

<b>CABINET MEETING – 15 JANUARY 2014</b>  <b>EXECUTIVE SUMMARY SHEET – PART I</b>	
<b>Title of Report:</b> Revenue Budget 2014/2015 Proposals and Provisional Revenue Support Settlement 2014/2015	
<b>Author(s):</b> Chief Executive and Head of Financial Resources	
<b>Purpose of Report:</b> To report the provisional budget proposals for 2014/2015 including the impact of the Provisional Revenue Support settlement, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2014/2015.	
<b>Description of Decision:</b> Cabinet is requested to approve the provisional budget proposals, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2014/2015.	
<b>Is the decision consistent with the Budget/Policy Framework?</b> Yes – it is seeking to inform a future decision to change the Budget and Policy Framework for 2014/2015.	
<b>If not, Council approval is required to change the Budget/Policy Framework</b>	
<b>Suggested reason(s) for Decision:</b> To enable constitutional requirements relating to the development of the Revenue Budget to be met.	
<b>Alternative options to be considered and recommended to be rejected:</b> There are no alternative options recommended for approval.	
<b>Impacts analysed:</b> Equality <input checked="" type="checkbox"/> Privacy <input checked="" type="checkbox"/> Sustainability <input checked="" type="checkbox"/> Crime and Disorder <input checked="" type="checkbox"/>	
<b>Is this a “Key Decision” as defined in the Constitution?</b> <div style="text-align: right;">Yes</div>	<b>Scrutiny Committee:</b>
<b>Is it included in the 28 Day Notice of Decisions?</b> <div style="text-align: right;">Yes</div>	



**REVENUE BUDGET 2014/2015 PROPOSALS AND PROVISIONAL  
REVENUE SUPPORT SETTLEMENT 2014/2015**

**Report of the Chief Executive and Head of Financial Resources**

**1. Purpose of Report**

- 1.1 This report sets out the provisional budget proposals for 2014/2015 including the impact of the Provisional Revenue Support settlement, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2014/2015.

**2. Description of Decision**

- 2.1 Members are requested to approve the provisional budget proposals, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2014/2015.

**3. National Economic Context to 2014/2015 Budget**

- 3.1 Government Autumn Statement - Impact of the Deficit Reduction Plan

The Government confirmed in the Autumn Statement that it intends to continue to address the deficit by following its deficit reduction plan with the Office of Budget Responsibility predicting a surplus position by 2018/2019.

The Government has revised its growth forecasts to 1.4% in 2013 (from 0.6%), 2.4% in 2014 (from 1.8%), and for the following four years to 2.2%, 2.6%, 2.7% and 2.7%. Despite the improving economic position the chancellor has indicated that public sector funding will continue to be reduced up until 2019/2020 to bring about a small budget surplus

The Government also announced additional Public Sector spending cuts of £3bn over 2014/2015 to 2016/2017, i.e. £1bn per year (equivalent to a 1.1% reduction per year). The chancellor indicated Local Government would be protected in 2014/2015 on the basis that they will assume a freeze in council tax. The indicative settlement for 2015/2016 implies this protection has also been applied to 2015/2016 but this would need to be confirmed as part of the 2015/2016 final local government finance settlement in January 2015.

- 3.2 National Funding Totals

As reported as part of the Budget Planning Framework in October, the Spending Review 2013 resulted in a reduction in core local government funding of £5.5bn across 2014/2015 and 2015/2016 equivalent to a 25% real terms cut. As set out in paragraph 3.1, Local Government appears

to have been protected from the further cuts announced as part of the Autumn statement for 2015/2016 on the basis of an assumed freeze in Council Tax. The Government has yet to release its Council Tax referendum principles for 2015/2016 which could see a zero % increase introduced to achieve this aim.

#### **4. Provisional Local Government Settlement for 2014/2015 and Indicative Settlement 2015/2016**

##### **Provisional Settlement 2014/2015**

- 4.1 On 18th December 2013 Government announced the Provisional Local Government Settlement for 2014/2015 and Indicative Settlement 2015/2016, together with a consultation paper on its contents.
- 4.2 The deadline for responses to the Government consultation is January 15<sup>th</sup> 2014. Officers are preparing the proposed response in consultation with the Leader and Cabinet Secretary for submission in accordance with this timeline.
- 4.3 Detailed tables underpinning the announcement are set out at Appendix 1, with the main points of note set out below.
- 4.4 In overall terms, the provisional settlement confirms the expected headline funding reductions trailed by the government in both the Spending Review 2013 and the recent Autumn Statement for 2014/2015 of circa 10% with a further 15% in 2015/2016. The prognosis therefore continues to remain very challenging in the short to medium term.

While the provisional settlement is as expected, it should be noted the previously reported anomalies in the way the funding reductions have been applied remain in place i.e:

- the disproportionate cuts across Councils arising as a result of the methodology used for allocating the cuts,
- the continued unfairness of the New Homes Bonus top-slice,
- the erosion of the council tax resource equalisation,
- the inappropriateness of the safety net top-slice.

All of the above points would suggest that there has been an ineffective equalities impact assessment undertaken by the Government to assess the impact on differing sections of the population. The Council response to the consultation will take these points into account.

- 4.5 The Council's Settlement Funding Assessment (SFA) is being reduced significantly year on year;
  - 2014/15 - 9.7% reduction
  - 2015/16 -14.0% reduction

Excluding grants rolled into this measure means that the real cut, to the broadly comparative formula grant component, shows a much higher reduction;

- 2014/15 -12.9% reduction
- 2015/16 -19.0% reduction

and excluding Business Rates and Council tax growth from the figures, revenue support grant for Sunderland is reducing by

- 2014/15 - 17.4% reduction
- 2015/16 - 27.7% reduction

This means that the elements of funding within the grant mechanism that are based on needs and recognise low income resources and deprivation are constantly being eroded in favour of measures that reward growth. The consequence of this is that the more affluent areas of the country are being relatively protected from the cuts at the expense of some of the more deprived areas of the country such as Sunderland.

