



THE CABINET

AGENDA

**Meeting to be held in the Civic Centre (Committee Room No. 1) on
Wednesday 15 January 2014 at 2.00 p.m.**

Part I

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Local Government (Access to Information) (Variation) Order 2006

The reports contained in Part II of the Agenda are not for publication as the Cabinet is considered likely to exclude the public during consideration thereof as they contain information relating to the financial or business affairs of any particular person (including the Authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings and the public interest in maintaining these exemptions outweigh the public interest in disclosing the information because of the serious consequences for the authority and others if the information should come into the public domain. (Local Government Act 1972, Schedule 12A, Part 1, Paragraph 3 and 5).

Part II

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	(Copy herewith).	



Denotes Key Decision.

Denotes Regulation 10 Notice issues – item which is a key decision which is not included in the 28 Day Notice of Key Decisions.

ELAINE WAUGH
Head of Law and Governance

Civic Centre
SUNDERLAND

7 January 2014

CABINET MEETING – 15 JANUARY 2014
EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

MINUTES, PART I

Author(s):

Head of Law and Governance

Purpose of Report:

Presents the minutes of the last meeting held on 19 December 2013 Part I.

Action Required:

To confirm the minutes as a correct record.

At a meeting of the CABINET held in the CIVIC CENTRE (COMMITTEE ROOM NO. 2) on Thursday 19 December 2013 at 2.00pm.

Present:-

Councillor P. Watson in the Chair

Councillors Blackburn, Gofton, Kelly, Miller, Speding and H. Trueman

Also present:-

Councillor Wood

Part I

Minutes

The minutes of the meeting of the Cabinet held on 4 December 2013 Part I (copy circulated) were submitted.

(For copy report - see original minutes).

1. RESOLVED that the minutes of the last meeting be confirmed and signed as a correct record.

Receipt of Declarations of Interest

There were no declarations of interest.

Apologies for Absence

An apology for absence was submitted to the meeting on behalf of Councillor P. Smith.

Creation of a Combined Authority

The Chief Executive submitted a report, together with a supplementary report, (copies circulated) to provide an update on developments in relation to the proposed creation of a Combined Authority and to request that consideration be given to the Council's response to the Secretary of State's formal consultation on the proposals.

(For copy report – see original minutes).

The Chairman highlighted the report and reminded Cabinet Members that the emerging proposal for the creation of a Combined Authority had been discussed in various fora, including the other 7 authorities, over the past twelve months. He added that the officer's report provided the latest position and the results of the recent local consultation exercise undertaken to assist the Cabinet to come to a view on the proposed formal response to the Secretary of State. He invited Cabinet Members to make comments on the proposals and during the discussion the following issues were raised by Members:-

- The creation of a Combined Authority was accepted in principle, as a way forward for closer and integrated partnership working with the other LA6 authorities;,
- However at this stage there remains a number of questions and concerns regarding the detail of the proposals, in particular in relation to the following matters:-
 - (a) the appropriate integration of public transport arrangements across the LA7 area and the fair and proportionate allocation of transport funding across the area;
 - (b) the detailed governance arrangements for the proposed authority;
 - (c) the policy framework for the proposed authority and how transport and economic priorities would be agreed, set and delivered;
 - (d) the relationship between the proposed authority and the North East Local Enterprise Partnership; and
 - (e) further information on the estimated costs of the proposed authority and how this would be apportioned between the constituent members, in particular the financial implications for the Council in comparison with the current cost for the discharge of the functions through the existing arrangements.

Concerns were also expressed by Members that the local public consultation exercise on the proposals with local residents, businesses and the voluntary sector had only resulted in five hundred responses which was a very small sample to base such an important decision on.

Cabinet Members were aware of the tight timescale to respond to the Secretary of State. At this stage further information and clarification was required on the detail of the proposals to ensure that the proposals were in the best interests of Sunderland and its residents and local businesses. It was very strongly felt that Sunderland must not be disadvantaged in any way through the proposals.

