

CABINET

16th JANUARY 2013

REVENUE BUDGET 2013/2014 PROPOSALS

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

1. Purpose of Report

- 1.1 This report sets out the provisional budget proposals for 2013/2014, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2013/2014 and final approval of the 2013/2014 Budget in due course.
- 1.2 Details of the provisional Local Government Finance Settlement received on 19th December 2012 are set out elsewhere on this agenda

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 2013/2014 and final approval of the 2013-14 Budget in due course.

3. National Economic Context to 2013/2014 Budget

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

The Government confirmed in the Autumn Statement that it intends to continue to address the deficit by following its deficit reduction plan. Although the UK economy has come out of a double dip recession with growth in quarter 3, the overall position is still an anticipated 0.1% negative growth for the year, down from forecast growth in the Governments March Budget statement of 0.8%. All other projections into the medium term have also all been downgraded.

The Government has reduced growth forecasts to 1.2% in 2013, 2.3% in 2014, 2.5% in 2015, 2.7% in 2016 and 2.8% in 2017. It also announced that the reduction plan will be extended by a further year to include 2017/2018.

The Government also announced cuts to spending of an additional 1% in 2013/2014 and 2% in 2014/2015 in addition to those announced in the March Budget. These cuts alongside the planned changes in taxation and welfare benefits will produce savings of £5bn which the Government is to use to finance investment in infrastructure projects including transport, mainly road upgrades, and to build 100 new schools.

Local Government will be exempt from the 1% reduction in 2013/2014 but the 2% reduction in 2014/2015 will apply. The Government is also planning to set out its spending plans for the next Spending Review period (2015/2016 to 2018/2019) in the first half of 2013. The outlook for public sector funding therefore continues to remain very challenging with prolonged public sector funding reductions envisaged until at least 2017/2018.

3.2 National Funding Totals

3.2.1 The Government has indicated that total funding will be revised to reflect the worsening economic position and other known factors resulting in significantly greater funding reductions than those set out in SR10 – currently the position is:

- 2013/2014 revised from -0.8% to -12.3% remains at -12.3%
- 2014/2015 revised from -5.8% to -8.7% now -10.7%

4. **Summary of the Provisional Local Government Settlement for 2013/2014 and Indicative Settlement 2014/2015**

Provisional Settlement 2013/2014

- 4.1 In preparing the 2013/2014 budget proposals a significant level of uncertainty has arisen as a result of the impact of the Government's Local Government Resource Review and the financial implications caused by the introduction of the Localisation of Council Tax Benefit from 1st April 2013. This unprecedented level of complexity combined with the very late notification of the provisional settlement have made initial analysis challenging.
- 4.2 In summary, the provisional settlement is a very difficult one with significant reductions required for 2013/14, 2014/15 and beyond. The prognosis therefore remains challenging and bleak.
- 4.3 On 19th December 2012 Government announced the Provisional Local Government Settlement for 2013/2014 and Indicative Settlement 2014/2015. Details of the Provisional Finance Settlement are reported elsewhere on this agenda, however a summary of the position for Sunderland is set out below.
- 4.4 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, Business Rates, and Government grant funding.
- 4.5 The Spending Power reduction for Sunderland in 2013/2014 is 1.6% which represents a cash reduction of £4.8m. However, it should be noted that:

- The net reduction includes an increase in funding to support social care and benefit health of £1.5m. However this resource has already been taken into account in addressing the overall savings requirement and to meet ongoing pressures in this area in 2013/2014.
- The net reduction includes Government assumptions about the level of collection of business rates income and full recovery of income lost through the implementation of the Localisation of Council Tax Benefit. These represent significant risks transferring to the Council from April 2013 which need to be taken into account when setting the budget. For example the Government will only fund reductions on forecast levels of business rate income after income falls below a certain threshold (referred to by Government as the Safety Net Threshold). For 2013/2014 the Finance Settlement indicates Business Rates income retained by the Council can drop by £6.2m before the Council would receive any funding from government through the Safety Net arrangement.
- This clearly represents a significant and new area of risk and financial volatility for the Authority. Planning assumptions to date have recognised this to ensure the 2013/14 budget is prudently based.
- The reduction in resource assumes that the 2013/12014 council tax freeze grant of £0.967m is taken into account
- A number of significant grants are still be announced including the Public Health Grant and Education Services Grant

4.6 Therefore, as outlined above, in overall terms the provisional settlement has confirmed that the original budget planning framework assumptions of a reduction in resource of £13.9m need to be maintained, given the risks associated with Business Rate income from April 2013 and continued uncertainties set out above.

