

Revenue Budget and Proposed Council Tax for 2011/2012

Report of the Chief Executive and Executive Director of Commercial and Corporate Services

1. Purpose of Report

- 1.1 To report:
- the overall revenue budget position for 2011/2012;
 - the projected balances position as at 31st March, 2011 and 31st March, 2012 and advise on their level;
 - a risk analysis of the Revenue Budget 2011/2012;
 - a summary of the emerging medium term financial position facing the Council from 2012/2013 to 2014/2015;
 - any views received from the North East Chamber of Commerce and Trade Unions.

2. Description of Decision

- 2.1 Members are requested to:
- recommend to Council the proposed Revenue Budget for 2011/2012 set out at Appendix H;
 - recommend to Council the proposed Council Tax for 2011/2012 at Appendix D – Proposed Council Tax 2011/2012 – See Item 4 of the Cabinet Report in the Council Summons;
 - note the views, expressed by the North East Chamber of Commerce and Trade Unions.

3. Introduction

- 3.1 Cabinet will be aware that it approved budget proposals for the purposes of ongoing budget consultation at its January 2011 meeting. At that stage there were a number of uncertainties and outstanding issues primarily;
- finalisation of additional savings from service reviews and other options to meet the funding gap;
 - the outcome of the Final Local Government Revenue Support Grant Settlement for 2011/2012 and related grant announcements;
 - the final Collection Fund position;
 - the outcome of budget consultation which is to be taken into account in the final budget proposals.
- 3.2 In presenting the Revenue Budget 2011/2012 this report covers the following areas
- Current Overall Position 2011/2012 and 2012/2013;
 - Adjustments/Final position February 2011;
 - Key Strategic funding Issues;

- Outcome of Budget Consultation;
- Spending Pressures and Commitments
- Additional Proposed Investments
- Proposals To Meet Funding Reductions
- Detailed budget pages
- Medium Term Financial Position
- Overall Outlook
- Balances and Reserves
- Presentation of the Revenue Budget

3.3 Taking account of the above Cabinet is asked to consider the final budget proposals and detailed revenue budget as set out in Appendix H, including the proposed use of balances and the position in relation to major reserves, for recommendation to Council.

4. Current Overall Position 2011/2012 and 2012/2013

4.1 The January Cabinet report set out the provisional settlement for the Authority and confirmed that when cost pressures were taken into account reductions to service budgets amounting to £38.7million in 2011/2012 and £23million in 2012/2013 were required. The report also referred to progress at that stage in relation to proposals to address the position. This included the need to develop further proposals to meet the £13.8 million gap arising primarily as a result of front loading of Formula grant reductions.

4.2 In addition to the above the report also outlined the changes regarding other grants which in overall terms had reduced by a further £19.1 million to primarily reflect the cessation of Area Based grants funding of £15.6m and reductions in grants of £3.5m. Also highlighted were the significant changes in respect of the schools funding position. The report outlined the steps that were being taken by Portfolio holders in addressing the position.

4.3 Details have emerged since the provisional settlement which have enabled the full impact of all of the grant reductions to be understood. In overall terms taking formula grant reductions, ability to access Council tax freeze grant, cost pressures and other grant reductions into account the total reductions required for 2011/2012 are £57.8m. In accordance with the budget planning framework:

- reductions in formula grant, ability to access Council tax freeze grant and cost pressures amounting to £38.7m have been addressed through business transformation savings and other proposals as set out in section 10.2.
- reductions to area based and specific grants amounting to £19.1million were passported to relevant services and are being addressed as set out in section 6.4.

5. Adjustments /Final Position February 2011

Collection Fund

- 5.1 The Collection Fund position is reported elsewhere on this agenda. The Collection Fund position is positive and the surplus available to the Council to be taken into account in the budget and council tax calculations has been estimated at £500,000.

Council Tax Base

- 5.2 The Council, at its meeting on 26th January, 2011, approved the Council Tax Base for the area covered by Hetton Town Council (£4,017) and the City Council area (£80,167).

6.0 Key Strategic Funding Issues

- 6.1 In terms of key strategic funding issues the following are covered in detail:

- Final Local Government Finance Settlement;
- Changes to the Area Based and Specific Grants Regime;
- Impact of grant reductions;
- Schools funding position.

6.2 Final Local Government Finance Settlement

- 6.2.1 The final position on the Local Government Finance Settlement for 2011/2012 was announced on 31st January 2011.

- 6.2.2 Details of the changes at a national and local level are set out at Appendix A with the key issues affecting Sunderland set out below:

- The Council's final formula grant entitlement for 2011/2012 has reduced by £0.030m from that announced in December 2010 to £158.102m. For 2012/2013 the entitlement has reduced by £0.028m to £145.809m.
- The threshold for the reduction in Revenue Spending Power over which Transition Grant will be paid has reduced by 0.1% to 8.8%. Those Councils whose spending power has been reduced by more than 8.8% will receive Transition Grant. As Sunderland's Revenue Spending Power has reduced by 8.88% the Council will now receive Transition Grant of £0.267m in 2011/2012. The Council does not qualify for any Transition Grant in 2012/2013.
- An updated position in respect of changes to all area, specific and core grants is set out at section 6.3.
- The schools funding resources will reduce by £8.088m.

6.2.3 The Government has not yet released details of its Council Tax capping criteria but has indicated it will use these powers if necessary and has also indicated that a council tax veto for council tax payers will form part of the localism bill.

6.3 Overall Summary of Changes to All Grants

6.3.1 The table below sets out the impact of cuts to all grants following the final settlement which shows that latest notified cuts to grants will be £39.197m in 2011/2012 (£20.1m Formula grant and £19.1m Other grants).

	2010/11	2011/12	Change	Change
	Adjusted	(£m)	(£m)	(%)
	£m			
Formula Grant	178.243	158.102	-20.141	-11.3
Learning & Disabilities	10.834	11.056	0.222	2.05
Early Intervention Grant	17.968	15.651	-2.317	-12.9
New Deal for Communities	2.366	0	-2.366	-100
Cohesion	0.107	0	-0.107	-100
Working Neighbourhood Fund	9.940	0	-9.940	-100
Prevent	0.116	0	-0.116	-100
Housing and Council Tax Benefit	3.682	3.383	-0.299	-8.12
Preventing Homelessness	0.181	0.216	0.035	19.34
Children's Grants	4.555	-	-4.555	-100
Flood and Water Management	-	0.120	0.120	100
Transitional Grant	-	0.267	0.267	100
Grant Changes *	227.992	188.795	-39.197	-17.2

*Before Council Tax freeze grant of £2.376m and inclusion of NHS funding £4.339m which will be channelled through the Health Authority for Supporting Social Care

6.3.2 The table reflects the following:

- changes in formula grant and transitional grant;
- an additional core grant allocation £0.120m to cover the costs for local authorities in putting in place and carrying out new responsibilities under the Flood and Water Management Act 2010 such as flood mapping, producing risk management plans and supporting community flood awareness groups.

6.3.3 In addition to changes in the grants set out above the following should be noted

- Latest guidance in relation to Council Tax Freeze grant indicates grant would be £2.376m;
- Notification of allocations remain outstanding in relation to:
 - PFI core grant - the allocation for the council is not expected to change from the previous year's allocation;
 - New Homes Bonus Grant - proposals for use of the funding will be considered once firm allocations are known;
 - Music Services grant and Rights to Free Transport grants are expected to be announced in March 2011;
 - Community Safety Fund and Stronger Safer Communities Fund– the Government has announced the total grants but has yet to notify councils of their allocation. At this stage the budget proposals assume that funding will be maintained at a similar level to 2010/2011. Should final allocations be less than the 2010/2011 allocation this position will need to be revisited.