The Chairman reported that this was a proposal to establish a new statutory authority across the LA7 area in respect of transport, skills and economic development. Whilst closer and integrated partnership working across this wider geographical area in these key areas was very important, the proposed authority would fundamentally change the existing governance arrangements for these functions across the area. Therefore, it was also very important that the detailed proposals were in the best interests of Sunderland and include appropriate and fair arrangements for all of the LA7. Every effort would be made to achieve answers to the issues raised within the timescales to enable a formal response to be made to the Secretary of State.

Consideration having been given to the report, it was:-

2. RESOLVED that:-

- (i) the update on the current position in relation to the proposed development of a Combined Authority for the Durham, Northumberland and Tyne and Wear area be noted,
- (ii) the results of a public consultation exercise undertaken in the past two weeks, in order to pay due regard to the views of local people on key factors and implications for Sunderland be noted, and
- (iii) taking the above into account, the views of the Cabinet be incorporated into the city council's response to the Secretary of State's consultation on the proposed creation of a Combined Authority and that the Chief Executive, in consultation with the Leader, be authorised to finalise the response as appropriate and submit it by the deadline.

Local Government (Access to Information) (Variation) Order 2006

At the instance of the Chairman it was: -

3. RESOLVED that in accordance with the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during consideration of the remaining business as it was considered to involve a likely disclosure of information relating to the financial or business affairs of any particular person (including the Authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings and the public interest in maintaining these exemptions outweigh the public interest in disclosing the information because of the serious consequences for the authority and others if the information should come into the public domain. (Local Government Act 1972, Schedule 12A, Part 1, Paragraph 3 and 5).

(Signed) P. WATSON,
Chairman.

Note:-

The above minutes comprise only those relating to items during which the meeting was open to the public.

Additional minutes in respect of other items are included in Part II.

CABINET MEETING – 15 JANUARY 2014
EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Sunderland City Council Events Programme 2014/15

Author(s):

Report of Director of Corporate Affairs

Purpose of Report:

To request Cabinet approval of the Council's 2014/15 Events Programme - to be delivered on the Council's behalf by Sunderland Live.

Description of Decision:

Cabinet is requested to

- i. Approve the Events Programme for 2014/15 to be delivered by Sunderland Live.
- ii. Approve the payment of the funding contribution to Sunderland Live of £1,066,344 for delivery of this events programme in accordance with the terms of the funding agreement between the Council and Sunderland Live.

Is the decision consistent with the Budget/Policy Framework? Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

The proposed 2014/15 Events Programme includes events of significant scale and quality that can be marketed outside Sunderland through the See it Do it destination campaign, to attract visitors to the city and support Sunderland's economy

Early approval of the 2014/15 Events Programme will ensure that the full range of events can be planned well ahead to ensure their effective delivery by Sunderland Live. The Events Programme will then form the core part of the annual business plan for Sunderland Live for 2014/15.

Alternative options to be considered and recommended to be rejected:

Options for alternative events were considered when drafting the proposed Events Programme. The proposed Events Programme represents the culmination of this process and the Council's events priorities for 2014/15.

Impacts analysed;

Equality Privacy Sustainability Crime and Disorder

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

Is it included in the 28 day Notice of Decisions? Yes

Scrutiny Committee

SUNDERLAND CITY COUNCIL EVENTS PROGRAMME 2014/15

Report of the Director of Corporate Affairs

1.0 Purpose of the Report

- 1.1 This report requests Cabinet approval of the Council's 2014/15 Events Programme - to be delivered on the Council's behalf by Sunderland Live.

2.0 Description of Decision (Recommendation)

- 2.1 Cabinet is requested to

i. Approve the Events Programme for 2014/15 to be delivered by Sunderland Live.

ii. Approve the payment of the funding contribution to Sunderland Live of £1,066,344 for delivery of this events programme in accordance with the terms of the funding agreement between the Council and Sunderland Live.

