

<p><b>CABINET MEETING – 11 JANUARY 2012</b></p> <p><b>EXECUTIVE SUMMARY SHEET- PART I</b></p>	
<p><b>Title of Report:</b> Revenue Budget Third Review 2011/2012</p>	
<p><b>Author(s):</b> Executive Director of Commercial and Corporate Services</p>	
<p><b>Purpose of Report:</b> To report details of the outcome of the Revenue Budget Third Review for 2011/2012.</p>	
<p><b>Description of Decision:</b> Cabinet is recommended to</p> <ul style="list-style-type: none"> <li>- approve the contingency transfers proposed at Appendix A</li> <li>- budget transfers referred to at paragraph 3.5</li> </ul>	
<p><b>Is the decision consistent with the Budget/Policy Framework?</b> *Yes</p>	
<p><b>If not, Council approval is required to change the Budget/Policy Framework</b></p>	
<p><b>Suggested reason(s) for Decision:</b> To respond to variations in expenditure and income which have arisen in 2011/2012 and enable effective budgetary control to be exercised.</p>	
<p><b>Alternative options to be considered and recommended to be rejected:</b> No alternative options are proposed.</p>	
<p><b>Is this a “Key Decision” as defined in the Constitution?</b> No</p> <p><b>Is it included in the Forward Plan?</b> <b>Yes provisionally</b> In light of the content of this report it is not necessary.</p>	<p><b>Relevant Scrutiny Committee:</b> Management</p>



## **Cabinet 11<sup>th</sup> January 2012**

### **Revenue Budget Third Review 2011/2012**

#### **Report of the Executive Director of Commercial and Corporate Services**

##### **1. Introduction**

This report advises Members of the overall Revenue position following the third review for 2011/2012 including proposed contingency transfers and budget transfers for the third quarter of 2011/2012.

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

- 2.1. Cabinet is requested to approve the contingency transfers proposed at Appendix A and budget transfers referred to at paragraph 3.5.

##### **3. Revenue Budget Monitoring 2011/2012**

###### **Overall Position**

- 3.1. In overall terms whilst there are some challenges in delivering the savings requirement for 2011/2012 and ongoing mitigating actions being put in place by Portfolio holders, at this stage it is anticipated that the outturn position will be positive.
- 3.2. The project underspend previously confirmed to Cabinet of circa £4m will be realised and earmarked as agreed to support transitional costs arising from the 2012/13 budget setting process. At this stage no further underspendings in addition to this are anticipated.
- 3.3. A full review has been undertaken for each Portfolio and a summary of the position following the third review is set out in the report for each Portfolio together with the contingency allocations proposed for the third quarter;

###### **3.4 Contingency Transfers**

A full review has been undertaken for each service and full details of proposed contingency transfers are set out at Appendix A:

###### **3.5 Budget Transfers**

Budget transfers since the second review primarily relate to:

- realignment of budgets following implementation of approved directorate retained staffing structures;

- unification of budgets in accordance with the Sunderland Way of Working principles in respect of security, ICT running costs, car leasing, and repairs and maintenance.

### **3.6 Other Major Variations**

Cabinet Portfolio holders have been fully briefed on the variations which have arisen in the third quarter of the year. Significant items to draw to Members attention are set out below:

#### **3.6.1 Leader**

The following is drawn to members attention:

- Design and Print

Members are aware of the challenges faced by the Design and Print Service in terms of income in the current financial year. Any shortfall in income for the current year will be met from savings in the overall contingencies provisions for 2011/2012. The future service delivery model has now been approved by Personnel Committee.

#### **3.6.2 Deputy Leader**

It is forecast the Portfolio will be within its delegated budget at the end of 2011/2012. There are no issues to draw to members attention at this time.

#### **3.6.3 Cabinet Secretary**

This Portfolio will be within its delegated budget at the end of 2011/2012. The following areas are drawn to Members attention:

- Port  
The Port continues to forecast a deficit although very positive progress continues to be made in 2011-12 as the Port continues its journey to break even. This position represents a significant improvement on the outturn position for 2010/2011 as a result of an increase in income levels in the current financial year. The position is being kept under close review with regular updates to the Port Board. The forecast deficit position was provided for in setting the 2011/2012 contingencies provision.

