

The CABINET reports as follows:-

1. Audit Commission Annual Audit Letter 2010/2011

That they submit for consideration by Council a report of the Chief Executive (copy attached) on the Audit Commission Annual Audit Letter covering the year 2010/11 together with a copy of the Audit Letter which included issues arising from the audit of the Council's financial statements and the results of the Audit Commission's work undertaken as part of the assessment of the Council's arrangements to securing value for money in its use of resources.

The Cabinet recommends the Council to note the contents of the report.

2. Review of Members' Allowances Scheme by the Independent Remuneration Panel

That they have given consideration to the attached joint report of the Chief Executive and the Executive Director of Commercial and Corporate Services (copy attached) on the outcome of the Independent Remuneration Panel's Review of Members' Allowances.

The Cabinet recommends the Council to approve the recommendations of the Independent Remuneration Panel to amend the Members' Allowances Scheme, as detailed in Appendix 2 and to backdate the amendments to the Members' Allowances Scheme to 1st April, 2011.

3. Calculation of Council Tax Base

That they have given consideration to a report of the Executive Director of Commercial and Corporate Services (copy attached) seeking approval to the calculation of the Council Tax Base for 2012/2013 in accordance with the Local Government Finance Act 1992 and recommend to Council that:-

- (i) the report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2012/2013 be approved, and
- (ii) pursuant to the report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, as amended by Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003, the amount calculated by the City of Sunderland Council as its Council Tax Base for the year 2012/2013, shall be £81,202 and for the area of Hetton Town Council shall be £4,130.

4. Revenue Budget Proposals 2012/2013

That they have given consideration to a joint report of the Chief Executive and the Executive Director of Commercial and Corporate Services (copy attached) noting the impact of the provisional Local Government Finance Settlement on the Budget Planning Framework for 2012/2013 and submit the provisional budget proposals for 2012/2013 as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement for 2012/2013.

Accordingly the Cabinet recommends the Council 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 2012/2013.

They also referred the report to the Management Scrutiny Committee for further advice and consideration. The comments of the Scrutiny Committee will be reported to the meeting.

Cabinet Meeting – 7th December 2011

AUDIT COMMISSION ANNUAL AUDIT LETTER 2010/11

Report of the Executive Director of Commercial & Corporate Services

1.0 Purpose of the report

1.1 This report details the Audit Commission's (AC) Annual Audit Letter (AAL) covering the year 2010/2011. A copy is attached.

2.0 Description of Decision

2.1 Cabinet is recommended to:

- Note and comment on the contents of this report, and
- Refer the report to Council for their consideration.

3.0 Introduction / Background

3.1 The Audit Commission's Code of Audit Practice requires auditors to prepare an AAL and issue it to each audited body. The purpose of preparing and issuing AALs is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from the auditors' work, which auditors consider should be brought to the attention of the audited body.

3.2 The AAL summarises the findings of the 2010/11 audit, which comprises two elements:

- An audit of the Council's financial statements
- An assessment of the Council's arrangements to achieve value for money in the use of resources

3.3 The AAL also provides an update on the position relating to the objections to the Accounts for 2007/08, 2008/09 and 2009/10.

4.0 Overall Position

4.1 The AAL is extremely positive overall providing a strong endorsement of the financial management and planning and governance arrangements in place across the Council.

4.2 The report provides an unqualified opinion on the financial statements and an unqualified VFM conclusion. The report confirms that the Council:

- Has robust arrangements in place to ensure its financial resilience.
- Has a history of good financial management, robust systems of corporate governance and internal control, and a strong record in the delivery of budgets.
- Had prepared for the economic challenges facing public services through the Sunderland Way of Working.

- Is committed to improvements in service delivery and outcomes, and has also identified significant savings.

4.3 Financial Statements and Annual Governance Statement

- 4.3.1 The District Auditor (DA) issued an unqualified opinion on the Council's financial statements on 30 September 2011.
- 4.3.2 The DA commented that *"the financial statements presented for audit were of good quality, they complied with the new requirements of International Financial Reporting Standards (IFRS) and officers have once again been helpful in dealing with the audit and with our queries. This is a considerable achievement, as compliance with IFRS created significant problems across the country and some authorities were unable to meet the statutory deadlines."*
- 4.3.3 The DA also reported that financial statements have been streamlined where possible, key controls within the Council's main financial systems were operating as designed and there were no significant issues to raise with the Council. The DA will work with the Council over the next year to help address the small number of areas for improvement that were identified during the audit.

Resolution of Objections from Earlier Years

- 4.3.4 Previously, the DA was unable to issue a final certificate for the 2009/10 accounts as outstanding objections to the Council's accounts for 2007/08 and 2008/09 had yet to be decided, and a legal issue had arisen which had led to further delays in issuing the final certificates for the three accounting years.
- 4.3.5 Following the conclusion of legal issues the DA has determined that no further action is required in response to the objections raised to the 2007/08 and 2008/09 accounts. As a result, he issued final certificates on 30 September 2011 to formally close the audits for 2007/08, 2008/09 and 2009/10, as well as that for 2010/11.

4.4 Value for Money

- 4.4.1 The DA issued an unqualified conclusion stating that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources on 30 September 2011.
- 4.4.2 The DA reported that *"the Council has robust arrangements in place to ensure its financial resilience. The Council has a history of good financial management, robust systems of corporate governance and internal control, and a strong record in the delivery of budgets. The Council had prepared for the economic challenges facing public services through the Sunderland Way of Working. The Council is committed to improvements in service delivery and outcomes, and has also identified significant savings."*

4.4.3 In undertaking the value for money conclusion the DA also gave consideration to areas that had been previously identified as areas for improvement (i.e. asset management and natural resources). The DA commented upon the progress that is being made and the importance of these agendas in supporting the Council to deliver value for money.

Current and Future Challenges

4.4.4 The AAL highlights the challenges the Council faces due to the economic downturn and the subsequent pressure on the public sector; as well as the need to cut costs yet maintain and improve key services. The Letter acknowledges the Council is prioritising its resources within tighter budgets, by achieving cost reductions and by improving efficiency and productivity.

4.4.5 In highlighting the challenges the DA has identified the Council's service reviews, the "innovative" SWITCH programme, and the consideration of alternative forms of service delivery and new and innovative ways of working as being key mechanisms to help meet the challenges.

4.4.6 The DA has commented that the key challenges for the Council are to:

- Closely monitor the 2011/12 budget and take early action if budget savings are not being delivered
- Monitor service delivery and governance arrangements to ensure that standards are maintained during a period of significant change

5.0 Relevant Considerations / Consultations

5.1 Government regulations require the AAL to be published. In addition to publication as part of the Cabinet, Management Scrutiny Committee and Council Agendas, and its publication on the AC website it is proposed to place the full report on the Council website.

6.0 Reasons for Decision

6.1 To enable Cabinet to consider and comment on the contents of the independent report together with any actions the Council is undertaking in response to it.

Annual Audit Letter

Sunderland City Council

Audit 2010/11



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Key messages

This report summarises the findings from my 2010/11 audit and provides an update on the position relating to objections to the accounts for 2007/08 and 2008/09. My audit for 2010/11 comprised:

- the audit of the Council's financial statements; and
- my assessment of arrangements to achieve value for money in the use of resources.

	Our findings
Unqualified audit opinion	✓
Proper arrangements to secure value for money	✓

Audit opinion and financial statements

I issued an unqualified opinion on the financial statements on 30 September 2011.

The financial statements presented for audit were of good quality, they complied with the new requirements of International Financial Reporting Standards (IFRS) and officers have once again been helpful in dealing with the audit and with our queries. This is a considerable achievement, as compliance with IFRS created significant problems across the country and some authorities were unable to meet the statutory deadlines

Value for money

I also issued an unqualified conclusion stating that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources on 30 September 2011.

The Council has robust arrangements in place to ensure its financial resilience. The Council has a history of good financial management, robust systems of corporate governance and internal control, and a strong record in the delivery of budgets. The Council had prepared for the economic challenges facing public services through the Sunderland Way of Working. The Council is committed to improvements in service delivery and outcomes, and has also identified significant savings.

Resolution of objections from earlier years

Following the completion of legal cases in the Courts, I have now determined the objections to the 2007/08 and 2008/09 accounts. I concluded that I did not need to take any formal audit action and I issued final certificates on 30 September 2011 to formally close the audits for 2007/08, 2008/09 and 2009/10 as well as that for 2010/11.

Current and future challenges

Challenges

Economic downturn and pressure on the public sector
Cutting costs but maintaining and improving key services

Key Issues

The 2011/12 budget was one of the most difficult the Council has faced. The outcome of the comprehensive spending review in the autumn of 2010 was that there would be significant cuts in central government funding. In Sunderland's case, this meant an overall reduction of £58m, with further cuts to follow in 2012/13.

The Council is committed to improving service delivery and outcomes, and needs to make savings. Further activity is underway through several tranches of service reviews; recognising that further savings will be required in 2012/13 (estimated at £26.2m) and beyond.

The Council has established its innovative SWITCH programme (Staff Working in Transition and Change). This aims to support the delivery of the Council's business operating model and support the associated restructuring issues by finding displaced workers alternative employment in the Council as part of a wider set of measures in place to manage the position. The Council has made a commitment to seek to avoid mass redundancies.

The key challenges for the Council are to:

- closely monitor the 2011/12 budget, taking early action if budget savings are not being delivered; and
- monitor service delivery and governance arrangements to ensure that standards are maintained during a period of significant change.

The Council is also actively developing a range of alternative forms of service delivery and new and innovative ways of working. As this is a key focus for Community Leadership, decisions on delivery models will be based on grounds of service improvement and value for money. The Council is engaging with key stakeholders about where alternative service delivery models can demonstrate significant community and organisational benefits.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Overall conclusion from the audit

The financial statements were approved by the Audit and Governance Committee on 30 September 2011. I issued an unqualified audit opinion on that date.

The financial statements presented for audit were of good quality, they complied with the new requirements of International Financial Reporting Standards (IFRS) and officers have once again been helpful in dealing with the audit and with our queries. This is a considerable achievement, as compliance with IFRS created significant problems across the country and some authorities were unable to meet the statutory deadlines.

Some amendments to the draft accounts were agreed with officers as a result of our audit work.

I am pleased to report that despite the significant challenge of implementing IFRS accounts which require more disclosures, the financial statements have been streamlined where possible, meaning that the length of the accounts has reduced overall and the disclosures are more focused than previously.

There is still scope to further improve working papers, and we will work with officers to secure further improvement for next year's audit.

I considered aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. There were no significant issues to raise with the Council.

I concluded that, in general, the key controls within the Council's main financial systems were operating as designed.

Resolution of objections

Objections were made to the Council's accounts for 2007/08 and 2008/09. This meant that I was unable to issue my certificate for those accounts and also that I was unable to issue my final certificate for the 2009/10 accounts until the objection was decided.

I have now reached a decision on the objections, which related to income and expenditure in respect of car parking, sharing my decision and statement of reasons with the Council and the objector on 18 August 2011.

My decision is:

- not to make an application to the court for a declaration that there is an unlawful item of account in the Council's accounts under section 17 of the Audit Commission Act 1998; and
- not to make a report in the public interest under section 8 of the Audit Commission Act 1998.