3.0 Background

- 3.1 Following reports to Cabinet in July 2012 and January 2013, Sunderland Live was established by the Council as a Local Authority owned company in April 2013.
- 3.2 In establishing Sunderland Live, the Council fully recognised the important contribution which appropriate key events make to wider economic development and the city's overall reputation and attractiveness. The Council's See it Do it Sunderland destination marketing campaign communicates the city's vibrant events programme and visitor experience in a way that is family-focused and credible. Sunderland Live has an important role in supporting the See it Do it campaign.
- 3.3 Sunderland Live sets out its objectives and specific plans for the year ahead in its annual business plan. The core of this plan is an events programme, the majority of which is events that the Council contracts Sunderland Live to deliver on its behalf. This report seeks approval for the Council's 2014/15 events for inclusion in Sunderland Live's 2014/15 business plan.

4.0 The 2014/15 Events Programme

- 4.1 Sunderland Live has highlighted the importance of considering the total events programme as an overall 'package.' Whereas it was once feasible to consider a single event on a standalone basis, this is no longer the case. This is because numerous interdependencies are becoming increasingly important to negotiations with potential sponsors and commercial interests in order to increase income from events, hence the 2014/15 events should be viewed as a whole 'programme.'
- 4.2 The proposed programme of events to be delivered by Sunderland Live in 2014/15 is set out in Annex 1. This consists of
- i. existing and long-standing priority events such as the Sunderland International Airshow, Christmas Lights Switch on and Remembrance Weekend
 - ii. additional events that the Council wishes to be delivered on its behalf such as Roker Park Lights
- 4.3 The new City Centre Business Improvement District (BID) will be up and running in 2014. This will provide additional opportunities to develop and deliver city centre-based events and Sunderland Live is working closely with the BID management on this.

5.0 Financial Implications

- 5.1 The Funding Agreement established between the Council and Sunderland Live determines that the amount of the Contribution payable for Years 2 and 3 shall be determined by the Council (in consultation with Sunderland Live) following approval of the agreed business plan for that year but notes that this should be in accordance with the three-year forecast set out in the business plan for year 1.
- 5.2 If Members agree the 2014/15 events Programme set out in this report, the next step will be to agree a budget for Year 2 (2014/15) that provides for delivery of the events set out and is in line with the original Contribution (management fee) for 2014/15 of £1,066,344.

6.0 Legal Implications

- 6.1 The proposed events programme for 2014/2015 will be delivered by Sunderland Live Ltd. As Cabinet is aware, Sunderland Live was established in 2013 as a local authority owned events management company. The principal activity of the company is to undertake the city's events programme as required by the Council. It is therefore lawful in procurement law terms for the Council to enter into appropriate contracts and funding arrangements with Sunderland Live for the delivery of this events programme.

- 6.2 As the shareholder in Sunderland Live, the Council is required to approve the annual business plan for the company prior to each financial year and its funding contribution to the company for the delivery of the annual events programme. The events programme will therefore form the core part of company's business plan for 2014/2015.

7.0 Reasons for Decision

- 7.1 The proposed 2014/15 Events Programme includes events of significant scale and quality that can be marketed outside Sunderland through the See it Do it destination campaign, to attract visitors to the city and support Sunderland's economy
- 7.2 Early approval of the 2014/15 Events Programme will ensure that the full range of events can be planned well ahead to ensure their effective delivery by Sunderland Live. The Events Programme will then form the core part of the annual business plan for Sunderland Live for 2014/15.

8.0 Alternative Options

- 8.1 Options for alternative events were considered when drafting the proposed Events Programme. The proposed Events Programme represents the culmination of this process and the Council's events priorities for 2014/15.

9.0 Background Papers

Cabinet Report dated 16th January 2013

1. CORE PROGRAMME 2014

These events are those that the City Council has requested Sunderland Live to deliver.



City Sings Goes 60's

Sunderland Empire Theatre

Continue to support the delivery of the annual Schools Choral Competition Final.



Penshaw Bowl

Penshaw Hill and Herrington Country Park

Continue to deliver this traditional family event on Penshaw Hill whilst developing an additional offer in Herrington Country Park that can be also utilised as a wet weather contingency.



