

CABINET MEETING – 10TH FEBRUARY 2010

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Revenue Budget and Proposed Council Tax for 2010/2011

Author(s):

Chief Executive and Director of Financial Resources

Purpose of Report:

To report:

- the overall revenue budget position for 2010/2011;
- the projected balances position as at 31st March, 2010 and 31st March, 2011 and advice on their level;
- a risk analysis of the Revenue Budget 2010/2011;
- a summary of the emerging medium term financial position facing the Council from 2011/2012 to 2013/2014;
- any views received from the North East Chamber of Commerce and Trade Unions.

Description of Decision:

Members are requested to:

- recommend to Council the proposed Revenue Budget for 2010/2011 set out at Appendix G;
- recommend to Council the proposed Council Tax for 2010/2011 (paper to be tabled);
- note the views, if any, expressed by the North East Chamber of Commerce and Trade Unions.

Is the decision consistent with the Budget/Policy Framework?

No – this report is integral in reviewing and amending the Budget and Policy Framework.

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

Not at this stage.

Suggested reason(s) for Decision:

To comply with statutory requirements.

Alternative options to be considered and recommended to be rejected:

There are no alternative options recommended for approval as the budget has been developed on the basis of an agreed framework with consultation carried out throughout the process.

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

Yes

Is it included in the Forward Plan?

Yes

Relevant Scrutiny Committee:

Management

REVENUE BUDGET 2010/2011

Report of the Chief Executive and Director of Financial Resources

1. Purpose of Report

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 - a risk analysis of the Revenue Budget 2010/2011;
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3. Introduction

- 3.1 Cabinet will be aware that it approved budget proposals for the purposes of ongoing budget consultation at its January 2010 meeting. At that stage there were a number of uncertainties and outstanding issues. These included:
- the consideration of the Collection Fund position;
 - the final Council Tax Base figures;
 - the impact of the Final Local Government Finance Settlement;
 - any adjustments necessary to individual budgets in light of final information received and evaluated.
- 3.2 The outcome of budget consultation is also reported and has been taken into account in the final budget proposals.

Taking account of the latest changes in the light of new information and consideration of the final stages of budget consultation, Cabinet is asked to consider the final budget proposals, including the proposed use of balances and the position in relation to major reserves, for recommendation to Council.

3.3. National Financial Outlook

- 3.3.1 In considering the budget 2010/2011 there is a need to consider:
- the national economic position and the impact of key economic indicators on the Council's financial position;
 - how the Council needs to respond both in the short and medium term in order to continue to meet the Council's priorities taking into consideration the future severe constraints on public spending and a wide range of uncertainties in that context.

The following key economic indicators illustrate the overall national economic position and outlook:

The Economy

- 3.3.2 The Chancellor in his Pre Budget Report 2009 announced:
- the UK economy is expected to grow by between 1% -1.5% next year and by 3.5% in 2011/2012.
 - inflation is projected to rise from 1.5% to around 3% in early 2010 before falling back to the guideline rate of 2%.

Government Borrowing

- 3.3.3 The financial crisis has led to a significant increase in government borrowing as a result of the need by the government to inject additional resources into the economy to support financial institutions and to seek to stimulate economic growth. The latest government forecasts set out in the Pre Budget Report 2009 showed that:
- bank bail out payments had been revised downwards from £50 billion to around £10 billion;
 - borrowing as a proportion of Gross Domestic Product (GDP) will be 12.6% in 2009/2010 and falling each year to 4.4% by 2014/2015;
 - net debt is forecast to reach 56% of GDP in 2009/2010 reaching a peak of 78% by 2014/2015 before gradually reducing in future years. The Chancellor indicated that this was no worse than any of the other G7 countries;
 - debt servicing costs are set to increase from £25.6 billion to £50.7 billion by 2013/2014.

In addition to the costs of debt servicing there will also be pressure on the government to repay debt in order to reduce the level of debt to a more sustainable level in the longer term.

Inflation

3.3.4 There have been significant reductions to the measures of inflation over the last eighteen months particularly with regard to energy prices. Within that overall reduction, there has been significant volatility e.g. energy, and some increases e.g. food. However, in recent months inflation has begun to increase by slightly more than what most financial experts were predicting. The latest figures available for December 2009 are set out below along with the latest forecasts for next year:

Current Rates

- Consumer Price Index (CPI) – 2.9%
- Retail Price Index (RPI) – 2.4%

Average of Forecasts 2010/2011

- Consumer Price Index (CPI) – 1.4%
- Retail Price Index (RPI) – 2.0%

The position still remains uncertain and forecasts continue to be regularly reviewed and revised. The outlook beyond 2010/2011 will be largely dependent upon actions taken by the government to address the overall national economic position and associated changes in the global economy.

Interest Rates – Bank Base Rate

3.3.5 The impact of the global financial crisis on interest rates can be demonstrated by the movement in rates since last summer:

- 4.5% October 2008
- 0.5% March 2009
- 0.5% September 2009
- 0.5% January 2010

The 'all time low' Bank Base Rate is estimated to continue for the rest of 2009/2010 with views varying as to when an increase in interest rates will occur. Clearly major factors will include the future approach of the Monetary Policy Committee and the levels of growth and inflation within the overall economy. The recent announcement that the UK was officially out of recession with growth of 0.1% for the last quarter of 2009, was a welcome sign that the economy is starting to recover however, the level of recovery was lower than analysts had anticipated. This could indicate that interest rates may need to remain at their very low level for a longer period, with most experts predicting that interest rates are expected to rise but only very slowly from around the third quarter of 2010. There is a risk that there could be a 'double dip' recession caused in part by the impact of the public spending reductions that will be necessary in the future, and any changes to taxation. The Council's Medium Term Financial Strategy takes account of this risk, its impact on the Council's financial position, and the need to sustain and develop its response to address the needs of its citizens, communities and businesses.

Public Sector Spending Plans

3.3.6 In the Chancellor's Budget Report of 2009, public sector growth was revised to an average growth of 0.8% in real terms over the period 2011/2012 to 2013/2014. This position was further confirmed in the Pre Budget Report announced in December 2009 and further details, which are set out below, were released by the government on their proposed spending plans which included:

- that they intend to protect certain key services namely Education, Health and Police in the first 2 years of the next Comprehensive Spending Review;
- Defence spending is to be increased by an extra £2.5bn in 2010/2011 to meet the cost of military operations in Afghanistan;
- specifically a package of measures will guarantee that:
 - 95% of NHS spending will rise in line with inflation
 - front line school spending will increase by 0.7% in real terms
 - sufficient funding will be provided to maintain the current number of police officers.

In order to free up the necessary resources to fund this package of measures the government announced:

- £12bn of savings through smarter government;
- £5bn from targeting and prioritising spending;
- Reforms to public sector pay and pensions.

No details were made available in respect of the spending levels or the level of efficiencies required by local government in the next Comprehensive Spending Review period (which would normally cover a three year period spanning 2011/2012 to 2013/2014). However, in comparison with previous years, the levels of increase set out by the government represent a very significant reduction in public sector funding and the position for the funding of local government services will be exacerbated to the extent that services such as Health, Education, Police and Overseas Aid are to be protected.

Banking Sector

3.3.7 Interventions by the Government, such as quantitative easing and other financial measures and guarantees, have sought to introduce more liquidity back into the banking sector. Although the position has improved, it has not had, to date, the impact anticipated which means that generally there is still:

- a continuation of curtailment of credit;
- an increase in credit margins;
- a focus by the banks on improving their balance sheets as opposed to taking action to stimulate economic recovery.

Housing Market

3.3.8 The housing market has been severely affected by the lack of credit available and the impact of the economic crisis on property prices. Whilst, the latest situation shows some positive signs with limited increases in mortgage activity over recent months, the vast majority of development is still on hold.