6.3.3 No further changes to Area Based Grant have been announced. Sunderland previously received £35.9m through this mechanism in 2010/2011. These funds have either ceased or have been redirected through other funding streams:

- Working Neighbourhoods Fund (£9.9m), Cohesion (£0.1m) and Prevent (£0.1m) grants have ended (£10.1m in total);
- £17.4m worth of grants have transferred into Formula Grant;
- Grants totalling £3.3m have transferred into the Early Intervention Grant;
- Education related Grants totalling £4.5m have ended and are being used to fund the new Pupil Premium;
- Grants still unknown £0.6m

6.4 Impact of Cuts to Specific and Special /Core Grant

6.4.1 As set out in 6.3.1 of the overall grant reductions of £39.2million, £19.1million relates to area based and specific grants. In accordance with the budget planning framework this reduction has been passported to relevant activities as set out in the report to Cabinet in January:

- Grant reductions were to be passported to the areas of relevant expenditure in accordance with actions taken in relation to the in year grant reductions for 2010/2011 and the agreed approach set out within the Budget Planning Framework;
- Expenditure relevant to the core grants that increased were frozen at their 2010/2011 level of funding, with the increased funding available in 2011/2012 of £0.257m made available to meet the overall

6.4.2 In considering the reductions Portfolio Holders in conjunction with Directors, have considered the impact of all of the changes on a holistic basis. This has involved reviewing all services to ensure that resources are targeted to the highest priority areas and front line service impact minimised. The following should also be noted;

- A fundamental review of the children’s services budget has been undertaken in light of the level of cuts in Children’s Area Based Grants and Core grants in addition to Formula grant reductions. The overall approach has been to enable key service delivery to be continued particularly the core youth offer, current and enhanced levels of service for children with disabilities, and Connexions service statutory responsibilities.
- Support to Community Cohesion projects of £0.107m will be retained because of the priority attached to these projects. Projects associated with the Prevent grant will be delivered in a different way to ensure the impact of cuts are mitigated. Further examples of this approach are outlined in the report.
- The other significant cut to Area Based grants relates to the cessation of Working Neighbourhoods funding of £9.940 million which was targeted on the parts of the country suffering from the highest levels of worklessness. As Members will be aware Working Neighbourhood Funds have been used in Sunderland to support growth in jobs and employment in the growth of new and small enterprises. The Fund has also been used to support and develop existing businesses in the city. All measures intended to strengthen the local economy and local opportunity. The termination of this fund without any transitional arrangements has meant the cessation of this critical investment in the local economy.

6.5 Department of Education Grants Position

6.5.1 Final notifications of the outcome of Department for Education grant funding changes of £8.088 million are set out below:

	Local Authority Funding	Individual Schools Budget	Total Department for Education Grants
	£m	£m	£m
Funding DSG	(1.100)	1.100	-
Reduction in Pupil Numbers		(3.916)	(3.916)
Area Based and Specific Grants	(4.555)		(4.555)
Harnessing Technology Grant		(0.700)	(0.700)
Early Intervention Grant	(2.317)		(2.317)
Pupil Premium		3.400	3.400
	(7.972)	(0.116)	(8.088)

- 6.5.2 As in previous years schools were already planning to deal with a £3.9m reduction as a result of changes in pupil numbers. In order to fund the new Pupil Premium the Department for Education has ended £4.5 million of Area Based Grants. These are grants that supported targeted intervention and development needs in schools. In addition the Harnessing Technology Grant is to end. This currently pays for Broadband connectivity and a managed internet service in all schools. Schools will now be required to fund this connectivity at an additional cost of £0.7m.
- 6.5.3 The pupil premium grant must be passed on in its entirety to schools based on known eligibility for free school meals as at 20th January 2011. As a consequence, the changes to grant funding mean that Children's Services are required to reduce expenditure in respect of those areas previously funded from the specific grant i.e. Area Based Grants and Early Intervention Grant. The impact of Government in year grant changes mean that the reduction in grants is 24.3% compared to 2010/2011 for services such as Children's Centres supported through Early Intervention grant. The Early Intervention and prevention offer is being reviewed to reflect universal and targeted need.
- 6.5.4 As part of a strategy to minimise the impact of loss of grant and overall funding on service delivery to schools and therefore children and young people, Children's Services are working with schools to develop a school centred model for the delivery of particular services. This reflects the Government's "The Importance of Teaching" White Paper and is factored into the budget over the four year period of the spending review.

7. Outcome of Budget Consultation

- 7.1 The Budget and Policy Framework procedure rules contained within the Constitution of the Council requires consultation on budget proposals to take place. In September 2010 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2011/2012 and proposed briefings to the following stakeholders:
- Trade Unions;
 - North East Chamber of Commerce / Representatives of Business Ratepayers;
 - Voluntary Sector;
 - Youth Parliament;
 - Schools Forum, Head Teachers and Governors.
- 7.2 Presentations have been made to the stakeholder groups at each stage in the budget preparation process and reports are referred to the Management Scrutiny Committee for review.

7.3 In addition to the above stakeholder consultation, a survey was undertaken with the citizen's panel - Community Spirit - on nine service priority areas for 2011/2012. The survey was also available to the general public to complete online. The survey asked respondents to indicate the extent to which they agreed that the areas identified should be a priority for 2011/2012 and the survey confirmed that each area remained a high priority. Respondents were also asked whether they think the priority areas have got better, worse or stayed the same over the last 12 months and perceptions.

The results are summarised below;

	Priority	% Better	% Stayed the same	% Worse
1	Community safety	19.3	65.5	15.2
2	Refuse collection	67.4	30.2	2.4
3	Road and footpath maintenance	9.5	37.8	52.7
4	Clean streets	18.8	64.8	16.4
5	City Centre	17.5	43.2	39.3
6	Facilities for young people	44.6	42.3	13.1
7	Affordable decent housing	27.4	48.5	24.1
8	Enabling people with a disability, illness or health condition to live independently through access to services and facilities	31.2	58.9	9.9
9	Community integration	15.7	71.5	12.8

7.4 In addition the survey also asked respondents the extent to which they agreed with the Council's approach to meeting the impact of the Government funding cuts through its improvement programme. 79% of respondents either strongly agreed or tended to agree with the Council's approach.

7.5 To supplement the survey, workshops were held, with Community Spirit panel members and representatives from the voluntary and community sector, in different locations throughout the city. The workshops also focused on the nine priority service areas and provided participants with an opportunity to talk to council officers about what is important to them in relation to the priority areas. These findings are considered together with the qualitative feedback from the survey.

7.6 More details of the findings of the consultation are included in Appendix B.

7.7 All of the feedback from the various consultations has been considered. The budget proposals in this report, taken together with the necessary proposals for reductions in spending, fully recognise the priorities identified and the need to prioritise resource allocation accordingly.

7.8 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 C.

8. Spending Pressures and Commitments

8.1 Resources

Port

The Port continues to be affected by the global economic downturn and continued difficult trading conditions, resulting in reduced income levels continuing to be experienced. The Port Director continues to seek new business and commercial opportunities in order to mitigate the deficit position. However at this stage it is considered prudent to include provision of £750,000 to address this shortfall in income.

Debt Charges

Provision of £1m is included to meet the debt charges arising from the existing Capital Programme Scheme approvals and in recognition of the impact of the increase in new prudential borrowing costs announced in the Spending Review.

Pensions Deficiency and Employers Superannuation Contribution

The council has received provisional notification of the outcome of 2010 Actuarial review of the LGPS Fund Valuation. This has advised of an increase in the Deficiency Fund requirement for 2011/2012 of £0.208m. However the Employers superannuation contribution rate is to reduce by 0.1% to 14.4% which reduces the net impact on the Council budget for 2011/2012 to an additional cost of £0.102m. Provision is included within the budget proposals for this amount.

8.2 Healthy City

The following proposals are made:

Fees for Independent Care Providers

An additional £1.064m is provided to assist in funding fees for independent care providers for children's social care in 2011/2012.

In addition there are a number of other proposals for investment that are outlined later in the report to enable services to be reconfigured in accordance with the 15 year modernisation plan for adult social care.