- 4.6 The government uses Revenue Spending Power to describe the changes to Local Government funding. Revenue Spending Power is made up from a combined total of Council Tax, Business Rates, and Government grant funding. The council is receiving a cut in Revenue Spending Power more than the national average for England in both 2014/2015 and 2015/2016:

- 2014/2015 council cut 4.7% national average 2.9%
- 2015/2016 council cut 3.9% national average 1.8%.

However, if increases in Health / Care funding are excluded (i.e. ring fenced Public Health Grant, NHS Social Care Funding (2014/2015), Pooled Better Care Funding (2015/2016) and Adult Social Care New Burdens(2015/2016), the remainder of the Council funding included within Revenue Spending Power is being cut by 5.9% in 2014/2015 and 9.1% in 2015/2016.

- 4.7 The Spending Power reduction for Sunderland in 2014/2015 represents a cash reduction of £13.9m. However, it should be noted that this takes into account:

- Assumed council tax freeze grant for 2014/2015 of £0.987m
- An additional years New Homes Bonus Grant of £0.522m
- An increase in NHS funding to Support Social Care of £1.575m to £7.186m
- The Settlement Funding Assessment (business rates top up grant, assumed business rates and revenue support grant) has reduced by £18.3m (9.7%) compared to 2013/2014. Included within this is:
  - the Government assumed level of Retained Business Rates income, however this will differ from the actual amount to be

included within the Council Budget position, which will reflect up to date data;

- a reduction of Early Intervention Funding of £0.895m compared to the previous year;
- within the RSG allocation government have also included £100m of the £800m hold back amount in respect of New Homes Bonus in 2014/2015;
- the government has also returned £28m of monies held back for capitalisation resulting in additional funding of £0.202m for the council.

More detail is included at Appendices 1a) and 1c) for information.

Provision for the above variations was already factored into the budget planning framework.

- 4.8 Therefore, as outlined above, in overall terms the provisional settlement has confirmed that the original budget planning framework assumptions of a reduction in resource of £18.4m need to be maintained.

#### **Indicative Settlement 2015/2016**

- 4.9 For 2015/2016 spending power reduces by 3.9% representing a £11.3m reduction in funding. The position however is distorted by the inclusion by Government of:

- Pooled NHS and LA Better Care funding of £22.4m within the calculation. The Council needs to work with Clinical Commissioning Group (CCG) to develop a 2 year plan for 2014/2015 and 2015/2016 to show how the funding will be used across health and social care. Work is on-going to understand the detail and the share of the £22.4m which the Council will access.
- Assumed council tax freeze grant for 2015/2016 of £0.994m.
- An additional years New Homes Bonus of £0.521m.

- 4.10 The inclusion of the above masks:

- a 14% reduction in Settlement Funding Assessment (Business Rates, Top-up Grant, and Revenue Support Grant) of £23.92m. Within this Revenue Support Grant has reduced by £26.03m or 27.7%. This is as anticipated following the CSR 13.
- removal of a separate allocation for Local Welfare Provision Grant (Community Care and Crisis funding) of £1.44m. Government have indicated this has been rolled into RSG, however this loses its visibility. This is a concern given this was a new burden transferred to the Council from DWP in April 2013, and the impact that further Welfare reforms may have on the city.
- removal of the full Local Council Tax Benefits Burden grant of £0.18m
- the inclusion of Adult Social Care New Burdens Funding of £1.862m which will bring significant additional costs associated with the new burdens.

More detail is set out in Appendices 1b) and 1c) for information.

- 4.11 In addition the Government has removed from the Revenue Spending Power calculation Housing and Council Tax Benefit Administration grant of £2.67m. At this stage there is no indication of the Government plans for this funding in 2015/2016.
- 4.12 Planning figures for 2015/2016 will be updated as further details emerge.

## **5. Detail of Key Funding Elements for 2014/2015**

- 5.1 For 2014/2015 the key funding elements to support the revenue budget comprise:

- Retained Business Rates
- Revenue Support Grant
- Top Up Grant
- Section 31 Grant - Cap on Business Rates RPI increase
- Other Core Grant Funding
- Council Tax

### **5.1.1 Retained Business Rates**

Key features of the Business Rates Retention system are:

- 50% of business rates forms part of the national 'central' share retained by Central Government to be redistributed; 50% is retained locally. Of this 50% the Council must distribute 2% to the Tyne and Wear Fire and Rescue Authority.
- A safety net arrangement is included with the intention of protecting Authorities from significant falls in their Business Rates income which has been set at 92.5% of their base line funding limit.

The forecast income from Business Rates for 2014/2015 which will be retained by the Council is reported elsewhere on this agenda for approval prior to submission to Central Government.

In forecasting the level of Business Rates Income, the Council are required to make provision for the impact of reductions in income as a result of successful valuation appeals, including amounts backdated prior to 1<sup>st</sup> April 2013. The level of backdated appeals in 2013/2014 which are currently forecast to be successful is anticipated to result in a deficit on the Business Rates Collection Fund at 31st March 2014. As a consequence the level of retained Business Rates available to support the Revenue Budget in 2014/2015 is reduced. The impact of this on the Revenue Budget for 2014/2015 is provided for within the Safety Net Reserve Budget Provision.

### 5.1.2 Revenue Support Grant

The amount of Revenue Support grant to be received by Sunderland announced as part of the Provisional Local Government Finance Settlement is £93.946m.

### 5.1.3 Top up Grant

The amount of Top-up grant to be received by Sunderland announced as part of the Provisional Local Government Finance Settlement is £35.274m.

### 5.1.4 Section 31 Grant - Cap on Business Rates RPI increase

As part of the Autumn Statement the Government capped the annual increase on Business Rates at 2% instead of RPI (3.2%). The Government is to compensate Councils for the consequential shortfall in income through provision of a Section 31 Grant. For 2014/2015 this is estimated to be £0.812m.