- **Industrial Units**  
The Industrial Units portfolio is anticipating a shortfall in income of £170,000 due to vacant units. Recent progress on letting of units is anticipated to reduce this shortfall in future years. The forecast shortfall in income for 2011/2012 was provided for in setting the budget for contingencies. The ongoing position will be considered as part of the 2012/2013 budget process.

#### **3.6.4 Children and Learning City**

This Portfolio will be within budget at the end of 2011/2012. However the Safeguarding service area continues to be subject to significant demand pressures. As part of the 2011/2012 budget planning framework additional funding was provided to address budget pressures within the Safeguarding Service in respect of external placements and agency social workers. However, demand for services continues to increase resulting in significant budget pressures in External Placements.

Current projections forecast this service area will be £754,000 over budget. This sum will be offset by the External Placement Reserve of £360,000 with the remaining balance accommodated from Children's Social Care grant funding available to fund capital expenditure as approved at the second capital review. The ongoing position will be taken into account as part of the 2012/2013 budget process.

#### **3.6.5 Prosperous City**

This Portfolio will be within its delegated budget at the end of 2011/2012. There are no issues to be drawn to members attention at this time.

#### **3.6.6 Health and Wellbeing**

The Portfolio continues to experience a number of service pressures. The following areas are drawn to Members attention:

- **Sport and Leisure**  
The service continues to be adversely affected by the impact of the economic downturn with a shortfall in income projected of £484,000. This is primarily the result of reduced attendances and fall in Wellness Centre memberships and a consequential reduction in income, which is representative of a national trend in the industry. Mitigating action continues to be taken, including service enhancement opportunities, revised pricing arrangements and a redesigned approach to sales staffing. The ongoing position is being considered as part of the budget setting process after taking the mitigating action into account .

### **3.6.7 Safer City and Culture**

The Portfolio is forecast to be under its delegated budget at the end of 2011/2012, by £105,000 in relation to the Drug and Alcohol Service due a reduction in client placements within the service. This surplus is to be utilised to meet pressures within the wider Health Housing and Adult Services Directorate.

### **3.6.8 Attractive and Inclusive**

The Portfolio continues to experience a number of service pressures and the following areas are drawn to Members attention:

- **Trade Refuse**  
Following aggressive competition and a resultant loss of service a projected deficit of £254,000 is being reported in this area. Plans to offset this position will be implemented by mid January which will address the ongoing position and other plans are being put in place to mitigate the position this year.
- **Parking Services**  
This service area is continuing to experience a shortfall in income, as a result of the economic downturn with a forecast shortfall in income of £34,000. In addition delays in implementation of proposed changes to the staff car parking scheme, has resulted in a further shortfall of £54,000 in the current financial year. This will be contained within the overall Directorate position for 2011/2012.
- **Commercial Catering**  
Following a number of difficult trading years, the service area has continued to identify and implement a number of innovative initiatives aimed at generating additional revenue streams which have assisted the trading position. However, despite these efforts, the service is forecasting a shortfall of £90,000 for 2011/2012 which can be contained within the overall Directorate budget for 2011/2012. Options for the future delivery of the service are being considered in order to address the ongoing position.

### **3.6.9 Sustainable Communities**

The Portfolio is forecast to be within its delegated budget at the end of 2011/2012.

### **3.7.0 Responsive Local Services and Customer Care**

The Portfolio is forecast to be within its delegated budget at the end of 2011/2012.

#### 4. Efficiency Targets

4.1 The budget process for 2011/2012 took account of the requirement for reductions in expenditure of £57.9 million. As previously outlined to Cabinet, progress in implementing the proposals is being rigorously monitored by Directors in conjunction with Portfolio Holders, using a traffic light system. Monthly budget monitoring is being carried out at an enhanced level to ensure the position is understood and actions put in place to mitigate any impact.