8.3 Children and Learning City

The proposals include the following:

Fees for Independent Care Providers

An additional £0.394m is provided to assist in funding fees for independent care providers for children's social care in 2011/2012.

Safeguarding

A sum of £1.5m is provided to fund the following:

- The safeguarding service continues to experience a high number of referrals in Case Management. In order to respond to these additional safeguarding needs, additional and more costly agency social workers have been appointed to ensure the Council has been able to respond appropriately to need and demand. Children's Services implemented a strategy to address the underlying workforce issues.
- A planned Recruitment and Retention strategy is beginning to have an impact on recruitment, including recruitment of experienced social workers from the United States. The ongoing implication of maintaining the established number of social workers and having plans in place to reduce reliance on external agency staff is £350,000.
- Sunderland still has relatively few looked after children placed in external placements in comparison with most other local authorities nationally and regionally. However, the cost of these placements results in a significant budget pressure. Based on the outturn position over the past 3 years for external placements there is an inherent budget deficit within Children's Services of £1.150m. Whilst strategies are in place to recruit additional foster carers to meet current and projected demands it is important to address this shortfall. The impact of the implementation of the Children's Placement Strategy and in particular the Foster Care Strategy will be closely monitored to ensure savings are realised in the medium term.

8.4 Prosperous City

The following proposals are made:

- **Working Neighbourhoods Fund**
When Working Neighbourhoods Fund was introduced in 2008/2009 the Council agreed that £1.070m of the fund be utilised to support mainstream Council Business Investment Activity and job creation schemes on a temporary basis for each of the three years of the life of the fund through to 2010/2011. As the Working Neighbourhoods funding is to cease from 2011/2012, it is necessary to replace the use of the grant with

mainstream Council resource. A sum of £1.070m is therefore included within the budget.

- **Economic Downturn**

The Council continues to experience a downturn in income in relation to a number of services including car parking, rents from the property portfolio, planning application fees, and income in respect of leisure activities. Whilst it is planned that all services will be subject to service review, it is considered prudent to include a sum of £0.750m in the budget planning proposals.

8.5 Sustainable Communities

The following proposal is made:

- **Waste Disposal**

In accordance with the policy of gradually building up provision within the Council's base budget to fund the eventual affordability gap associated with the Waste Disposal Solution, it is proposed to make provision of £1.2million for 2011/2012, taking into account the landfill tax that will be saved when the Waste Disposal Strategic Solution comes on stream.

8.6 Attractive and Inclusive City

The following proposal is made:

- **'Kerb It' Replacement Scheme**

A sum of £124,000 is proposed to meet the additional costs of leasing vehicles to support the 'blue bin' scheme which is replacing the existing 'kerb it' scheme. This will allow for the provision of rear end loading vehicles to accommodate the new bin.

9. Additional Proposed Investments

9.1 Revenue Budget Position 2010/2011

As referred to in the January 2011 Cabinet report some savings are being generated in 2010/2011 from actions to meet the 2010/2011 in year Government Grant Reductions as well as from Interest on Balances, Debt Charges, and unutilised contingency provisions. However, any savings generated will be required to fund the following significant spending pressures as a result of implementing the savings proposals.

9.2 Invest to Save Transitional Costs

- SWITCH Team

To enable transition to revised operational arrangements reflecting the Sunderland Way of Working the Council has established the SWITCH team. This will enable people who are displaced as new organisational structures are established, to be given the

opportunity of alternative employment in priority projects until they are accommodated in a permanent position within the council's new operating arrangements. During this period of transition, the temporary costs associated with these staff in transition will need to be met. These costs include salaries, retraining, and placement. A sum of £8.3m has been provided within the budget. This will be reviewed on an ongoing basis together with the impact of any other transitional costs related to the implementation of savings proposals which will be reported to Cabinet as appropriate.

9.3 **Invest to Save Directorate Modernisation Programmes**

There are a number of significant pressures in Adult Services arising from demographic changes and implementation of Government policy. In accordance with the Budget Planning framework policy of identification of actions to contain pressures, Health Housing and Adult Services have identified £4.509 million of additional savings proposals in order to reinvest in the following areas:

- **Home care services (£1.709m)**
Investment in low level preventative services such as Home Care, in line with Government and Council policy to support more people to live at home for longer should they choose this, thereby helping prevent more costly admissions to residential and nursing care.
- **Extra care facilities (£0.629m)**
Investment in Extra Care facilities (Cherrytree Gardens) and additional new schemes helps prevent admissions to residential and nursing care and provides people with their own independence.
- **Accommodation solutions (£2.105m)**
Investment in new accommodation solutions for:
 - Clients with Learning disabilities, including the provision of community living schemes and provision of care support teams within these facilities. This assists in meeting increasing demand for these services as people with significant disabilities are living longer. This in turn prevents admissions to Residential and Nursing care and promotes independence – £1.888m
 - Clients with Mental Health needs, including the provision of Residential and Nursing care facilities and other accommodation solutions. This helps to meet an increasing demand for the service and promotes independence - £0.217m
- **Home Improvement Agency services (£0.066m)**
Investment in the Home Improvement Agency which delivers Disabled Facility Grants and assists home owners to achieve Decent Homes Standards, together with providing minor alterations and the Handyperson service. These services all

help to maintain people within their own homes for longer, thus preventing more costly forms of support and admission to residential care. In addition it ensures that people live in homes which are of a decent standard.

- 9.4 In addition to the above there is a need for additional investment which enables economic regeneration in the city at this time of economic restraint. It is proposed that a specific sum be included to support Festivals and Events that can demonstrate strong value for money in terms of impact on the local economy.

10. Proposals to Meet Funding Reductions

10.1 Impact of the Settlement on Budget Planning

- Cabinet agreed in October 2010 that taking into account the Sunderland Way of Working and existing initiatives, Directors should bring forward savings, based on 10% targets, to be reviewed and reassessed as confirmed changes in Government funding were announced and as the Business Transformation Programme progresses.
- The impact of the Comprehensive Spending Review announced on 20th October 2010 was reported to Cabinet in December 2010, and Cabinet agreed at that time that the work set out above, together with a much increased focus on Service Reviews would enable the Council to address the anticipated overall funding gap.
- The Final Settlement has confirmed the need to make ongoing reductions of £38.7m in 2011/2012 and a further £23m in 2012/2013 (excluding Area and specific grant reductions being passported as set out in 6.4.1).

10.2 Summary of Budget Reduction Actions

The table overleaf shows the financial impact of efficiency savings proposed to be taken into account in the budget for 2012/2012 and 2012/2013. It reflects plans fully in place to deliver the 2011/2012 efficiencies, The table reflects the latest position in respect of Business Transformation savings and Service reviews amounting to £26.382million which were reported in detail to January Cabinet.

Following final adjustments the residual funding gap of £12.3m is to be met from additional proposals as set out in section 10.4. Plans are in development to deliver the full 2012/2013 savings.

Summary of Proposals

	2011/12		2012/13	
	£m	£m	£m	£m
Savings Proposals				
Business Transformation Programme	17.416		8.086	
Service Reviews	8.966	26.382	6.453	14.539
Additional Savings Proposals				
Directorate Improvement Programmes		0.573		0.181
One off Use of Surpluses, Reserves, Capital Grant Flexibilities		5.450		
Back Office Services		0.753		0.520
Overheads/General Efficiencies		2.771		0.083
Additional or Alternative Sources of Income		2.781		0.181
TOTAL		38.710		15.504

10.3 Business Transformation Programme (£26.382m)

10.3.1 One of the key ways the Council has been planning to address the anticipated reduction in public spending has been through the Business Transformation Programme. The programme is examining every aspect of the way we work by looking at the organisation in a different way with two main objectives:

- To challenge what we are doing, how we are doing it and how effective it is;
- To organise in a way that maximises value for money and releases resources to protect front line services.

The net effect of the programme is to make savings from non-front line services in order to protect front line service delivery wherever possible

The table below sets out the summary position in respect of savings anticipated from the Business Transformation Programme.