### 5.1.5 Other Core Grant and Revenue Funding

The core and revenue grants of significant value which have been confirmed as part of the provisional settlement are:

- The New Homes Bonus Grant is intended to incentivise local authorities to build and bring into use more homes, with a special emphasis on creating more affordable housing. The level of grant awarded is based on the increase in housing stock through new build properties and through returning empty properties back into use. Each year's allocation is awarded for a 6 year period after which the grant ceases.

The Government has top sliced total available resources to fund the New Homes Bonus each year since its introduction in 2011/2012. The cumulative impact for Sunderland up to and including 2014/15 means that £4.3m more resource has been lost than gained since the New Homes Bonus was introduced. It is therefore proposed to follow the practise adopted in 2013/2014 of utilising NHB to support the overall budget position. The provisional total allocation for 2014/2015 of £2.226m comprises:

2011/12 - year 4 of allocation	£0.575m
2012/13 - year 3 allocation	£0.577m
2013/14 - year 2 allocation	£0.552m
2014/15 - year 1 allocation (prov)	£0.522m

Support to Housing investment initiatives will continue to be addressed via the Capital Programme and revenue budget as required.



- NHS funding to support Social Care and Benefit Health Grant has increased by £1.575m to £7.186m. The additional resource has already been taken into account in addressing the overall savings requirement and to meet ongoing pressures in this area in 2014/2015.
- A reduction in Housing and Council Tax Benefit Administration grant of £0.207m to £2.675m was notified to the Council after the Budget Planning Framework was presented to Cabinet in October but has been built into the planning assumptions.
- Local Welfare Provision (administration and programme) Grant of £1.435m has reduced by £0.021m. This level of funding was taken into account in assessing the impact of the Governments Welfare Reform agenda in 2014/2015.
- The Public Health Grant has been confirmed at £21.234m which is as anticipated.

The PFI core grant has not yet been confirmed but the allocation for the Council is not expected to change from the previous year's allocation.

#### 5.1.6 Council Tax

##### Capping Powers and Reserve Powers

The Localism Act provides for the provision of referendums to veto excessive council tax increases. This effectively places a limit on council tax increases and if councils exceed Government limits then the public will be able to vote to agree or veto any considered 'excessive' increase.

In the Provisional Settlement the Government announced that the referendum threshold principles would not be announced until the New year. It has also indicated that it is receptive to lowering the current limit of 2% for 2014/2015 for 'all or some categories of authorities'.

##### Council Tax Freeze Grant

As part of the SR13 the Government indicated they would provide funding for the impact of the 2013/2014 Council Tax Freeze Grant through to 2015/2016 at which time it would be subsumed into Revenue Support Grant. This treatment is consistent with the fact the 2011/2012 Council Tax Freeze Grant was also subsumed into Revenue Support Grant as part of the 2013/2014 settlement process.

The SR13 further indicated grant funding would be available to allow local authorities to freeze council tax for 2014/2015 and 2015/2016 (based on a 1% council tax increase) with this funding being built into the Spending Review baseline. This measure is designed both to encourage councils to take up the freeze grant and provide certainty that extra funding will be made available to 2015/2016 at least.

The funding is offered to compensate those Authorities who decide not to increase their Council tax in 2014/2015 and 2015/2016. As it is unclear whether the funding will be available beyond 2015/2016 any use of the grant to support on-going revenue expenditure may require alternative funding to be identified in the following years should the Council decide to access and accept the grant.

## 5.2 Schools Funding

New funding arrangements were introduced from April 2013 for all schools and academies. This is the first stage of introducing a national funding formula in the next spending review period. The Government through the new formula is seeking to develop a clear and transparent funding formula that supports the needs of pupils and enables Schools and Academies to be funded on a broadly comparable basis.

### 5.2.1 Dedicated Schools Grant

The distribution of the Dedicated Schools Grant (DSG) to local authorities will continue to be based on the current “spend-plus” methodology for 2014/2015, set out in three spending blocks for each authority: an early years block, a schools block and a high needs block. The underlying schools budget will be kept at flat cash per pupil for 2014/2015.

The October 2013 census data shows that pupil numbers have decreased by 342 and consequently school block funding has reduced by £1.220m.

The Government is to continue to apply a national protection arrangement for schools whereby no school will see a per pupil reduction compared to its 2013/2014 budget (excluding sixth form funding) of more than 1.5 per cent before the pupil premium is applied.

Included within the Early Years Block is additional funding to support the increase in early learning places for two-year-olds from lower income households. From 1 September 2013 early learning became a statutory entitlement for around 20% of two-year-olds across England, which will extend to 40% of two-year-olds from September 2014.

### 5.2.2 Pupil Premium Funding

The Pupil Premium level of funding for 2014/2015 for Sunderland Schools and Academies is based on January 2014 pupil numbers and funding allocations will not be confirmed until September by the Education Funding Agency. Provisional allocations will be calculated by the Local Authority and notified to Schools in February 2014.

### 5.2.3 Education Services Grant

The ESG is allocated on a simple per-pupil basis to local authorities and academies according to the number of pupils for whom they are responsible. The amount of funding to be received by the Council reduces with each school that transfers to an academy. Current planning assumes funding of £2.5m will be received in 2014/2015.

## 6. Provision for Spending Pressures and Commitments

6.1 When the Budget Planning Framework was approved in October 2013 Cabinet agreed that the following spending commitments would be taken into account:

- Prudent assumptions in respect of a pay-award based on indications by Government of a limit on public sector pay of 1.0%;
- price increases on the basis of prudent assumptions in respect of energy and contractual arrangements;
- the results of the Actuarial review of the Local Government Pension Scheme 2013;
- provision for spending commitments in respect of debt charges and interest receipts;
- the impact of demographic changes in respect of adult social care;
- pressures relating to safeguarding, and external placements;
- service pressures as a result of the economic downturn;
- replacement of one off resources utilised in setting the 2013/2014 budget of £3.55m.

6.2 In this context it is proposed to make provision to address a number of spending commitments and pressures as set out below:

### 6.3 Cabinet Secretary

The following proposals are made:

#### 6.3.1 Capital Financing

Prudential borrowing has been provided for within the medium term financial position in relation to known investments over that period, together with a provision to provide future flexibility to enable strategic priorities of the Council to be addressed.