I issued certificates to close the 2007/08, 2008/09 and 2009/10 audits on 30 September 2011.

Although not requiring formal audit action, there were three areas where Council processes could have been improved. I have suggested the following actions to avoid challenge in the future, which have been agreed by officers:

- the formal novation of contracts should be carried out promptly;
- records need to be kept to demonstrate decisions made under delegated powers; and
- when introducing new car parking regulations and arranging signage, care must be taken to ensure that this is done properly.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

My overall conclusion was that the Council has proper arrangements to secure, economy, efficiency and effectiveness in its use of resources. I issued an unqualified value for money conclusion on 30 September 2011.

I reviewed the two criteria specified by the Audit Commission and undertook follow up work in two other areas where I had previously identified scope for improvement. My key findings and conclusions on each of these areas are set out on the following pages:

- financial resilience;
- securing economy efficiency and effectiveness;
- asset management follow up work; and
- natural resources follow up work.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>Criteria met</p> <p>The Council has robust arrangements in place to ensure its financial resilience. The Council has a history of good financial management, robust systems of corporate governance and internal control, and a strong record in the delivery of budgets. During 2008/09 and 2009/10, the Council delivered £22.9m of efficiency savings for reinvestment in service priorities.</p> <p>In 2010, the new Government signalled its intention to address the growing national budget deficit with significant reductions in public spending. An Emergency Budget required savings of over £9m to be made by the Council during 2010/11.</p> <p>The 2010/11 outturn shows that the Council not only made these savings, but only drew on £2.3m of its general reserve, rather than the £7.2m that had been originally planned, without impacting adversely on front line services. The Council was also able to set aside some £8m of resources for future commitments.</p> <p>At 31 March 2011, the Council's general reserve which is available to meet unforeseen circumstances stood at £12m, whereas total usable reserves were £169m. Although the majority of these are earmarked for specific purposes, they do provide the Council with enhanced flexibility to manage its financial position in the current difficult economic environment.</p> <p>The 2011/12 budget was one of the most difficult the Council has faced. The outcome of the comprehensive spending review in the autumn of 2010 was that there would be significant cuts in central government funding. In Sunderland's case, this meant an overall reduction of £58m, with further cuts to follow in 2012/13.</p> <p>The Council had prepared for the challenges it faced through the Sunderland Way of Working (SWOW) and its business transformation programme. This helped the Council balance its 2011/12 budget.</p> <p>Although there has been a focus on the immediate priority of making savings for 2011/12, the Council has already refreshed (in draft form) its medium term financial plan:</p> <p>The key challenges for the Council are to:</p> <ul style="list-style-type: none">■ closely monitor the 2011/12 budget, and take early action if budget savings are not being delivered; and■ monitor service delivery and governance arrangements to ensure that standards are maintained during a period of significant change.

Criterion

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key messages

Criteria met

The Council had prepared for the economic challenges facing public services through the SWOW. SWOW is the umbrella term covering Authority Improvement Programmes including the areas of Business Transformation, Community Leadership, Economic Regeneration, Reputation and Influencing as well as Directorate Improvement Programmes. This has helped the Council identify the £58m savings required in the 2011/12 budget round:

- £19m area based and specific grant cuts passported to relevant activities; including major cuts, such as £9.9m loss of working neighbourhood funding previously used to strengthen the local economy;
- Business Transformation Programme savings – £26m (£8m from strategic and shared services, £2.5m from customer services, IT and property, £5m from procurement, and the remainder from a programme of service reviews); and
- remainder of savings found from one off use of surpluses and reserves (£5.5m), increased income (£2.8m) and other savings.

The Council is committed to improving service delivery and outcomes, but needs to make savings. Further activity is underway through several tranches of service reviews; recognising that further savings will be required in 2012/13 (estimated at £26.2m) and beyond.

The Council has established its innovative SWITCH programme (Staff Working in Transition and Change). This aims to support the delivery of the Council's business operating model and support the associated restructuring issues by finding displaced workers alternative employment in the Council as part of a wider set of measures in place to manage the position. The Council has made a commitment to seek to avoid mass redundancies.. The Council stopped external recruitment some time ago, created an Internal Jobs Market and has some flexibility in moving from agency staffing in some areas.

A key priority for the Council is to closely monitor the overall implementation of savings plans and impact of SWITCH. Robust monitoring arrangements are in place as reflected in the budget monitoring reports to Cabinet. Officers are closely monitoring the position and taking actions to mitigate any shortfall in order to achieve a positive outcome.

The Council's service assessments approach has delivered a range of new approaches to service provision. The Council is also actively developing a range of alternative forms of service delivery and new and innovative ways of working. As this is a key focus for Community Leadership, decisions on delivery models will be based on grounds of service improvement and value for money. The Council is engaging with Members and other key stakeholders about where alternative service delivery models can demonstrate significant community and organisational benefits.

Asset management follow up

A key area for potential Council efficiencies is property rationalisation.

The Smarter Working project was set up with a focus on space utilisation targets and desk density ratios combined with increased home and mobile working is enabling increased efficiency in building use. Some buildings have already been vacated and a total of 12 buildings are anticipated to have been taken out of use by the end of 2011. The current anticipated savings of the project are £3.3m by the end of 2013/14.

The Council is considering the means by which to increase developments and investment in Sunderland through the use of its own assets.

Natural resources follow up

The Council has adopted a Sustainability Policy and is progressing plans to improve sustainability, however, some momentum has been lost due to restructuring.

The Council had originally intended to develop a Sustainability Board to oversee delivery of the Sustainability Policy. However, the streamlined Council and governance structure has led the Council to reconsider whether this is the most appropriate mechanism to take the agenda forward.

Whilst the creation of a Board is under review, the Council is looking to establish a Communities of Interest Group to promote and drive the sustainability agenda across the Council's directorates, building on the work currently ongoing at a delivery level. This group would then feed into the Council's existing governance arrangements via the Deputy Chief Executive.

It is important that service reviews come up with sustainable solutions, and sustainability should consequently be reflected more prominently in the service review process.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Executive Director of Commercial and Corporate Services. The letter will be presented to a number of key committees and a copy will be provided to all Members. Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Fee Letter	April 2010
Opinion Audit Plan	March 2011
Review of Internal Audit	May 2011
IT Risk Assessment	June 2011
Interim Opinion Report	July 2011
Annual Governance Report	September 2011
Opinion on the financial statements	September 2011
Value for Money conclusion	September 2011
Annual Audit Letter	November 2011

The Council has taken a positive and constructive approach to our audit. I wish to thank the Council and its staff for their support and co-operation during the audit.

Steve Nicklin
District Auditor

November 2011

Appendix 1 – Fees

	Actual	Proposed	Variance
Audit fee	339,858 ⁱ	332,522	7,336
Grant claims and returns	43,960 ⁱⁱ	43,960	0
Non-audit work	0	0	0
Total	383,818	376,482	7,336

ⁱ The actual fee includes an additional fee of £7,336, which reflects the cost of additional work undertaken to resolve the objection. These figures do not reflect the fee rebates that have been paid back to the Council, following savings made by the Audit Commission, and rebated to audited bodies on a national basis.

ⁱⁱ This remains our best estimate for grant claims and returns. This work is not likely to be completed until the end of December 2011.

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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- any director/member or officer in their individual capacity; or
- any third party.



**REVIEW OF MEMBERS' ALLOWANCES SCHEME BY THE
INDEPENDENT REMUNERATION PANEL**

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

1 Purpose of the Report

- 1.1 To consider the outcome of the Independent Remuneration Panel's Review of Members' Allowances and to make appropriate recommendations to Council.

2 Description of Decision (Recommendations)

- 2.1 Cabinet is requested to consider the recommendations of the Independent Remuneration Panel and make the appropriate recommendations to Council.

3 Introduction / Background

- 3.1 The report of the Independent Remuneration Panel has been received and is attached.

- 3.2 The functions of the Panel were extended considerably under the Local Authorities (Members' Allowances) (England) Regulations 2003 and now include responsibility for making recommendations on Basic and Special Responsibility Allowances, pensions eligibility, travel and subsistence and co-optees allowances. The functions of the Panel are described in Appendix 1 of the Panel's report. Local Authorities must have regard to the advice of the Panel when deciding on their Members' Allowance Scheme and the amounts to be paid thereunder. The Panel has made the following recommendations:

- 3.2.1 The Basic Allowance should remain at the current level of £8369

- 3.2.2 Special Responsibility Allowances (SRAs) should remain payable for the positions indicated below, at the current levels, other than that the allowance paid to the Cabinet Secretary should be set at the same level as the Deputy Leader. In respect of the Adoption and Permanency Panel, it was clarified that it was appropriate for this allowance to be paid to up to two members.

OFFICE HOLDERS	£
Leader	37,667
Deputy Leader	25,111
Cabinet Secretary	25,111
Leader Majority Party in Opposition	12,556
Leader Minority Party in Opposition	6,277
Deputy Leader Majority Party in Opposition	8,369
Deputy Leader Minority Party in Opposition	4,184
Cabinet Member	20,716
Chairs of Scrutiny Committees	12,556
Chairs of Area Committees	6,277
Chair of Regulatory Committee	6,277
Chair of Licensing Committee	6,277
Chair of Planning and Highways Committee	6,277
Chair of Personnel Committee	6,277
Chairs of Development Control Sub Committees	6,277
Vice Chairs of Review Committees	4,184
Membership of Adoption Panel (to be paid to up to 2 members)	2,369
Mayoral Allowance	17,205
Deputy Mayoral Allowance	3,827

3.2.3 As is currently the case where the positions of the Chair of the Licensing Committee and of the Regulatory Committee are held by the same member only one allowance should be payable, but increased by a factor of 50%.

3.2.4 In respect of co-opted members, it is recommended that the Independent Chairman and Independent Member of the Standards Committee and the Audit and Governance Committee should continue to be paid at the current rate of £6,277 and £3,139 respectively. However, it should continue to be the case that where the same person chairs the Standards Committee and the Audit and Governance Committee or is an independent member of both Committees, only one allowance will be payable but increased by 50%. A Special Responsibility Allowance of £15,000 should be paid to the independent members of the Port Board, to reflect the considerable amount of time and expertise that those members brought to the role.

3.2.5 The Panel recommended that the amendments to the Members Allowances Scheme be backdated to the 1 April 2011.

3.2.6 The Panel did not recommend that provision be made for automatic annual adjustment of allowances to be made by reference to an index. The panel recommended that where any change was proposed to the levels recommended in the report, this should follow the further taking into account of the views of the Panel.

- 3.2.7 The amount of the Carers Allowances should remain unchanged at up to a maximum of £7.22 per hour
- 3.2.8 All Members of the Council should be entitled to pensions in accordance with a Scheme made under Section 7 of the Superannuation Act 1972 and that Basic Allowance and Special Responsibility Allowances should be treated as amounts for which pensions are payable.
- 3.3 The Panel considered that no change was required to the level and approval arrangements of UK travel and subsistence, nor did it see a need to amend the level of allowance for overseas travel. It did however endorse a proposed change to the approval arrangements whereby the Leader would approve requests in respect of members and the Chief Executive in respect of the Leader. The Panel also noted that there is a typographical error in paragraph 3.35 of the current scheme, in relation to subsistence when abroad, which includes an erroneous reference to Schedule 1 of the Scheme. This is referred to in paragraph 5.6 of the Panel's report and should be corrected.

