DSG, the DCSF are continuing to roll out specific grant funding of £315 million in 2010/2011, to help improve the rate at which children progress, ensuring all children can meet their potential, and those who are behind expectations, or are falling behind, get back on track.
- 3.6.4 The increased funding for progression will continue to be delivered through the Standards Fund for next year, as will increases in funding to extend the entitlement to free nursery education from 12.5 to 15 hours.
- 3.6.5 In addition, the government has prescribed a Minimum Funding Guarantee (MFG) at school level based on a percentage uplift per pupil. The MFG reflects the average cost pressures and an assumed efficiency gain of 1.0%. The MFG for all schools was set at 2.1% for all 3 years of the 3 year settlement period.

The application of the MFG of 2.1% has also been applied to the majority of School Based Grants.

- 3.6.6 The level of funding to be received from the Skills Funding Agency (previously the Learning and Skills Council) in 2010/2011 is awaited. At this stage it has been assumed that the level of funding will be at 2009/2010 levels.

3.6.7 The table below details the potential call on the total indicative funding available:

	£m
Total Indicative Funding Available	175.521
MFG Requirement (2.1%)	159.818
Rates	2.338
Needs Led Formula Requirement	1.719
Total ISB Budget	163.875
School Contingency	0.644
School Block - Other Expenditure	10.370
Total Indicative Call on Funding	174.889
Indicative Available Headroom	0.632
Total Indicative Funding Available	175.521

3.6.8 The Schools Forum will consider the allocation of the indicative Dedicated Schools Grant at its January 2010 meeting. The outcome of that consideration will be reported to Cabinet in February 2010.

Specific and Special Grants

3.7 Notwithstanding the flexibilities that the Council enjoys as a top rated Council, specific and special grants continue to be allocated for specific purposes, with the final determination for use to be agreed as part of the overall budget by Cabinet, or otherwise where Cabinet deems appropriate, in consultation with the relevant Cabinet Portfolio holder.

3.7.1 Specific and special grants included within the AEF will increase by 4.7% for 2010/2011 as compared to the 2009/2010 adjusted figures. Grants were expected to increase in overall terms by 5.2% in January 2009 but these have decreased mainly because of changes to grant funding particularly in Education and Children's services in respect of reduced DSG, due to the inclusion of revised pupil numbers, and various other grant changes announced by the government.

3.7.2 The government has announced a consultation paper in respect of a new initiative to provide free personal care at home to people with high personal needs. The scheme is expected to come into force on 1st October 2010 and will cost an estimated £670m in a full year. The government is proposing that they will route funding for this through the Area Based Grant (the grant amounts to £210m in the first year 2010/2011 and £420m for a full year). The remainder is to be funded by local government efficiencies (amounting to £125m in 2010/2011 and

£250m in each full year thereafter). The consultation formally ends on 23rd February 2010 and comments are required preferably by 26th January 2010 to the Department of Health.

The Council welcomes the initiative to help fund free personal care for those with high personal needs and will respond fully to the consultation paper issued in due course. However, the Council would have preferred it if the government was to meet the full costs of this initiative, rather than leaving just over a third of the costs to be met by further Council efficiencies.

Area Based Grant

3.8 There are a number of external funding streams supporting programmes, projects and initiatives, which are allied to Council mainstream funding and address the strategic priorities set out in the Sunderland Strategy.

3.8.1 As part of the first 3 year Local Government Finance Settlement (for the period 2008/2009 to 2010/2011) the Government introduced an Area Based Grant (ABG) allocation for each council which relaxed the controls over a number of its previous specific grants so that councils have more freedom and flexibility to use this funding as they deem appropriate.

3.8.2 The provisional ABG allocation for 2010/2011 is £39.0 million but at this stage the government has not yet confirmed the final allocation for 2010/2011. Major previous specific grants included are Supporting People (£11.3m) and Working Neighbourhoods Fund (WNF) (£11.0m). The Council has largely adopted an approach of allocating the Area Based Grant to those areas of the Council which were previously in receipt of the specific grants allocated. In this way, the performance and service expectations that accompanied the previous specific grants can continue to be delivered. Where it has been possible to identify efficiency savings through the use of the grant these have been realised and used to meet the efficiency targets associated with the budget planning framework.