#### 6.3.2 Workforce Transformation and Workforce Planning

Financial implications of workforce transformation and workforce Planning will be kept under review and accommodated from transitional resources set aside for this purpose.

## **6.4 Adults Health and Housing**

The following proposals are made:

### **6.4.1 People - Adult Services Demand / Demographic Issues**

The increasing longevity of the national and specifically, the city's, population continues to place significant pressure on Adult Social Services budgets. In addition, 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.

The impact of additional cost pressures and necessary investment have been factored into plans on an appropriate basis.

## **6.5 Children's Services**

The following proposals are made:

### **6.5.1 People - Children's Services Demand Pressures**

There continues to be increasing demand pressures in relation to safeguarding and specifically external placements and prudent provision has been made for this purpose.

### **6.5.2 People - Children's Services Special Guardianship and Residence Orders**

In October 2013, Cabinet approved the alignment of special guardianship and residence order allowances, and future adoption allowances to the age related core fostering allowance rate from 18th October 2013. The additional cost has been taken into account within the 2014/2015 budget planning.

## 7. Summary Funding Gap

The financial provisions proposed for the areas of spending pressures outlined are set out in the following table. When taken alongside the current forecast reduction in funding the overall gap to be addressed is summarised below.

	2014/2015		2015/2016	
	£'m	£'m	£'m	£'m
<b>Government Grant Changes</b>		<b>18.42</b>		<b>24.84</b>
<b>Spending Pressures</b>				
Pay, Prices and Other pressures	8.72		5.24	
People - Adults Demand Pressures	2.51		2.29	
People - Children's Demand - External Placements	1.20		0.00	
People - Children's Special Guardianship and Residence Orders	0.65		0.00	
Capital Financing	0.50		2.50	
Replacement 2013/14 Use of One Off Resources	3.55		0.00	
Replacement 2014/15 Use of One Off Resources		17.13	0.50	10.53
<b>Total Estimated Pressures and Grant Reductions</b>		<b>35.55</b>		<b>35.37</b>

## 8. Proposals to Meet the Funding Gap 2014/2015

- 8.1 As part of the Budget Planning Framework for 2014/2015 Cabinet agreed in October 2013 to meet the funding gap by progressing the existing savings programme and developing a further programme of activity based around the Councils Community Leadership approach including:
- understanding demand and prioritising service provision to protect core services and particularly those most vulnerable
  - maximising non frontline savings
  - ensuring services are responsive to local needs
  - targeting resources rather than universal service provision
  - developing alternative ways of providing services not necessarily by the Council
  - greater collaboration and community involvement
  - continued focus on progressing Regeneration, funding leverage and commercial opportunities.

### 8.2 Summary of Proposed Plans To Meet Funding Gap

Proposals to fully meet the funding gap for 2014/2015 are summarised below together with an indication of plans for 2015/2016;

	2014/15 £'m	2015/16 £'m
<b>Total Estimated Pressures and Grant Reductions</b>	<b>35.55</b>	<b>35.37</b>
<b>Proposals to Meet the Funding Gap</b>		
Strategic and Cross Cutting	-17.97	-3.97
Place and Economy	-8.86	-2.82
People	-6.70	-9.93
<b>Total Ongoing Savings Programme</b>	<b>-33.53</b>	<b>-16.72</b>
<b>Use of One off Resource</b>		
SIB Balances	-0.50	0.00
Temporary Use of balances /potential Grant	-1.52	-5.72
<b>Total Proposals to meet the Gap</b>	<b>-35.55</b>	<b>-22.44</b>

Further work is continuing to develop a full suite of proposals to meet the 2015/2016 funding gap of circa £12.9m as well as the further savings forecast to be required in 2016/2017 and beyond. Further updates will be provided to Cabinet in due course and the Medium Term Financial Strategy 2014-2017 will be refined and updated as this work progresses.

Further detail on the proposals for reduction are set out below.

### **8.3 Detail of Proposals for Reduction**

#### **8.3.1 Corporate and Cross Cutting (£17.975m 2014/2015 and £3.970m)**

- **Strategic and Shared Services - (£1.025m in 2014/15 and £1.000m in 2015/16)**

It is proposed to continue the review and reconfiguration of strategic and support services to ensure those services meet the future requirements of the council. All strategic and support service areas will deliver a proportionate share of the savings requirement over the two years.

- **Integrated Commissioning Services - (£0.600m in 2014/15)**

Through the bringing together of commissioning functions across the council and developing a joint approach to commissioning with health partners in the Clinical Commissioning Group it is envisaged that reductions in cost will be made. In addition reductions to cost will be made through a review programme of services that the council currently commissions

- **ICT rationalisation and income opportunities - (£0.250m in 2014/15 and £0.750m in 2015/16)**

The ICT Unit will continue consolidating applications into a smaller number of core systems, reducing external spend on application support and improve data quality and the availability of information. In addition, all contracts will continue to be reviewed and renegotiated delivering further reductions in cost.

Whilst reducing external costs the ICT Unit will be looking at increasing income through the sharing of ICT services and resources.

- **Various Corporate Allocations - (£9.200m in 2014/15 and £1.570m 2015/2016)**

A review of all central resources and reserves has been undertaken which has identified capacity to release some corporate contingencies, primarily in respect of the waste strategic solution. The proposals also take into account additional income on a prudent basis in respect of council tax collection and the New Homes Bonus grant allocation.

In recent years opportunities to capitalise revenue expenditure in respect of highways and building maintenance costs have been maximised and it is proposed to continue with this approach going forward.

- **Release of Revenue Contribution to Capital Outlay (RCCO) - (£2.000m in 2014/15)**

Previous budgets have included provision for a revenue contribution to help support the capital programme. In light of the financial position facing the council it is proposed that this provision be removed from the budget.