With regard to car mileage rates, the Panel recommended continuation of the current approach of applying Her Majesty's Revenue and Customs authorised mileage rates.

- 3.4 The details of the proposed Members' Allowances Scheme is set out at Appendix 2 to the Panel's report.

4 Suggested Reasons for Decision

- 4.1 The recommendations are supported by evidence, statutory guidance and analysis, as detailed in the report of the Independent Panel.

5 Alternative Options

- 5.1 The recommendations have been arrived at following careful consideration by the Panel and are considered by them to represent the optimum approach. It is not therefore recommended that the Council adopt any alternative arrangements.

6 Financial Implications

- 6.1 The costs of the proposed changes amount to a maximum additional cost of £36,764 per annum if they are backdated from 1st April 2011. The costs for 2011/2012 will be met from contingencies and the ongoing cost will be taken into account in the budget planning process for 2012/2013.

7 Publicity

- 7.1 The Regulations place duties on Councils in connection with publicising the recommendations made by their Independent Remuneration Panel. Accordingly, arrangements have been made for the Panel's report to be available for inspection and to be published on the Council's website.

Background Papers

The report of the Independent Remuneration Panel

**Review of Members Allowances –
Sunderland City Council**

**Report of the Independent
Remuneration Panel**

1 Introduction

- 1.1 A Members' Remuneration Panel has been in operation since 1999. It was originally established by the Council on a voluntary basis but since 2001 has been operating formally as the Independent Remuneration Panel under Government Regulations. The Local Authorities (Members Allowances) (England) Regulations 2003 became operative on 1 May 2003, which increased significantly the functions of the Panel.
- 1.2 These Regulations are supported by detailed guidance, which provides a description of both statutory guidance and non-statutory guidance. The Panel has had due regard to this guidance in formulating its proposals.
- 1.3 The Regulations provide that, in addition to the existing areas of Basic and Special Responsibility Allowances, Independent Remuneration Panels should make recommendations on Travel and Subsistence, Co-optees' Allowances and pensions for Councillors. A full statement of the formal terms of reference for the review is attached at Appendix 1.

2 Background

- 2.1 The panel has been pleased to note that the Council has accepted all of its previous recommendations, in 2003 and 2007.
- 2.2 The panel took into account changes to the council's structure since the last review. The main change has been the new Executive arrangements which have been adopted as required by the Local Government and Public Involvement in Health Act 2007 ('the Act'). The Panel noted that following the introduction of the Act, the council had adopted the 'strong Leader' model. Under these arrangements, the Leader (and not the Council as previously) appoints (and therefore removes) all Cabinet executive members, including the Deputy Leader. The Leader also decides the Cabinet portfolios and also which executive functions will be discharged by full Cabinet, any of its Committees, any individual executive members or officers, thereby carrying the responsibility of decision making as required by the legislation.
- 2.3 In addition to changes to the Leader's role, in the lead up to this municipal year, a further review of Cabinet Portfolios was undertaken with a view to:
 - Updating Portfolios to reflect the increasing breadth and complexity of the Council's responsibilities and aspirations as it consolidates its Community Leadership role within the City.

Providing additional support to the Leader at a time of significant demands upon his time as the City moves to raise its profile and strengthen its position regionally, nationally and internationally. Strengthening joint leadership within Cabinet in a way which mirrored arrangements within the Council's senior Officer structure.

The principal outcome of the review of Portfolios was the redefinition and strengthening of the Deputy Leader Portfolio and the creation of the role of Cabinet Secretary. Whilst legally there can only be one deputy leader within the Council, in all other respects the two Portfolios are intended to operate on as equal a basis as possible.

The rationale for this was to enable the Leader to accelerate distributed leadership within Cabinet by establishing a stronger leadership core, with the two Portfolios rising above other Cabinet members in terms of responsibilities and authority.

This mirrors similar developments within the senior Officer structure of the Council and has enabled a Corporate Leadership Team to be established and to operate successfully based upon the principles of joint leadership with Officers and Members working together in closer, more effective partnership which is essential if the Council is to negotiate the current period of major change and challenge successfully.

This review has resulted in the following allocation of responsibilities

2.3.1 Deputy Leader

To deputise for the Leader and have lead responsibility for matters relating to the 'Place' theme within the Council's outcome framework, with specific strategic leadership responsibility for the following Portfolios:

- Attractive and Inclusive City
- Sustainable Communities
- Safer City and Culture

The Deputy Leader also has overall responsibility for the efficient, coordinated management and use of the Council's human and ICT resources.

2.3.2 Cabinet Secretary

To provide support and assistance to the Leader with responsibility for all matters relating to the 'People' theme within the Council's outcomes framework and have specific strategic leadership responsibility for the following Portfolios:

- Children and Learning City
- Health and Well Being
- Responsive Local Services and Customer Care

The Cabinet Secretary also has overall responsibility for the efficient, coordinated management and use of all of the Council's financial resources and assets.

2.4 The Community Leadership Programme

The Community Leadership Programme was established in 2008, with the main aim of supporting improvement in the Councillor's leadership of their community and by developing the roles and joint leadership responsibility of Elected Members and senior managers.

The Council has made significant investments in Member Development activities to equip Members for their strengthened Community Leadership roles. This has been closely aligned with the structural changes to Council decision making - a response to national and local agenda that are changing the way Local Government delivers services to the Communities they serve. They have included specific aspects such as:

- Area arrangements and delivery of responsive local services
- The scrutiny process
- A 'Joint Leadership' model for the relationship between senior management and Elected Members
- Strengthened support services to equip and release Members for work in their community roles

2.5 The Panel also took account of key national changes since 2007 impacting on Council:

The National Position:

- A change of government May 2010 resulting in an emergency budget which resulted in in year cuts for 2010/11 of £6.2bn (The Council share being £10m)
- The Comprehensive Spending Review 2010 covering period 2011/2012 to 2014/2015 – resulting in £81 billion of public sector savings required with local government being hit the hardest – with significant front loading into 2011 / 2012 and 2012 / 2013. Significant changes to revenue funding and capital funding significantly reduced.
- The changing national policy of the – big society, localism, open public services, Local Government Resource Review and welfare reform

The Impact on the Council:

- The Council needing to find savings to meet reduced government funding and spending pressures of £57.9m 2011 / 2012, £25.33m 2012 / 2013, and 2013 /14 to 2014 / 15 a further £33.73m but significant uncertainty regarding these latter two years because of the Local Government Resource Review
- The Sunderland Way of Working and Business Transformation Programme
- The need for alternative approaches / different models of delivery business
- Economic regeneration and the need to invest to grow

3 The Panel

3.1 The formal Independent Remuneration Panel was first established in 2001. The current Panel Members are:

- Karen Straughair (Chair)
- John Anderson
- John Cuthbert

4 The Review Process

4.1 In addition to having regard to the Guidance, the panel has considered a great deal of background information as well as more specific information, such as:

- Allowances schemes in other Tyne & Wear Districts, Northumbria, Teeside and Durham County Councils.
- Pensions Information from Communities and Local Government, Workforce, Pay and Pensions.
- Changes to the Councils structure since the last review, including the Community Leadership Programme, the changing role of the Leader, Deputy Leader and new role of Cabinet Secretary
- The work of Port co-opted members, of the Adoption Panel, Scrutiny and area arrangements
- The role of the Mayor
- Reports of the Scrutiny Committees, Annual Audit letters

- 4.2 As part of the evidence gathering process, the Panel thought it would again be useful to invite comments from and hold interviews with a variety of Members at different levels within the Council. Letters were sent to all Members inviting them to make written comments to the Panel. Specific time was set aside to confer with the Leader and representatives of the other political groups within the Council. Officers also provided information to assist the Panel and the Panel wishes to express its thanks to those Members and Officers who provided comments and information to enable the Panel to conduct its deliberations.
- 4.3 The Panel particularly considered how Members felt about the level of Basic Allowance, and where appropriate, the level of SRA, whether Members felt the scheme was fair compared with other local authorities, and if allowances should be increased by index linking. Current levels of allowances in Tyne & Wear, Northumberland, Teeside and Durham were considered.
- 4.4 The Panel has also considered the context of the review, in particular the current financial climate, not just in terms of the Council's budget position, but also that of the citizens of Sunderland, many of whom are experiencing significant financial difficulties, themselves, and indeed the current public sector pay freeze conditions. All those interviewed or submitting comments wished this to be a significant consideration for the Panel when setting the level of allowances.

5 Proposals

5.1 The amount of Basic Allowance

The current Basic Allowance for all members of the Council is £8,369 pa. The Panel felt that in the current financial climate the Basic Allowance as it stands is fair. The Panel received views including that there should be no change to the Basic Allowance, and the view that the Basic Allowance should be increased by reducing certain Special Responsibility Allowances. Also a proposal that the budget for all members' allowances should be frozen and that any new or increased allowances should be met by a reduction elsewhere in the allowances scheme.

Generally, it was felt that there needed to be a balance struck between setting the allowance to attract people with the skills and experience and not deterring applicants. It was recognised that in general, no-one stands for election because of the allowance they will be paid

We recommend no changes are made to the Basic Allowance

5.2 The amount and categories of Special Responsibility Allowance (SRA)

- 5.2.1 The established Members' Allowances Scheme currently provides for SRA's. The scheme provides that no Member should receive more than one SRA other than in respect of Standards/Audit Committees and Regulatory/Licensing Committees and in those cases, where the same person chairs the relevant Committees (or in the case of Standards / Audit and Governance, is an independent member of both) only one allowance is payable but increased by a factor of 50%.
- 5.2.2 The Panel has taken the view that there should be no change to the range or increase in the amount paid in respect of current SRA's with the exception of those listed below. Views received ranged from, a requested reduction in some SRA's (with the exception of the Cabinet), of Chair and Vice Chair of committees such as Area, Scrutiny, Regulatory and Highways etc to a view of no change is required. The Panel have considered the proposal to reduce SRA's, but do not feel it is appropriate as the responsibilities have not changed from the time of the previous review.

We recommend that with the following exceptions, no changes are made to the current SRA's

5.2.3 Deputy Leader and Cabinet Secretary

Paragraph 2.3 of the report sets out the significant change to the role of the Leader which has led to a resulting change in the role of Deputy Leader and the creation of a Cabinet Secretary position. The Panel recognises that whilst legally it is not possible to have more than one deputy, they believe the case has been made for this additional role of Cabinet Secretary when considering additional responsibilities that have arisen to be dealt with by the tier below the Leader. Additionally, they consider that whilst the roles are different, they are of equal responsibility and workload, and therefore merit both positions being paid at the current Deputy Leader level.

We recommend that the position of Cabinet Secretary receives an SRA equivalent to that of the current level of the Deputy Leader

5.2.4 Adoption and Permanency Placement Panel

Currently the Council pays an SRA allowance in respect of the Adoption and Permanency Placement Panel. This followed a recommendation of the Panel at its last review and was to reflect the increase in workload in this area, with the Member attending meetings for two full days most months, plus extensive preparation time.