Capping Powers and Reserve Powers

3.9 The Government has retained capping and reserve powers. The government has re-emphasised that it will use capping powers if necessary and that it expects to see Council Tax increases fall further from this years (2009/2010) average Council Tax increase of 3%.

Barbara Follett MP, Parliamentary Under Secretary of State wrote to all local authorities on 9th December 2009 stating that capping principles have always been determined on a year by year basis to take account of the current economic and social circumstances and this will again be the case in 2010/2011. It would therefore be a mistake for any authority to assume that previous years' capping principles will apply to 2010/2011.

4. Directorate Cash Limits

4.1 When the Budget Planning Framework was approved in October 2009 it was agreed that Directorate cash limits would take the following factors into account:

- provision for pay and price increases to be included on the basis of prudent assumptions given the economic outlook;
- the next actuarial review for pensions is planned for 31st March 2010, the results of which will be implemented in 2011/2012. At this stage it is difficult to determine with any certainty whether further increases in pension costs may occur. Issues to take into account are the phased financial impact of the introduction of the new pension arrangements, increasing mortality age and the current volatility of investment performance in financial markets;
- the current inflation levels, although rising, are still comparatively low by historical measures. In light of this, provision for contracts has been made as follows:
 - o Independent Care Providers - provision has been included for fees which were agreed as part of a two year settlement in 2009/2010;
 - o Energy costs remain volatile; prudent provision has been earmarked at this stage and will be updated as necessary;
 - o Other Contracts – provision made to reflect contractual obligations.
- provision for increased fees and charges – the policy of assuming an increase of fees and charges in cash limits to provide an incentive to maximise resources has resulted in a significant increase in income in recent years; however, where it has been demonstrated that this is no longer possible due to market conditions, exemptions have been agreed. For all other areas an assumption of 2% has been made and where this has proven to be unachievable efficiency reductions are to be generated to compensate;
- provision to be made for spending commitments in respect of:
 - o ITA levy;
 - o debt charges and interest receipts;
 - o landfill tax and waste disposal;
- Economic downturn: additional provision to be made after taking into consideration measures to mitigate costs;
- that the commitments against balances be noted and the scope to utilise resources temporarily from this source be explored;
- that the identified spending pressures be noted and that all spending pressures not specifically identified within the budget planning framework be accommodated within Directorate cash limits;
- that a review of Area Based Grants and Specific Grants be undertaken with the objective of identifying 4% efficiency savings;
- that, taking into account the Sunderland Way of Working and

existing modernisation strategies and efficiency initiatives, Directors be requested to bring forward options for efficiency savings wherever possible without service or policy implications amounting to 4% of their net delegated budgets; and

- that Directors be requested to commence preparation of longer term efficiency plans to identify efficiency savings, wherever possible without service or policy implications, covering a further three year period based on targets of 5% for 2011/2012 and 6% for both 2012/2013 and 2013/2014, such targets to be kept under review in light of the extent and period of the constraints applied to public sector spending.

4.2 Since the Budget Planning Framework 2010/2011 report was approved by Cabinet in October 2009, and in light of the Provisional Local Government Finance Settlement, draft budgets have been amended to reflect:

- Pay – Teachers pay award (part of two year settlement); and prudent provision for outstanding awards;
- Single Status Phase 2 – prudent provision;
- Energy prices – latest contractual arrangements with a contingency for distribution charge increases;
- ITA – an increase of 1.5% has been notified;
- Fees and charges increased where possible, having regard to impact;
- a re-assessment of the provision for waste disposal to reflect latest projections of waste collection, increased landfill tax and the impact of recycling initiatives;
- reduced level of interest on deposits from investments;
- additional impact of the economic downturn e.g. Leisure income, building control income, planning application fees, legal fees.