Impact on the Council's Financial Position

3.4 The above factors impact on the Council's financial position in the following ways:

- significant real terms reductions in government grant settlements from 2011/2012 for an uncertain period but likely to extend for at least the next four years;
- interest receipt levels from deposits are likely to be low for some time;
- capital receipts generated from the disposal of surplus assets are likely to continue to be stalled, or if realised will be at significantly reduced values until market conditions improve;
- the impact on the local economy will continue to bring additional pressures on key services.

3.5 Changing Context

3.5.1 The budget proposals set out in this report have been drafted taking into account the current economic conditions and how that is impacting on Sunderland's residents, its communities and local businesses. In particular, the budget seeks to:

- ensure that services which are directed at, and most needed to address the impact of the economic downturn and initial recovery and are proactive in tackling the issues that can emerge and respond to the demands as they occur;
- identify funding to support new initiatives to address the impact of the economy on residents, businesses and communities within Sunderland;
- identify and take into account the impact on the Council's domestic financial position in the short and medium term and take sound decisions to enable the Council to take advantage of opportunities that may arise as changes to the economy occur.

3.5.2 The Council has taken a range of measures to address the needs of its citizens, communities and businesses during the economic downturn. Clearly these need to be continued, at least in the short term, until the economic recovery is assured. This Council's budget contains a range of measures to help to maintain that recovery whilst continuing to support services which are aimed at the most vulnerable and in need in our communities e.g. maintaining employment, encouraging and pump priming economic development and regeneration, provision of advice and support etc.

4. Adjustments to the January 2010 Position

Collection Fund

- 4.1 The Collection Fund position was reported to Cabinet on 3rd February 2010. The surplus available to the Council to be taken into account in the budget and council tax calculations has been estimated at £50,000.

Council Tax Base

- 4.2 The Council, at its meeting on 27th January, 2010, approved the Council Tax Base for the area covered by Hetton Town Council (£4,043) and the City Council area (£80,260).

Final Local Government Finance Settlement

- 4.3 The outcome of the final Local Government Finance Settlement for 2010/2011 was reported to Cabinet on 3rd February 2010.
- 4.4 The main features of the 2010/2011 final settlement so far as Sunderland is concerned are as follows:

- the Council's final grant entitlement for 2010/2011 has remained unchanged from the figure of £157.462 million announced in November 2009, which represents an increase of 1.84%;
- there have been no changes to the level of floor increases announced or to the scaling factors used;
- the Government has stated that it expects to see council tax increases fall further from this year's (2009/2010) average council tax increase of 3%.

Dedicated Schools Grant Position

- 4.5 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.

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

	2010/2011
DSG	4.3%
Per Pupil Increase	4.3%

- 4.5.2 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 anticipated DSG local cash increase reflects 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%.

- 4.5.3 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, seeking to ensure that all children can meet their potential, and that those who are behind expectations, or are falling behind, get back on track.
- 4.5.4 The increased funding for targeted support 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. Headline allocations have been provided for Targeted Support for Primary and Secondary Strategies of £0.937m and £0.670m however detailed guidelines are awaited before any allocations can be made to schools.
- 4.5.5 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.

- 4.5.6 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 overall level of funding to be received will be at 2009/2010 levels. This assumption takes account of minimum inflationary increases and a projected fall in 16-18 student numbers.

4.5.7 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

4.5.8 The Schools Forum, at its meeting on 28th January 2010, agreed to allocate available headroom to increase the meal subsidy provided through the Local Management of Schools formula to reflect the increased cost of providing a school meal and to maintain prices in 2010/2011 at 2008/2009 levels. The remaining unallocated funding is subject to change once the pupil and Special Educational Needs data have been updated to reflect January pupil count. However, the Schools Forum also agreed that any remaining headroom, once final figures are confirmed, is to be distributed based on pupil numbers

Funding Changes for 16-19 Year Olds

4.5.9 Machinery of Government' changes planned for April 2010 will transfer statutory responsibilities from Learning and Skills Council to local authorities for funding of commissioning of learning for 16-19 year olds in General Further Education colleges and sixth forms. Priorities and commissioning intentions will need to be considered at a local level and then integrated into sub regional and regional planning groups for 2011/2012. Funding for 2010/2011 will be received from Skills Funding Agency and Young People's Learning Agency based on discussions that have taken place between providers and officers of the Learning and Skills Council.

Specific and Special Grants

- 4.6 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.
- 4.6.1 Specific and special grants included within the Aggregate External Finance 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.
- 4.6.2 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.

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

- 4.7 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.
- 4.7.1 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.
- 4.7.2 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 within the ABG 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 contribute towards meeting the efficiency targets associated with the budget planning framework.

Capping Powers and Reserve Powers

- 4.8 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 year's (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.

5. Budget Consultation

- 5.1 The consultation undertaken in relation to the development of the budget was aimed at better understanding relative priorities and action to address those priorities which may be taken in the future, taking account of the Council's Strategic Priorities and changing economic position.

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;
- Youth Parliament;
- Schools Forum, Head Teachers and Governors.

Presentations have been made to the stakeholders and feedback taken into consideration in framing the budget proposals set out in this report.

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 address 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 expand provision and services.
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 has also been taken into account in the budget proposals:

- Sea Front;
- Waste Disposal and Recycling;
- the possible introduction of a Council Tax Discount Scheme.

5.5 Sea Front Consultation

The Community Spirit Summer Survey 2007 highlighted the importance of the seafront to the city. Some 94% of respondents to the summer survey stated the seafront is very or fairly important to their quality of life. The seafront was also identified as the second green space in the city most in need of improvement, after Barnes Park. These results highlighted the need to develop a Regeneration Strategy to guide the future improvement of, and investment in, the seafront at Roker and Seaburn.

To inform this Strategy the City Council undertook a citywide consultation between 16 February and 3 April 2009. In total 2,455 people completed a seafront consultation form, including 843 members of the Community Spirit citizens' panel, and over 200 people participated in workshops.

Both the survey and workshops highlighted the need to provide an attractive and clean seafront with modern facilities, improved toilets with longer and year round opening, and a seafront that provides entertainment, activities and high quality catering facilities set against the back drop of the area's natural environment and heritage.

The Seafront Regeneration Strategy together with the Marine Walk masterplan were subject to further public consultation during August and September last year. In total 128 representations were received in response to the strategy and 91 for the masterplan. The vast majority of representations were in support of both the strategy and the masterplan which aim to deliver Seafront regeneration by investment in the renewal and enhanced management of the public realm and by the private sector in high quality new developments.

5.6 Waste Disposal and Recycling Consultation

Public consultation both in respect of neighbourhood cleanliness and waste issues as well as through the State of the City events have all identified levels of dissatisfaction with the black box used in the recycling service. Concerns revolved around the weight and manoeuvrability of the boxes when full and the implications, particularly for the infirm; the absence of a lid with the consequence that material can be blown about in high winds; and the capacity of the boxes. The clear desire was for a much more user friendly system which included a container with both wheels and a lid, with a larger capacity; and for a system that would allow for the recycling of plastic bottles and potentially other materials. The wheeled bin method collection addresses those concerns. The change in collection method also requires changes to the fleet of collection vehicles and improves the health and safety of the collection arrangements.

Consultation regarding the Joint Waste Strategy and proposals for dealing with the remaining 50% of (residual) waste, both in 2007 and

2008, indicated broad support for dealing with waste other than through landfill and to secure financial benefit from its treatment such as by the generation of heat and electricity. The three partner authorities (Gateshead, South Tyneside and Sunderland) have subsequently secured financial support from Government to secure a treatment method that significantly reduces the reliance on landfill and will limit increases in the costs of waste treatment in the long term.