The current practice is that the Council operates two adoption and permanency placement panels, which meet monthly. The Remuneration Panel noted that the Adoption & Permanency Placement Panel members were appointed from a 'pool' of people, but as there was only one councillor in the 'pool', that individual was the only person (other than the independent Chair) to serve on both panels. Although it was legally possible for other members of the pool to serve on both panels, in practice this was not the case. The panel noted that it continued to be the case that extensive reading and preparation was required for each panel and that the material to be considered could be of a distressing nature.

As currently drafted, it is not clear from the scheme whether, should it be determined that two Members should be appointed to the pool so that one could serve on each panel, it would be appropriate for the allowance to be paid to each Member.

Whilst it was difficult to consider benchmarking data against other authorities, as the majority would appear to be dealing with this business in a different way, looking at the level of hours and expertise required, the Panel expressed the view, for clarification, that if the Council was to appoint two members to the pool, it would be appropriate for them each to receive the allowance, at the current level.

We recommend that up to 2 SRA's at the current level are applicable to the Adoption and Permanent Placement Panel

5.2.5 Port of Sunderland Co-opted Members

The Panel was asked to consider the SRA position in respect of the two Port Co-opted Members who were assisting in the significant development agenda of the Port.

It recognised that new governance arrangements had been introduced, with a Port Board exercising all of the Council's functions in respect of the Port, managing Port business assets and estate and taking commercial decisions. 2 Co-opted members had been appointed and the Panel was requested to consider the level of allowance that may be appropriate. The Panel considered the matter very carefully, in particular written and verbal evidence of the considerable amount of time and expertise these Co-opted Members were bringing to the role.

Further verbal opinion, rather than evidence based, was received advising that whilst an allowance was appropriate, it should be of a modest level. The Panel considered that whilst some comparisons could be drawn between the Port Co-optees and a 'non executive' director role in a company, from the evidence received, it was clear that the time and responsibility expended exceeded that which would ordinarily be associated with a non-executive role and that this expanded role was resulting in real benefits to the Port in terms of savings, business planning/development, and assistance with operational matters.

Levels of remuneration for Co-opted Port Board Members at other ports was considered, but it was recognised this was of limited use as the scale of ports' businesses varied considerably and this would only reflect the non executive role, whereas the current individuals, because of their experience and expertise, were providing an element of support which would normally be associated with an executive role. Current levels of SRA Allowances were also considered, but the Panel felt it was difficult to compare levels of responsibility and that in many ways the role of the Port Board Co-optees was unique. Importantly, it was recognised that this approach and level of allowance would only be an acknowledgement of the contribution the Co-opted Members were making, and would not equate to the full contribution being made in terms of time and expertise by the individuals.

We recommend an SRA be paid to the 2 Co-opted Port Board Members as set out in Appendix 2

5.3 **Mayor/Deputy Mayor**

Currently the review of the Mayoral and Deputy Mayoral Allowances sit outside the remit of the Panel. The Panel was requested to consider if it was appropriate to bring these allowances within their remit, and the Panel received a view that this approach was appropriate. The Panel consider that it is correct to fall within their remit, and they will consider a review of the allowances at their next annual review.

We recommend the review of Mayoral and Deputy Mayoral Allowances fall within the remit of the Panel

5.4 **Ward Surgery Reimbursement**

The panel considered the current arrangements. It also considered the comments received, however, from this there were no consistent views expressed. Given the planned increased frequency of reviews by the Panel, it was deemed appropriate to make no change at this point, and review the allowance again at the next formal review.

We recommend no changes are made to ward surgery reimbursement

5.5 Carers Allowance

The Panel considered the current rate and benchmarked against the data provided for other authorities on a county and regional level, and considered that an increase was not necessary.

We recommend no changes are made to Carers Allowance

5.6 Travel and Subsistence – UK and Overseas

The Panel considered the current level and approval arrangements of uk travel and subsistence against the data provided for other authorities on a county and regional level, and considered that a change was not necessary.

The Panel was asked to also consider the overseas arrangements for travel and subsistence and received written and verbal evidence. Whilst the Panel did not see a need to amend the level of allowance, it did support a change to the approval arrangements whereby the Chief Executive will approve requests in respect of the Leader and the Leader will approve requests in respect of members.

The Panel noted that the rates of allowances were the same for officers and members

The Panel's attention was also drawn to an error in paragraph 3.35 of the current allowances scheme, in relation to subsistence when abroad on authority business. It is currently stated that subsistence for meals will be that shown in Schedule 1. However, Schedule 1 applies to absences which exceed 4 hours but do not involve an overnight stay. This should be corrected by removing the erroneous references in paragraph 3.3.5 to the Schedule 1 provisions.

We recommend no change to the amounts and approval arrangements for UK travel and subsistence

We recommend no change to the amounts of overseas travel and subsistence, but recommend revised approval arrangements as set out above.

We recommend the correction of paragraph 3.3.5 of the allowances scheme as referred to above.

5.7 Car Mileage Rates

The Panel considered the current rate and bench marked against the data provided for other authorities on a county and regional basis. The Panel considered it appropriate to continue using the current approach of applying Her Majesty's Revenue and Customs (HMRC) authorised mileage rates.

We recommend no change and the continued use of the HMRC authorised mileage rate

5.8 Telephone and Broadband Allowance

The Panel considered the current rates and did not consider there was a need to make a change.

We recommend no changes are made to the telephone and broadband allowance

5.9 Index Increase

The Panel gave consideration as to whether the level of allowances should be subject to an annual index. Importantly, it was mindful and agreeable of the change in approach supported by all those making a submission in this regard, that in future, there should be an annual, or more frequent as necessary, review of Members Allowances and that where any change was considered appropriate, the views of the Independent Remuneration Panel be taken into account. The Panel considered that this new approach would allow the council to be more agile in responding to changes in roles and responsibilities as they arose and would better support the Councils wider approach to new service delivery options. By only proposing increases in a small number of cases, and in effect freezing all other allowances, the Panel believes it has minimised any increase in allowances. This fits in with the majority of views received.

Given that the current review has been undertaken in November 2011, the next planned review of allowances will be undertaken in time for implementation by 1 April 2013

5.10 Backdating of Allowances

The Panel considered it appropriate that any increases or changes to allowances are backdated to 1 April 2011.

We recommend backdating of allowances to 1 April 2011

5.10 Local Government Pension Scheme

The Panel has previously recommended that all councillors are eligible to join the local Government Pension Scheme. They have also previously recommended that pensionable allowances should include both Basic Allowance and SRA. The Panel considers that the current arrangements are appropriate.

We recommend no change to the pension arrangements within the Members Allowances Scheme

6 Rules Governing the Payment of Allowances

- 6.1 For the avoidance of doubt, save where alternative recommendations are made in this report, it is recommended that all of the rules and provisions governing the payment of allowances, together with details of the amounts payable and the procedures to be followed in making claims etc, as set out in the Members' Allowances Scheme, remain unchanged.

7 Acknowledgement

The Panel wishes to express its thanks to all those who contributed to this review and allowed for such a comprehensive approach to be taken. The Summary of proposed levels of allowances is shown at appendix 2

Karen Straughair – Chair
John Anderson
John Cuthbert

December 2011

The Work of the Panel

The regulations provide for independent remuneration panels to have the following functions:

- To make recommendations to the authority as to the amount of basic allowance that should be payable to its elected members.
- To make recommendations to the authority about the responsibilities or duties which should lead to the payment of a special responsibility allowance and as to the amount of such an allowance.
- To make recommendations to the authority about the duties for which a travelling and subsistence allowance can be paid and as to the amount of this allowance.
- To make recommendations as to the amount of co-optees' allowances.
- To make recommendations as to whether the authority's allowances scheme should include an allowance in respect of the expenses of arranging for the care of children and dependants and if it does make such a recommendation, the amount of this allowance and the means by which it is determined.
- To make recommendations on whether any allowance should be backdated to the beginning of a financial year in the event of the scheme being amended.
- To make recommendations as to whether annual adjustments of allowance levels may be referred to an index, and, if so, for how long such a measure should run.
- To make recommendations as to which members of an authority are to be entitled to pensions in accordance with a scheme made under section 7 of the Superannuation Act 1972.
- As to treating basic allowance and special responsibility allowance as amounts in respect of which such pensions are payable.

Appendix 2

Members Allowance Scheme

£
Amount per
annum

Basic Allowance

£
8,369

Special Responsibility Allowances:-

Leader of the Council	37,667
Deputy Leader of the Council	25,111
Cabinet Secretary	25,111
Leader of Majority Party in Opposition	12,556
Leader of the Minority Party in Opposition	6,277
Deputy Leader of Majority Party in Opposition	8,369
Deputy Leader of the Minority Party in Opposition	4,184
Cabinet Member with Service Portfolio	20,716

Chairman of the following:-

Scrutiny Committees	12,556
Area Committees	6,277
Regulatory Committee	6,277
Licensing Committee	6,277
Planning and Highways Committees	6,277
Personnel Committee	6,277
Development Control Sub-Committees	6,277

Where the same person chairs the Licensing and Regulatory Committees, only one allowance will be payable but increased by a factor of 50%

Vice Chairman of Scrutiny Committees	4,184
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Other Special Responsibility Allowances:

Membership of Adoption and Permanency Placement Panel (To be paid to up to 2 members)	2,369
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Co-optees Allowances:

Standards Committee:	
Chairman	6,277
Independent member	3,139
Port Board	15,000

Audit and Governance Committee:

Chairman	6,277
Independent member	3,139

Mayoral Allowance	17,205
Deputy Mayoral Allowance	3,827

Where the same person Chairs the Standards Committee and the Audit and Governance Committee or is an Independent Member of both Committees, only one allowance will be payable but increased by a factor of 50%

Carers' Allowances:

Actual expenditure up to a maximum of £7.22 per hour

Motor Cycle Allowance	24p per mile
Bicycle Allowance	20p per mile
Car Allowance	45p per mile for first 10,000 mile and 25p thereafter

Passenger Supplement 5p per mile for the passenger (not exceeding 4).

In the case of absence from the usual place of residence for a continuous period which exceeds 4 hours but does not involve an overnight absence, subsistence is payable as per the table set out below:

Breakfast Allowance	£6.22
Lunch Allowance	£8.55
Tea Allowance	£3.37
Evening Meal Allowance	£10.59

The subsistence rates shall be reduced as shown below in respect of meals provided free of charge by any authority or body during the period to which the allowance relates as follows:

Reduction of Subsistence Allowance for Meals Provided Free of Charge:

Reduction for Breakfast provided	£6.22
Lunch provided	£8.55
Tea provided	£3.37
Dinner provided	£10.59

Expenses Allowances Claimable Against Income Tax –

Use of Home as Office	£135 per annum
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This is the national Her Majesty's Revenue and Customs publicised rate. Allowance to be updated as and when Her Majesty's Revenue and Customs publishes a revised allowance.

Grant payable for Use of Rooms or Halls for Ward Surgeries	£15 maximum per occasion
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Telephone Calls Allowance	£15 per quarter
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Broadband – actual costs to be reimbursed up to a maximum of £15 per month with a contribution from each Member of £3 per month where private use is made for the facility.