- **SWITCH Budget Repatriated - (£3.200m in 2014/15)**

Following the successful implementation of the severance scheme over the last two financial years and the previously agreed cessation of the SWITCH programme, the balance of the SWITCH budget can be released to support the 2014/2015 budget position.

- **Maximisation of Income: (£1.100m in 2014/15 and £0.400m in 2015/16)**

As a result of the Airport refinancing arrangements agreed last year, the council is to receive interest on long term loan notes issued for a period of 20 years subject to performance of the Airport. It is proposed the annual income receivable be brought into account in the budget from 2014/2015.

In addition, the City's Port has improved both turnover and trading profitability over recent years. Capital investment in the Port has provided the necessary infrastructure to allow increased tonnages and new cargos to be handled. Given this positive trend it is proposed the Port be set increased profit targets for 2014/2015 and 2015/2016 financial years.

Finally two reviews are being undertaken with a view to raising additional revenue from fees and charges (where appropriate) and advertising including outdoor advertising.

- **Procurement - (£0.200m in 2014/15 and £0.200m in 2015/16)**

In addition to all Directorates reviewing their third party spend and securing savings from other projects and reviews, a review of all corporate contracts is being undertaken with a view to reducing prices further.

- **CSN programme - (£0.400m in 2014/15 and £0.050m in 2015/16)**

With virtually all service areas now migrated to the Customer Service Network the focus has shifted to deepening the customer offering to enable decision making at the earliest point in the interaction. This will enable costs to be reduced whilst maintaining services.

## 8

### 8.3.2 Place and Economy (£8.858m 2014/2015 and £2.823m 2015/2016)

- **Smarter Working - review of premises and Repairs and Renewals (£0.702m in 2014/15 and £0.100m in 2015/16)**

This saving is a continuation of the Smarter Working project which has already delivered significant savings in premises costs through the planned closure of administrative buildings. The review is now focussing on delivering savings in operational buildings through collaborative working and co-location. Reductions to the Repairs and Renewals budget will be delivered by prioritisation. Optimising council properties will minimise the rates liability.



- **Land and Property - Review of operational costs and income generation (£0.703m in 2014/15 and £0.385m in 2015/16)**

A number of initiatives have been identified to increase income, including from Cash in Transit, Control Room and through rent reviews of the council's property portfolio, and through reducing costs, including in relation to Design Services where greater flexibility will be built into service provision.

- **Economic Development Grants Review (£0.250m in 2014/15)**

A reduction in the Economic Development grant budget will be delivered through the reprioritisation of external grants provided by the Team, focussing on those grants where clear outcomes are demonstrable.

- **Review of Citywide Services (£1.519m in 2014/15 and £0.789m in 2015/16)**

- Review of operational arrangements for Waste Collection – (£0.863m in 2014/2015 and £0.189m in 2015/2016): Having committed to retain weekly refuse collections through to 2016/2017, this proposal has identified cost reductions through the implementation of a 4-day working week to coincide with the opening of the new waste transfer station at Jack Crawford House.
- Transport and Fleet review – (£0.600m in 2014/2015 and £0.600m in 2015/2016): The on-going Transport and Fleet review, will further rationalise and reduce the scale of the council's fleet, ensure better utilisation based on new management and monitoring systems and ensure more efficient hire and maintenance arrangements.
- Review of operational arrangements for Regulatory Services – saving of £0.056m (2014/15): Review to include the Registrar and Coroner services

- **Car Parking – review of operational costs and income (£0.336m in 2014/15 and £0.433m in 2015/16)**

Delivery of the new Parking Strategy will achieve savings through the implementation of a Local Parking Permit Scheme in the City Centre to improve parking utilisation and support local businesses, introducing seafront and on-street charges, taking advantage of commercial opportunities to generate new income streams, improving enforcement arrangements and reviewing parking charges.

- **Bereavement Services – review of operational costs and income (£0.105m in 2014/15 and £0.150m in 2015/16)**

Following the review last year to simplify burial charges, further savings will be delivered through an increase in charges for burial and cremation.

- **Review of Highways and Network Management including maintenance (£1.431m in 2014/15 and £0.200m in 2015/16)**

A reduction in the Highways maintenance budget will be achieved through the prioritisation of the budget, multi-skilling of highways inspectors to carry out on-the-spot repairs. In addition through a review of operations to more flexibly meet the design requirements of revenue and capital schemes, by maximising income earning opportunities and focussing on statutory functions.

- **Review of Pest Control Charges (£0.051m in 2014/15 and £0.050m in 2015/16)**

It is proposed that pest control charges be introduced (excluding a charge for rat control) in line with other local authorities.

- **Review of operational arrangements for Responsive Local Services (£0.761m in 2014/15 and £0.216m in 2015/16)**

A reduction in the responsive local services operational budget can be achieved through focussing on rationalising and re-engineering operational supervision. Taking into account opportunities arising from workforce planning measures, the review will enable Area Response Manager and Officer arrangements to be maintained, the assimilation of existing fixed term and apprentice staff into the service and the creation of a further 30 new apprentice positions.

- **Energy - Invest to Save Initiatives (£0.500m in 2015/16)**

Officers are working alongside the council's PFI contractor to develop opportunities to reduce the cost of energy, primarily in relation to Street Lighting and premises-related energy. Capital investment, to take account of improvements in technology, will be considered on an invest to save basis.

- **People Based Commissioning Reviews (Public Health) (£3.000m in 2014/15)**

This reduction in budget reflects the development of the council's approach, locally, to move away from commissioning separate, unconnected services to supporting the delivery of an integrated wellness model. Services influenced through this approach include NHS health-checks, adult obesity programmes, substance misuse, infection control and public health strategic resources.

### **8.3.3 People (£6.699m 2014/2015 and £9.934m 2015/2016)**

- **Full Year Impact of previous year's decisions (£1.744m in 2014/15 and £0.100m in 2015/16)**

This is the full year impact of previous year's agreed savings decisions, all of which have been implemented in the current financial year in respect of Children Looked after Strategy, Review of structures, YOS, Services to Schools and School Improvement service.