Running Festival

City Centre, Roker and Seaburn

10k and Half Marathon.



Stadium Concerts (In partnership with SAFC)

One Direction

North East Live



Sunderland Festival

Herrington Country Park

Family event with a focus on live music, food, fun fair and children's activities.



Armed Forces Day

City Centre

Civic event involving a Flag Raising ceremony.



Sunderland International Airshow

Roker and Seaburn

Continue to redesign, develop and deliver this signature event.



Houghton Feast

Continue to work in partnership with the community to design, develop and deliver this event.



Remembrance Weekend

Remembrance Concert to be held on the evening of Saturday 8 November at the Seaburn Centre. Remembrance Parade and Service to take place on Burdon Road on Sunday 9 November.



City Centre Christmas Switch On

Relocation of Switch On to the new City Square. Christmas illuminations, live programme and firework display.



Christmas Programme

City Centre

Extensive programme of family orientated activities.

Partnership with the Business Improvement District to develop additional attractions including a New Year's Eve celebration.



Mayor's Ball

This major event in the Mayoral calendar provides a valuable opportunity to spend time with other Civic guests and members of the business community.



North East Contact Centre Awards



Boxing Day Dip

Seaburn

Working in partnership with the Lion's Club to enhance this annual fund raising event.

2. SUNDERLAND CITY COUNCIL ADDITIONAL PROPOSALS 2014

The City Council has identified two additional events that it wishes to be delivered subject to the identification of required funding.



Roker Park Lights & Seafront Illuminations

Roker Park and Seafront

CABINET MEETING – 15 JANUARY 2014

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Council Tax Base 2014/2015.

Author(s):

Head of Financial Resources

Purpose of Report:

To detail the calculation of the Council Tax Base for 2014/2015 and to seek approval to recommend to Council the Council Tax Base for 2014/2015 in accordance with the Local Government Finance Act 1992 as amended by the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2012.

Description of Decision:

Cabinet is recommended to recommend to Council:

The report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2014/2015 be approved.

That 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 2012 the amount calculated by Sunderland City Council as its Council Tax Base for the year 2014/2015, shall be 64,559 and for the area of Hetton Town Council shall be 3,230.

Is the decision consistent with the Budget/Policy Framework?

Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To comply with statutory requirements.

Impacts analysed:

Equality

☒

Privacy

☒

Sustainability

☒

Crime and Disorder

☒

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

Yes

Is it included in the 28 Day Notice of Decisions?

Yes

Scrutiny Committee

Cabinet – 15 January 2014

Council Tax Base 2014/2015

Report of the Head of Financial Resources

1. Purpose of Report

- 1.1. To detail the calculation of the Council Tax Base for 2014/2015 and to seek approval to recommend to Council the Council Tax Base for 2014/2015 in accordance with the Local Government Finance Act 1992 as amended by Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2012.

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 2014/2015 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 2012, the amount calculated by Sunderland City Council as its Council Tax Base for the year 2014/2015, shall be 64,559 and for the area of Hetton Town Council shall be 3,230.

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. 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 as the basis for the major precepting authorities (Police and Crime Commissioner for Northumbria 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. This lower band is described as the 'alternative valuation band'. Prior to 1st April 2000 properties already in band A could not qualify for any disabled reduction as there was not a lower band to be charged at. From the 1st April 2000, however, 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 now 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 disabled reduction as if it was an additional valuation band. In this report the 'additional' valuation band is shown as either (A) or Disabled (A).

3.4 The calculations also take into account two legislative changes that were introduced last year by the government. These relate specifically to:

- Technical adjustments to Council Tax Discounts and Exemptions
- Localisation of Council Tax Benefit Scheme (LCTBS)

3.5 The Technical adjustments have had a positive impact on the Tax Base calculations of the Council and these are required to be detailed further within the calculations which are included in Appendix 1 for information.