	2010/11	2011/12	2012/13
	£m	£m	£m
Gross Project Savings			
Strategic and Shared Services	3.323	7.923	3.778
Customer Services	0.124	1.013	0.794
ICT	0	0.639	0.494
Property Rationalisation / Smarter Working	0	0.766	0.522
Service Assessment and Commissioning			
- Procurement	0.664	5.011	1.561
- Service Reviews Phase 1	0	2.064	0.937
- Service Reviews Phase 2	0	8.966	6.453
Programme Savings	4.111	26.382	14.539

10.3.2 The reviews in respect of each element of the programme are will provide significant savings which are to be taken into account in the 2011/2012 budget and over the next three years. Plans are being implemented in respect of the following key strands of business;

- Strategic and Shared Services**

This review is implementing new standardised ways of delivering support services by bringing staff together within their own area of expertise, introducing standardised consistent practices, redesigning processes and using ICT to maximise efficiencies.
- Customer Services**

All customer contact to be undertaken through the Customer Services Network in order to:

 - maximise resolution at the first point of contact,
 - avoiding unnecessary contact,
 - further develop transactional website functionality.
- ICT**

The pooling of ICT software and Hardware will enable the most efficient and effective way to meet the needs of the business and reduce costs. The use of ICT will be maximised with additional investment where there is a sound business case to do so.
- Property Rationalisation and Smarter Working**

Maximisation of the use of space available and utilisation of the lowest number of locations will save on running costs. In addition the use of ICT will enable alternative forms of working for example, home working, hot desking or use of hand held devices to deliver speedier services.

- **Service Commissioning and Review and Procurement**
 - Procurement
Centralising procurement activity and ensuring all purchasing goes through expert procurement officers will enable significant savings to be made from bulk purchases.
 - Service Commissioning and Review
The reviews seek to gain a comprehensive understanding of customer need and how best that need can be delivered in respect of front line and other services in the most productive manner. This includes involving communities and people who use services in the design of outcomes based services.

The budget for 2011/2012 takes into account savings arising from service reviews in relation to:

- Facilities Management,
- Health Inequalities
- Planning Services
- Services for Over 65s
- Information, Advice and Guidance
- Transport and Fleet Management
- Neighbourhood Services
- Sport, Leisure & Wellness
- Housing Related Support

These latter areas of service review relate to front line services however, whilst inevitably it is likely that there will be changes to the current services provided in order to deliver the required savings, the intention of all service reviews will be to ensure that as far as possible the same outcomes can be achieved for less. The key intention will be to safeguard priority services and ensure resources are targeted appropriately by clearly focusing service standards on front facing service delivery and increasing productivity. Proposals developed for 2011/2012 savings accord with these principles.

10.4 Additional Proposals

In order to meet the 2011/2012 funding gap and to enable a balanced budget to be set Directorates have identified additional proposals including:

- Directorate improvement programmes
- use of delegated surpluses, reserves and other one off reductions in spending which will be replaced with permanent ongoing savings for 2012/2013.
- back office savings in addition to those arising through the BTP;
- general efficiencies in relation to overhead costs;
- opportunities for additional or alternative sources of income.

The detailed Revenue Budget Pages included at Appendix H include a commentary of the proposals by Portfolio holders in conjunction with Directorates to address the budget reductions. The commentary makes reference to the business transformation programme proposals as well as the additional proposals. A summary of the main areas are set out below.

10.4.1 Directorate Improvement Programmes (0.573m)

In accordance with the budget planning framework Directorates have brought forward proposals for services through the Sunderland Way of Working in addition to the larger service reviews. The savings are primarily as a result of more focus on modernisation of services through integrated working across the Council and with partners to improve working arrangements and outcomes for citizens.

10.4.2 Use of Delegated Surpluses, Other Reserves and Stopping spend on a One Off Basis - £5.450m

Given the level of front loading of reductions and recognising the time taken for service reviews to be considered robustly to ensure redesigned services deliver community needs a further review of all reserves and delegated surpluses has been undertaken. This review has led to:

- resources being released which were earmarked to support capital or revenue projects, which have either been stopped or delayed or funded through a different route. For example use of commuted sums capital reserves which will now be supported through the revenue budget and redirection of capital grants using grant flexibilities.
- Directorates reviewing budgets to consider where spending can be temporarily stopped. This includes proposals to implement a managed delay and cessation of lower priority revenue and capital projects including in relation to highways capital schemes but ensure the focus still remains on key priority areas relating to potholes.

The savings realised are being replaced with permanent savings in 2012/2013 through the development of the Business Transformation Programme projects.

10.4.2 Back Office Services - £0.753m

In light of the level of grant changes in addition to strategic and shared services savings, additional savings have been identified through a review of management staffing structures within Directorates.

10.4.3 Overheads /General Efficiencies - £2.771m

A full review of all budgets has been undertaken across Directorates to reduce as far as possible equipment and supplies and services but also to introduce new processes and stop activity. This has led to a significant number of small reductions to budgets which can be made

on a permanent basis. In addition savings in respect of changes to terms and conditions relating to non staffing costs have also been taken into account. Finally matched funding to grants of circa £0.400m that have ceased have also be taken into account as programmes have ended.

10.4.4 Opportunities for Additional or Alternative Sources of Income - £2.781m

A review of potential income sources has been undertaken and the following can now be taken into account

- Grant income through health to support investment in reablement and other community health services required to support the delivery of the three year delivery plan for adults social care and other one off grant funding released to support the BTP programme
- Increased income generation including additional bays in the central car park

11. Detailed Budget Pages

- 11.1 As set out above 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.
- 11.2 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);
 - any projected surplus on the Collection Fund and
 - Council Tax.
- 11.3 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 16th February, 2011.
- 11.4 The formal decisions of the major precepting bodies are awaited regarding their precept proposals for 2011/2012. Consequently, the Proposed Council Tax for 2011/2012 will be tabled as Appendix D to this report at the Cabinet meeting on 16th February 2011.

12. Medium Term Financial Position

12.1 In considering the Revenue Budget for 2011/2012 it is more important than ever, given the reductions to public spending, to have regard to the medium term position, covering 2012/2013 through to 2014/2015. 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.

12.2 Impact of the 2012/2013 Provisional Settlement and the outlook for 2013/2014 to 2014/2015 under the SR10

The provisional settlement for 2012/2013 as announced in December 2010 and updated on 31st January 2011 includes indicative further reductions to formula grant in 2012/2013 of £11.654m.

The position beyond 2012/2013 can only be estimated using the headline details from the Spending Review 2010 which set out the government's overall spending plans for the period 2011/12 to 2014/15. The Provisional Grant Settlement provided the details of the impact of these proposals for each council for the first 2 years of the Spending Review period. The position for the latter 2 years will however be impacted by a review the Government has commenced to find a different and simpler method to distribute formula grant. This is to be reported in the autumn for consultation.

Initial and broad estimates from the details released in the Spending Review indicate that the Council could face further cuts to its grant funding in 2013/2014 of £3.0 million and in 2014/2015 a further £11.0 million. Whilst these can only be estimated at the current time they are the best indications available. The overall revenue grant reductions position may become worse if the trend in reductions to other revenue core grant funding streams continue into these 2 years (years 3 and 4).

12.3 Pay and Pensions

The Government has built its assumptions of a two year pay freeze for public sector workers (2011/2012 and 2012/2013) into its SR10 spending plans, except for those workers earning less than £21,000 a year, who will receive an increase of £250 per year. Local government pay remains a matter for free collective bargaining between the national employers and trade unions through the National Joint Council.

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 provisional results of the Actuarial review of the Local Government Pension Scheme 2010, which will be implemented in 2011/2012 have been taken into account within the medium term position.

The Independent Public Service Pensions Commission (IPSPC) led by John Hutton published an interim report on 7 October 2011. The report highlighted the importance of providing good quality pensions to public servants and rejected 'the race to the bottom in pension provision'. It concluded however that there was a clear need for public sector workers to make a greater contribution if their pensions were to remain fair and affordable. The Government has accepted these conclusions, however, awaits Lord Hutton's final recommendation before determining the nature of that benefit and the precise level of progressive contributions required. The report is expected in the Summer 2011.