Cabinet – 11th January 2012

Council Tax Base 2012/2013

Report of the Executive Director of Commercial and Corporate Services

1. Purpose of Report

- 1.1. To detail the calculation of the Council Tax Base for 2012/2013 and to seek approval to recommend to Council the Council Tax Base for 2012/2013 in accordance with the Local Government Finance Act 1992.

2. Description of Decision

Cabinet is recommended to recommend to Council:

- 2.1. The report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2012/2013 be approved.
- 2.2. That pursuant to the report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 and the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003, the amount calculated by Sunderland City Council as its Council Tax Base for the year 2012/2013, shall be £81,202, and for the area of Hetton Town Council shall be £4,130.

3. Background to the Calculation of the Council Tax Base

- 3.1 The Council Tax Base is the estimated number of properties in each valuation band adjusted to take account of the estimated number of discounts, disregards and exemptions. The Council levies a Council Tax on the basis of properties in band D and thus the numbers for each valuation band are adjusted to the proportion which their number is to band D to provide a band D equivalent number. The Council must then estimate its level of collection for the year and apply this figure to arrive at the Council Tax Base figure.
- 3.2 The Council Tax Base must be calculated for both the Billing Authority and for the Hetton Town Council (a local parish precept). The Billing Authority Tax Base will be used to calculate the Council Tax for the City Council and is also used by the major precepting authorities (Northumbria Police Authority and Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.

- 3.3 Under the Council Tax (Reductions for Disabilities) Regulations 1992 properties adapted to meet the needs of a disabled person are charged at a rate equal to the next lowest valuation band. For instance a qualifying band C property would be charged at the band B rate. From the 1st April 2000, the regulations were amended to introduce an additional 'alternative valuation band' (below band A) to allow band A properties to qualify for a disabled reduction. Instead of paying the normal band A charge (six-ninths of the band D charge) a qualifying band A property is charged at five-ninths of the band D charge. For the purpose of the Council Tax Base calculation it is necessary to show Band A properties which qualify for the disabled reduction as if it was an additional valuation band. In the report the 'additional' valuation band is shown as either (A) or Disabled (A).
- 3.4.1 Section 75 of the Local Government Act 2003 and the subsequent Regulations; the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 gives local authorities the powers to reduce the 50% Council Tax discount on long term empty properties and second homes. With effect from 1 April 2012, it is proposed that there will be no discount offered to long term empty properties and that the discount offered to second homes will be reduced from 50% to the statutory minimum allowance of 10%. A separate report is on this agenda detailing these proposed changes and will put the Council in line with the majority of other Local Authorities in the region.
- 3.4.2 The Council Tax base has gone up by £1,035 Band D equivalents. Most of the increase is as a result of the reduction in discounts for long term and empty homes with the the remainder due to net new build.

4. Calculations of the Billing Authority's Council Tax Base

- 4.1 This calculation is in two parts – 'A' - the calculation of the estimated adjusted band D properties and 'B'- the estimated level of collection.
- 4.2 The calculation of 'A' - the relevant amounts for each band is complex and includes a number of calculations which are shown at Appendix 1.
- 4.3 The relevant amounts 'A' as calculated in Appendix 1 are shown below:

BAND	'A' - RELEVANT AMOUNT	
	£	p
Disabled (A)		98.61
A	44,860.97	
B	11,851.54	
C	12,908.98	
D	7,492.50	
E	3,351.46	
F	1,349.33	
G	919.75	
H		25.80
		<u>82,858.94</u>

4.4 Calculation of Item 'B' - Estimate of Collection Rate

This element of the formula is to reflect the level of collection anticipated. Last year an anticipated collection rate of 98% was assumed. On the basis of current collection levels it is suggested that the collection rate should remain at 98% for 2012/2013.

4.5 Calculation of Council Tax Base

The Council's Tax Base is therefore: 'A' x 'B' = £82,858.94 x 98% = £81,201.76 (for comparison, the tax base for the current year is £80,166.81).

Appendix 2 shows, for Members information, the Tax Base for each property band.

5. Calculation of Council Tax Base for Hetton Town Council - Local Precept

5.1 The rules for calculating the Council Tax Base for the area covered by Hetton Town Council are similar to those used in calculating the Billing Authority's Tax Base. These detailed calculations are shown in Appendix 3.

5.2 The amounts calculated for each band are shown below:

BAND	'A' - RELEVANT AMOUNT	
	£	p
Disabled (A)		7.50
A	2,815.10	
B	660.99	
C	363.69	
D	202.15	
E	95.94	
F	51.49	
G	16.67	
H		1.00
		<u>4,214.53</u>

5.3 The same collection rate is required to be used for Parish precepts as for the Billing Authority. The Tax Base for Hetton Town Council is therefore:

'A' x 'B' (where 'B' is the estimated collection rate) = £4,214.53 x 98% = £4,130.24. (for comparison, the tax base for the current financial year is £4,016.89)

Appendix 2 shows, for Members information, the Tax Base for each property band.

6. Background Papers

Working papers on individual Tax Band calculations.
Statutory Instrument 2003 No. 3012
Council Tax Base Report 2011/2012

Calculation of the Billing Authority's Council Tax Base

- 1.1 Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (S.I. 1992 No. 612) and amended by (S.I. 2003 No. 3012) states that a Billing Authority's Council Tax Base for a financial year shall be calculated by applying the formula -

$$'A' \times 'B'$$

Where 'A' is the total of the relevant amounts for each of the Valuation Bands which are shown or likely to be shown in the Authority's Valuation List as at 30 November in the year prior to the year in question and where 'B' is the Authority's estimate of its collection rate for that year.

- 1.2 As stated above the Council is required to approve the calculation of both items 'A' and 'B' in arriving at its Tax Base.

Calculation of Item 'A' - relevant amounts for each Valuation Band:

- a) Regulation 5 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, states that item 'A' should be calculated by applying the following formula:

$$(H - Q + J) \times (F/G)$$

where H = number of chargeable dwellings
Q = is a factor to take account of discounts of Council Tax payable. It is calculated as $Q = (R \times S)$
R = number of discounts estimated to be payable in respect of these dwellings
S = the percentage relating to each discount classification
J = adjustment (whether positive or negative) in the numbers of dwellings or discounts during the period
F = the relevant prescribed proportions for each Band
G = the relevant prescribed proportion for Band D

- b) The calculation of each of the above items is, where appropriate, to be made in accordance with paragraph 2-11 of Regulation 5 of the Local Authorities (Calculation of Council Tax Base) Regulations 2003. The different items are to be calculated as follows:

Item H - the number of chargeable dwellings is the sum of:

The number of dwellings listed in each Band in the copy of the Valuation List on the relevant day less an estimate of the number of such dwellings which were exempt on that day.

Item Q – a factor to take account of the discounts to which the amount of Council Tax payable was subject to on the relevant day. It is calculated by taking the aggregate of amounts found by multiplying, for each different relevant percentage, R by S, where:

Item R – the number of dwellings for which the amount of Council Tax payable for the relevant day was reduced. For 2012/2013 the following reductions are to be applied:

- a) Single Person Discount – awarded to properties with only one adult resident
- b) Single Disregard – awarded to properties in which all but one resident has been disregarded
- c) Double Disregard – awarded to properties in which all residents have been disregarded
- d) Second Homes – awarded to all furnished, unoccupied properties

Item S - the relevant percentage. For 2012/2013 the relevant percentage is as follows:

- a) Single Person Discount - 25%
- b) Single Disregard - 25%
- c) Double Disregard - 25% x 2 (50%)
- d) Second Homes - 10% (reduced from 50%)
- e) Long Term Empty properties - 0% (reduced from 50%)

The relevant percentage for items a) to c) above, is calculated in accordance with Section 11 Local Government Finance Act 1992. The relevant percentage for items d) and e) are calculated in accordance with the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003, and Section 11A of the Local Government Finance Act 1992 and represent the statutory minimum levels applicable.

Item J - the amount of any adjustment in respect of this item is equal to an estimate of dwellings not listed in H above but which will be listed during part or all of the year less an estimate of the number of dwellings listed in H above but which will not be listed for all or part of the year.

Item F - the relevant prescribed proportions for each band are set out in Section 5 of the Local Government Finance Act 1992 as follows:

Band	(A)	A	B	C	D	E	F	G	H
Proportion	5	6	7	8	9	11	13	15	18

Item G - the relevant prescribed proportion for Band D is 9 (as above).

c) The calculation $(H - Q + J) \times (F/G)$

The results of these calculations are shown below.

1.3 Tax Base Calculation $(H - Q + J) \times (F/G)$

	Disabled Band Band (A)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Item H	190	76,356	16,370	15,464	7,839	2,856	976	593	19
Item Q	12.5	9,024.55	1262.3	981.4	374.5	125.9	49.85	41.15	6.6
Item J	0	-40	130	40	28	12	8	0	0.5
Item F	5	6	7	8	9	11	13	15	18
Item G	9	9	9	9	9	9	9	9	9

1.4 Applying the figures in section 1.3 to the calculation $(H - Q + J) \times (F/G)$ produces a relevant amount for each Valuation Band - Item A in Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2003 as follows:

BAND	RELEVANT AMOUNT
	'A'
	£ p
Disabled (A)	98.61
A	44,860.97
B	11,851.54
C	12,908.98
D	7,492.50
E	3,351.46
F	1,349.33
G	919.75
H	25.80
	<u>82,858.94</u>

Appendix 2

Council Tax Base - City of Sunderland

Band	Item 'A'		Item 'B'	Tax Base 'A' x 'B'	
	£	p		%	£
(A)		98.61	98		96.64
A	44,860.97		98	43,963.75	
B	11,851.54		98	11,614.51	
C	12,908.98		98	12,650.80	
D	7,492.50		98	7,342.65	
E	3,351.46		98	3,284.43	
F	1,349.33		98	1,322.34	
G	919.75		98	901.36	
H	25.80		98	25.28	
	<u>82,858.94</u>			<u>81,201.76</u>	

Council Tax Base - Hetton Town Council

(A)	7.50		98	7.35	
A	2,815.10		98	2,758.80	
B	660.99		98	647.77	
C	363.69		98	356.42	
D	202.15		98	198.10	
E	95.94		98	94.02	
F	51.49		98	50.46	
G	16.67		98	16.34	
H	1.00		98	0.98	
	<u>4,214.53</u>			<u>4,130.24</u>	

Calculation of Council Tax Base For Hetton Town Council - Local Precept

1.1. The rules for calculating the Council Tax Base for any part of a Billing Authority's area (e.g. Local Parish) are the same as the rules contained in Appendix 1 except that chargeable dwellings and discounts are to be taken for only those dwellings and discounts relating to the area for which the Council Tax Base is to be calculated.