- **Reconfiguration of Family Home Care and Community Support Services (£0.100m in 2014/15 and £0.035m in 2015/16)**

Reconfiguration of staffing arrangements for some support services (e.g. Family Home Care and Community Support Services) provided to children and young people.

- **Review of Commissioning Arrangements (£0.827m in 2014/15 and £1.265m in 2015/16)**

A review of commissioning arrangements will lead to reductions in the following areas;

- The removal of subsidy at the Castleview Centre, review of partner contributions Sunderland Safeguarding Children's Board, and review of Housing related support.
- A Review of Home to School Transport is underway including how statutory transport is provided. This will require appropriate consultation and will include a review of commissioning arrangements, a review of eligibility criteria and an offer to parents of personalised budgets where appropriate.
- Alternative delivery models for internally delivered services are being considered including XL and Mobile Youth Provision. This will include working with partners to determine how the desired outcomes from delivery can be met. In line with all other commissioned services, commissioned contracts

will be reviewed to reduce costs by approximately 30% when these are due for renewal in April 2015.

- **Early Years and Childcare**

- **Review of support for workforce development and the curriculum and quality assurance process in childcare settings (£0.439m in 2014/15)**

Financial support has been provided to deliver an improved early years workforce provided by childcare settings and child-minders. It is considered appropriate to continue the phased withdrawal of this support. The review will look at other alternative ways of funding and delivering the service to reduce costs such as those relating to qualified teacher support.

- **Review of Children's Centre Delivery (£0.460m in 2014/15 and £0.100m in 2015/16)**

A further review of Children's Centres delivery in response to the updated needs analysis and usage will be undertaken. This will involve appropriate consultation with Children Local Area Boards and elected members.

- **Health and Social Care Integration (£0.290m in 2014/15 and £3.210m in 2015/16)**

Reductions on the net budget can be achieved through integration of services and development of person centred co-ordinated care in localities. This will prevent hospital admissions and readmissions and can also be supported through additional grant funding.

- **Sunderland Cares - Local Authority Trading Company (LATC) - (£4.153m 2014 to 2018 with £2.594m in 2014/15 and £0.824m in 2015/16)**

In-house Care and Support has moved to a LATC from the 1st December 2013. The separation of the Council's provider arm into a LATC will give greater opportunities to consolidate its provider options, enabling flexible solutions and the potential to develop business / generate income through innovative service provision to individual customers and commissioners.

- **Further Implementation of Personalisation (£0.245m in 2014/15 and £1.300m in 2015/16)**

The continued implementation of personalisation will allow individuals to have choice and control in respect of the care and support they receive to meet their assessed need and prevent admissions to residential and nursing care.

In 2015/2016 the Government is proposing minimum national eligibility standards. The proposal is to adopt the national criteria.

- **Sport and Leisure Review (£2.600m in 2015/16)**

Cabinet agreed in October 2013 to explore the establishment of an alternative service delivery model for Sports and Leisure Facilities. Work undertaken concluded that a Joint Venture arrangement between the Council and a partner is the preferred option for the future model to operate and to manage the City's leisure complexes.

Analysis undertaken suggests that, through achieving increases in participation and customer volumes, additional revenues will be delivered to contribute to the position.

- **People Directorate – Review of staffing Structures (£0.500m in 2015/16)**

A review of staffing structures following the amalgamation of Health Housing and Adult Services and Children's Services is to be undertaken in 2014/2015.

#### **8.3.4 Use of One Off Resources**

At this stage it is proposed to utilise one off funding of £0.5m of uncommitted SIB balances.

#### **8.4 Other Resources**

After taking account of total on-going programmed savings and use of one off resources for 2014/2015 there remains a funding gap of £1.52m. At this stage it is proposed this gap be met from either council tax increase, acceptance of the council tax freeze grant or use of transitional funding held in balances on a temporary basis.

### **9. Outstanding Uncertainties**

9.1 At this stage there are a number of uncertainties still to be resolved in relation to next year's budget, including:

- transitional costs in relation to the implementation of savings proposals;
- the outcome of the final Local Government Revenue Support Grant Settlement for 2014/2015 and related grant announcements;
- the forecast Income from Business Rates
- the final Collection Fund position for both Council Tax and Business Rates.

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

## **10 Budget Consultation**

10.1 The Budget and Policy Framework procedure rules contained within the Constitution of the Council requires consultation on budget proposals to take place. In October 2013 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2014/2015 and proposed briefings to the following stakeholders:

- Trade Unions;
- North East Chamber of Commerce / Representatives of Business Ratepayers;
- Voluntary Sector;
- Youth Parliament;
- Schools Forum, Head Teachers and Governors.

10.2 In addition to the above stakeholder consultation, a survey was undertaken to gain an understanding of views on the overall approaches to meeting the budget challenge.

10.3 To supplement the survey, a workshop was held, with Community Spirit panel members, equality forums, and with representatives from the voluntary and community sector being invited.

10.4 Initial findings of the survey and discussions at the workshops demonstrate general support for the overall approach.

10.5 To date budget consultation with these groups has concentrated on the overall approaches to meeting the budget challenge. Further detailed consultation in relation to the proposals will be undertaken, as appropriate, when the proposals are developed, or service review takes place. The results of this consultation will, in turn, inform the Equality Analysis of the proposals.

10.6 At each stage in the budget preparation process Scrutiny Committee is being consulted.

10.7 This report will become the basis for second stage consultation. Elements of the consultation undertaken to date, which has not yet been fully analysed, together with the results of the second stage of consultation will be considered in framing the final budget proposals to be submitted to Cabinet in February, 2014.

## **11 Equalities Impact Assessment**

- 11.1 In accordance with the approach followed in previous years the Council continues to fully consider the impact of its plans by following a robust approach to equalities analysis. Appendix 2 sets out the approach adopted to the budget setting process.