12.4 Debt Charges and Revenue Consequences of Capital Expenditure

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 known investments over that period, together with a provision to provide future flexibility at this stage to enable strategic priorities of the Council to proceed, in the future.

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 in due course.

12.5 Integrated Transport Levy

The position relating to the ITA levy in future years is based on a prudent view of the position in future years and agreed plans.

12.6 Waste Disposal

The impact of cost variations in relation to waste disposal have been factored into the Medium Term Financial Strategy including landfill tax, volume of waste, recycling implications, and the provision for the Waste Disposal Strategic Solution.

12.7 Adult Services Demand Issues

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 increasing demand to support clients with complex cases to enable clients to maintain independent living, is requiring reconfigured services and additional investment. Emphasis is

increasingly being placed on the need for joint working between Health and Local Authorities in order to achieve health benefits and therefore ultimately reduce Healthcare and Social Care costs. With these pressures in mind the Government has announced additional funding for Primary Care Trust's over the coming four years, with an expectation that the funding is passported to Local Authorities for investment within Social Care services such as telecare, community directed prevention (including falls prevention), community equipment and adaptations, and crisis response services. Investment should take into account the Joint Strategic Needs Assessment for the local population. The impact of additional cost pressures and necessary investment have been factored into plans on an initial basis.

12.8 Equal Pay

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. The position will be kept under review and the Medium Term Financial Strategy adjusted if necessary.

12.9 Developments in Local Government Finance

Following the outcome of the General Election in May 2010 various announcements have been made which may impact on Local Government Finance if approved. In the majority of areas the financial impact will only be known once specific details of the proposals have been finalised and will be reported in due course.

12.10 Proposals to Meet the Funding Gap and Maximising Efficiency Savings

The Council's Productivity and Efficiency Strategy 2011/2012 to 2014/2015 provides the framework for developing plans for future service delivery, ensuring that the main priorities are to support the most vulnerable residents in the city and enable economic regeneration to attract new businesses to invest in the city, despite the prevailing economic conditions. The strategy supports the aim of ensuring the most productive use of resources is maintained during this period of financial restraint.

The identification of savings for the medium term will continue through a combined approach of:

- Specific efficiency savings arising from the Business Transformation Programme;
- Reviewing services to gain a comprehensive understanding of customer need and the most cost effective way of meeting that need through service reviews, including through modernising and improving services across the Council and the Sunderland Way of Working;

- Seeking opportunities through new financial models
- Directorate cash limits being tightly drawn and prompting the identification and reinvestment of efficiency savings.

13 Overall Outlook

13.1 The table below sets out the potential budget reduction for each of the next three years. They are based on a range of assumptions. However, it is difficult to estimate beyond 2012/2013 because of the Review of Local Government Finance the outcome of which will not be known until the end of next year.

		2012/2013	2013/2014	2014/2015
Potential Budget reduction		£21m- £25m	£12m- £15m	£20m - £23m

There are a wide range of budget requirements for 2012/2013 and future years. These uncertainties include:

- the level of government funding through formula grant beyond 2012/2013;
- 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 future changes which may be made to pension arrangements.

Plans will be updated as further information is released.

14 General Fund Balances and Position in Relation to Major Reserves

14.1 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.

14.2 The estimated level of general balances as at 31st March, 2010 and 31st March, 2011 is set out at Appendix E. This takes into account savings arising in 2010/2011 in relation to:

- actions to meet the 2010/2011 in year Government Grant Grant reductions;
- Interest on Balances and Debt Charges.

As agreed previously these will be transferred to the Strategic Investment reserve to fund the one off spending pressures in respect of invest to save and transitional costs associated with the Improvement Programme. Any further savings arising from contingency underspendings and further cost containment measures will also be earmarked for this purpose and reported to Cabinet as appropriate.

- 14.3 In addition the position reflects the release of directorate delegated surpluses and other balances for use on a one off basis to meet the funding reductions in 2011/2012
- 14.4 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 F.
- 14.5 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 G.

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.

Based upon the information used in determining this Revenue Budget 2011/2012 report, including specifically:

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

The Revenue Budget is considered robust and the level of reserves considered to be adequate for 2011/2012 after an assessment of the financial risks and future plans of the Council have been taken into account. The underlying level of General Fund Balances at £7.570m to the end of 2011/2012 are in accordance with the existing policy and are considered prudent and robust given the overall level of reserves.

15. Presentation of the Revenue Budget General

- 15.1 Appendix H sets out the detailed Revenue Budget 2011/2012 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.

Best Value Accounting Code of Practice

- 15.2 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.

15.3 It should be noted that:

- variations between budget for 2010/2011 and 2011/2012 arise as a result of the implementation of the new business operating model and the associated realignment of budgets to the new service providers;
- variations between 2010/2011 and 2011/2012 arise as a result of the implementation of the budget reductions referred to in the report;
- variations arise between 2010/2011 and 2011/2012 as a result of technical adjustments in relation to FRS17 pensions accounting and the impact of revaluation of assets.

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 during this period of transition to the new Business Operating model.

Revised Estimates

15.4 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 2011/2012 and related Matters

Cabinet Reports 17th January 2011

- Provisional Revenue Support Grant Settlement for 2011/2012
- Revenue Budget 2011/2012

Cabinet Reports 16th February 2011

- Collection Fund 2010/2011

Council Reports 26th January 2011

- Calculation of Council Tax Base 2011/2012

Final Settlement 2011/2012 and Provisional Settlement for 2012/2013

1. National position

A summary of changes affecting the National Final Settlement is set out below:

- Total Government Revenue Grant known as Aggregate External Finance (AEF) is £72.7 billion to Local Authorities in 2011/12. The government has only released elements of the AEF for 2012/13 mainly in respect of Formula grant totals and limited core grant details (Dedicated Schools Grant and Pupil Premium figures). Total AEF for 2011/12 increased by approximately £114 million in the final settlement due to:
 - the increase of £10 million in Formula Grant (detailed below)
 - additional core revenue grant funding of £104 million (set out below).

The changes in the 2012/13 settlement showed that Formula Grant has been reduced in total by £10 million which is being used to finance the additional grant in 2011/12. Additional core revenue grants of £72 million were also announced.

- Of this Formula Grant is £29.4 billion in 2011/12 and £27.1 billion in 2012/13 – with an additional £10 million included in 2011/2012 as compared to the provisional settlement to compensate Shire Districts for losses of concessionary travel funding and this is ongoing into 2012/2013.
- The threshold for the reduction in Revenue Spending Power over which Transition Grant will be paid has reduced by 0.1% to 8.8%. Those Councils whose spending power has been reduced by more than 8.8% will receive Transition Grant. The total Transition grant available has been increased from £85 million to £96 million in 2011/2012 and from £14 million to £21 million in 2012/2013.
- Council Tax must be a strictly zero increase in order to qualify for the Council Tax Freeze Grant in 2011/2012.
- The government has provided an extra £5 million to encourage the newly formed Local Enterprise Partnerships (LEP's) and new Local Authority partnerships to work together across boundaries to deliver large scale housing and regeneration schemes in key growth and housing market renewal areas.

- Additional Core Revenue grants have been confirmed / announced in respect of :

Grant	2011/2012 £m	2012/2013 £m
Fire Revenue	31.4	34.4
Community Safety Fund	56.8	28.8
Stronger Safer Communities Fund	3.9	0.00
Housing Growth / housing Market	+0.3	2.0
Renewal Transition	(now £3m)	
Transition Grant	+11.6	+6.8
	(now £96m)	(now £21m)
Totals	104.0	72.0

2. Impact on the Council

A summary of the impact of the Final Settlement on Sunderland is set out below:

- The Formula Grant allocation has reduced by £0.030 million to £158.102 million for 2011/2012 with a further reduction of £0.028 million to £145.809 million for 2012/2013 in cash terms.
- The change in the threshold for eligibility for Transition Grant to 8.8% means that the Council now qualifies for Transition Grant in 2011/2012 of £0.267 million as the Council is facing an overall grant reduction of 8.88% without this grant support. The Council does not qualify for any Transition grant in 2012/2013.