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

5. Budget Consultation

5.1 The Budget and Policy Framework procedure rules contained within the Constitution of the Council requires consultation on budget proposals to take place. In September 2009 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2010/2011 and proposed briefings to the following stakeholders:

- Trade Unions;
- North East Chamber of Commerce;
- Independent Advisory Groups (IAGs);
- Youth Parliament;
- Local partners through the Sunderland Partnership;
- Schools Forum, Head Teachers and Governors.

To date, presentations have been made to the first three stakeholder categories. Events are planned to be held with the Schools Forum, Headteachers and the Youth Parliament in January, 2010.

At each stage in the budget preparation process reports are referred to the Management Scrutiny Committee for review.

5.2 In addition to the above stakeholder consultation, a survey was undertaken with the citizen's panel - Community Spirit - on seven priorities for further investment:

1. Creating Safer Communities;
2. Clean Streets;
3. City Centre;
4. Customer Service;
5. Getting Along with Each Other (community cohesion);
6. Activities and Facilities for Young People;
7. Roads and Footways.

5.3 To supplement the survey, focus groups were held, with Community Spirit panel members and representatives from the voluntary and community sector, in different locations throughout the city. An eighth priority of "Helping people to live independently in their own home" was added to the seven priorities in the survey as this area had previously been identified as a high priority. Attendees were asked to work in small groups to prioritise 16 interventions to addressing the eight budget priorities.

The six highest ranking interventions were:

1. Extend the range of support services (for example, advice and advocacy services) to enable more people to direct their own social care budgets.
2. Youth Crime Family Intervention Programme – Project Workers to work with young people at high risk of offending who come from a small number of families with a history of offending.
3. Investing additional funds in our footways to help reduce trip hazards and the potential for pedestrians to suffer slips, trips or falls.
4. Continue to extend the availability and range of services that can be provided through the evening and overnight e.g. the Sunderland Telecare Service.
5. Staffing and running costs of the new 'state of the art' mobile youth buses to bring provision and services into areas where there are no suitable venues.
6. Review the way in which we identify people who are highly vulnerable due to their personal, social or economic circumstances and are at high risk of becoming victims of crime and anti-social behaviour.

5.4 In addition to the above budget consultation, other consultation has been conducted on the following, which will also be taken into account in the budget proposals:

- Sea Front;
- Waste Disposal and Recycling.

5.5 Detailed analysis of the feedback undertaken is still being finalised but the provisional budget proposals in this report are consistent with the summary findings to date. 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, 2010.

6. Spending Pressures and Priorities

6.1 At this point in the preparation of the Revenue Budget for 2010/2011, provision has been made to address a number of spending pressures and priorities. This provision is recognition of the need to invest additional resources to high priority areas and takes account of the consultation undertaken to date. The paragraphs below include details of the proposed additional provisions in each strategic and corporate improvement priority area:

6.2 Healthy City

The following proposals are made:

In October 2008, the Vision for 2025 was launched which sets out the clear vision for transforming adult social care. The first 3 year Delivery Plan to start the journey to achieve the vision was also launched. Additional provision of £2.636 million has been earmarked for Adult Services, some as a contingency provision, in recognition of the need to address the second year of a two year agreement on fees with independent providers of care, to fund the investment in Telecare, and to provide a contingency for additional costs that may arise through the recent announcement to provide free personal care to those with assessed high needs.

In addition, the Social Care Reform Grant amounting to £1.580 million in 2010/2011 continues to be allocated to Adult Social Care, as intended by the government, to support the modernisation of Adult Social Care services.

Further details are set out below:

Independent Care Providers

A two year agreement was negotiated with independent care providers in 2009/2010 for a new scale of fees based on gold, silver, and bronze standard quality ratings, as recommended by the Care Quality

Commission, for residential and nursing accommodation. Budget provision is proposed to meet the cost increases arising from the second year of the negotiated agreement and also other social care services contracts during 2010/2011. Notwithstanding the modernisation of Adult Services underway, it is important that capacity is retained in the independent care market.