5.7 Council Tax Discount Scheme Consultation

The objective of the consultation was to consider whether a Council Tax Discount Scheme was the best way of assisting Sunderland residents, who may be impacted by the economic downturn, for example through redundancy, reduced working hours etc. or to help specific groups who may be experiencing financial hardship.

The results of the consultation, and the conclusions arising, point to the need for the Council to understand and support the precise needs of those suffering financial hardship and target their support and services to those citizens and address their specific needs. Thus, it is considered that the overall increase in council tax should be kept as low as possible and that the Council should consider measures to support as far as possible those most in need.

The following actions are therefore being considered:

- That the Council lobby for changes to the benefits scheme at a national level to seek to tackle those groups of people who continue to suffer financial hardship.
- That the Council continues to try to identify and reach those families and vulnerable individuals who are entitled to benefits but do not take up those benefits and seeks to encourage the take up of those benefits.
- That the Council explores new ways of targeting those people “just missing out” and experiencing financial hardship, firstly examining their needs and secondly, by seeking to reconfigure and target services to meet those needs.

More details of the findings of the consultation are included in Appendix A.

5.8 All of the feedback from the various consultations has been considered. The budget proposals in this report, taken alongside outline plans for use of Area Based Grants and specific and special grants, fully recognise the priorities identified and allocate additional resources to address these issues.

5.9 The outcome of the budget consultation undertaken is detailed at Appendix A. The Revenue Budget Report to January Cabinet formed the basis for second stage consultation. The notes of the meetings with the representatives of business ratepayers and trades unions to meet statutory obligations to consult on the proposed budget will be tabled at the meeting as Appendix B.

6. Budget Proposals

6.1 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, 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 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 sector.

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 level 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 trigger an alarm if necessary which is linked to a control room and can respond to the alarm call in an emergency. 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 approximately 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 have been assessed so far as possible 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

6.2 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 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 earlier this financial year 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, including the provision of the new mobile youth villages,

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 in 2010/2011.
- 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 Criminal Records Bureau (CRB) 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.

6.3 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.

6.4 Sustainable Communities

The following proposals are made:

Empty Properties

A sum of £90,000 is proposed in relation to 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 mainstream provision of £1 million for 2010/2011. It will also be possible to assist in addressing the affordability gap next year through the provision made for landfill tax which will be saved when the Waste Disposal Strategic Solution comes on stream.

The overriding objective of the strategic solution is to minimise the use of landfill as a means of waste disposal in the future and move to a more environmentally sustainable method 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 to increase the provision set aside at this stage 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 'Prevent;' Strategy.

Sunderland's approach to the 'Prevent' agenda focuses on ensuring that we thoroughly understand our communities and work with them to address any problems they might encounter with regard to people who hold extremist and violent views and who thereby pose a threat both to their community, to the wider communities around them, and the country as a whole. Some practical examples include collaborative working with the Sunderland BME Network, as well as providing small budgets to the area based Community Cohesion networks (both practitioner and strategic) to provide some immediate financial assistance in order that low cost local solutions can be delivered to any identified areas or 'hot spots' highlighted.

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

6.5 **Attractive and Inclusive City**

The following proposals are made:

Transport and Engineering

A sum of £300,000 is proposed to support 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 has recently opened.

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.

6.6 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 Human Resources 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.

6.7 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.

6.8 General

Targeting financial hardship and promoting Financial Inclusion

Following public consultation, a clear message was that the Council needs to continue to identify the needs of citizens and communities who are experiencing financial hardship, and to better target and develop services to meet those needs.

It is clear that the Government is also considering, at a national level, how those citizens who are finding themselves marginally ineligible for services can be sensibly targeted and brought within the various safety nets which exist. An example of this relates to the widening of eligibility for free school meals where low income families will become eligible for free school meals, in a two stage process, from September 2010. Details of the Government's scheme are yet to be announced but eligibility is to be extended to those families in receipt of Working Tax Credit who have an income of up to £16,190.

Taking account of the feedback from the consultation in relation to the Council Tax Discount Scheme, it is proposed that the Council explores new ways of targeting those people "just missing out" by firstly examining their needs and secondly, seeking to reconfigure and target services to meet those needs. Further reports will be made to Cabinet

on this issue in due course. In the meantime, a contingency of £300,000 is proposed to enable the Council to respond to policy initiatives as they emerge.

7. Additional Proposed 'One off' Investments

7.1 Revenue Budget Position 2009/2010

As referred to in the January 2010 Cabinet report additional funds will accrue to balances at the outturn for this financial year arising from savings on debt charges and contingencies. Details are set out in the report on the Capital Programme elsewhere on today's agenda. Having considered the proposals for the allocation of 'one off' revenue funding it is proposed to allocate a sum of £6.876 million to support one off revenue budget commitments. The proposed uses are set out below referenced to the Strategic Priority / Portfolio as appropriate.

Sustainable Communities

7.2 Waste Strategic Solution Preparation Costs

A further provision of £867,000 in relation to the Waste Strategic Solution Partnership is required to fund preparation costs. Clearly the scale of the project together with the significant financial implications that will arise and the length of the contract require that this phase of the project is properly resourced.

Safer City

7.3 World Cup Bid

An additional £300,000 is required to support communications and marketing of Sunderland's 2018 World Cup Bid. In addition to providing beneficial exposure for the city the provision will demonstrate the Council's commitment to the bid. The sum is in relation to contractual commitments to the event of £250,000 and a contingency provision of £50,000.

7.4 Festivals

A specific provision is required to contribute towards the summer concerts planned for the Stadium of Light to maintain the momentum established this year in relation to music events and as such will enhance the Citywide festivals and events programme.

Prosperous City

7.5 Software City Revenue

Working Neighbourhood Fund resources amounting to £600,000 are proposed to be earmarked to meet the initial revenue budget requirements of this project over a 3 year period.

Attractive and Inclusive City

7.6 Transport and Engineering - 'One Off' Resource Needs

As part of the package of measures to address capacity and improvement needs within this service a 'one off' sum of £300,000 for investment in transport and engineering has been provided within the budget proposals. This will enable current backlogs in work to be addressed and street based records to be updated.

7.7 Highways and Footways Maintenance

It is proposed to continue to provide a sum of £400,000 to supplement the existing Highways Maintenance budget and thereby address the backlog of maintenance and reduce the incidence of claims. The investment has had a positive impact on accident claim repudiation which continues to improve at approximately 87% and insurance premiums which have reduced from £1.437 million in 2004/2005 to £467,000 this year. The number of claims submitted in the last 3 years has been in the range of 200 to 250. The majority of claims are made by pedestrians in residential areas in respect of footways. Apart from reducing risks, this funding also fulfils the objective of making the city safer and more attractive.

Allocation of the budget will be made between Highway Maintenance and Footway Maintenance in light of need, performance and satisfaction issues. It is also proposed that consideration is given to using this additional investment for Road Safety Schemes where the technical case does not warrant prioritisation of Local Transport Plan resources, but there is a clear community desire to see a scheme implemented.

Finally, it is proposed to utilise existing budgets to progress the development of a Highways Asset Management Plan (HAMP). The adoption of a HAMP is needed to meet requirements relating to the Local Transport Plan 2 and the Whole of Government Accounts Programme. The HAMP will ensure the provision of good qualitative information upon which to base decisions relating to ongoing investment, prioritisation of maintenance funding and maximisation of the impact of investment across the highway network. It is estimated that delivery of the HAMP will require one off costs of £130,000 and ongoing revenue costs of £100,000. This investment will result in a better allocation and use of resources.

Resources

7.8 Service Transformation

A total of £150,000 is required to meet the costs of continuing to support the implementation of single status phase 1.

7.9 Single Status Phase 2 / Job Family Modelling

A total of £159,000 is required to fund the preparation for Single Status Phase 2 and associated Job Family Modelling.