Budget Consultation Results

The Budget Consultation for 2011/2012 was undertaken within the context of the need to significantly reduce spending in light of the Government funding reductions. The Budget Consultation process has therefore combined

- assessing support to the Councils approach to meeting those funding cuts through implementation of the Councils Business Transformation programme in order to release resources as set out in the Budget Planning Framework;
- with the identification of priority areas for service delivery for 2011/2012.

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 2010, 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 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 nine service priority areas for 2011/2012. The survey was also available online for completion by the general public.

In addition the survey also asked respondents the extent to which they agreed with the Councils approach to meeting the impact of the Government funding cuts through its improvement programme. 79% of respondents either strongly agreed or tended to agree with the Council's approach.

The nine service priority areas on which views were sought are set out below together with the extent to which respondents either agreed or strongly agreed that the service area should be a priority for 2011/2012:

A summary of the position is set out below

	Priority	% Better	% Stayed the same	% Worse
1	Community safety	19.3	65.5	15.2
2	Refuse collection	67.4	30.2	2.4
3	Road and footpath maintenance	9.5	37.8	52.7
4	Clean streets	18.8	64.8	16.4
5	City Centre	17.5	43.2	39.3
6	Facilities for young people	44.6	42.3	13.1
7	Affordable decent housing	27.4	48.5	24.1
8	Enabling people with a disability, illness or health condition to live independently through access to services and facilities	31.2	58.9	9.9
9	Community integration	15.7	71.5	12.8

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. This provided participant with the opportunity to discuss with council officers what is important to them in relation to each of the priority areas.

A total of 62 panel members attended the Community Spirit workshops and there were a further 7 attendees at the workshop for the voluntary and community sector and Independent Advisory Groups. Following presentations on the budget context and Big Society participants were organised into small groups to discuss with council officers what is important to them in relation to the priority areas. A total of 15 small groups took part across the workshops.

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 46 respondents who expressed an opinion, 93% were very/fairly satisfied overall and more specifically:

- 94% of the 47 respondents who expressed an opinion rated the presentation on the Budget Overview as being very good / good;
- 85% of the 46 respondents who expressed an opinion rated the question and answer sessions with officers as being very good / good;
- 93% of the 44 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 discussions.

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, and the availability of the questionnaire online to the general public this year helped to better represent the interests of the wider public.

By taking cognisance of the feedback obtained through the whole consultation process 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.

Within that overall context each of the priorities identified has been considered within the preparation of the Revenue budget and Capital Programme 2011/2012 and in light of the Improvement Programme activity which is being undertaken:

1. *Creating safer communities*

The Council is reviewing its frontline anti-social behaviour services and exploring ways that a more joined up service can be delivered alongside partners in local areas.

More effective identification of high risk victims are being identified and the council continues to develop services for victims of domestic violence.

We continue to develop an approach to managing high crime causers in the City reducing crime and reoffending rates.

We are reviewing partnership arrangements to streamline our working which will free up capacity to develop and improve service delivery.

A review of drug services led by the PCT and Safer Communities Team has assisted in achieving a £200,000 saving in adult substance misuse delivery costs in 2010 whilst retaining performance levels.

2. *Refuse Collection*

As part of the Streetscene Transformation project the recycling and refuse collection management structure has been redesigned, resulting in a flatter less costly structure which has been aligned with the five city areas.

In addition, collection service route planning through route optimisation technology will be used to further improve assisted collections, general efficiency and safety.

3. *Road and Footpath Maintenance*

The transformation of the operational arrangements of the Street Scene Service has involved streamlining arrangements including removing an historical internal client and contractor split of highways service delivery. The result is a more responsive and cost effective maintenance programme. A comprehensive Highways Asset Management Plan will be

produced in 2011 that will help direct resources more intelligently, and the information network created through Responsive Local Services will help ensure that local priorities are identified.

A review of the priorities within the service has been undertaken and provision of additional investment of £300,000 for 2011/2012 is being provided through the Capital Programme to address high priority maintenance requirements.

4. *Clean streets*

January 2011 will see the introduction of the new Responsive Local Services. This will provide a direct link for customers and ward members with resources better aligned to meet the specific needs within in the five regeneration areas.

5. *City Centre*

In October the Council launched its Economic Master Plan for the City which places improving the City Centre and its role in driving the economy and prosperity of Sunderland as a key aim.

The proposed Capital Programme for 2011/2012 to 2015/2016 includes a number of proposals to support economic regeneration of the City Centre in accordance with strategic priorities

A new Economic Leadership Board is being established involving key partners in both the public and private sector. The Board will focus on focus on delivering our key projects and to respond to the current economic climate and emerging priorities of the Coalition Government.

For both 2009/2010 and 2010/2011 the City Council provided an additional £1million for initiatives to support City Centre businesses through the economic downturn. The aims were to increase footfall and dwell time within the City Centre, and to bring an enhanced sense of vibrancy to the area.

Overall, the programme of projects is considered to have been a success. An independent survey carried out by Explain Research stated that 72% of residents interviewed found that the events in Sunderland were considered either good or very good.

Following the success and benefits of making this investment, the council is proposing to provide a further £1 million for 2011/12 to continue this programme.

6. *Facilities for Young People*

The Council continues to improve the ways in which we deliver services to young people in areas where there is little or no provision through the mobile youth buses and XL village events. These have led to significant reductions in anti-social behaviour, attracted national positive interest, and have been very well received by young people.

Youth provision is more equitable across the City by commissioning the voluntary sector to deliver a core youth offer of a minimum of 3 youth sessions in every ward. This is better value as the voluntary sector is able to draw down matched funding and, as partners we are able to make the best use of existing resources such as buildings and staff without duplication.

7. Affordable Decent Housing

The City Council has developed its Housing Priorities plan in partnership with the Homes and Communities Agency (HCA) to provide much needed new homes and deliver upon the city's renewal priorities over the next 15-years. A key element being to develop affordable homes on appropriate sites across the city.

This approach is being supported by the Council and its partners through:-

- Continued development and implementation of Council mortgages to allow individuals who cannot otherwise secure a commercial mortgage to progress onto the property ladder,
- Continued development, support and implementation of shared equity schemes,
- Investing in the current housing stock – especially for vulnerable people through the implementation of the Financial Assistance Policy (FAP),
- Developing new innovative housing schemes - especially in relation to mixed tenure extra care housing for older people,
- Working with private sector developers to utilise 'land banked' sites,
- Continue to work with Registered Providers (Housing Associations) to discuss and agree their priorities for investment in Sunderland.

8. Enabling People with a disability, illness or health condition to live independently through access to services and facilities

The Health Housing and Adult Services Directorate continues to ensure people with disabilities are able to access a range of services not just Council provided by focussing on the further development of brokerage services. Brokerage will be key to enabling people to look beyond traditionally provided care and support services and accessing universal services by providing the necessary support for vulnerable people to do this. The Health, Housing and Adult Services Directorate is also accelerating its approach to reablement by ensuring everyone has access to an reablement approach, focussing on people doing things for themselves; challenging the dependency that can be created on services.

Health Housing and Adult Services have identified £4.509 million additional savings proposals in order to reinvest in the home care services, extra care facilities, and accommodation solutions. Further details are included at paragraph 9.3 of the main report.

9. *Community Integration*

The Council will extend pilot projects which involve young people in working together for the benefit of themselves and the wider communities they live in, developing initiatives such as community gardens, community spaces in parks and renovating community facilities.

These projects are led by young people themselves who take the lead in identifying and delivering actions which then benefit the wider community. This in turn breaks down issues connected with intergenerational tensions and also leads to visible improvements for communities.