Indicative Settlement 2014/2015

4.7 For 2014/2015 spending power reduces by 5.4% representing a £15.8m reduction in funding. This is a £6m greater reduction than previously forecast reflecting the additional 2% reductions announced in the Autumn Statement as well as additional reductions included through the provisional settlement process. Planning figures for 2014/2015 will be amended to take account of this additional funding reduction requirement.

5. Detail of Key Funding Elements for 2013/2014

5.1 From 2013/2014 the key funding elements to support the revenue budget will comprise

- Retained Business Rates
- Revenue Support Grant
- Top Up Grant
- Other Core Grant Funding
- Council Tax

The impact of the Local Government Resource Review on each of the above elements is set out below:

5.1.1 Retained Business Rates

A new Business Rates Retention system replaces formula grant funding from 2013/2014. The system has been consulted upon and the final scheme details are set out in the Finance Settlement reported elsewhere on this agenda. Key features are:

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

The forecast income from Business Rates for 2013/2014 which will be retained by the Council is £41.1m further details of which are reported elsewhere on this agenda for approval prior to submission to Central Government.

5.1.2 Revenue Support Grant

The Government has confirmed that they are to incorporate a number of Core revenue grant funding allocations into the new Business Rates Retention system including Formula Grant, Early Years Intervention, Learning Disabilities, Council Tax Support and Preventing Homelessness.

The amount of Revenue Support grant to be received by Sunderland announced as part of the Provisional Settlement on 19th December 2012 is £112.8m.

5.1.3 Top up Grant

'Top up' councils such as Sunderland will have their allocations fixed but will be index linked to RPI each year. The amount of Top up grant to be received by Sunderland announced as part of the Provisional Local Government Finance Settlement is £34.6m.

5.1.4 Other Core Grant and Revenue Funding

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

- The New Homes Bonus Grant is intended to incentivise local authorities to build and bring into use more homes, with a special emphasis on creating more affordable housing. The level of grant awarded is based on the increase in housing stock through new build properties and through returning empty properties back into use. Each years allocation is awarded for a 6 year period after which the grant ceases. Given the Government has top sliced total available resources for 2013/2014 to fund the New Homes Bonus it is proposed the 2013/2014 allocations be used to support the overall budget position. The provisional total allocation for 2013/14 of £1.7m comprises:

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

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

- NHS funding to support Social Care and Benefit Health Grant has increased by £1.458m to £5.611m. The additional resource has already been taken into account in addressing the overall savings requirement and to meet ongoing pressures in this area in 2013/2014.
- A reduction in Housing and Council Tax Benefit Administration grant of £0.280m to £2.882m was notified to the Council after the Budget Planning Framework was presented to Cabinet in October but has been built into the planning assumptions.
- In November 2012, the Council was awarded £4.722m Weekly Collection Support grant to retain weekly refuse collection arrangements. The award of grant means that funding will be provided for three years (£1.010m in 2012/13, £2.231m in 2013/2014 and £1.481m in 2014/2015) and the Council has committed to retaining weekly collections for five years, through to 2016/2017. The budget planning assumptions currently ensure that the grant will be sufficient to facilitate this whilst also delivering planned reductions during that period.
- Social Fund Grant of £1.202m in respect of DWP Care and Crisis Loans activities (former Social Fund) for which responsibility transfers to the Council from April 2013. This level of funding was taken into account in assessing the impact of the Governments Welfare Reform agenda.

At this stage significant allocations for Public Health responsibilities and the Education Services Grant (replacing LACSEG) are still to be released. The PFI core grant has also not yet been confirmed but the allocation for the Council is not expected to change from the previous year's allocation. Notification of the Extended Rights to Free Travel Grant is also outstanding.

5.1.5 Council Tax

Capping Powers and Reserve Powers

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 Government limits then the public will be able to vote to agree or veto any considered 'excessive' increase.

The provisional settlement confirmed the threshold percentage to hold a referendum will be 2% for 2013/2014.

Council Tax Freeze Grant

The settlement also confirms the third year funding for the 2011/2012 Council Tax freeze. This funding will be provided until 2015/2016 to compensate councils for not increasing their council tax in 2011/2012.