Leader and Deputy Leader

7.10 Invest to Save Improvement Programme

Set out at Section 10 is the medium term financial position of the Council, insofar as it can be forecast given the uncertainties associated with the future performance of the economy and the size of the reductions made to public spending constraints over the short, medium and long term. However, what is certain is that there will be a significant reduction in the resources available to the Council, and there is a need to act now to avoid, so far as possible, any reduction to frontline services. Accordingly it is proposed to earmark resources of £4m to be used on an invest to save basis to provide the flexibility to strategically deploy resources as necessary to realise significant savings over the short, medium and long term. Whilst this is a significant sum, it needs to be considered in the context of the scale of the resource shortfalls that are very likely to be faced over the next 4 - 5 year period at least. By using this resource to invest in essential infrastructure, for example to provide greater transactional internet facilities; service re-design and re-engineering, staffing development, support and transitional costs; and to secure specialist skills; the aim being to both enable the improvement and development of services, whilst achieving significant reductions in cost. The provisional estimates estimated at paragraph 10.12 indicate that potentially it will be necessary to secure efficiency and other savings amounting to £28.9m over the period 2011/2012 to 2013/2014. Further reports will be submitted to Cabinet in due course setting out the proposed use and timescales for the deployment of these resources.

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 need for the Council wide Improvement Programme.

8.2 Given the anticipated significant long term pressure on public finances and the certain reduction in resources that are to be made available to local government over the medium to long term, the Budget Planning Framework, approved in October 2009, 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 economy 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 necessary, 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, though other Directorate based improvement programmes, modernisation strategies and efficiency measures will need to contribute to maximise the efficiency savings available.

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 Improvement Programme;

- 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 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.

Plans are either in place, or are being finalised in relation to each measure to generate the required efficiency savings, and appropriate contingency planning in relation to the Council's financial provision is in place. The generation of the proposed efficiency savings will be subject to regular monitoring and review as part of the quarterly revenue budget and traded services reviews during the next financial year.

9. Overall Position

- 9.1 Since the initial budget proposals were formulated, consideration has been given to the outcome of the budget consultation, the final settlement, the collection fund position, the council tax base, and government guidance in relation to council tax levels.
- 9.2 The Net Budget Requirement to be approved by the Council is funded through:
- the grant received from government (the Council's share of Revenue Support Grant and National Non – Domestic Rates); and
 - Council Tax.

The General Summary page of the Revenue Budget together with details of the proposed contingency and allocations proposed for investment in strategic priorities will be circulated separately at the meeting of Cabinet on the 10th February, 2010.

- 9.3 The formal decisions of the major precepting bodies are awaited

regarding their precept proposals for 2010/2011. Consequently, the Proposed Council Tax for 2010/2011 will be tabled as Appendix C to this report at the Cabinet meeting on 10th February 2009.

10. Medium Term Financial Position

- 10.1 In considering the Revenue Budget for 2010/2011 it is more important than ever, given the impending reductions to public spending, to have regard to the medium term position, covering 2011/2012 through to 2013/2014. There are a number of assumptions included in the Medium Term Financial Strategy and a range of scenarios, which may emerge. Those particularly significant commitments, which have been considered when estimating the resources position for future years are set out below.

Pay and Pensions

- 10.2 With regard to pay awards, the government has indicated that they expect public sector pay awards to be no higher than 1.0% for 2011/2012 and 2012/2013. Whilst the Teachers Pay Award for 2010/2011 has been agreed at 2.3%, as part of a two year pay agreement, negotiations are continuing with regard to employees covered by the Green Book. Prudent provision has been included for pay awards both within the proposed budget for next year and within the Medium Term Financial Strategy in future years.

Provision has been included to reflect the government's decision to increase all employer rates of National Insurance by a further 0.5% from 1st April 2011 from the 0.5% already announced in the Budget Report 2008. This will mean that Class 1 contributions will rise to 12% and Class 4 to 9%.

Prudent provision continues to be made for the implementation of Phase 2 of the Single Status Agreement and adjustments necessary to arrangements covered by Single Status Phase 1.

With regard to pensions, the next actuarial review of the Local Government Pension Scheme is planned for 31st March 2010, the results of which will be implemented in 2011/2012. The significant economic downturn initially impacted negatively on investments made by pension funds generally, but there has been a significant revival since then. Other significant factors include increasing longevity which continues to place a strain on pension funds. Clearly the position in relation to the financial markets remains volatile and uncertain over the short to medium term.

Whilst the government has signalled its intention to introduce a cap on state contributions to public service pensions for teachers, Councils, NHS and the Civil Service by 2012, and this is estimated to save £1 billion per annum, no details of how this cap will be applied have yet been announced.

Accordingly, taking all of the above factors into account, at this stage, a prudent estimate for additional costs has been factored into the medium term position.

Debt Charges and Revenue Consequences of Capital Expenditure

- 10.3 The prudential framework for the control of local authority capital expenditure provides flexibility to borrow to fund capital expenditure. Prudential borrowing has been provided for within the medium term financial position in relation to those known investments over the medium term, together with a provision to provide future flexibility for, at this stage, unknown investments, in the future.

As reported elsewhere in detail on today's agenda, the mechanisms used by individual government departments to see a certain level of capital investment in the areas they are responsible for continues to place constraints on local authorities. Allowance has been included on the best information to meet future government supported borrowing.

With regard to the revenue consequences of capital expenditure, other than financing costs, the medium term planning assumption is that these will be met from within Directorate cash limits. For major corporate developments additional provision may be included in the Medium Term Financial Strategy.

Passenger Transport Levy

- 10.4 The position relating to the PTA levy in future years is based on a prudent view of the likely increases in future years.

Waste Disposal

- 10.5 The impact of costs 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 need to address a significant affordability gap associated with the Waste Disposal Strategic Solution. The provisions for waste disposal in the short to medium term will continue to be affected by the annual increases in landfill tax (£8 per tonne until 2010/2011), the need to continue to make progress in the area of recycling, and the need to continue to provide to meet the affordability gap.

Adult Services Demand and Performance Issues

- 10.6 The increasing longevity of the national and specifically, the city's, population continues to place pressure on Adult Social Services budgets and indeed health budgets generally. In addition, client expectations and demand for support which enables them to maintain independent living is requiring reconfigured services and the growth in establishing and operating individualised budgets to meet client care needs will create transitional pressures.

These factors have been recognized in the Adult Social Care Vision for 2025 and have been factored into the 3 year Delivery Plan which will be refreshed as the Strategy is implemented. The financial implications have been considered in preparing the 2010/2011 Revenue Budget and have been considered in preparing the Medium Term Financial Strategy.

It is anticipated that the future of how Adult Social Care is funded will be reconsidered and addressed after the general election, the results will be factored into the Medium Term Financial Strategy when known. In the meantime, a prudent assessment of the impact has been included on the basis of the existing funding arrangements.

Equal Pay and Single Status

- 10.7 In respect of equal pay legal action the Council continues to mount a strenuous and robust defence to the equal pay claims and challenges which are before the Newcastle Employment Tribunal. Funds have previously been provided for and approved to meet compensation payments necessary to settle equal pay claims or the outcome of Employment Tribunal proceedings. Consideration continues to be given to the level of reserves to assist in meeting potential liabilities which might arise in light of legal advice received which is regularly updated to reflect changing case law. Depending upon the outcome of the Tribunal proceedings, further sums may be required and the position will be kept under review and the Medium Term Financial Strategy adjusted if necessary.