The Council will continue to work with community members and partners to identify issues of concern about community tensions and vulnerabilities and respond to these, for instance addressing instances of bullying and hate through the ARCH reporting system, increasing the number of places where such instances can be reported and the availability of various kinds of support for victims.

Notes of a Budget Consultation meeting between representatives of the Council and the Chamber of Commerce held at Sunderland Civic Centre on Wednesday 2 February 2011 at 10.00am

Present:

Council Representatives

Councillor Paul Watson	-	Leader of the Council
Councillor Florence Anderson	-	Deputy Leader of the Council
Councillor Dave Allan	-	Resources Portfolio Holder
Dave Smith	-	Chief Executive
Malcolm Page	-	Executive Director of Commercial and Corporate Services

Chamber of Commerce Representatives

Jonathan Walker
Dave Crompton

The Leader of the Council welcomed representatives from the North East Chamber of Commerce and asked Malcolm Page, Executive Director of Commercial and Corporate Services to outline the current position with regard to the Council's budget for 2011/2012.

The Executive Director of Commercial and Corporate Services advised that following the emergency budget in June 2010, the Council had begun planning for the future in the context of estimated 10% year on year reductions over 4 years, totalling £80m. This budget planning framework was not just aimed at addressing the necessary budget reductions but was also linked to the strategic development of the authority.

The Local Government settlement was received on 31 January 2011 and the key issues for Sunderland were identified as:-

- front loading of cuts;
- dismantling of grants including £35.856m of Area Based Grants, the end of Working neighbourhoods Fund and Children's Services Grants totalling £14,638m, £20,686m being transferred into formula or core grants and then reduced;
- schools funding surprises including £8m reduction in resources, pupil premium additional funding negated by Area Based Grants reduction and 27% reduction in Early Intervention Grant;

- the settlement was only for two years and there was uncertainty around years three and four and particularly the formula review.

The Executive Director stated that although the Council had planned for potential cuts, additional work had been required in order to respond to the frontloading of these into years one and two and the impact of changes to specific grants. He also described how the Business Transformation Programme was designed to streamline the Council's support services and create efficiencies through that process. However, the following areas had been identified for continuing investment:-

- Reinvestment in Adult Social Care solutions;
- Economic Development;
- City Centre Regeneration;
- Highways Maintenance;
- Invest to Save – Improvement Agenda.

Finally, the timetable and next steps for the budget were outlined.

The Leader of the Council stated that the situation was difficult but had to be managed in the best way possible. He emphasised that the Council was committed to looking after the most vulnerable people in the City and protecting jobs as much as possible. The Leader then invited views and comments from the Chamber of Commerce representatives.

Jonathan Walker noted the Council had stated it would not make mass redundancies and asked how achievable this would be in relation to current workforce costs and levels of natural wastage.

The Leader confirmed that the Council was committed to avoiding compulsory redundancies as much as possible and that it recognised the need to value its staff. However, at the end of the Business Transformation process, the Council workforce would be much reduced. Rates of movement of staff had dropped but the natural 'churn' was still there.

The Chief Executive advised that there were approximately 20 different measures running which were intended to support natural wastage. Schemes were running around helping employees who want to set up their own business, early retirement options, reducing working hours and buying more annual leave. Through these initiatives it was intended to reduce the staff head count over a period of time. He also reported that the resources required to operate these schemes would be one third of the cost of a mass redundancy programme and although it is a higher risk strategy, initial indications were positive. A clearer picture would emerge after the first two quarters of the new financial year.

Dave Crompton commented on the transparency of the Authority's plans to generate efficiencies and congratulated the leadership on this. He felt there was a big element of support from local people on this. He highlighted that as part of his work, he carried out surveys with local businesses which found that 50% felt they were struggling. He wanted to emphasise to the Council the knock on effect local authority spending restrictions would have on traders in Sunderland.

The Leader agreed and emphasised that businesses themselves rather than premises should be targeted for help from the council.

Councillor Allan made reference to the 'Buy Sunderland First' campaign to promote local businesses and that the city had been ahead of the game in this respect. The Chief Executive added that 'Buy Sunderland First' had been running for a year for Council procurements of less than £75,000 and now 60% of those contracts had been awarded to local businesses. Of these local contractors, 40% were new to doing business with the Council.

The City Centre Quick Wins Project would continue to improve and the closer the Council worked with local businesses, the bigger the impact. It has been recognised that big events taking place during the year are not always made the most of by local businesses. It was hoped this could be developed this year and it was highlighted that NECC were doing work around the concerts taking place in the summer so that business could achieve maximum benefits.

Dave Crompton highlighted that the message on advertising events was getting through and progress was being made on establishing a Sunderland Trade Association. He noted that larger companies were getting their act together and dealing with the tough economic conditions but smaller companies needed to be supported in upskilling their workforce to work through the recession.

Jonathan Walker queried how making savings on procurement through aggregation would impact on local businesses. The Chief Executive acknowledged that this would have to be a balance between the need to make savings against investing in the local economy. Efforts were being made to encourage small businesses to work together to bid for contracts. The Leader agreed that the point raised was valid and needed to be borne in mind during the procurement process. He highlighted that the possibility of including clauses in larger contracts to source sub-contractors and materials locally was being explored.

The Executive Director of Commercial and Corporate Services commented that the buying power of the Council was such that it should be able to strike the right balance between saving money and supporting local business.

Dave Crompton also drew attention to the complicated nature of bidding for tenders through the North East Purchasing Organisation (NEPO) and the difficulties in finding out which smaller contracts were available. He suggested that notifications could be sent to a database of local traders when contracts were due to go out to tender.

Councillor Allan replied that NEPO was changing and was trying to be more user friendly for businesses. He also commented that a database of businesses had been established as part of Buy Sunderland First and the possibility of sending alerts would be looked into.

Dave Crompton also stated that the fledging Trade Association would promote partnerships between smaller businesses so they could bid for contracts together.

Jonathan Walker added that NECC would be happy to use their network to help establish bidding partnerships.

It was queried if the Council had explored ways in which to raise more revenue and the Leader responded that although the Council wanted to maximise potential revenue sources, it would be unfair to ask people to contribute to the deficit in this way. A balanced view would be taken. The Council would consider providing services which would be unique and not competitive with local businesses but could generate revenue under the power of 'General Competence'. Through the establishment of the new Commercial and Corporate Services Directorate, the Council would over time be taking a more commercial approach to aspects of its operations.

With regard to the Council's assets, the Executive Director of Commercial and Corporate Services advised that in the past, the asset base had been under-used and this was being addressed. In response to a question about the impact of the spending cuts on the Capital Programme, it was explained that spending commitments from the previous year would be carried forward. Some programmes would be smaller than in the past but the Council would aim to be creative and innovative in order to unlock investment in a different way.

The Leader thanked the Chamber's representatives for their attendance and for their comments which would be taken into consideration by the Cabinet. The Leader then closed the meeting.

Notes of a Budget Consultation meeting between representatives of the Council and the Trade Unions held at Sunderland Civic Centre on Wednesday 2 February 2011 at 11.00am

Present:-

Council Representatives

Councillor Paul Watson	-	Leader of the Council
Councillor Florence Anderson	-	Deputy Leader of the Council
Councillor Dave Allan	-	Resources Portfolio Holder
Dave Smith	-	Chief Executive
Malcolm Page	-	Executive Director, Commercial and Corporate Services
Sue Stanhope	-	Director of Human Resources and Organisational Development

Trade Union Representatives

Alyson Bryan	-	GMB
Paul Owens	-	GMB
Helen Finkill	-	UNISON
Howard Brown	-	NUT
Bryan Wilson	-	NASUWT
Nancy Wakeham	-	NASUWT
Gillian Mitchell	-	NAHT
Kay Charlton	-	UNITE

The Leader of the Council welcomed representatives from the Trade Unions and asked Malcolm Page, Executive Director of Commercial and Corporate Services to outline the current position with regard to the Council's budget for 2011/2012.