The Government has announced grant funding to allow local authorities to freeze council tax for 2013/2014 (based on a 1% council tax increase) with this funding to be provided for both 2013/2014 and 2014/2015. The funding is offered to compensate those Authorities who decide not to increase their Council tax in 2013/2014. As the funding is not of a permanent nature any use of the grant to support on going revenue expenditure will require alternative funding to be identified in the following years should the Council decide to access and accept the grant.

5.2 Schools Funding

As a result of the additional resources through pupil premium, the continued operation of protection to the funding of schools with falling rolls and some additional funding in respect 15 hours free nursery education to a greater number of 2 year old children, the overall quantum of schools funding will increase in 2013/2014. Details are set out below:

5.2.1 Schools Funding Formula

New funding arrangements are to be introduced from April 2013 for all Schools and Academies. This is the first stage of introducing a national funding formula in the next spending review period.

The Government is to continue to apply a national protection arrangement for schools whereby no school will see a per pupil reduction compared to its 2012/2013 budget (excluding sixth form funding) of more than 1.5 per cent before the pupil premium is applied.

5.2.2 Dedicated Schools Grant

The October 2012 census data shows that pupil numbers have decreased by 330 and consequently school block funding has reduced by £1.495m.

In 2013/2014 the expansion of the offer of 15 hours free nursery education to a greater number of 2 year old children who meet criteria for deprivation will be implemented. Sunderland's Early Years DSG will be increased by £3.142m. Part of this funding is movement of funding from the Early Intervention Grant into the Dedicated Schools Grant.

5.2.3 Pupil Premium Funding

The Pupil Premium level of funding for 2013/2014 for Sunderland Schools and Academies is estimated to be £11.346m, based on January 2012 pupil numbers representing an increase of £3.488m compared to 2012/2013.

5.2.4 Education Services Grant

Following consultation during the summer, the Department for Education has announced that a new grant, the Education Services Grant is to replace the Local Authority Central Spend Equivalent Grant (LACSEG) from September 2013. This is not additional funding.

Provisional local authority Education Services Grant allocations will be issued in early 2013. Current planning assumes funding of £3.0m will be received.

6. Provision for Spending Pressures and Commitments

6.1 When the Budget Planning Framework was approved in October 2012 Cabinet agreed that the following spending commitments would be taken into account:

- The Government has indicated a limit on public sector pay of a 1.0% pay increase. Prudent assumptions have been included from 2013/2014.
- price increases to be included on the basis of prudent assumptions in respect of energy and contractual arrangements.
- provision taking account of the results of the Actuarial review of the Local Government Pension Scheme 2010, covering the 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;
- 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 2012/2013 budget of £2.272m.
- Provision for services pressures identified in 2012/2013 in respect of adult social care which need to be addressed in 2013/2014 and the need to replace planned savings from end to end service reviews with alternative savings in 2013/2014.

6.2 In this context and within the Budget Planning Framework approved, in the preparation of the Revenue Budget for 2013/2014, it is proposed to make provision to address a number of spending commitments and pressures as set out below:

6.3 Cabinet Secretary

The following proposals are made:

6.3.1 Welfare Reform

The Council continues to make plans for the significant number and challenging nature of Welfare Reform changes, of which the majority impact in April and October 2013. These include the implementation of new responsibilities resulting from the transfer of former Social Fund responsibilities to Local Authorities, measures that seek to mitigate against the significant adverse impacts anticipated across the city and changes to internal administration and support arrangements. Appropriate provision has been included within the budget in order to meet these additional responsibilities and liabilities.

6.3.2 Capital Financing

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

6.4 Adults Health and Housing

The following proposals are made:

Adult Services Demand / Demographic Issues

The increasing longevity of the national and specifically, the city's, population continues to place significant pressure on Adult Social Services budgets. In addition, increasing demand to support clients with complex needs to enable clients to maintain independent living, is requiring reconfigured services and additional investment. With these pressures in mind the Government announced additional funding for Primary Care Trust's for the period of the spending review 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 on an appropriate basis.

6.5 Children's Services

The following proposals are made:

Children's Demand Pressures – 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.

6.6 City Services

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.