Future Government Spending Reviews

- 10.8 There are a range of uncertainties, both short and medium term in respect of the period beyond 2010/2011, which is dependent on the outcome of the Spending Review 2010 as detailed below:
- the length and depth of the economic downturn and financial crisis leading to severe public expenditure restraint over the medium to long term and therefore impact on the Council's finances;
 - the level of specific grants over the period including any transfers of responsibilities and funding from / to local authorities and any adjustment to the Area Based Grant;

- government directions or guidance on council tax levels, with a possible freeze in prospect;
- the level of interest receipts from investments in the light of low interest levels;
- the level of capital receipts from asset disposals as a result of the economic downturn;
- the recognition or otherwise of any exceptional costs by government outside of the government's spending plans e.g. equal pay.

The outlook remains one of a significant reduction in public spending which will have a significant impact on local government spending and hence this Council.

Given the economic downturn, much lower settlements can be expected. It is considered very likely that there will be a one year settlement for 2011/2012. In the context of the foregoing, prudent assumptions have been made regarding future government grant funding.

Impact of Regional and European Funding Changes

- 10.9 The North East, in common with other regions, has experienced a fall in the quantum of European funding and the impact of changes in the way funding is distributed. Whilst the impact of the reduced funding has largely been accounted for within the Council's overall position, every effort will continue to be made to maximise funding from this source consistent with addressing the Council's Strategic Priorities.

Similarly, the need to redirect funding to other priorities, specifically housing, has impacted upon the level of funding available to support economic regeneration from the Regional Development Agency, ONE North East. Support made available to all local areas has fallen and this places a greater burden on Councils if the required responses to the economic challenges can continue to be made. Efforts will continue to be made to maximise funding from this source consistent with addressing the Council's Strategic Priorities.

Developments in Local Government Finance

- 10.10 The final Lyons Report 'Place-shaping: a Shared Ambition for the future of Local Government' published in March 2007 contained numerous recommendations for both central and local government. Specific recommendations were made for different sectors and services with the overall view that local and central government should pursue a developmental approach to reform and that flexibility is more important than the balance of funding. Whilst the government initially ruled out the implementation of certain recommendations, it did indicate that these would be kept under review and brought forward if appropriate over the medium term.

Specifically, the government has already reformed Empty Property Business Rate Relief, though has provided temporary relief to reverse these reforms for small businesses in light of the economic downturn, and the Business Rate Supplements Act 2009 introduced in September 2009 allows Councils to levy a supplementary business rate from 1st April, 2010, one of the Lyons report's main recommendations.

Government legislation affecting local authority finance has been limited in recent months and no major reforms are expected until after the next general election.

The General Election this year means that there is considerably more uncertainty surrounding the finances of local government in the short to medium term as both main political parties have indicated that future finance settlements for local government will be a lot tougher because of the economic downturn. The two main political parties however have different views on the scale and time periods over which the correction to public finances should be made, and therefore the future of local government finance is more difficult to predict. Accordingly it is more important than ever to set a budget which is sustainable and that adequate plans are made to maximise efficiency savings to seek to address the range of scenarios that might emerge.

Maximising Efficiency Savings

- 10.11 The Comprehensive Spending Review 2007 (CSR07) set out a national efficiency target for local government of £4.9billion by the end of 2010/2011 equating to 3% cashable savings per annum. When the Budget was announced in April 2009, the government's efficiency target for local government was increased to 4% for 2010/2011

In order to ensure a successful response to the efficiency requirements of the CSR07, Cabinet agreed the Efficiency Strategy 2008/2009 to 2010/2011 and approved a revised Efficiency Strategy in October 2009 for the period 2009/2010 to 2013/2014 to recognise the higher target set for 2010/2011, the changing context for local government funding in light of the impact of the banking crisis and economic downturn, and the emerging contribution and importance of the Council's Improvement Programme.

In light of the outlook, it is vitally important for the Council to continue to identify and maximise efficiency gains and savings, principally to seek to position the Council as well as possible to improve and develop services whilst achieving significant reductions in cost. Accordingly the Medium Term Financial Strategy has set targets for future efficiency savings:

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

The above targets will be subject to review as future government spending plans are announced.

Overall Outlook

10.12 There is a wide range of potential increased budget requirements for 2011/2012 and future years. This reflects the very significant uncertainties, principally the actual reductions imposed on public spending and local government specifically. These uncertainties include:

- the level of government funding through general grant, area based grant and specific and special grants;
- the future of local taxation and policy guidelines in relation to the level(s).
- the performance of the economy;
- the level of inflation both in relation to specific goods, services, commodities and generally;
- the level of pay awards;
- the results of the actuarial review of the pension fund and future changes which may be made to pension arrangements e.g. cost sharing, capping of the employer's liability.

10.13 The table below sets out the potential increased budget requirements for each of the next three years. They are based on a range of assumptions.

	2011/2012	2012/2013	2013/2014
Potential % Budget increase	4.5%	4.0%	3.1%

10.14 The potential increase in the budget requirement equates to £28.9m over the three year period and requires a range of options to be explored and if necessary implemented to meet the demands placed on the budget, including:

- reducing the base budget through maximising efficiency savings, implementing alternative financing options and methods of service delivery, incurring capital and revenue expenditure on an invest to save basis, or reducing services;
- generating additional income including through maximising resources via external funding streams and income generally;
- ensuring effective exit strategies are in place in relation to services funded by time limited external funding streams;
- working with partners and utilising technology to implement more efficient models of service delivery and thereby reducing costs;
- identifying areas of priority for additional investment if resources are available.

10.15 As stated above there are many uncertainties. Given the potential levels of increased budget requirements, the position is tight, with no room for growth and an identified need to maximise efficiency and other savings. On this basis, the budget is nevertheless sustainable in the medium term, with the use of some or all of the options identified above.

11. General Fund Balances and Position in Relation to Major Reserves

11.1 In considering the level of general balances as part of budget preparation decisions, regard is given to:

- known commitments against balances in future years;
- financial risks faced by the Council and the measures in place to mitigate them or meet them financially.

11.2 The estimated level of general balances as at 31st March, 2009 and 31st March, 2010 is set out at Appendix D.

11.3 In accordance with best practice an analysis of the major financial risks has been undertaken in order to inform the level of balances deemed necessary. These are detailed at Appendix E.

11.4 In addition the Council has a range of earmarked reserves e.g. the Strategic Investment Reserve. The major earmarked reserves are also set out at Appendix F.

11.5 In accordance with Part 2 of the Local Government Act 2003 there is a requirement for the Chief Financial Officer (CFO) to report upon the robustness of the estimates and the level of reserves. In making the statement, the CFO places reliance on information provided to him by other officers of the Council as part of the budget setting process. This process involves reasonable checks and other verification, which is undertaken in accordance with the overall system of internal control to validate the information provided.

11.6 Based upon the information used in determining this Revenue Budget 2010/2011 report, including specifically:

- the Medium Term Financial Position set out at paragraph 10;
- the outcome of budget consultation set out at Appendix A;
- the Statement of General Balances set out in Appendix D;
- the Risk Analysis set out in Appendix E;
- the Major Reserves set out in Appendix F;

the Revenue Budget is considered robust and the level of reserves is considered to be adequate for 2010/2011 after an assessment of the financial risks and future plans of the Council have been taken into account.

12. Presentation of the Revenue Budget

General

12.1 Appendix G sets out the Detailed Revenue Budget 2010/2011 for each Portfolio. All changes with the exception of the adjustments relating to final considerations of council tax levels, have been incorporated into the Budget.

12.2 The Revenue Budget 2010/2011 includes details of key actions for improvement planned during 2010/2011. Detailed 'Service Improvement Plans' for each 'Head of Service' will be presented to Cabinet in due course which will provide greater detail on individual improvement and change actions. Budget tables set out in Appendix G include a cross reference to the relevant Head of Service 'Service Improvement Plan'.