Telecare

The steps taken to increase the level of independence of clients across the city has required an expansion of the Council's Telecare service. This has created a financial pressure which needs to be addressed in the 2010/2011 budget if the required levels of service is to be delivered. Additional provision is therefore proposed of £343,000. This will enable the continued employment of additional staff and the provision of a range of equipment for installation in customers' homes which can be attached to an alarm system that can activate an alarm to a control room in an emergency, resulting in a response to the alarm call. The fundamental objective of the Telecare Service enables people to live in their own home for longer, with increased safety, confidence and independence.

Free Personal Care - October 2010

The government is consulting on options for the allocation of grant to support the provision of free personal care for people with assessed high care needs from October, 2010. The government's assumption is that the government grant will cover two thirds of the cost and that the remaining one third will need to be met from efficiencies generated by local government. The financial implications of this change are still being assessed and will continue to be reviewed as the new measure may result in clients, currently unknown to the local authority, becoming its responsibility, and the prospective gradual increase in liability due to demographics over time. Accordingly, at this stage it is proposed to create an earmarked contingency provision of £1 million to cater for any unforeseen increased costs.

Commissioning Strategy - Three Year Delivery Plan

The Social Care Reform Grant was introduced in 2008/2009 to help Councils modernise Adult Social Services and thereby deliver more cost efficient and effective care packages for all client groups. A sum of £1.580 million was allocated for 2010/2011 as part of the 3 year grant settlement announced on introduction of the grant.

The grant is earmarked to assist in funding the three year delivery plan, to support new methods of care which seek to maximise independence and enable more people to live in their own homes independently for longer

6.3 Children and Learning City

The following proposals are made:

Fostering and Adoption Services

The Foster Care Recruitment and Retention Strategy is designed to deliver better outcomes for vulnerable children in a cost effective way. The Strategy was allocated additional resources of £475,000 in 2009/2010, and it is proposed that a further sum of £140,000 be provided for 2010/2011. It is proposed that the additional funding will be used to further build capacity in terms of the number of foster carers but also aim to enable children with more complex needs to be safely cared for within the community. This Strategy will also result in a reduced reliance on relatively costly external placements.

Youth Initiatives

Cabinet approved a report in September 2009 regarding the Sunderland XL Youth Village Programme and the utilisation of funding of £300,000 included in the Provision for Strategic Priorities agreed as part of the Council's Revenue Budget for 2009/2010.

A sum of £200,000 is proposed to be included in the Revenue Budget for 2010/2011 which will be used to support an expansion of youth initiatives, details of which will be considered and confirmed over the coming months.

Fees for Independent Care Providers

An additional £119,000 is proposed to be provided to assist in funding fees for independent care providers for children's social care in 2010/2011.

Safeguarding

A sum of £636,000 is proposed to fund the following:

- As a result of the increase in contacts following the Baby Peter case and the subsequent Lord Laming review, an interim increase of 6 staff into the Initial Referral Team (IRT) was implemented in 2009/2010. This is a pressure, not just in Sunderland but nationally, and the Council is working with partners, particularly in health and police, to manage contacts. In order to maintain the necessary response to the levels of contact being experienced within the IRT a sum of £250,000 is proposed to be allocated to continue to fund the additional staffing beyond March 2010.
- Historically, the safeguarding employees budget has included an allowance for the delay in filling of vacant posts. However, in recent months, to meet the demands upon the service and to address the Laming recommendations, the Service has needed to staff to full capacity. This requires the allocation of an additional sum of £236,000.