7. Summary Funding Gap

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

	2013/14		2014/15	
	£m	£m	£m	£m
Forecast Resources Reduction		13.89		15.77
Spending Pressures				
Pay Pensions and Other Cost Pressures	6.78		7.01	
Waste Disposal	1.05		0.99	
Health Housing and Adult Services Service Demand / Demographic Pressures	5.37		1.59	
Children's Services Demand Pressure - External Placements	1.67			
Welfare Reform	1.34		-0.10	
Financing Capital Programme	2.50		0.50	
CSN End to End	2.14			
Replacement 2012/13 & 2013/14 Use of One off Resources	2.26	23.11	4.54	14.53
Total Resource and Spending Pressures		37.00		30.30

8. Proposals to Meet the Funding Gap 2013/2014

- 8.1 As part of the Budget Planning Framework for 2013/2014 Cabinet agreed in October 2012 to progress the approach to meeting the funding gap by:

- Progressing the existing improvement programme of savings which aims to meet needs and achieve savings while protecting as far as possible frontline services and maximising non frontline savings. Throughout the programme Strategic and Shared Services are being refocused and reduced by an average 50%.
- Continuing to protect so far as possible front line services which are being reshaped and refocused to:
 - Ensure services are responsive to local needs
 - Protect core services particularly those most vulnerable
 - Target resources rather universal service provision.

8.2 The proposals to meet the funding gap are set out in the table below and reflect measures being implemented through the emerging new framework including through:

Demand Management - Developing the strategies and actions that enable the Council to manage demand and deliver services in a different and more agile way within communities;

Cost of Supply and Customer Services Network (CSN) development - Increased focus on the CSN as the gateway and connector of demand and supply for services with the aim of targeting resources to areas of greatest need alongside continued delivery of efficiencies within Council services;

Development of Alternative Service Delivery Models for services – continuing to look at the most effective and efficient models of provision for services over the short to medium term;

Strategic Services and Fixed Assets – further and continual review to meet the future needs of the Council and its communities, maximise use of assets and deliver significant savings.

Summary of Proposed Savings Plans

	2013/14 £'m	2014/15 £'m
Corporate and Cross Cutting		
Strategic and Shared Services	7.19	0.53
People Based Commissioning Reviews	1.00	3.00
Voluntary and Community Sector Review	0.49	
Integration of Public Health	2.00	
Corporate Resources (ITA /NHB)	2.70	1.00
SWITCH Resource Repatriated	5.10	3.20
	18.48	7.73
Improvement Plans		
Place and Economy	5.12	0.41
People - Children's Services	3.76	1.25
People - Health Housing and Adult Services	5.12	2.45
	14.00	4.11
Use of One off savings		
Capitalisation of highways and repairs spend	1.00	1.00
Temporary Use of balances	3.52	1.00
	4.52	2.00
Total Ongoing Programmed Savings	37.00	13.84

Further work is continuing to develop a full suite of proposals to meet the 2014/2015 Funding Gap as well as the further savings forecast to be required in 2015/16 and beyond. An update will be provided to Members in February as part of the updated Medium Term Financial Strategy 2013-2016.

In respect of 2013/2014, further detail on the savings proposals is set out below.

8.3 Ongoing Programmed Savings

8.3.1 Corporate and Cross Cutting (£18.476m)

- Strategic and Shared Services (£7.190m)**
 A further reconfiguration of support services to meet the future requirements of the Council and deliver efficiencies involving continued refinement and implementation of new ways of delivering support services by redesigning processes and using ICT to maximise efficiencies.
- People Based Commissioning Reviews (£1.0m)**
 Efficiencies through re-commissioning and integrated working with childrens, families adults and health services will deliver savings estimated at £1million in 2013/2014.
- Review of Voluntary and Community Sector (£0.486m)**
 Savings will be achieved through reviewing commissioning arrangements with the voluntary sector on a strategic basis.

- **Integration of Public Health (£2.0m)**
Efficiency savings will be achieved through integration of public health arrangements. The proposed savings are based on unallocated spending within the current budget and also forecastsavings on overheads when the service transfers from the PCT to the Council.
- **Corporate Resources Savings (£2.7m)**
Given the Government have top sliced formula grant to support the New Homes Bonus it is proposed that the allocation for New Homes Bonus anticipated in 2013/2014 is used to support the budget. In addition savings arising from the ITA levy can also be taken into account to support the budget.
- **SWITCH Resource Repatriated (£5.1m)**
Following the implementation of the Severance Scheme and the cessation of SWITCH an updated approach to workforce planning will be implemented alongside the 2013/2014 budget proposals. Budget resources of £5.1m can therefore be released to support the budget for 2013/2014.