3.6 The introduction of the LCTBS from 1st April 2013, however, has, as expected, seen significant reductions in the council tax base. This is because the LCTBS, is treated as a council tax discount in the calculations (Item Z referred to as the Council Tax Reduction Scheme) and is based on the scheme approved by the council each year. No change has been made to the previously agreed LCTB scheme implemented for 2013/2014, which was fully consulted upon last year. The Tax Base of the Council thus includes the full estimated impact of the LCTB scheme for 2014/2015 as required by the regulations.

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	RELEVANT AMOUNT
	'A'
	£ p
Disabled (A)	99.44
A	29,673.93
B	10,684.43
C	12,325.15
D	7,439.63
E	3,323.16
F	1,369.65
G	933.68
H	27.50
	<u>65,876.57</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 2014/2015.

4.5 Calculation of Council Tax Base

The Council's Tax Base is therefore: 'A' £65,876.57 x 'B' 98% = £64,559.04
(for comparison the previous years Tax Base was £64,093.89)

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

4.6 The Council Tax Base has increased from last year by 465. This increase is due to the number of new homes built across the city over the last year and a prudent estimate of the anticipated number of new homes expected to be built over the next twelve months, which the tax base calculation must take into account.

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	RELEVANT AMOUNT 'A'
	£ p
Disabled (A)	7.92
A	1,868.86
B	649.33
C	387.40
D	210.44
E	100.92
F	52.00
G	18.33
H	1.00
	<u>3,296.20</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) £3,296.20 x 98% = £3,230.28.
(for comparison the previous years Tax base was £3,122.23)

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

5.4 The Council Tax Base has increased from last year by 108. This increase is due to the number of new homes built in the parish boundary over the last year and takes

into account a prudent estimate of the anticipated number of new homes expected to be built in the next twelve months.

6. Reasons for Decision

6.1 To comply with statutory requirements.

7. Alternative Options

7.1 No alternative options are proposed.

8. Impact Analysis

8.1 There are no implications.

9. List of Appendices

Appendix 1 - Calculation of the Billing Authority's Council Tax Base

Appendix 2 - Council Tax Base - City of Sunderland / Hetton Town Council

Appendix 3 - Calculation of Council Tax Base For Hetton Town Council - Local
Precept

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. 2012 No. 2914) 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:

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

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
 E = is a factor to take account of premiums to be added to the Council Tax Base
 J = adjustment (whether positive or negative) in the numbers of dwellings or discounts during the period
 Z = the amount that the authority estimates will be applied in respect of the Council Tax reduction scheme
 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 2-13 of Regulation 4 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012. 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 2014/2015 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) Class A Discount – Awarded to properties that cannot be occupied throughout the year (for example beach huts) – there are currently no such properties within the city area
- e) Class B Discount – awarded to furnished, unoccupied properties
- f) Class BE Discount – awarded to properties left furnished and unoccupied because the Council Tax payer is working away from home
- g) Class C Discount 1 – awarded to substantially unfurnished properties vacant for less than one month
- h) Class C Discount 2 – awarded to substantially unfurnished properties vacant for more than one month, for a maximum period of 6 months
- i) Class C Discount 3 – awarded to substantially unfurnished properties vacant for more than 6 months
- j) Class D Discount - awarded to vacant properties requiring or undergoing structural alteration or major repair, for a maximum period of 12 months
- k) Class E Discount - awarded to members of the armed forces living in accommodation provided by the Secretary of State
- l) Class F Discount – awarded to annexes forming part of a single property which the resident is using as their sole or main residence

Item S - the relevant percentage. For 2014/2015 the relevant percentage is as follows:

a) Single Person Discount	-	25%
b) Single Disregard	-	25%
c) Double Disregard	-	25% x 2 (50%)
d) Class A Discount	-	0%
e) Class B Discount	-	0%
f) Class BE Discount	-	50%
g) Class C Discount 1	-	100%
h) Class C Discount 2	-	25%
i) Class C Discount 3	-	0%
j) Class D Discount	-	25%
k) Class E Discount	-	50%
l) Class F Discount	-	0%

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 item d) to f) is calculated in accordance with the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003, and Section 11A of the Local Government Finance Act 1992. The relevant percentage for items g) to l) is calculated in accordance with the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2012, Section 11A of the Local Government Finance Act 1992 and the Local Government Finance Act 2012.