Best Value Accounting Code of Practice

12.3 The presentation of the budget reflects the requirements of the Best Value Accounting Code of Practice, published by CIPFA. The purpose of the Code is to standardise the way Local Authorities account for expenditure so that comparisons can be made with other Authorities and external providers. The Code constitutes a 'proper practice' for the purposes of financial reporting and therefore assumes the status of statutory guidance. Compliance with the requirements of the Code is therefore mandatory. For next year:

- the bases of allocation of central support service and departmental support service costs have been reviewed to better reflect the actual use and or activity of each support service;
- the impact of revaluation of assets has been incorporated.

Members will appreciate that these changes, where applied, do not enable a valid year on year comparison, and some significant variations between years may be apparent because the original budgets will not reflect the amended practice or valuations.

Revised Estimates

- 12.4 Quarterly budget reports have been reported to Cabinet during the year. The revised estimates reflect changes notified within those reports. In addition the revised estimate reflects variations in asset charges arising from revaluation of assets and a number of technical adjustments e.g. contingency transfers.

Background Papers

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

Cabinet Reports 13th January 2010

- Provisional Revenue Support Grant Settlement for 2010/2011
- Calculation of Council Tax Base 2010/2011
- Revenue Budget 2010/2011

Cabinet Reports 3rd February 2010

- Final Local Government Finance Settlement 2010/2011
- Collection Fund 2009/2010

Budget Consultation Results

Presentations on the budget planning framework were made to a range of stakeholder groups in accordance with the approach to Budget Consultation agreed by Cabinet in September 2009, and feedback was noted.

The following stakeholder groups were consulted:

- Trade Unions;
- North East Chamber of Commerce;
- Youth Parliament;
- Schools Forum, Head Teachers and Governors; and

In overall terms consultees recognised that the financial position facing the Council was tight with limited scope to address spending pressures and an understandable need to identify and realise the maximum level of efficiency savings.

The consultees acknowledged the consultation as being an in-depth approach to ascertain the views of the stakeholders consulted.

In addition to the presentations, members of Sunderland's citizens' panel and the voluntary and community sector were invited to take part in a self completion survey to ascertain residents' views on seven priorities identified for further investment as outlined in the January 2010 Cabinet report. The survey was completed by 1,075 Community Spirit panel members, which is a response rate of 67%. A booster sample of 195 responses, from residents aged 18-34, who have been under represented in previous consultations was also produced to take the total responses to 1,270.

The seven priorities for investment were as follows:

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;

The survey identified a number of possible approaches to improve services in each of the priority areas and consultees were asked to rank the approaches on a scale of 1 (high priority) to 5 (low priority). The information obtained from the survey was then used to inform workshops.

Workshops were held, with Community Spirit panel members and representatives from the voluntary and community sector (including the Independent Advisory Groups), in different locations throughout the city. A total of 66 panel members attended the Community Spirit workshops and there were a further 16 attendees at the workshop for the voluntary and

community sector and Independent Advisory Groups.

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 through previous consultation exercises. 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.

With regard to the workshops, participant feedback was excellent in terms of the steps the Council had taken to engage people as evidenced below.

Of the 59 respondents who expressed an opinion, 97% were very/fairly satisfied overall and more specifically:

- 100% of the 63 respondents who expressed an opinion rated the presentation on the Budget Overview as being very good / good;
- 98% of the 61 respondents who expressed an opinion rated the question and answer sessions with officers as being very good / good;
- 93% of the 59 respondents who expressed an opinion rated the break-out group sessions as being very good / good.

The workshops enable participants to gain a better understanding of the complexities and the specific issues that have to be addressed in the budget setting process and to understand the views of other participants. This is achieved through the combination of the presentation, question and answer sessions and constructive discussion and debate during the group activity and helps participants to make better informed judgements.

It needs to be recognised however that the manner in which participants were chosen - they volunteered - means that workshop attendees cannot be regarded as being statistically representative of Sunderland citizens although

the involvement of the voluntary and community sector this year helped to better represent the interests of more marginalised and vulnerable groups.

Although the results of the workshop cannot be regarded as being statistically representative, they do give a good indication of the thinking of the participants in arriving at decisions and coming to judgements on priorities.

By taking cognisance of these results and Members own knowledge and feedback from constituents, the budget setting process becomes more informed. In addition, in considering the results of the consultation and its impact on the mainstream budget decisions of the Council, regard should be had to past investments which are still being implemented, and any special funding streams which are being used to address the issues highlighted.

Within that overall context each of the priorities identified has been considered and addressed within the budget proposals contained within this report and as detailed within the detailed Revenue Budget and Capital Programme for 2010/2011 as follows:

1. *Creating safer communities*

- provision of £98,000 is proposed to replace 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 Family Intervention Project (FIP) provides intensive support to some of the most chaotic families within the City who are at risk of losing their home due to anti-social behaviour. The project can work with up to 17 families at any one time challenging the behaviour of those families as well as providing support to modify behaviour.
The FIP model is well-recognised by the government and supports many national and local strategic aims and outcomes such as the Every Child Matters agenda, Prevention of Homelessness, Safer Sunderland Strategy, and the Housing Strategy.
- additional funding from the Home Office of £79,000 is proposed to be 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,

2. *Clean Streets*

- provision of £100,000 is included in the Budget for 2009/2010 to appoint additional Enforcement Officers (EOs) to address environmental crimes such as littering, dog fouling etc, which will increase the number of EOs to 15 across the city, so that there are 3 in each area of the city; this budget provision continues into 2010/2011.

3. City Centre

- provision of £1 million is proposed for inclusion in the capital programme for a programme of projects in the City Centre which aim to increase footfall to develop the vibrancy of the City Centre to benefit local businesses, and to increase business, visitor and public satisfaction with the City Centre; a similar sum was provided in the Budget for 2009/2010 to provide festivals and events (including Oktoberfest, farmer's markets, enhance Christmas lighting and supporting programme), street scene improvements, marketing and promotion and business support (including free Sunday parking);
- provision of £1.4 million has been included in the capital programme for 2010/2011 following the award of a contract for the demolition of levels A and B of the Central Car Park, whilst retaining the operational indoor market, as part of an overall project cost of £2.9 million.

4. Customer Service

- provision of £150,000 is proposed to be made in the capital programme for the refurbishment of the City Centre / Civic Centre Customer Service Centre reception for visitors to rationalise existing customer service facilities at the civic centre and provide a better utilisation of staff resource, increased security, to improve customer satisfaction;
- provision of £50,000 is proposed to provide further support for the Community Leadership Programme which is one of three strategic improvement programmes promoted by the Council with its key partners and is an integral part of the Council's Improvement Agenda.

5. Getting Along With each Other (Community Cohesion)

- provision of £164,000 is included in the proposed budget through the Area Based Grant from government to support the 'Prevent' Strategy.

Sunderland, along with every other Council in the country, has been asked to produce an action plan in partnership with other key agencies. The emphasis of Prevent is beginning to shift towards a more cohesion focussed approach, to support mainstream voices, this is largely following the Community Cohesion event held in Sunderland. Further details are set out at paragraph 6.4 of the main report.

6. Activities and facilities for young people

- provision of an additional £200,000 is proposed to support an expansion of youth initiatives, including the provision of the new mobile youth villages, details of which will be considered over the coming months; in 2009/2010 a sum of £300,000 was included in the Budget which funded costs associated with mobile youth facilities which, have led to significant reductions in anti-social behaviour, attracted national positive interest, and has been very well received by young people.
- 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 has recently opened;
- 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;
- an additional sum of £85,000 is proposed to fund the revenue maintenance 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;
 - a total sum of £1.7 million has been included in the capital programme for Football Facilities development which consists of a £700,000 Council capital allocation to match £1 million of 'in principle' funds from the Football Foundation to implement the Football Investment Strategy.