8.3.2 Place and Economy (£5.113m)

- **Smarter Working (Utilisation of premises) (£0.905m)**
The review of smarter working has already identified savings in premises costs (utilities, repairs and renewals etc.) through the planned closure of administrative buildings and this programme will continue as well as the review focussing on delivering savings from operational buildings as well as opportunities for collaborative service working and co-location.
- **Income Generation and Cost Reduction across Office of the Chief Executive (£0.467m)**
Planning and Property Services have identified a number of initiatives aimed at increasing income and reducing costs including in relation to additional income from nationally-set planning fees, income delivered by the Control Room, Cash in Transit and Property Services as well as through rent reviews of the Council's property portfolio.
- **Establish New Events Company (£0.115m)**
Through establishing a new Events Company, appropriate partnership arrangements will be entered into which will generate additional commercial opportunities and income.
- **Review of Transport and Fleet (£0.866m)**
Savings are being realised through better utilisation of vehicles, removing vehicles in line with changes in service in the council, more efficient hire and maintenance arrangements and alternative service delivery of the fleet stores function.

- **Waste Collection (weekly collection and demand management (£0.998m))**

Savings will be achieved following the successful bid for Government funding to retain weekly waste collection arrangements. In addition, measures are proposed to better manage customer demand in two services currently provided free of charge in respect of bulky items collection and wheelie bin replacements. Savings will be achieved through reduced waste disposal costs, fee income and lower staff and vehicle costs.

- **Review of Highways and Network Management (including maintenance) (£0.409m)**

Savings will be achieved by maximising income earning opportunities, better prioritisation of activity with a focus on fee earning activity, and the evaluation of alternative Service Delivery Models. Additional savings will be delivered from the highways maintenance programme through developing more streamlined processes to carry out repairs, and utilisation of more cost effective materials.

- **Income Generation (Bereavement Services and Car Parking) (£0.288m)**

A review of Bereavement Services charges has identified efficiency savings in relation to the simplification of charges and a requirement to offset the cost of installing and operating mercury abatement technology required to meet new legislative requirements. Opportunities to increase car parking income through increasing usage will also be considered.

- **Responsive Local Services (RLS) and Parks Phase II (£0.468m)**

Savings will be achieved following the further integration of the Parks function.

- **Management Restructure (£0.270m)**

This saving arises from senior management restructuring.

- **Other Streetscene Reviews, including regulatory Services (£0.327m)**

A review of regulatory activities is ongoing and the shape of services is currently being re-examined in light of the new corporate structure. A number of other reviews are being delivered in Streetscene including in relation to a restructure of the Commissioning and Change Management function following the disestablishment of City Services, better procurement of Pathology and Laboratory Services for the Coroner's Service, a restructure of the Registrar's Service and the introduction of a permit system for vans and trailers using the household waste recycling site to reduce incidents of illegal use of the site by traders.

8.3.3 Children's Services Reviews (£3.764m)

- **Full Year Impact of previous year's decisions (£1.059m)**
This is the full year impact of previous year's agreed savings decisions, all of which have been implemented in the current financial year.
- **Review of Children's Services Structures (£0.756m)**
Review of management structures.
- **Children Looked after Strategy (Ongoing) (£0.817m)**
The Council has invested significantly over the past 3 years in foster care recruitment. This strategy is now paying dividends through the gradual reduction in the number of children in Independent Fostering Agency placements.
- **Safeguarding structures (Ongoing) (£0.494m)**
This is linked to the review of management structures that was implemented in 2012/2013 and the flexibilities afforded through the improved stability of the Social Work workforce.
- **Cessation of Childcare sufficiency funding (£0.120m)**
Nationally plans are in place to extend the offer of 15 hours free nursery education to a greater number of 2 year old children who meet criteria for deprivation. This will significantly increase demand for places in 2013/2014 and further in 2014/2015, providing £2m of additional funding in 2013/2014 to fund places in appropriate settings. This should allow all settings to be sustainable and therefore financial support is proposed to be withdrawn.
- **Review of Commissioning & Family, Adult and Community Learning Teams (£0.200m)**
The Family, Adult and Community Learning and Children's Services commissioning functions review will amalgamate teams and produce efficiencies.
- **Review of Home to School Transport (£0.318m)**
A careful and full review of Home to School Transport to include the consideration of non-statutory 'discretionary' transport costs and a detailed review of how the current statutory home to school transport policy is applied.