Item E – The amount of any additional premium charged on all long term empty properties which have remained unoccupied for a period of greater than 2 years. The amount of the premium is 50% of the amount of the Council Tax charge for that property. This means that properties are charged at a 150% rate.

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 Z - the amount of support provided under the Council Tax Reduction Scheme. The support is shown as a discount and the reduction in the base is equivalent to the level of Council Tax that will not be collected because of awards made under the Council Tax Reduction Scheme.

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

The results of these calculations are shown below.

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

	Disabled Band(A)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Item H	191	77426	16929	15736	8002	2902	1008	606	19
Item Q	12	9337.25	1350.75	1028	389.75	127.25	49.75	44	5.25
Item E	0	206.50	16.5	16.5	12	2.5	2	1.5	0
Item J	0	85	191	164	81	12	1	4	0
Item Z	0.00	23869.36	2048.63	1022.71	265.62	70.30	13.03	7.29	0
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 $((H - Q + E + J) - Z) \times (F/G)$ produces a relevant amount for each Valuation Band - Item A in Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012 as follows:

BAND RELEVANT AMOUNT

	'A'
	£ p
Disabled (A)	99.44
A	29,673.93
B	10,684.43
C	12,325.15
D	7,439.63
E	3,323.16
F	1,369.65
G	933.68
H	27.50
	<u>65,876.57</u>

Council Tax Base - City of Sunderland

Band	Item 'A'	Item 'B'	Tax Base 'A' x 'B'
	£ p	%	£ p
(A)	99.44	98	97.45
A	29,673.93	98	29,080.45
B	10,684.43	98	10,470.74
C	12,325.15	98	12,078.65
D	7,439.63	98	7,290.84
E	3,323.16	98	3,256.70
F	1,369.65	98	1,342.26
G	933.68	98	915.00
H	<u>27.50</u>	98	<u>26.95</u>
	<u>65,876.57</u>		<u>64,559.04</u>

Council Tax Base - Hetton Town Council

(A)	7.92	98	7.76
A	1,868.86	98	1,831.48
B	649.33	98	636.35
C	387.40	98	379.65
D	210.44	98	206.23
E	100.92	98	98.90
F	52.00	98	50.96
G	18.33	98	17.97
H	<u>1.00</u>	98	<u>0.98</u>
	<u>3,296.20</u>		<u>3,230.28</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:

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

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

	Disabled Band (A)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Item H	15	4768	968	455	221	87	38	13	1
Item Q	0.75	550.25	67.25	25.75	10	6	2.50	2	0.50
Item E	0	29	1	0.5	1	0	0.50	0	0
Item J	0	-25	8	22	6	4	0	0	0
Item Z	0	1418.46	74.90	15.92	7.56	2.43	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 $((H - Q + E + J) - Z) \times (F/G)$ 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)	7.92
A	1,868.86
B	649.33
C	387.40
D	210.44
E	100.92
F	52.00
G	18.33
H	1.00
	<u>3,296.20</u>

CABINET MEETING – 15 JANUARY 2014

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Business Rates Income Forecast 2014/2015 and Projected Business Rates Income Outturn 2013/2014

Author(s):

Head of Financial Resources

Purpose of Report:

This report details the arrangements for estimating

- the forecast outturn for business rates income for 2013/2014 and
- the business rates income for 2014/2015

to be included in the NNDR 1 return which must be submitted to Government by 31st January 2014 in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013, following approval by Council.

Description of Decision:

Cabinet is recommended to recommend Council to approve the NNDR1 form (to be circulated separately as Appendix A) for submission to government, and which sets out

- the forecast outturn for business rates income for 2013/2014
- total estimated business rates income before transitional arrangements for the year 2014/2015

in accordance with regulations, and which will form the basis of the necessary apportionment of the estimated total business rate income for 2014/2015 in the following proportions:

- 50% to the Government
- 1% to the Tyne and Wear Fire and Rescue Authority
- 49% to the Council

In the event that there is a delay in receiving the NNDR 1 form for completion from government, as a result of which the form is to be completed or amended after the date of this Cabinet meeting, Cabinet is asked to provide delegated authority to the Head of Financial Resources, in consultation with the Leader of the Council and Cabinet Secretary, to approve the version of the NNDR1 form to be submitted to Council for approval.