## **12 General Balances**

- 12.1 A Statement of General Balances is attached at Appendix 3.
- 12.2 As reported at the Second Revenue Review Report to Cabinet, some savings have been generated in 2013/2014 from Interest on Balances and Debt Charges, and unutilised contingency provisions. Any savings generated will be required to fund one off spending pressures and additional costs associated with implementing the budget proposals for 2013/2014 and to support the 2014/2015 Revenue Budget as part of a prudent and robust approach to budget setting.
- 12.3 The balances position will be updated / reviewed as the budget is progressed. A full risk analysis will be presented with the final budget proposals to the February meeting of Cabinet.

## **13 Suggested Reason for Decision**

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

## **14 Alternative options to be considered and recommended to be rejected**

- 14.1 There are no alternative options recommended for approval.

### **Background Papers**

Budget and Planning Framework 2014/2015 (October 2013 Cabinet)

Local Government Finance Settlement 2014-15:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2014-to-2015>

## APPENDIX 1a)

### Provisional Revenue Support Settlement 2014/2015 and Indicative Settlement 2015/2016

#### Spending Power Calculations for 2014/2015 compared to the adjusted 2013/14

Spending Power Components	2013-14	2014-15	Change	Change
	£m	£m	£m	%
1 Council Tax Requirement excluding parish precepts	76.013	76.592	0.579	0.8%
Settlement Funding Assessment	188.750	170.421	-18.329	-9.7%
SFA: Adjustment to reflect Section 31 grants for business				
2 rates cap	0.000	0.812	0.812	100.0%
3 minus Council Tax Support Funding to Parishes	-0.012	-0.012	0.000	0.0%
4 Efficiency Support Grant	0.000	0.000	0.000	0.0%
Inshore Fisheries Conservation Authorities	0.014	0.014	0.000	0.0%
Lead Local Flood Authorities	0.037	0.037	0.000	0.0%
Community Right to Challenge	0.009	0.009	0.000	0.0%
Community Right to Bid	0.008	0.008	0.000	0.0%
Local Welfare Provision (Admin + Programme funding) 2014-15	1.456	1.435	-0.021	-1.5%
5 Indicative Council Tax Freeze Grant 2014-15	0.000	0.987	0.987	100.0%
6 New Homes Bonus	1.704	2.226	0.522	30.6%
7 New Homes Bonus: returned funding	0.636	0.263	-0.373	-58.7%
Housing Benefit Subsidy Admin	2.882		-2.882	-100.0%
Local Council Tax Support and Housing Benefit Administration Subsidy		2.675	2.675	100.0%
Council Tax Support New Burdens Funding	0.216	0.180	-0.036	-16.8%
LA Social Housing Fraud	0.000	0.000	0.000	0.0%
Local Reform and Community Voices DH revenue grant	0.275	0.283	0.009	3.1%
Public Health Grant (Ring-fenced)	20.656	21.234	0.578	2.8%
NHS funding to support social care and benefit health	5.611	7.186	1.574	28.1%
<b>Estimated 2014-15 Revenue Spending Power including NHS support for social care</b>	<b>298.255</b>	<b>284.347</b>	<b>-13.907</b>	<b>-4.7%</b>

*Note: Totals are rounded to 3 decimal places,*



## APPENDIX 1b)

### Provisional Revenue Support Settlement 2014/2015 and Indicative Settlement 2015/2016

#### Spending Power Calculations for 2015/2016 compared to the adjusted 2014/15

Spending Power Components	2014-15	2015-16	Change	Change
	£m	£m	£m	%
1 Council Tax Requirement excluding parish precepts	76.592	77.175	0.583	0.8%
Settlement Funding Assessment	170.421	146.501	-23.920	-14.0%
SFA: Adjustment to reflect Section 31 grants for				
2 business rates cap	0.812	0.812	0.000	100.0%
3 minus Council Tax Support Funding to Parishes	-0.012	-0.012	0.000	0.0%
4 Efficiency Support Grant	0.000	0.000	0.000	0.0%
Inshore Fisheries Conservation Authorities	0.014	0.014	0.000	0.0%
Lead Local Flood Authorities	0.037	0.025	-0.012	-32.9%
Community Right to Challenge	0.008	0.000	-0.008	-100.0%
Community Right to Bid	0.009	0.000	-0.009	-100.0%
Local Welfare Provision (Admin + Programme funding) 2014/15	1.435	0.000	-1.435	-100.0%
5 Indicative Council Tax Freeze Grant 2014-15	0.987	0.987	0.000	100.0%
6 Indicative Council Tax Freeze Grant 2015-16	0.000	0.994	0.994	-100.0%
7 Provisional and illustrative New Homes Bonus	2.226	2.747	0.521	23.4%
New Homes Bonus: returned funding	0.263	0.668	0.405	154.0%
8 Council Tax Support New Burdens Funding	0.180	0.000	-0.180	-100.0%
LA Social Housing Fraud	0.000	0.000	0.000	0.0%
Local Reform and Community Voices DH revenue	0.283	0.283	0.000	0.1%
9 Public Health Grant (Ring-fenced)	21.234	21.234	0.000	0.0%
10 Adult Social Care New Burdens	1.862	1.862	0.000	0.0%
11 Pooled NHS and LA Better Care fund	10.704	22.432	11.728	109.6%
<b>Estimated 2015-16 Revenue Spending Power including NHS support for social care</b>	<b>287.055</b>	<b>275.721</b>	<b>-11.334</b>	<b>-3.9%</b>