8.3.4 Health Housing and Adult Services Reviews (£5.122m)

- **Future Models of Care and Support (£0.374m)**
Continuing review of existing Care and Support services for Adult Social Care with the aim of developing alternative models of care to 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 Model on new customers (£0.115m)**
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 the cost of on-going services such as home care and ultimately prevent admissions to residential and nursing care.
- **Further Implementation of Personalisation (£0.836m)**
The further 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.
- **Managing the Provider Market (£0.640m) and Demand Management in Social Care (£2.000m)**
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 contains costs.
- **Culture, Sport and Leisure - review of Libraries, Heritage, Arts, Sport, Leisure and Wellness services (£1.052m)**
A commercial model is being developed for Sport and Leisure services to ensure that the current level of subsidisation for services is reduced through a combination of increasing income, shifting and maximising demand from peak times and through reducing costs. The model will also identify opportunities for alternative service delivery.

In relation to the Libraries service, the focus will be on re-provisioning services with a greater community focus for reading, learning and giving access to information. With regard to Heritage and Museums, new arrangements will involve the Council in leading the delivery of the museums service and include the opportunity for extended working with other partners.

- **Culture, Sport and Leisure – other savings proposals (£0.105m)**
This will include a focus on developing a relationship with schools and other organisations whereby they commission sports and wellness related services, reviewing operations at F Pit and Fulwell Mill and looking at the potential from invest to save initiatives to enhance income streams.

8.4 Use of One Off Resources

After taking account of total ongoing programmed savings for 2013/2014 of £32.5m, there remains a funding gap of £4.5m. At this stage it is proposed to utilise one off funding in terms of £1.0m through capitalisation of Highways expenditure and using £3.5m of transitional funding held in balances on a temporary basis.

9. Overall Position

9.1 Outstanding Uncertainties

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

- transitional costs in relation to the implementation of savings proposals;
- the outcome of the final Local Government Revenue Support Grant Settlement for 2013/2014 and related grant announcements;
- the forecast Income from Business Rates
- 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 2012 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2013/2014 and proposed briefings to the following stakeholders:

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

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

10.3 To supplement the survey, 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 for the overall approach.

- 10.5 To date budget consultation with these groups has concentrated on the overall approaches to meeting the budget challenge. Further detailed consultation in relation to each of the proposals will be undertaken as each proposal is developed.
- 10.6 At each stage in the budget preparation process Scrutiny Committee is being consulted.
- 10.7 This report will become the basis for second stage consultation. Elements of the consultation undertaken to date, which has not yet been fully analysed, together with the results of the second stage of consultation will be considered in framing the final budget proposals to be submitted to Cabinet in February, 2013.

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 2012/2013 from Interest on Balances and Debt Charges, and unutilised contingency provisions. Any savings generated will be required to fund one off spending pressures and additional costs associated with implementing the budget proposals as part of the prudent and robust approach to setting the 2013/14 Revenue Budget.
- 12.3 The balances position will be updated / reviewed as the budget is progressed. A full risk analysis will be presented with the final budget proposals to the February meeting of Cabinet.

13 Suggested Reason for Decision

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

14 Alternative options to be considered and recommended to be rejected

- 14.1 There are no alternative options recommended for approval.

Background Papers

Budget and Planning Framework 2013/2014 (October 2012 Cabinet)

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

- 1.1 Each Directorate has undertaken equality analysis of their proposals, as appropriate, using the Council adopted equality analysis approach. 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.

2 Consultation

- 2.1 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.

3 Key Messages

- 3.1 Individual proposals for additional savings are currently at different stages of equality analysis depending on the stage of the development of the proposal. 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.
- 3.2 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.

- 3.3 A number of the proposals provide the opportunity for improving quality 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.

4 CONCLUSIONS

- 4.1 The Council continues to seek to meet its obligations in relation to equality and diversity and has procedures in place at both a general and budget specific level to incorporate equality and diversity issues into decision making processes and the assessment of proposals.
- 4.2 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 2012	7.570
Use of Balances 2012/2013	
- Contribution to Revenue Budget (approved as part of 2012/2013 budget)	(2.272)
Additions to Balances 2012/2013	
Transfer from Strategic Investment Reserve to Support Transition Costs (approved as part of 2012/2013 budget)	2.272
Estimated Balances 31st March 2013	7.570

The above position will be reviewed and updated and reported to Cabinet as part of the final budget proposals in February, 2013.

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