Is the decision consistent with the Budget/Policy Framework? Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To comply with Government expectation that requires Council to approve the NNDR1 return on an annual basis. The final estimated Business Rates Income Return figures for 2014/2015 have also to be formally notified by 31st January 2014 to both the Government who receives 50% of the total figure and also to the Tyne and Wear Fire and Rescue Authority who receives 1% of the total. The Council will retain the remaining 49%.

Alternative options to be considered and recommended to be rejected:

No alternative options are proposed.

Impacts analysed:

Equality ☒ Privacy ☒ Sustainability ☒ Crime and Disorder ☒

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

Is it included in the 28 day Notice of Decisions? Yes it forms part of the Budget setting process.

Scrutiny Committee

Business Rates Income Forecast 2014/2015

Report of the Head of Financial Resources

1. Purpose of Report

- 1.1 This report details the arrangements for estimating
- the forecast outturn for business rates income for 2013/2014 and
 - the business rates income for 2014/2015
- to be included in the NNDR 1 return which must be submitted to Government by 31st January 2014, in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013, following approval by Council.

2. Description of Decision:

- 2.1 Cabinet is recommended to recommend Council to approve the NNDR1 form (to be circulated separately as Appendix A) for submission to government, and which sets out
- the forecast outturn for business rates income for 2013/2014
 - total estimated business rates income before transitional arrangements for the year 2014/2015
- in accordance with regulations, and which will form the basis of the necessary apportionment of the estimated total business rate income for 2014/2015 in the following proportions:
- 50% to the Government
 - 1% to the Tyne and Wear Fire and Rescue Authority
 - 49% to the Council.
- 2.2 In the event that there is a delay in receiving the NNDR 1 form for completion from government, as a result of which the form is to be completed or amended after the date of this Cabinet meeting, Cabinet is asked to provide delegated authority to the Head of Financial Resources, in consultation with the Leader of the Council and Cabinet Secretary, to approve the version of the NNDR1 form to be submitted to Council for approval.

3. Introduction and Background Information

- 3.1 The Non Domestic Rating Regulations 2013 set out the regulations in relation to the Business Rates Retention Scheme (BRRS) introduced from 1 April 2013. Under the regulations, 50% of Non-Domestic Rates (more commonly known as Business Rates) will be retained locally by billing authorities and 2% of this total will be shared with the Tyne and Wear Fire and Rescue Authority.
- 3.2 Councils must submit a return known as the NNDR1 form to the Department for Communities and Local Government (DCLG). This form provides the local tax base for business properties in the area for the forthcoming year and determines the value of income from Non-Domestic Rates between central

government, the council and the Tyne and Wear Fire Authority. As such the NNDR1 form is a key document in the budget setting process.

- 3.3 The financial year 2014/2015 will be the second operational year of the new BRRS. As such, in addition to estimating the rates position for 2014/2015, the NNDR1 form requires the Council to confirm their best estimate of the NDR collection fund position as at 31 March 2014 i.e. to the end of the prior financial year 2013/2014. This is required in order to demonstrate whether a surplus or deficit on the Collection Fund in relation to NDR is anticipated at that date. Where a deficit is anticipated, payment will be required from central government and the Fire Authority, conversely where a surplus is anticipated payment will be required to be made by the Council to central government and the Fire Authority. These payments are required to be included in the Councils budget position for 2014/2015.
- 3.4 The NNDR1 form must be certified by the Section 151 Officer. Councils are expected to adopt a similar approval process used for the Council Tax Base, i.e. approval by Council.
- 3.5 The NNDR1 figures must be reported to the DCLG and to any relevant precepting authorities. In the case of the Council it must formally notify the Tyne and Wear Fire and Rescue Authority of their proportionate share of the Councils total estimated business rates income for 2014/2015, and the forecast outturn position for 2013/2014.
- 3.6 Full Council in January will approve the NNDR 1 submission and hence the agreed estimate of Retained Business Rate Income for 2014/2015 for inclusion in the Council budget.
- 3.7 The approved NNDR1 form must be returned to the DCLG no later than 31 January 2014.