- The new Independent Safeguarding Authority (ISA) was set up in October 2009 to run the new national Vetting and Barring Scheme which aims to further protect children and vulnerable adults from those who may do them harm. Many council staff and volunteers will need to be registered with the ISA, a process which begins in July 2010. ISA registration is a statutory requirement but doesn't replace the CRB (Criminal Records Bureau) check but rather adds further safeguards. The Government has given organisations 5 years to register all current staff and volunteers who fall under the remit of the ISA and this will be done on a 'rolling programme' basis. Whilst the financial implications associated with these new responsibilities are still being assessed, it is proposed to allocate a contingency sum of £150,000 to support this scheme at this stage.

6.4 Safer City

The following proposals are made:

Citywide Events Programme

Provision of £250,000 is proposed to enable the enhanced and developing City Wide Festivals and Events Programme to continue to be funded. This funding will support the leverage, in the longer term, of other external funding.

Family Intervention Project

A sum of £98,000 is proposed to replace grant funding for the Family Intervention Project, which is subject to grant tapering arrangements. The gross cost of the project is £145,000 per annum.

The main objective of the Family Intervention Project is to stop the anti-social behaviour of families and restore safety to their homes and to the wider community, through a dual approach which includes help for families to address the causes of the behavioural problems being experienced, alongside supervision and enforcement to provide the incentives to change.

Identification of Vulnerable People at Risk of Anti Social Behaviour and Crime

Additional funding from the Home Office of £79,000 is earmarked to provide training for staff across partner agencies in the identification of those at risk of or vulnerable to anti social behaviour and crime and also enable a review of processes and procedures, and implementation of infrastructure and IT improvements. It will also provide support to witnesses and victims of anti social behaviour.

6.5 Sustainable Communities

The following proposals are made:

Empty Properties

A sum of £90,000 is proposed for Empty Properties to encourage, advise and support landlords, and encouraging owners to care about the condition of their properties and find alternative approaches to bring properties back into use. This will result in a greater reduction in the number of empty properties, fewer anti-social behaviour complaints, and more homeless people being able to be housed into empty properties.

Waste Disposal

In accordance with the policy of gradually building up provision within the Council's base budget to fund the eventual affordability gap associated with the Waste Disposal Solution, it is proposed to make provision of £1 million for 2010/2011, taking into account the landfill tax that will be saved when the Waste Disposal Strategic Solution comes on stream.

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

Whilst the final annual affordability gap is not yet known, the proposal is to increase provision by a further £1,000,000. This represents a prudent approach given the timescales which are being worked to. The strategic waste disposal solution is not planned to become operational until September 2013 at the earliest.

Community Cohesion

The government has allocated a grant of £164,000 to support the Preventing Violent Extremism (Prevent) Strategy as part of the Government's response to the severe and enduring threat from international terrorism. Prevent has five key elements:

- Challenge violent extremist ideology and support mainstream voices;
- Disrupt the ideologies who promote violent extremism and protect the vulnerable institutions where they work;
- Support vulnerable individuals who are being targeted and recruited to the violent extremism cause;
- Increase the resilience of communities to violent extremism; and
- Address the grievances which ideologies are exploiting.

Funding to support this provision is being allocated through the Area Based Grant.

6.6 **Attractive and Inclusive City**

The following proposals are made:

Transport and Engineering

A sum of £300,000 is proposed to fund support to the development and improvement of the Transport and Engineering Service within the Council. In addition, it is proposed to allocate a one off sum of £300,000 to enable the pump priming of the initial improvement and development work.

Swimming – Silksworth Pool / Free Swimming Initiative

An additional sum of £100,000 is proposed in respect of the new Silksworth Pool to reflect the full year running costs of the pool which is due to open early 2010.

An amount of £116,000 is also proposed to supplement the specific government grant available, to support the free swimming initiative for the over 60's and under 16's for the remaining year of a two year time limited period.

Play Parks Maintenance

An additional sum of £85,000 is proposed to fund the revenue implications of implementing the Play Parks Strategy. The programme to implement the strategy was accelerated as a result of the receipt of external funding from the Big Lottery Fund and securing Pathfinder funding.