7. Roads and Footways

- it is proposed to continue to provide an additional sum of £400,000 to supplement the existing Highways Maintenance budget and thereby address the backlog of maintenance and incidence of claims. Allocation of the budget will be made between Highway Maintenance and Footway Maintenance in light of need, performance and satisfaction issues. Consideration will be given to also using part of this funding to support a pilot based approach to local safety schemes through relevant Area Committees.

8. Helping People to Live Independently in Their Own Home

- provision is proposed of £343,000 for the Council's Telecare Service to 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 be activated in a control room in an emergency, resulting in a response to the alarm call;
- it is proposed to create an earmarked contingency provision of £1 million to cater for any unforeseen increased costs relating to government proposals for the provision of free personal care from October 2010 for people with assessed high care needs; the consultation assumes that 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;
- a sum of £1.580 million was allocated for 2010/2011 as part of the 3 year grant settlement on introduction of the Social Care Reform 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

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

- Sea Front;
- Waste Disposal and Recycling;
- Council Tax Discount Scheme.

9. Sea Front

- provision of £1.848 million has been included in the capital programme which consists of £1 million CABE Sea Change funding and match funding of £500,000 to refurbish and remodel Marine Walk, Roker, following extensive public consultation on the Seafront Strategy. In addition, other funding has been provided as follows:
 - £168,000 contributions from Area Committees to address public realm improvements at the seafront at Seaburn
 - £180,000 to refurbish the Seafront Toilets and expand the facilities they provide. In addition, ongoing Revenue Budget provision of £12,000 has been made to secure the opening of the Seafront toilets on a year round basis.

10. Waste Disposal and Recycling

- provision of £1 million for 2010/2011 has been made, taking into account the landfill tax that will be saved when the Waste Disposal Strategic Solution comes on stream 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; the overriding intention of the strategic solution is to minimise the use of landfill as a means of waste disposal in the future;
- a sum of £159,000 is provided 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;
- provision of £867,000 in relation to the Waste Strategic Solution Partnership is provided in the Budget to fund additional preparation costs;
- a total of £2.4 million has been allocated towards the blue bin recycling scheme; however provision for a further £300,000 has been made in the capital programme, following receipt of tenders, and to make some allowance for lost bins in the early years of operating this collection arrangement.

11. Council Tax Discount Scheme

When considering a potential Council Tax Discount Scheme, an extensive range of groups were considered. Some 40 groups were identified and ranged from all Council Taxpayers to specific groups which met certain criteria, and fell into the following broad categories:

- All households
- Those in receipt of full, partial or no Council Tax Benefit, and also with or without a dependent child of 16 years of age or under.

- Age related - Both households with occupants over 65, or households with a dependent child of 16 years of age or under, and in receipt of full, partial or no Council Tax Benefit.
- Welfare related - Households in receipt of Job Seekers Allowance, Child or Working Tax Credit, lone parents, or families in receipt of free school meals.

The objective of the consultation undertaken was to consider whether a Council Tax Discount Scheme was the best way of assisting Sunderland residents, who may be impacted by the economic downturn, for example through redundancy, reduced working hours etc. or to help specific groups who may be experiencing financial hardship during these challenging economic times.

In looking to meet the objective of the Scheme, it was considered necessary to focus attention on a scheme that assisted those groups where there was actual demonstrable need, rather than a blanket application which could assist those who already had the ability to pay their Council Tax.

As the cost of the Scheme would be met by all council tax payers, it was recognised that there may be council tax payers who would not favour those schemes which would include those who had the ability to pay - a scheme that paid all pensioners for example, rather than just those pensioners on low incomes. Alternatively, some council tax payers may object to helping those already in receipt of council tax benefit, as they may consider that those in receipt of council tax benefit are already receiving help in any event.

It was considered that an important element of any successful scheme is to ensure that the majority of funding goes to the resident in need, and not on administering the scheme. It was found that only where residents were already known to the Council and therefore already verified (e.g. those already in receipt of Council Tax Benefit), could the cost of administration be proportionate to the amount of help proposed (a provisional maximum sum of £100 per individual beneficiary was considered). Other schemes, such as lone parents and all pensioners, would result in an expensive and complex application, verification and appeals process, which could be perceived as a poor use of council tax payers money as the administrative costs would be disproportionate to the benefit received by the beneficiaries.

In order to ensure a detailed consideration of these issues, a consultation exercise was undertaken, firstly by interview and secondly in a consultation workshop held with 53 residents. The majority of the group were initially in favour of a scheme, based on the survey, however, at the conclusion of the workshop, having considered the above, and other associated issues in more detail, the consultees were very mixed in their views, with those against, very strong in their objection, and those in favour being moderately in favour, and having concerns about the practical application of the scheme. From these concerns some broad conclusions may be drawn.

- The views of a large proportion of local people consulted who strongly object to the introduction of a council tax discount scheme because they perceive it to be inequitable, need to be considered. Other Councils that have introduced such schemes have experienced negative feedback and opposition.
- There is a need to consider the views of those council tax payers who take the view that the wider benefits system is the means by which financial assistance to those in need should be provided and that a scheme to bolster that wider benefits system payments is not an appropriate use of council tax funds.
- As the scheme is being funded by Council Taxpayers it may be that the scheme causes a burden to those who are in need but miss out due to eligibility criteria.
- The size of any payment is unlikely to remove households from the 'poverty trap' and resources could be better used improving access to other benefit entitlements, educating and facilitating those in receipt of benefits to maximise their use of such benefits and their status, and providing targeted services and assistance to those experiencing financial hardship.
- Whilst the scheme could be introduced as a 'one off' for 2010/2011 there would be pressure to continue in future years. Given pressures on future years' budgets this may not represent the best use of resources in those years given other spending pressures. Other Councils who have introduced similar schemes in 2009/2010 have restricted eligibility in future years to existing applicants.

The results of the consultation, and the conclusions arising, point to the need for the Council to understand and support the precise needs of those suffering financial hardship and target their support and services to those citizens and address their specific needs. Thus, it is considered that the overall increase in council tax should be kept as low as possible and that the Council should consider measures to support as far as possible those most in need.

The following actions are therefore being considered:

- That the Council lobby for changes to the benefits scheme at a national level to seek to tackle those groups of people who continue to suffer financial hardship.
- That the Council continues to try to identify and reach those families and vulnerable individuals who are entitled to benefits but do not take up those benefits and seeks to encourage the take up of those benefits using existing and new routes.
- That the Council explores new ways of targeting those people "just missing out" and experiencing financial hardship, firstly examining their needs and secondly, by seeking to reconfigure and target services to meet those needs.

Appendix D

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)
Contributions to Balances 2009/2010		
- Debt Charge Savings	3,000	
- Contingency Savings	2,500	
- Local Authority Business Growth Incentive Scheme Grant	379	
- VAT Refunds	1,300	
		7,179
Proposed Utilisation of Balances in 2010/2011		
- Contribution to Revenue Budget	(3,307)	
- Contribution to fund the Capital Programme	(3,872)	
		(7,179)
Estimated Balances 31st March 2010		7,569

General Balances – Financial Risk Analysis

Inflation

Risk is that pay and price increases may exceed the levels provided for within the budget.

This is very unlikely to occur due to the realistic prudent provisions made:

- prudent provision has been made for the Green Book employees pay award;
- teacher's pay for the pay settlement of September 2010 has been settled at 2.3% and is factored into the 2010/2011 Revenue Budget and Medium Term Financial Strategy;
- the government has proposed pay awards in the range of up to 1% in 2010/2011 for key public service workforces not in multi-year deals and is seeking a 1% cap on basic pay uplifts across the public sector for 2011/2012 and 2012/2012. Local Government employers have offered a zero pay increase for 2010/2011 against a pay claim by the unions of 2.5% or £500 (a total cost increase of 2.8%);
- currently RPI is 2.4%, RPIX is 3.8%, and the Consumer Price Index (CPI) is 2.9% and the inflation outlook (CPI) for the year ahead is within the 0.5% to 2.7% banding.
- provision for price increases has been included in the budget on the basis of:
 - contract related budgets – 2.0%; with lower provision for certain areas;
 - other budgets - 0%
- expenditure in respect of most of the budget heads can be either influenced or controlled;
- separate provision has been made for fuel and utility costs, which have been subject to significant price variations over the last year. Council procurement officers are continuously monitoring price changes in order to take advantage of any purchasing opportunities that may arise.