4.2 At this stage, the following is noted:

- £56.3m of the savings has been fully realised of which:
  - £1.5m of reductions are no longer to be achieved as originally intended, however the in year and ongoing position is secured from alternatives;
  - £4.3m are offset, in year, by reductions in Switch costs but will be achieved ongoing for 2012/2013;
  - £7.4m have temporary one-off savings identified for 2011/2012, but will be achieved as ongoing;
  - £1.6m have alternative ongoing savings identified.
- £0.4m are not yet fully achieved but on which good progress has been made with action plans developed, responsibilities assigned and timescales identified. At this stage therefore it is not anticipated that this will impact on the overall financial position of the Council as the saving is anticipated to be achieved.
- Health, Housing and Adult Services (£0.5m)  
The Directorate are progressing the three year delivery plans which seek to enable people to receive care associated with their needs and introduce ways of enabling people to live independently in their own homes. Some of these plans will be delivered later than originally planned, however the Directorate have identified alternatives to deliver the required level of savings. The on-going position into 2012/13 at this point, shows a financial pressure of £420,000 due to increased demand for services. This position will be addressed as part of the process for finalising the 2012-13 budget over the next three months.
- £0.7m of reductions are currently forecast to be achieved on an ongoing basis and Directorates are still considering alternatives for meeting the shortfall in this financial year.

- 4.3 As reported as part of the budget setting process transitional costs are arising in 2011/2012 as the organisation moves to the revised Sunderland Way of Working operational arrangements. Budget provision was provided to meet the costs of the SWITCH team and this is being closely monitored given the pressures on this budget.
- 4.4 At this stage in the transition process one off early retirement costs of £3.728m have arisen, the cost of which can be met from the resources set aside to meet transitional costs as part of the outturn position for 2011/2012.
- 4.5 The 2011/12 financial year represents a period of significant transition in relation to staffing and associated salaries costs. As restructures are being implemented considerable realignment of costs and budgets is being necessitated in order to map staff appointments to redesigned services or the SWITCH team. This is resulting in some challenges in monitoring and forecasting staffing costs at the micro / individual service level for individual budget managers. At this stage therefore a holistic approach to monitoring salaries costs across the council has been adopted. This takes into account salaries costs incurred to date and forecast across the council including costs of staff within the SWITCH team.
- 4.6 Costs associated with Switch and wider salaries costs for 2011/12 remain broadly in line with budget and will continue to be closely monitored for the remainder of the financial year.
- 4.7 The net position in relation to staffing cost under spends across the Council will be ringfenced and any savings earmarked to support transitional costs arising from the implementation of the Sunderland Way of Working operational arrangements as previously agreed.

## **5. Reasons for Decision**

- 5.1 To respond to variations in expenditure and income which have arisen in 2011/2012 and enable effective budgetary control to be exercised.

## **6. Alternative Options**

- 6.1 No alternative options are proposed

## **7. Background Papers:**

- 7.1 Portfolio Holders Briefing Notes



Appendix A

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Variations Necessitating Contingency Transfers 2011/2012

	Justification / Approval	2011/2012 £	Full Year Effect £
<b>Deputy Leader</b>			
Counsels Fees - Single Status	Specific Provision	147,137	147,137
<b>Cabinet Secretary</b>			
Counsel Fees	General Provision	6,631	0
<b>Children and Learning City</b>			
Staff Advertising	General Provision	5,224	5,224
Hendon Old Orphanage	Specific Provision	14,621	14,621
Counsel Fees	General Provision	45,917	45,917
Independent Care Services inflation	Specific Provision	178,254	178,254
<b>Prosperous City</b>			
Counsel Fees	General Provision	17,013	0
<b>Health and Well being</b>			
Care and Support Sunderland - Costs	General Provision	284,992	284,992
Leisure Management economic downturn	Specific Provision	70,000	70,000
<b>Safer City and Culture</b>			
Sunderland Airshow	General Provision	75,000	75,000
<b>Attractive and Inclusive</b>			
Staff Advertising	General Provision	897	897
Waste Management Preparatory Costs	Specific Provision	14,606	14,606
Waste Strategic Solution	Specific Provision	63,163	63,163
<b>Overall Efficiencies</b>			
Flexible Working Efficiencies	General Provision	(124,634)	0
Procurement Efficiencies	Specific Provisions	(349,694)	(349,694)
BTP Efficiencies	Specific Provisions	(623,627)	(623,627)
Training Efficiencies	General Provision	(346,745)	(346,745)
	<b>TOTAL</b>	<b>(521,245)</b>	<b>(420,255)</b>