'Kerb It' Replacement Scheme

A sum of £159,000 is proposed to meet the additional costs of leasing vehicles to support the new 'blue bin' scheme which will replace the existing 'kerb it' scheme. This will allow for the provision of rear end loading vehicles to accommodate the new bin which will replace the black box from April 2010.

This change accords with wishes expressed by residents through a range of consultation feedback over recent years. The distribution of the new wheeled bins to all conventional domestic properties will commence in late 2009/2010 and continue into 2010/2011 on a phased basis.

6.7 **Resources Portfolio**

The following proposals are made:

Occupational Health Unit

Provision of £150,000 was included in the Revenue Budget for 2009/2010, which facilitated the reduction in waiting times for physician appointments from 6 weeks to just under 2 weeks. Early intervention by

HR teams and referral to Occupational Health is the key to preventing and resolving absence attributed to sickness. The intervention of the occupational health physician has helped achieve successful resolution of long term cases of absence over the last 18 months, resulting in a significant reduction in the number of current long term sickness cases.

A sum of £150,000 is proposed for 2010/2011 to enable the budget to be mainstreamed and included in the Council's Base Budget on an ongoing basis.

6.8 Responsive Services and Customer Care

Community Leadership Programme

Provision of £50,000 is proposed to provide further support for the Community Leadership Programme to seek to ensure its timely implementation. The Community Leadership Programme is one of three strategic improvement programmes promoted by the Council with its key partners and is an integral part of the Improvement Agenda and the move towards the Sunderland Way of Working operating model.

6.9 Revenue Contributions to Capital Programme

A sum to be finalised is proposed to fund new starts for the Other Services Block for capital expenditure and other 'one off' revenue budget pressures and priorities arising from the budget consultation undertaken. Further details will be reported to Cabinet in February once proposals have been finalised.

7. Other Priorities

7.1 Equal Pay and Single Status

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

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

8. Efficiency Savings

8.1 Cabinet agreed the Efficiency Strategy 2009/2010 to 2013/2014 in October 2009. This set out the strategy by which the Council aims to satisfy the Government's latest expectations for achieving efficiency within the public sector and recognised the need for longer term planning for efficiency savings. It also reinforced the direction that the Council is taking through the Sunderland Way of Working.

- 8.2 Given the anticipated significant long term pressure on public finances and the fact that resources available for local government over the medium to long term, the Budget Planning Framework recognised the need to plan for savings over a longer period. Directorates were therefore asked to consider options to cover a four-year period in order to ensure timely action can be taken to maximise efficiency savings. The following targets were set:

Year	%
2010/2011	4
2011/2012	5
2012/2013	6
2013/2014	6

Whilst a longer-term approach to planning to generate efficiency has been adopted, only the first year's efficiency savings are to be determined at this stage. It is clear that the position in relation to the severity and length of the economic downturn remains uncertain, as does the extent and period of the constraints applied to public sector spending. The above targets will therefore be subject to review as future government spending plans are announced. The Council's Improvement Programme will play a key role in contributing efficiency savings to meet these targets.

- 8.3 The identification of efficiency savings for inclusion in the 2010/2011 Budget have been generated through:
- specific efficiency savings from Corporate / Cross Cutting Efficiency Projects;
 - efficiency savings arising from modernisation strategies, and policy and service reviews;
 - realising emerging efficiency savings from the new Sunderland Way of Working;
- 8.4 The efficiency savings submitted by Directorates in response to the Budget Planning Framework guidelines were assessed against the following criteria:
- that the efficiency savings should have no material effect on policy or front line services except where already approved by Cabinet and/or Council;
 - that they should minimise the effect on job losses and seek to ensure so far as possible no compulsory redundancies.

8.5 The following table shows the financial impact of draft efficiency savings proposed to be taken into account in the budget for 2010/2011:

Service	£000
Back Office / Support Services / Corporate Services /	1,007
Additional or Alternative Sources of Income	1,432
Overheads/General Efficiencies	1,074
Procurement	2,768
Service Review and Modernisation	1,437
TOTAL	7,718

The focus of the above proposed efficiency savings is on back office / support services, income generation, reducing overheads and procurement arrangements.