The Executive Director of Commercial and Corporate Services advised that following the emergency budget in June 2010, the Council had begun planning for the future in the context of estimated 10% year on year reductions over 4 years, totalling £80m. This budget planning framework was not just aimed at addressing the necessary budget reductions but was also linked to the strategic development of the authority.

The Local Government settlement was received on 31 January 2011 and the key issues for Sunderland were identified as:-

- front loading of cuts;
- dismantling of grants including £35.856m of Area Based Grants, the end of Working Neighbourhoods Fund and Children's Services Grants totalling £14,638m, £20,686m being transferred into formula or core grants and then reduced;

- schools funding surprises including £8m reduction in resources, pupil premium additional funding negated by Area Based Grants reduction and 27% reduction in Early Intervention Grant;
- the settlement was only for two years and there was uncertainty around years three and four and particularly the formula review.

The Executive Director stated that although the Council had planned for potential cuts, additional work had been required in order to respond to the frontloading of these into years one and two and the impact of changes to specific grants. He also described how the Business Transformation Programme was designed to streamline the Council's support services and create efficiencies through that process. However, the following areas had been identified for continuing investment:-

- Reinvestment in Adult Social Care solutions;
- Economic Development;
- City Centre Regeneration;
- Highways Maintenance;
- Invest to Save – Improvement Agenda.

Finally, the timetable and next steps for the budget were outlined.

The Leader of the Council stated that the situation was difficult but had to be managed in the best way possible. He emphasised that the Council was committed to looking after the most vulnerable people in the City and protecting jobs as much as possible. The Leader then invited views and comments from the Trade Unions representatives.

Gillian Mitchell expressed concerns about the potential loss of frontline services and was interested to know the Council's priorities around education, children's centres and early years.

The Leader of the Council stated that from a policy point of view, the importance of early years was paramount. The Children's Centres had been targeted at deprived areas initially and then had become universal. Whereas everything would be done to protect services, rationalisation of services could not be ruled out. Levels of deprivation would be considered and it was understood that Children's Centres did provide essential services for hard to reach and vulnerable groups.

The Director of Human Resources and Organisational Development gave a brief description of the Council's operating model established through the Sunderland Way of Working (SWOW). Staffing proposals had been considered in December and January to make the Strategic and Shared Services (SSS) element of the Council more efficient. The gross project savings for 2011-2013 were outlined. It was highlighted that Government had only given figures for years one and two and therefore any further savings up till 2015 were indicative and subject to change.

In response to a query from Howard Brown, it was explained that within SSS, the savings made would be mainly salaries. ICT and Customer Services would

generate efficiencies through rationalisation in the main but would also achieve savings from salaries.

With regard to the Service Reviews, the Chief Executive advised that these were reviews within individual directorates and the second phase would start in the new financial year, but the scope had not been fully defined as yet. Alyson Bryan enquired if the Council could give an indication of the areas which might be part of the review.

The Chief Executive agreed that the thinking on this could be shared, but the Unions would have to be aware that the final scope may well be different.

Gillian Mitchell commented that Sunderland had always managed its budgets very well in the past but was concerned that some expertise may be lost through the transformation process and the quality of support would not be maintained.

The Leader re-iterated the Council's commitment to vulnerable children and adults and to protecting jobs. It was hoped that working smarter would generate efficiencies and protect services. Where quality had to be ensured, the Council would do all in its power to ensure that it was achieved.

The Chief Executive described how the Business Transformation Programme sought to maximise the unique contribution of individuals within the authority. It recognised that those with professional skills should be freed up to do those things which only they could do, rather than answering calls or dealing with straightforward queries. These sort of changes would not be applied without intelligence or without involving employees directly in the service review. He acknowledged that not everything would be perfect, but as long as the Council adjusted and learned from experience, it would continue to move in the right direction.

In considering how the Council could increase its revenue streams, Howard Brown queried if it was possible to raise money by selling equipment which would ordinarily be scrapped. He suggested that the Authority could think outside the box on this issue.

The Leader stated that the Government were intending to bring in a 'Power of General Competency' which would give local authorities more flexibility on a range of issues and the Executive Director of Commercial and Corporate Services advised that he would look into the specific issues raised.

Helen Finkill asked if figures were available on the savings already made through the SWOW. The Executive Director of Commercial and Corporate Services stated that the information could be made available although it was still emerging in some areas, and the Leader added that the general principle would be to take this to the relevant Joint Consultative Forum or the Joint Consultative Committee.

The Leader thanked the Trade Union representatives for their comments and informed them that they would be taken into consideration by the Cabinet. He also thanked those present for their attendance and their support of the Council.

Appendix E

Statement of General Balances

	£m	£m
Balances at 31st March 2010		14.749
Addition to Balances 2010/2011		
- Debt Charge Savings	4.000	
- 2010/2011 Revenue Savings Additional actions to meet Government Grant Reductions	3.467	
- Unutilised Directorate Delegated Surpluses and Reserve	3.385	
- Unutilised RCCO Reserve	<u>1.464</u>	12.316
Use of Balances 2010/2011		
- Contribution to Revenue Budget	(3.307)	
- Contribution to fund the Capital Programme	(3.872)	
- Transfer to Strategic Investment Reserve	<u>(7.467)</u>	(14.646)
Estimated Balances 31st March 2011		12.419
Proposed Utilisation of Balances 2011/2012		
- Contribution to Revenue Budget		(4.849)
Estimated Balances 31st March 2012		7.570

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:

- teacher's pay for the pay settlement of September 2010 was been settled at 2.3% which is factored into the 2011/2012 Revenue Budget and Medium Term Financial Strategy;
- the government proposed, in the June emergency budget, a two year pay freeze for public sector workers, except for those workers earning less than £21,000 a year, who will receive an increase of £250 per year. Local Government employers are expected to offer a zero pay increase for 2011/2012;
- currently RPI is 4.8%, RPIX is 4.7%, and the Consumer Price Index (CPI) is 3.3% and the average inflation outlook (CPI) for 2011 is within the 0.5% to 2.1% banding;
- Appropriate provision for price increases has been included in the budget including a prudent provision for increases in contract prices and additional provision for fees for independent providers of care services;
- 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;
- the market consensus regarding the economic outlook for the year ahead is that base rates will increase from 0.5% to 1.00% by March 2012 and PWLB 50 year rates will remain around their current level of 5.40% for the whole of 2011/2012.
- 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 2011/2012;
- the total contingency provision is deemed sufficient in the context of the net revenue budget;
- 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 have been subject to external assessment and found to be robust and 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;

Revenue Budget - Budgetary Control

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

Whilst the scale of changes in the budget and levels of savings are much greater than previous years, enhanced actions are being put in place to deal with the increased risks associated with this to support the normal arrangements in place for financial management set out below including;

- 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 Revenue Budget and Capital Programme.

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 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 in 2011/2012 e.g. Strategic Investment Reserve.

Appendix G

Major Earmarked Reserves - Position Statement

Title and Purpose of Earmarked Reserve	Opening Balance 1/4/2010 £'000	Estimated Movement in the Year £'000	Estimated Balance 31/3/2011 £'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>	51,186	2,145	53,331
<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.</p>	9,920	(9,246)	674
<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. As part of the 2011/2012 Budget Planning with the Schools Forum schools will be allowed to carry forward above the 5% and 8%. This is to encourage in year efficiencies that will support the long term stability of the school.</p>	7,492	(2,722)	4,770
<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>	5,200	(0.465)	4,735
<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>	7,448	(323)	7,125
<p>Unutilised RCCO Reserve - This reserve consists of unutilised direct revenue financing and is fully earmarked to fund capital projects previously approved.</p>	8,916	(2,972)	5,944
<p>Strategic Investment Plan Reserve A reserve to fund the Council's contribution to its Strategic Investment Plan approved by Council in April, 2008. CHRIS</p>	11,543	(2,294)	9,249