1.2. As in Appendix 1 the rules require the calculations of items 'A' and 'B'.

Item A is calculated by the formula:

$$(H - Q + J) \times (F/G)$$

1.3. The calculations detailed above have been carried out in respect of the Hetton Town Council for each relevant band and the result of the calculations is shown below:

1.4. Tax Base Calculation - Hetton $(H - Q + J) \times (F/G)$

	Disabled Band	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Item H	14	4,750	903	420	209	81	38	12	1
Item Q	0.5	534.35	60.15	22.85	9.85	5.5	2.35	2	0.5
Item J	0	7	7	12	3	3	0	0	0
Item F	5	6	7	8	9	11	13	15	18
Item G	9	9	9	9	9	9	9	9	9

1.5 Applying the figures in section 1.4 to the calculation $(H - Q + J) \times (F/G)$ produces a relevant amount for each Valuation Band - Item A in Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2003 as follows:

BAND	RELEVANT AMOUNT
	'A'
	£ p
Disabled (A)	7.50
A	2,815.10
B	660.99
C	363.69
D	202.15
E	95.94
F	51.49
G	16.67
H	1.00
	<u>4,214.53</u>

REVENUE BUDGET 2012/2013 PROPOSALS

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

1. Purpose of Report

- 1.1 Following the receipt of the provisional Local Government Finance Settlement on 8th December 2011, attention has been given to the impact of the settlement on the Budget Planning Framework for 2012/2013 established and approved by Cabinet at its October 2011 meeting.
- 1.2 This report sets out the provisional budget proposals for 2012/2013, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2012/2013 and final approval of the 2012-13 Budget in due course.

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 2012/2013 and final approval of the 2012-13 Budget in due course.

3. Impact of the Provisional Local Government Finance Settlement on the Budget Planning Framework for 2012/2013

- 3.1. The outcome of the provisional Local Government Finance Settlement for 2012/2013 was announced on 8th December 2011 and is the subject of a separate report on this Cabinet agenda. The provisional settlement for 2012/2013 forms the second year of a two year settlement covering 2011/2012 and 2012/2013, and contains provisional information in respect of 2013 – 2015.

A brief summary of the main impact of the settlement on the budget position is set out below.

3.2 Overall Resources (Revenue Spending Power) for 2012/2013

- 3.2.1 In presenting the provisional Local Government Settlement and its impact on local Council's the Government refer to the concept of "Revenue Spending Power" to describe the changes to Local Government funding. A Local Authority's "Revenue Spending Power" is made up from a combined total of:

- Council Tax Requirement,
- Formula Grant allocation,

- Specific Core Grants, and
- NHS funding for Social Care.

3.2.2 The table below shows the overall Resources Position for 2012/2013 compared to 2011/2012 as defined by the Revenue Spending Power concept.

	2011/12	2012/13	Changes	
	Original £m	Provisional £m	£m	%
Council Tax Requirement	95.185	95.185	0.000	0%
Formula Grant	158.102	148.185	(9.917)	(8%)
Council Tax Freeze Grant 2011/12 - ongoing	2.377	0.000	(2.377)	
Early Years Intervention Grant	15.651	16.263	0.612	4%
Learning and Disabilities	11.056	11.327	0.271	2%
Preventing homelessness	0.216	0.216	0.000	0%
	282.587	271.176	(11.411)	(4%)
NHS Support for Social Care	4.339	4.154	(0.185)	(4%)
Transitional Grant	0.267	0.000	(0.267)	(100%)
Total Revenue Spending Power	287.193	275.330	(11.863)	(4%)

3.2.3 The table shows the Council is facing a loss in its overall resources of £11.863m equivalent to a 4% reduction. The provisional settlement is largely as anticipated within the Budget Planning Framework reported to Cabinet in October 2011 with the exception of the following:

- Council Tax freeze Grant for 2011/2012 of £2.377m has been reclassified by Government into Formula Grant with no net variation in the total anticipated grant. This funding is time limited and will cease in 2015/2016.
- Early Intervention Grant allocation for 2012/2013 of £16.263m includes an additional allocation of £0.326m over that previously anticipated in the Budget Planning Framework reflecting a specific increase in funding to support the expansion of the 2 year old offer from April 2012. It is therefore proposed that this increase in funding is passported to Children's Services for this purpose.

3.2.4 It was agreed as part of the Budget Planning Framework that the net increase in the Learning Disabilities Funding and NHS Support for Social Care be taken into account at the corporate level as investment plans for 2012/2013 incorporate these pressures.

3.2.5 As previously anticipated the Council does not qualify for any Transition Grant in 2012/2013 resulting in a reduction in resource available of £267,000.

3.2.6 The position for 2013/2014 and 2014/2015 is very uncertain at this stage due to the ongoing uncertainty regarding public sector finances, the impact of the Local Government Resource Review and the impact of Welfare Reform. However, the Treasury has indicated that they are to reduce Local Government Department budgets in 2013/14 and 2014/15 by an amount equating to an additional cut of 2.1% compared to that already announced in the Spending Review 2010. In very broad terms, this could potentially indicate a further reduction in formula grant for Sunderland of £18.2m over the period 2013-2015 i.e. £5.8m more than anticipated in the budget planning framework. This potential impact will be considered as part of the ongoing development of the Medium Term Financial Strategy and Budget from 2013/2014 onwards.

3.3 Other Core Grants and Revenue Grant Funding

3.3.1 In addition to the core grants notified within the settlement set out in the table in section 3.2.2 the following other revenue grant funding streams are anticipated:

	2011/12	2012/13	Changes	
	Original £m	Provisional £m	£m	%
Other revenue grant funding				
Community Safety Fund	0.311	0.157	(0.154)	(50%)
Extended Rights to Travel	0.154	0.191	0.037	24%
Lead Local Flood Authorities	0.121	0.158	0.037	31%
Inshore Fisheries Conservation Authorities	0.014	0.014	0.000	0%
Housing and Council Tax Benefit	3.383	3.162	(0.221)	(7%)
New Homes Bonus - 2011/12	0.577	0.577	0.000	0%
New Homes Bonus - 2012/13 provisional	0.000	0.575	0.575	100%
Council Tax Freeze Grant 2012/13 - one -off	0.000	2.378	2.378	100%
Total	4.560	7.212	2.652	58%

3.3.2 A reduction of £154,000 in 2012/2013 in the Safer and Stronger Communities grant represents year 2 of the planned three year reduction. In accordance with the approach agreed as part of the Budget Planning Framework it is proposed that this grant reduction be passported to the related services.

3.3.3 In accordance with the approach adopted for 2011/2012 it is proposed that the amount passported to Extended Rights to Free Travel and Lead Local Flood Authority services be frozen at the level passported (£0.215m) with the balance available to support the corporate position (£0.134m) in 2012/2013

3.3.4 The reduction in Housing and Council Tax Benefit grant was notified to the Council after the Budget Planning Framework was presented to

Cabinet in October but, as Members are aware, this has been built into the planning assumptions over recent months in relation to the level of savings required.

- 3.3.5 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. Given the overall resource position it is proposed that this resource is taken into account corporately to support Capital Programme priorities in 2012/2013.
- 3.3.6 On 14th November 2011 the Government announced a one off council tax freeze grant equivalent to a 2.5% increase in council tax for 2012/2013 to compensate Councils who choose not to increase their Council tax in that year. The grant is offered to Councils on a one off basis. A provisional allocation of grant amounting to £2.378m has been notified, however the actual sum that would be received will be amended in accordance with Council tax base figures.
- 3.3.7 The PFI core grant has also not yet been confirmed but the allocation for the council is not expected to change from the previous years.

3.4 Schools Funding

- 3.4.1 The Government confirmed in the 2011/2013 spending review that school funding would be maintained at a flat cash rate per pupil until 2014/2015, with the new pupil premium as additional funding.
- 3.4.2 The actual level of budget for each individual school will vary and some schools may see cuts in their budget, due in the main to reductions in pupil numbers as in previous years. The Government is to apply a national protection arrangement for schools – the minimum funding guarantee – whereby no school will see a reduction compared to its 2011/2012 budget (excluding sixth form funding) of more than 1.5 per cent per pupil before the pupil premium is applied.
- 3.4.3 Dedicated Schools Grant

Funding for Sunderland schools continues to be influenced by reductions in pupil numbers. The October census data shows that pupil numbers are expected to reduce by 274.

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

	2011/2012	2012/2013	Variance
Pupil Numbers	38,784	38,510	(274)
Guaranteed Unit of Funding (GUF)	£5024.78	£5024.78	
	£m	£m	£m
Total Indicative Funding Available	194.881	193.505	(1.376)
ISB Delegated to Schools	181.024	179.324	(1.700)
Rates	2.446	2.857	0.411
Total ISB Budget	183.470	182.181	(1.289)
School Block - Other Expenditure	11.411	11.324	(0.087)
Total Indicative Call on Funding	194.881	193.505	(1.376)

3.4.4 Pupil Premium Funding

In 2012/2013 the amount available nationally for the Pupil Premium will double to £1.25 billion. It will further rise to £2.5 billion by 2014/2015. This increase in funding will enable the Pupil Premium to be extended to pupils who have been eligible for Free School Meals (FSM) at any point in the last 6 years, while at the same time increasing the level of the Premium from £488 to £600 per pupil.

Schools have the freedom to spend the Premium, which is additional to the underlying schools budget, in a way they think will best support the raising of attainment for the most vulnerable pupils. To ensure transparency and accountability, schools will be required from September 2012 to publish on-line information about how they have used their Pupil Premium allocations.

Based on DfE figures Sunderland is expected to have 12,030 eligible children that will provide £7.198m to Sunderland Schools, an increase of £2.807m from the final 2011/2012 allocation of £4.391m.

In order to maximise income to schools through pupil premium grant the Council is actively pursuing a way of identifying those pupils who are eligible for free school meals but whose parents have not made an application through the normal route. This is anticipated to increase uptake of Free School Meals and therefore potential eligibility for the Pupil Premium.

The pupil premium is paid to the local authority as part of the pupil premium grant. It must be passed on in its entirety to schools.

3.4.5 Schools Funding Consultation

A national review is currently being undertaken on the future distribution of school funding. The Government 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.

Any planned changes will result in movement of funding between Schools and areas. In order to provide stability in school funding, transitional arrangements will be applied to ensure that the reforms are introduced at an appropriate speed that is manageable for Schools. The current funding system for Schools will continue in 2012/2013 and the consultation will consider the right time to introduce any new system.

3.4.6 Academies Top Slicing

In addition to the School Funding consultation, the Government is reconsidering the reduction to Local Authority funding and the transfer of resources to the DfE made as part of the two year Local Government settlement for 2011/2012 and 2012/2013, to reflect the transfer of central services from local authorities to Academies. The consultation sets out the evidence the Secretary of State will use to consider the appropriate level of transfer and the proposed basis for calculation of the transfer.

As part of the 2011/2012 settlement the Council had its formula grant reduced by £674,000. Further consultation has recently been released and it is expected that no additional reduction to funding will be applied in 2012/2013. In future years changes in the methodology to be used will see this sum increase to reflect the increase in the number of Academies.

3.5 Capping Powers and Reserve Powers

3.5.1 The Localism Act received royal assent on 15th November 2011 and 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 the government limits then the public will be able to vote to agree or veto any considered 'excessive' increase.

3.5.2 As part of the settlement the Government has issued guidance on capping rules. In accordance with the Localism Act any increase above these levels may require a referendum:

- 3.5% for most principal authorities,
- 3.75% cent for the City of London;

- 4% for the Greater London Authority, police authorities, and single purpose fire and rescue authorities.

3.6 Council Tax Freeze Grant

3.6.1 The settlement also confirms the second year funding for the 2011/12 Council Tax freeze. This funding will be provided until 2015/2016 to compensate councils for not increasing their council tax in 2011/12.