Debt Charges

Risk is that Debt Charges will be greater than budgeted.

This is very unlikely to arise due to:

- a prudent estimate has been made for 'in year' ring fenced Supported Capital Expenditure' and a prudent provision has been made to enable potential borrowing under the prudential framework with some limited headroom for unplanned borrowing;
- our current level of variable rate debt is £45.9m and our fixed level of debt is £132.4m. The requirement to borrow in 2010/2011 is estimated to be a maximum of £50.6m and is made up from:
 - £2.6m of the 11.75% stock that matured in November 2008;
 - £24m of PWLB loans replacement. These loans (with interest rates varying from 4.05% to 4.30%) were prematurely repaid on 12th January 2010 as part of a rescheduling exercise;
 - £14m potential unsupported capital borrowing;

- £10m potential LOBO replacement.

Provision for this requirement to borrow is included in the budget and the Director of Financial Resources will review the position in the light of prevailing market conditions to decide the most appropriate action. There is a limited risk, which is not considered material, in respect of very rapid rate increases in 2010/2011. The market consensus regarding the economic outlook for the year ahead is that base rates will increase from 0.5% to 1.50% by March 2011 and PWLB 50 year rates will increase from the current level of 4.44% to 5.0% by March 2011.

- a contingency exists for any additional new borrowing costing more than forecast.

Investment Interest

Risk is that income generated will not match budget provision.

This is unlikely to arise as the base budget has been adjusted and a prudent rate of return has been estimated and included in the budget, which reflects the investments made to date, the prevailing market conditions and the economic forecasts for the year ahead.

Contingencies

Risk is that the contingency provision will be insufficient to meet the needs identified.

This is unlikely to occur due to:

- prudent estimates being included in respect of each category of contingency provision and specific contingencies have been created for all known spending pressures in 2010/2011;
- the total contingency provision is deemed sufficient in the context of the net revenue budget;
- general contingencies have been set at £0.900.m.
- past experience suggests an underspending against contingency provision.

Risk Management

Risk is that all risks have not been identified and that major financial consequences may result.

This is very unlikely to occur due to:

- existence of Bellwin Scheme;
- the Council has a corporate risk profile in place, which is regularly and formally reviewed, and action is taken to mitigate and manage risks;
- corporate and directorate risk management action plans are maintained;
- comprehensive self and external insurance arrangements are in place;
- adequate self insurance funds including both provisions and reserves;
- risk management practices are assessed as part of the CAA process and have been found to be robust and continue to be highly rated.

Financial Planning

Risk is that a major liability or commitment is currently known but has not been taken into account in the financial planning of the Council.

This is unlikely to arise due to:

- the existence of a comprehensive Medium Term Financial Strategy process with regular updates during the year;
- benchmarking and networking with other senior finance staff in other authorities who are likely to identify similar liabilities;

The position regarding equal pay claims is subject to rigorous monitoring and review. Reserves and provisions have been created to address the potential liability and appropriate action will be taken as necessary should there be any indication that liabilities will exceed the funding earmarked.

Revenue Budget - Budgetary Control

Risk is that the budget will be overspent in the year.

This is very unlikely to occur due to:

- monthly budget monitoring is in place in all Directorates;
- quarterly Council-wide Revenue Budget Budgetary Control reviews are undertaken, reported to Cabinet and corrective action agreed or set in train;
- Financial Procedure Rules relating to delegated budgets provide for virement and carry forward of under / over spending to be used / met the following financial year;
- clear budget management responsibilities are in place and recorded within the Corporate Improvement Plan;
- demonstrable track record.

Capital Programme Implications

Risk is that funding will not be available as planned or that over spending may occur.

This is unlikely to happen due to:

- project sponsors are identified for each capital programme project and recorded within the Capital Programme;
- quarterly Council-wide Capital Programme Budgetary Control reviews are undertaken, reported to Cabinet and corrective action agreed or set in train;
- budgeted revenue contributions to fund capital expenditure and the Prudential Borrowing regime gives added flexibility in terms of financing the Capital Programme.

Reductions to the Revenue Budget

Risk is that planned efficiency reductions to the Revenue Budget will not occur or are unachievable.

This is unlikely to occur due to:

- the reductions to budgets planned have all been subject to due diligence and there are no significant barriers to implementation;
- the budgetary control processes that are in place will identify any shortfall and remedial action will be taken;
- contingencies exist to safeguard against the non - realisation of some of the efficiency reductions.

Availability of Other Funds

Risk is that the Council could not call on any other funds to meet unforeseen liabilities.

This is very unlikely as the Council has a range of other funds which whilst earmarked are not wholly committed e.g. Strategic Investment Reserve.

Impact of the Economic Downturn

Risk is that the impact of the economic downturn is so severe and so deep as to have a significantly greater impact on the Council's financial position than currently envisaged

The length of and continuing impact of the economic downturn is unknown at this stage but the issue and its effects on the Council's financial position will be kept under constant review so that remedial action can be taken at the earliest opportunity.

Appendix F

Major Earmarked Reserves - Position Statement

Title and Purpose of Earmarked Reserve	Opening Balance 1/4/2009 £'000	Estimated Movement in the Year £'000	Estimated Balance 31/3/2010 £'000
<p>Strategic Investment Reserve A reserve established with the proceeds of the Housing Stock Transfer and Airport Share Sale to address some of the Council's key developments, strategic priorities and address other major liabilities.</p>	56,184	(9,506)	46,678
<p>Council Directorates - Delegated Budget Surpluses The Council has approved the operation of a delegated budget scheme in accordance with Financial Procedure Rules which provides specific flexibility in the management of Directorate Budgets, for instance by allowing the carry forward of delegated budget under spend from one financial year to the next. There is a balance held by Directorates at the end of each financial year. The majority of the balances held are earmarked for investment in specific projects, including: - Working Neighbourhoods Fund - £3.343m - Strategic Initiatives Budget (Area Committees) - £2.016m</p>	10,949	(3,383)	7,566
<p>Schools Delegated Budget Surpluses These are the financial reserves held by schools under the Local Management of Schools/Fair Funding arrangements. The level of un-earmarked balances, is limited to 8% for Primary, Nursery and Special Schools and 5% for Secondary Schools in accordance with a detailed scheme, with balances in excess of these thresholds requiring the approval of a licensed surplus application at individual school level.</p>	8,624	(3,443)	5,181
<p>Insurance Reserve This reserve has been established to provide for potential claims associated with the housing stock transfer, future claims increases and risk management funds.</p>	5,384	134	5,518
<p>Street Lighting PFI Smoothing Reserve The reserve was established in order to smooth the financial impact of the Street Lighting PFI contract across the 25 years of the contract life. In the early years of the contract surpluses are achieved as the full level of unitary charge is not incurred until the core investment programme for the installation of the new street lighting and highways signs is completed.</p>	7,637	(320)	7,317
<p>Unutilised RCCO Reserve - This reserve consists of unutilised direct revenue financing and is fully earmarked to fund capital projects previously approved.</p>	7,559	(1,142)	6,417
<p>Strategic Investment Plan Reserve A reserve to fund the Council's contribution to its Strategic Investment Plan approved by Council in April, 2008.</p>	12,741	(2,037)	10,704