

CABINET MEETING – 11 JANUARY 2012**EXECUTIVE SUMMARY SHEET – PART I****Title of Report:**

Revenue Budget 2012/2013 Proposals

Author(s):

Chief Executive and Executive Director of Commercial and Corporate Services

Purpose of Report:

To report 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.

Description of Decision:

Cabinet is requested to approve the provisional budget proposals, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2012/2013.

Is the decision consistent with the Budget/Policy Framework?

Yes – it is seeking to inform a future decision to change the Budget and Policy Framework for 2012/2013.

If not, Council approval is required to change the Budget/Policy Framework**Suggested reason(s) for Decision:**

To enable constitutional requirements relating to the development of the Revenue Budget to be met.

Alternative options to be considered and recommended to be rejected:

There are no alternative options recommended for approval.

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

No

Relevant Scrutiny Committee:

Management

Is it included in the Forward Plan?

No

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 Original	2012/13 Provisional	Changes	
	£m	£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 Original £m	2012/13 Provisional £m	Changes £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.

4.3 A 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