3.6.2 As set out in paragraph 3.3.6 the one off council tax freeze grant for 2012/2013 has only been offered to compensate those Authorities who decide not to increase their Council tax in that year. Should the Council opt to freeze Council tax it is proposed that this sum would be used to fund one off spending pressures identified within the budget planning process rather than fund ongoing recurring expenditure.

4. Budget Planning Framework

4.1 When the Budget Planning Framework was approved in October 2011 Cabinet agreed to follow the approach that has been adopted over the last two years. The majority of the initiatives which will meet the savings requirement represent a continuation of previously identified plans including :

- Progressing the existing Improvement Plan and Programmed Savings
- Development of Three Year Improvement Plans to reshape services to meet needs

4.2 It was agreed that the following spending commitments would be taken into account:

- The planning assumptions to be based on the Government assumptions of a two year pay freeze for public sector workers (2011/2012 and 2012/2013) as built into its SR10 spending plans, except for those workers earning less than £21,000 a year. Beyond 2012/2013 prudent assumptions included;
- price increases be included on the basis of prudent assumptions in respect of:
 - Independent Care Providers;
 - Energy costs which remain volatile;
 - Other contractual obligations.
- provision across the medium term taking account of the results of the Actuarial review of the Local Government Pension Scheme 2010, covering three years to 2013/2014.
- provision be made for spending commitments in respect of:
 - debt charges and interest receipts;
 - landfill tax and waste disposal strategic solution;
 - additional vehicles leasing costs in respect of the 'blue bin' recycling scheme;

- 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 2011/2012 budget of £5.420m.

5. Provision for Spending Pressures and Commitments

5.1. At this point in the preparation of the Revenue Budget for 2012/2013, it is proposed to make provision to address a number of spending commitments and pressures as set out below:

5.2. Cabinet Secretary

5.2.1 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 at this stage to enable strategic priorities of the Council to be addressed.

5.2.2 Port Dredging

Dredging of the Port is required yearly to maintain advertised depths in order to enable the Port to continue to operate commercially. This will follow initial dredging works to be carried out in 2011/2012.

5.2.3 Integrated Transport Levy

For planning purposes further savings in respect of the ITA levy for 2012/2013 are based on an additional 5% saving being achieved in accordance with the approach agreed by the Tyne and Wear Joint Services Committee during the 2011/2012 budget setting process

5.2.4 Workforce Planning

A range of workforce planning measures are in place to support the smooth implementation of savings proposals. Costs arising from voluntary early retirement can be accommodated from specific resources earmarked for this purpose. In addition the Medium term financial position provides for the cost of SWITCH through to 2013/14. Transitional costs as a result of implementing this strategy are continually refined and reviewed.

5.3 Health and Well Being

The following proposals are made:

Adult Services Demand / Demographic Issues

The need to ensure appropriate care and support across the range of care needs continues to place pressure on Adult Social Services budgets. In addition, client expectations and increasing demand to support clients with complex needs, to maintain independence and to invest in reconfigured services all require additional investment. With

these pressures in mind the Government has announced additional funding for PCTs over the coming four years, with an expectation that the funding is passported to Local Authorities for investment within Social Care services.

The impact of additional cost pressures and necessary investment have been factored into plans.

5.4 Children and Learning City

The following proposals are made:

Safeguarding – External Placements

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

Adoption Allowances

As a result of recent statutory guidance and case law, changes to the amounts to be paid are required in respect of Adoption Allowance, Special Guardianship Allowance or Residence Allowance.

5.5 Prosperous City

The following proposals are made:

Economic Downturn

Given the continuing uncertainties in relation to the impact of the economic downturn, and impact on areas such as leisure centres income appropriate provision has been made and will be kept under review.

5.6 Sustainable Communities

The following proposals are made:

Carbon Reduction

The Carbon Reduction Commitment Energy Efficient Scheme (CRCEES) is a mandatory carbon trading scheme, that came into effect on 1st April 2010. Participation is a legal requirement for organisations that used a minimum of 6,000 MegaWatt hours of electricity during the calendar year 2008. Sunderland City Council is required to participate in the scheme. The first sale of allowances will be in April 2012, based on 'footprint' data from 2010/2011. A prudent provision is proposed in this regard.

5.7 Attractive and Inclusive City

The following proposal is made:

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 impact of implementing the Waste Disposal Strategic Solution.

Winter Maintenance

Following the severe winters over the last two financial years additional costs have been incurred in respect of winter maintenance. It is therefore considered prudent to include a sum of £0.800m for planning purposes in line with the additional cost incurred in each of the last two years.

Apprentices Street Scene

Provision has been included for the impact of the implementation of the apprenticeship scheme within Street Scene

5.8 Overall Spending Commitments Position

The table below shows the summary position in relation to spending commitments for 2012/2013 through to 2014/15, which it is proposed are provided for within the planning framework at this stage.

	2012/13 £m	2013/14 £m	2014/15 £m
Pay Pensions and Other Cost Pressures	2.31	4.34	5.66
Waste Disposal	1.26	0.85	0.48
Financing Capital Programme	2.50	2.50	3.00
Carbon Reduction	0.32		
Service Demand / Demographic Pressures - Health Housing and Adult Services	1.45	1.89	2.07
Children's Services - External Placements and Adoption Allowances	0.68		
Winter Maintenance	0.80		
Port Dredging	0.22		0.08
Economic Downturn	0.24		
Apprentices - Street Scene	0.23	0.05	0.29
ITA Levy	-0.90		
Total Spending Pressures	9.11	9.63	11.58

6. “One off” Spending Pressures

6.1 There are a number of other one off revenue spending priorities that have been identified and are proposed which accord with key strategic priorities. They include:

- Inward Investment - £1.0m
To provide enhanced Inward Investment activity relating to key sectors of the city economy including automotive, advanced manufacturing and software, in order to continue to attract new businesses and jobs to the city
- Private Housing Stock Survey - £0.030m.
To carry out a revaluation of private housing stock across the city – as part of a 5 year rolling programme. This will support strategic housing planning.
- Design and Print Review - £0.130m
To address transitional costs arising from the implementation of the Design and Print Review as services move to the new service model from April 2012
- Olympics 2012
To support city activity relating to the 2012 Olympics.
- Wellness Equipment renewal £0.250m
To support the update of equipment to enable income levels to be maintained on an invest to save basis.

7. Summary Funding Gap

7.1 The provisional settlement taken together with spending pressures has confirmed that the gap in Council funding is broadly as anticipated in the Budget Planning Framework. The position is summarised below.

	2011/12	2012/13	2013/14	2014/15
	£m	£m	£m	£m
GOVERNMENT GRANT CHANGES	39.9	13.6	11.9	9.7
COST PRESSURES				
Spending Pressures	9.7	9.1	9.6	11.6
Transitional "One Off" costs of operating SWITCH	8.3			-8.3
Replacement of One Off savings		5.4	2.2	
ESTIMATED PRESSURES / FUNDING GAP	57.9	28.1	23.7	13.0

7.2 It is important to emphasise that the figures above do not include any further potential impact of the recent Settlement announcement in 2013/14 or 2014/15 at this stage.

8. Proposals to meet the funding gap 2012/2013

8.1 As part of the Budget Planning Framework for 2012/2013 Cabinet agreed in October 2011 to progress the approach to meeting the funding gap by:

- Progressing the existing Improvement Plan and Programmed Savings which aims to meet needs and achieve savings while protecting as far as possible frontline services and maximising non frontline savings. This comprises:
 - Strategic and Shared Services
 - ICT
 - Property Rationalisation and Smarter Working
- Continuing with the Development of Three Year Improvement Plans to reshape services to meet needs with the aim of:
 - Protecting core services particularly those most vulnerable
 - Modernising social care and giving people greater choice
 - Ensuring customer service is at the heart of service delivery
 - Ensuring services are responsive to local needs
 - Targeting resources
- Developing alternative methods of service delivery
- Investing to support growth

8.2 The provisional settlement has confirmed that the gap in Council funding for 2012/13 is broadly as anticipated and therefore the previously proposed approach remains both relevant and appropriate. Progress in relation to proposals to meet the funding gap of £28.1m are set out below:

	Programmed Savings			
	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Strategic and Shared Services	7.92	6.00	10.42	2.50
ICT	0.67	0.49	0.23	0.00
Smarter Working	0.77	1.09	0.69	0.02
Plans	48.56	15.38	13.99	6.05
Corporate Resource		2.90		
Programmed Savings	57.92	25.86	25.33	8.57

Further detail about the savings proposals set out below

8.3 Improvement Plan Proposals – The Sunderland Way of Working

Office of the Chief Executive & Commercial & Corporate Services

In accordance with the plans outlined in 2011/2012 reviews of support services are entering the second stage and will continue to provide significant savings which will be taken into account in the 2012/2013 budget and over the medium term. Plans are being implemented in respect of the following key strands of business:

- **Strategic and Shared Services – Saving £6.0m**
Further reconfiguration of support services to meet the future requirements of the Council. This also involves continuing to refine and implement new standardised ways of delivering support services by redesigning processes and using ICT to maximise efficiencies.
- **ICT - Saving 0.5m**
Reorganising the staffing structure of the service to consolidate the centralised ICT function and remove duplication. The restructure of ICT follows a review and automation of processes to enable more efficient support to be provided to Directorates.
- **Property Rationalisation and Smarter Working – Saving £1.0m**
Continuing to review the asset portfolio of the Council and rationalise the number of properties required. Through maximising the use of space available and utilisation of the lowest number of locations additional savings will continue to be made on running costs.

8.4 Continuation of Directorate Three Year Improvement Plans

Most of the plans that are being progressed represent a continuation of the work that has been progressing during the current financial year. The reviews seek to gain a comprehensive understanding of customer need and how best that need can be met 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 details of reviews for each Directorate are set out below:

8.4.1 Children's Services Reviews - £2.2m

- **New Relationship with Schools**

Children's Services in partnership with schools are developing a school to school support network to develop school improvement. The proposals are consistent with the Education Act (2011) and the future

role of the LA. For 2012/2013 the new agreements are designed to provide income via provision of the most valued elements of educational services to best meet youngsters needs in respect of School Improvement, Educational Psychology and Attendance services.

- **Safeguarding**

This review is continuing to implement the Looked after Children Strategy which involves investment in foster care which will reduce reliance on external placements and residential children's homes leading to improved outcomes for Children. In 2012/2013 the full year impact of closing Williamson Terrace residential home in October 2011 will be achieved reflecting the reduced need for residential places and there will be procedural changes to other services which will lead to efficiency savings.

- **Review of Children's Services Structures**

This reflects the full year effect of structure change commenced in 2011/2012 with the focus on early intervention, prevention and locality based integrated service delivery for children's services.

- **Review of Services for Young People**

This range of reviews are being undertaken which will involve the Integration of Youth Offending early intervention Services into Locality Based working and a review of activities for young people to ensure that the same outcomes can be achieved by better commissioning. Efficiencies are also anticipated from reviewing services in response to the transfer of responsibility for universal impartial careers guidance to schools.

8.4.2 Health Housing and Adult Services Reviews - £7.4m

The reviews are a continuation of modernisation and improvement plans previously reported to Cabinet with an emphasis on increasing choice and control, supporting independent living, ensuring equal access to services and delivering overall improvement to people's health and well being.