*Note: Totals are rounded to 3 decimal places,*

# APPENDIX 1c)

## Provisional Revenue Support Settlement 2014/2015 and Indicative Settlement 2015/2016

Settlement Funding Assessments for both 2014/15 and 2015/16			
	Adjusted 2013-14 Start-Up Funding Assessment	Provisional 2014-15 Settlement Funding Assessment	Illustrative 2015-16 Settlement Funding Assessment
	£m	£m	£m
Upper-Tier Funding	133.676	119.497	100.203
Lower-Tier Funding	25.092	21.510	18.001
<b>Total</b>	<b>158.769</b>	<b>141.006</b>	<b>118.203</b>
Council Tax Support	-20.979	-20.979	-20.979
<b>True needs based funding</b>	<b>137.790</b>	<b>120.027</b>	<b>97.224</b>
<b>Real % reduction in needs based funding</b>		<b>-12.9%</b>	<b>-19.0%</b>
Fire & Rescue Funding	0.000	0.000	0.000
2011-12 Council Tax Freeze Compensation	2.377	2.366	2.365
Early Intervention Funding	11.543	10.648	9.739
GLA General Funding	0.000	0.000	0.000
GLA Transport Funding	0.000	0.000	0.000
London Bus Services Operators Grant	0.000	0.000	0.000
Homelessness Prevention Funding	0.141	0.139	0.139
Lead Local Flood Authority Funding	0.121	0.119	0.119
Learning Disability and Health Reform Funding	14.821	14.962	14.957
Efficiency Support for Services in Sparse Areas	0.000	0.000	0.000
2013-14 Council Tax Freeze Compensation	0.979	0.979	0.979
Returned Holdback		0.202	
<b>Totals</b>	<b>188.750</b>	<b>170.421</b>	<b>146.501</b>
<b>Total SFA Reduction in year</b>		<b>-18.329</b>	<b>-23.920</b>
<b>% reduction</b>		<b>-9.7%</b>	<b>-14.0%</b>
	Adjusted 2013-14 Start-Up Funding Assessment	Provisional 2014-15 Settlement Funding Assessment	Illustrative 2015-16 Settlement Funding Assessment
	£m	£m	£m
<b>SFA split</b>			
RSG including Freeze grant	113.735	93.946	67.915
Baseline Funding (Top Up Grant)	34.600	35.274	36.247
Assumed Business Rates	40.415	41.201	42.339
<b>Total</b>	<b>188.750</b>	<b>170.421</b>	<b>146.501</b>
<b>% reduction in RSG component</b>		<b>-17.4%</b>	<b>-27.7%</b>

Note: Totals are rounded to 3 decimal places,

**EQUALITY AND THE BUDGET PROPOSALS****1 How equality analysis has fed into the budget-setting process**

- 1.1 Each Directorate has considered the equality impact of their proposals. Where it is timely and appropriate an Equality Analysis has been completed (the Council adopted approach to analyse and record equality impacts). The detail of the analysis is dependent on the nature of the proposal and its stage of development. For those proposals which are not sufficiently detailed to undertake a full Equality Analysis at the present time, an initial consideration of the impacts has been undertaken. In these cases further analysis will be carried out, when the proposals are further developed.

**2 Consultation**

- 2.1 Consultation has included an online survey as well as a targeted event to which Community Spirit (the Residents' Panel), representatives of the Area Voluntary and Community Sector Networks, and city-wide Equality Forums were invited. The Equality Forums cover a range of protected characteristics including disability, sexuality, faith and belief, race and age.

**3 Key Messages**

- 3.1 Individual proposals for additional savings are currently at different stages of equality analysis depending on the stage of the development of the proposal. The equality considerations can be summarised as follows:
- Equality Analysis, whether complete or at initial consideration, has identified or anticipated positive impacts. In some cases this may be an initial Equality Analysis that needs updating as the project progresses.
  - Equality Analysis, whether complete or at initial consideration, has identified or anticipated negative impacts. Where negative impacts are identified, it is the responsibility of the services to minimise these as far as possible. Some proposals have already identified possible ways to mitigate against potential impacts.
  - No impacts have been identified or are anticipated. This includes instances where mitigating actions have already been put in place to neutralise negative impacts.
  - The proposal has potential employment impacts, or the saving will be partially made from staffing changes. Where there are impacts for the Council as an employer, equality considerations will be made as part of the Workforce Planning Project.

- Equality implications will be considered as part of a planned review, or further work is needed to help identify equality impacts.

The summary of impacts, by directorate, is outlined below:

	<b>Strategic and Cross Cutting Proposals</b>	<b>Economy and Place Proposals</b>	<b>People Proposals</b>
Positive impact identified or anticipated	0	0	5
Negative impact identified or anticipated <sup>1</sup>	0	0	7
No impact identified or anticipated	8	7	12
Employee implications	4	4	1
Further work is needed to assess the full impact / assessment will be part of a review	0	1	8
<b>Total</b>	<b>12</b>	<b>12</b>	<b>33</b>

*Note 1: Where the current draft of the Equality Analysis does identify potential negative impacts, the services will be considering how these impacts can be mitigated as far as possible during the development of detailed proposals.*

- 3.2 A number of the proposals provide the opportunity for improving equality and diversity of provision, due to services being reviewed in line with demand management and application of the Customer Service and Access principles. These principles encourage greater understanding of customers and communities.
- 3.3 Where Equality Analysis is finalised, there will be a quality assurance process to ensure the relevant considerations are being made in a thorough manner.

## **4 CONCLUSIONS**

- 4.1 The Council continues to seek to meet its obligations in relation to equality and diversity and has procedures in place at both a general and budget specific level to incorporate equality and diversity issues into decision making processes and the assessment of proposals.
- 4.2 Where analysis does highlight some equality implications, services and directorates will be responsible for assessing how these can be mitigated during the development of the detailed proposals. Where a proposal includes a review of services a full and/or updated version of equality analysis will be undertaken and presented to decision makers as proposals are shaped.

## Appendix 3

### Statement of General Balances

	£m
<b>Balances as at 31<sup>st</sup> March 2013</b>	<b>7.570</b>
<b>Use of Balances 2013/2014</b>	
Contribution to Revenue Budget (approved as part of 2013/2014 budget )	(2.572)
<b>Additions to Balances 2013/2014</b>	
Transfer from Strategic Investment Reserve to Support Transition Costs (approved as part of 2013/2014 budget )	2.572
<b>Estimated Balances 31<sup>st</sup> March 2014</b>	<b>7.570</b>

The above position will be reviewed and updated and reported to Cabinet as part of the final budget proposals in February, 2014.

The above shows that balances will remain at £7.570m – transitional funding will be used to support the budget over the medium term as proposals are implemented.