At this stage, whilst there is confidence that the total level of efficiency savings detailed above can be achieved, necessary due diligence is being undertaken to scrutinise each proposal in detail to validate the precise sums, and where appropriate the consequential actions necessary. The efficiency savings will be reflected in the Revenue Budget 2010/2011 in due course.

9. Draft Budget 2010/2011

- 9.1 The position in relation to the preparation of the draft budget for next year is set out in the table below taking account of the financial impact of both the funding for the proposed investments to address the Spending Commitments and Pressures and the proposed Efficiency Savings.

	£000	£000
Spending Commitments		
- Pay Awards, Price Increases and Service Pressures taking into account the effects of the economic downturn	3,558	
- Energy Price Increases	1,459	
- Passenger Transport Levy	278	
- Interest on Balances	1,000	
- Waste Disposal/Recycling	1,344	
		7,639
Spending Priorities (by Strategic Priority area)		
- Healthy City	2,636	
- Children and Learning City	1,095	
- Safer City	348	
- Sustainable Communities	1,254	
- Attractive and Inclusive City	760	
- Resources	150	
- Responsive Services and Customer Care	50	6,293
Efficiency Savings		
- Back Office / Support Services / Corporate Services	(1,007)	
- Additional or Alternative Sources of Income	(1,432)	
- Overheads / General Efficiencies	(1,074)	
- Procurement	(2,768)	
- Service Modernisation	(1,437)	(7,718)

Outstanding Uncertainties

- 9.2 There are a number of uncertainties still to be resolved in relation to next year's budget, including:
- the impact of introduction from 1st October 2010 of Free Personal Care for those with high needs, for which the grant methodology is not yet finalised;
 - the outcome of negotiations on the pay round for 2010/2011, which is unlikely to be known before the Budget is considered by Cabinet in February and Council in March;
 - the outcome of the Final Local Government Revenue Support Grant Settlement for 2010/2011;
 - any amount which may be made available from balances principally to fund one off items of expenditure;

- the final Collection Fund position;
- the outcome of the continuing assessment of the impact of the economic downturn on Council services;
- the outcome of the final review of the council's contingency provision;
- the outcome of the latest review of energy prices and the impact on the council's contingency provision;
- the final decisions arising from the continued review of energy prices;
- the impact of final estimates of returns on deposits on Interest on Balances;
- any impact on the Council's budget of initiatives recently announced in the Pre Budget Report e.g. energy efficiency initiatives, extension of free school meals in primary schools.

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

General Balances

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

Whilst some savings are being generated in 2009/2010 from Interest on Balances and Debt Charges, and unutilised contingency provisions, the savings generated from Interest on Balances in particular will be significantly affected by the current historically low bank base rate determined by the Bank of England in response to the recession. However, any savings generated will be required to fund the following significant one off spending pressures:

- Investment to improve and develop the Transport and Engineering Service;
- Continued investment in Highway and Footway Maintenance and Highways Drainage;
- Invest to save costs associated with the Improvement Programme;
- Seafront Improvements.
- The development of Single Status Phase 2 proposals and enabling progress of the Service Transformation Project;
- Other Services Capital Programme developments including Economic Development.

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

Council Tax

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

10. Suggested Reason for Decision

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

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

11.1 There are no alternative options recommended for approval.

12. Background Papers

Local Authority Finance (England) Revenue Support Grant 2010/2011
and related Matters
Budget and Planning Framework 2010/2011

Appendix A

Statement of General Balances

	£000	£000
Balances as at 31st March 2009		11,553
Use of Balances 2009/2010		
- Contribution to Revenue Budget	(431)	
- Contribution to fund the Capital Programme	(3,065)	
- Contribution to Economic Development Grants	(488)	(3,984)
Estimated Balances 31st March 2010		7,569

The above position will be reviewed and updated and reported to Cabinet as part of the final budget proposals in February, 2010.