- **Future Models of Care and Support**

Review of existing Care and Support services for Adult Social Care with a view to developing alternative models of care which meet customer need. The review will look to provide more community based activity and will look to maximise the usage of existing building based facilities.

- **Expansion of Reablement**

The on-going development of the Adult Social Care Re-ablement services to ensure more people maintain their independence within their own homes. Expansion of this service will reduce reliance upon, and cost of on-going services such as home care and

ultimately prevent admissions to residential and nursing care. This will be achieved through the provision of initial intensive support and rehabilitation services for people.

- **Implementation of Personalisation**
The 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. The Council's strategy centres around this principal.
- **Developing the market.**
This review will continue to work with the Adult Social Care provider market and partners to develop cost effective solutions to meet peoples care and support needs. This will include reaching agreements with the independent provider market and other partners for services for all client groups that incentivises quality but contain costs.
- **Review of Housing Related Support**
Review existing external and internal services which are currently funded through the Housing Related support function with a view to commissioning services which meet customer needs and provide value for money through a reduction in overall costs.

8.4.3 City Services Reviews - £5.8m

- **Facilities Management Review**
This ongoing review will deliver savings through reviewing and remodelling buildings maintenance, building cleaning, grounds maintenance and catering functions.
- **Transport and Fleet Management Review**
This ongoing review will release savings by establishing an integrated transport unit by January 2012, a management information system by March 2012 and by commissioning activities through the most appropriate providers.
- **Review of Responsive Local Services**
This review will release savings from integration of Parks into the Street Scene Responsive Local Services model.
- **Reprioritisation of Highways Maintenance Budget**
The review of the Highways Maintenance Budget will improve prioritisation and targeting of resources ensuring the focus remains on priority areas, including pothole repairs.
- **Culture**

This review will release savings through an integrated approach to delivering the Resorts and Tourism Service and review of services relating to the Tyne and Wear Archives and Museums service.

- **Regulatory Services**
Savings will arise by establishing locality based teams undertaking a broad range of regulatory activities in a more flexible and responsive way.
- **Customer Services – End to End Redesign**
Implementing a programme of end to end service redesigns that relate to processes that start with the customer journey and will remove non value adding activity from processes. Savings will also be delivered through implementing a new ICT platform, the rationalisation of ICT systems, web self service and channel shift.
- **Sport and Leisure - Leisure Facilities**
Savings will be achieved through the development of alternative delivery options for leisure facilities including a review of shift patterns of staff.

8.4.4 Other Savings Reviews - £2.9m

The remaining savings will be delivered following a review of corporate contingencies and third party spend third party spend e.g. equipment, utilities, highways and building maintenance spend.

8.5 Use of Balances

After taking account of total programmed savings for 2012/2013 of £25.86m, there remains a funding gap of £2.2m. At this stage it is proposed to utilise transitional funding held in balances on a temporary basis pending achievement of forecast additional savings in 2013/2014.

9. Overall Position

- 9.1 Taking into account savings proposals and anticipated use of balances at this stage would enable a balanced budget position to be achieved for 2012/2013 as set out below:

	2011/12	2012/13	2013/14	2014/15
	£m	£m	£m	£m
GOVERNMENT GRANT CHANGES	39.9	13.6	11.9	9.7
COST PRESSURES				
Spending Pressures	9.7	9.1	9.6	11.6
Transitional "One Off" costs of operating SWITCH	8.3			-8.3
Replacement of One Off savings		5.4	2.2	
ESTIMATED PRESSURES	57.9	28.1	23.7	13.0
TOTAL SAVINGS PROPOSALS	-57.9	-25.9	-25.3	-8.5
FUNDING GAP	0.0	2.2	-1.6	4.5
Use of Transitional Funding / Temporary financing		-2.2	3.5	-2.6
Assumed Council Tax Increase @ 2.0% (for scenario planning purposes only)			-1.9	-1.9
NET POSITION	0.0	0.0	0.0	0.0

9.2 Outstanding Uncertainties

At this stage however, 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 2012/2013 and related grant announcements;
- the final Collection Fund position.

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 2011 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2012/2013 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 direction of travel

for the following services in responding to the changing financial landscape:

- Regeneration
- Children's Services
- Street Scene Services
- Culture, Sport and Leisure
- Adult Social Care

- 10.3 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.
- 10.4 Initial findings of the survey and discussions at the workshops demonstrate general support amongst respondents for the councils overall approach to making savings.
- 10.5 To date budget consultation with these groups has concentrated on the direction of travel for services in order to gain views. Further detailed consultation in relation to each of the proposals will be undertaken as each proposal is developed.
- 10.6 At each stage in the budget preparation process Management Scrutiny Committee is being consulted.
- 10.7 The findings from consultation undertaken to date indicate that the provisional budget proposals in this report are consistent with the summary findings.
- 10.8 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, 2012

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 1 sets out the approach adopted to the budget setting process.

12. General Balances

- 12.1 A Statement of General Balances is attached at Appendix 2.
- 12.2 As reported at the Second Revenue Review Report to Cabinet, some savings have been generated in 2011/2012 from Interest on Balances and Debt Charges, and unutilised contingency provisions. However, any savings generated will be required to fund one off spending pressures

and transitional costs associated with implementing the budget proposals.

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

Local Authority Finance (England) Revenue Support Grant 2012/2013 and related Matters

Budget and Planning Framework 2012/2013 (October 2011 Cabinet)

1. SUNDERLAND APPROACH TO MEETING EQUALITY OBLIGATIONS**Equality Analysis**

- 1.1 The Council has long-standing established mechanisms for assessment of equality impact. Procedures continue to be refined and developed, most recently to encompass the requirements of the Equality Act 2010, which for the first time brings together equality protections, requirements and responsibilities in a single piece of legislation.
- 1.2 The Council has developed a refreshed approach to equality analysis which replaces the previous INRA (Impact and Needs Requirement Assessment) process. This refreshed approach integrates equalities into broader consideration of impact and provides a simple user-friendly framework which enables those developing policies, undertaking service reviews or improvement actions and undertaking service planning and decision-making to analyse the potential positive outcomes and negative impacts across the protected characteristics. It also provides space to include other priorities and socio-economic factors.
- 1.3 The refreshed approach includes a comprehensive guidance document that provides in-depth information about the purpose of the analysis and step-by-step information on completing the analysis. The guidance offers explanations of terms, questions to consider and broader context to stimulate discussion. It emphasises that the bedrock of good quality analysis is effective consultation, engagement and use of data. This is accompanied by a short 'recording' document to log the impacts and actions. The recording document leads people through the relevant questions to stimulate discussion and develop appropriate responses. This approach has been taken by a number of other authorities.
- 1.4 This approach has been developed in line with the new guidance and legal requirements included in the 2010 Equality Act and Public Sector Equality Duty. It also reflects a more general shift towards greater emphasis on considering the needs and requirements of individuals and analysis of the impact a service or decision may have. This enables the combined impact on those with more than one 'protected characteristic' to be included.
- 1.5 Due to a recognition that comprehensive analysis requires wide engagement and input, the approach supports and actively encourages information to be gathered from a range of sources including:
 - The results of engagement with protected groups and others
 - Professional knowledge
 - Population data
 - Service-user feedback
 - Consultation responses

- Research intelligence

1.6 Requirements for delivery of services against a background of reducing resources will undoubtedly result in changes to the way many services may be delivered in the future. As part of the decision making process equalities analysis will continue to be at the forefront of the approach in order to meet legal requirements and reflect the needs of residents and service users. This requires good quality analysis, effective consultation, engagement and the use of data.

2.0 How equality analysis has fed into the budget-setting process

2.1 Proposals for additional savings coming forward through the budget preparation process will undoubtedly result in changes to the way many services may be delivered in the future. As part of the decision making process equalities analysis will continue to be at the forefront of the approach in order to meet legal requirements and reflect the needs of residents and service users. Ensuring equality analysis is applied to budget setting in a consistent and comprehensive way is a key component of the budget process.

2.2 Each Directorate has undertaken equality analysis of their proposals, as appropriate, using the revised Council equality analysis approach building on existing robust arrangements. This has been supported by Strategy, Policy and Performance Management (People and Neighbourhoods Team). 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 when the proposals are further developed will be undertaken.

3. Consultation

3.1 Consultation and engagement are central to Sunderland's approach to equality and diversity and as such a key part of the equality and diversity awareness has been for equality groups to be involved in the budget consultation process. To achieve this consultation has included an online survey as well as targeted events for groups such as Community Spirit (the Residents' Panel), the Voluntary and Community sector and Equality Fora of the Sunderland Partnership. The Equality Fora cover a range of protected characteristics including disability, sexuality, faith and belief, race and age.

4. Key Messages

4.1 Individual proposals for additional savings are currently at different stages of equality analysis depending on the stage of the development of the proposal. In summary, the equality analysis can be summarised as follows:

- Equality analysis complete at this stage with:
 - identified impacts and actions, or
 - identified data/intelligence gaps, meaning that action is needed to address these gaps before repeating the equality analysis.
- Initial considerations of equality analysis have been undertaken and services have already identified potential impacts on particular groups and are planning further detailed equality analysis as the proposals are further developed.
- No impact on service delivery, but will have impacts on the Council as an employer. In these instances where there are only impacts as an employer, equality analysis will be undertaken by HR and OD.

4.2 The large scale and wide-ranging nature of changes to business approaches and structures will have implications for the Council in terms of meeting its own objectives for a diverse workforce and each change to the business practices of the Council will need to be analysed for potential equality implications.

4.3A number of the proposals provide the opportunity for improving equality and diversity of provision through more tailored and personalised approaches and greater opportunity for independent living which will better meet the needs of individuals. These changes however could also impact on the cost-effectiveness of some services provided and will require individual support to ensure individuals; particularly those with protected characteristics receive the best options for their own situation.

5 CONCLUSIONS

5.1 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.

5.2 The challenging financial circumstances do not remove the need to give due regard to removing and avoiding harassment, discrimination and victimisation in relation to the protected characteristics, and this remains a legal obligation. Undertaking appropriate and comprehensive equality analysis will assist the Council to provide the best possible service which meets the needs of the diverse people of the City.

5.3 The current equality analysis does highlight some areas where actions to mitigate the potential negative implications of the proposals will be needed. These will be taken forward by the services and directorates to assess how this may be achieved. Similarly there are some areas where a full equality analysis is not possible at the current stage of proposal development. Where a proposal includes a review of services a full and/or

updated version of the equality analysis will be undertaken and published as proposals are shaped.

Appendix 2

Statement of General Balances

	£m
Balances as at 31st March 2011	12.419
Use of Balances 2011/2012	
- Contribution to Revenue Budget (approved as part of 2011/2012 budget)	(4.849)
Sub total	7.570
Other Additions to and Use of Balances during 2011/2012	
- Debt Charges and other Contingency Savings (Reported Second Revenue Review October 2011)	4.000
- Transfer to Strategic Investment reserve to support transitional costs (Reported Second Revenue Review October 2011)	(4.000)
Estimated Balances 31st March 2012	7.570

The above position will be reviewed and updated and reported to Cabinet as part of the final budget proposals in February, 2012.

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