4. NNDR1 Form

- 4.1 Following announcements made in the Autumn Statement, production of the NNDR1 return has been significantly delayed by the DCLG as it seeks to incorporate the impact of all of the changes into the return. As such a final version is not anticipated to be available until mid-January 2014. At the time of writing the report it is assumed the form will be available to enable circulation separately as Appendix A.

In the event there is a further delay in receiving the NNDR 1 form for completion from government, resulting in completion or amendment after the date of this Cabinet meeting, delegated authority is sought for the Head of Financial Resources (Section 151 Officer), in consultation with the Leader of the Council and Cabinet Secretary, to approve the version of the NNDR1 form to be submitted to Council.

4.2 Forecast Outturn 2013/2014

4.2.1 This first year of the BRRS has evidenced that the most significant variable, rateable adjustment appeals, is very difficult to forecast with certainty:

- Businesses can appeal the rateable valuation of their property, against a set list of appeals criteria, for as long as the valuation list is open. The current valuation list is the 2010 list and is envisaged to remain open until 2017.
- The Council has no control over the timing/ outcome of appeal decisions. Appeals are made to the Valuation Office Agency (VOA) who then considers these appeals and advise the Business and Local Authority of the outcome. The Council loses income to the value of 49% of the value of successful appeals.
- A significant proportion of the appeals are backdated to the start of the 2010 list. Such successful appeals therefore result in a refund for prior years and an adjustment for the current year. Successful appeals then reduce the base income collectable position for future years.
- There were a significant number of outstanding appeals awaiting VOA consideration as at the 1st April 2013 when the new BRRS came into effect. Despite these appeals pre-dating the new scheme, the Council bears 49% of the lost income and refunds of any successful appeal.

4.2.8 In recognition of the likely impact of backdated appeals the government is proposing to allow Authorities to spread the cost of these appeals over a five year period. However, this approach impacts on the Council's revenue budget position for the following four years. It is therefore proposed that the full cost of the estimated backdated appeal liability arising in 2013/2014 be accounted for in 2013/2014 which will result in a deficit on the collection fund at 31st March 2014. The Council budget planning for 2014/2015 is required to take this position into account.

4.3 Forecast Business Rates Income 2014/2015

4.3.1 The forecast position for 2014/2015 included in the NNDR1 includes the

- best estimate of the appeals position in relation to that financial year based on extrapolation of VOA data.
- the impact of announcements made by the government as part of the autumn statement. The government has confirmed that the impact on Council funding of these measures will be fully funded and separate Section 31 grants will be payable into the General Revenue Fund (rather than the Collection Fund).

4.3.2 In order to address the Collection fund deficit position brought forward at 31st March 2014, the Council Business Rates Retained Income for 2014/2015 available to support the Councils revenue budget will be reduced. The impact of this on the Revenue Budget for 2014/2015 is provided for within the Safety Net Reserve Budget Provision.

5. Equality

5.1 There are no implications.

6. Privacy

6.1 There are no implications.

7. Sustainability

7.1 None specific from this report. More widely, the mechanism of funding Councils from retained NDR emphasise the importance of continuing to support business growth.

8. Crime and Disorder

8.1 There are no implications

9. Reasons for Decision

9.1 To comply with Government expectation that require Council to approve the NNDR1 return on an annual basis. The final estimated Business Rates Income Return figures for 2014/2015 have also to be formally notified by 31st January 2014 to both the Government who receives 50% of the total figure and also to the Tyne and Wear Fire and Rescue Authority who receives 1% of the total. The Council will retain the remaining 49%.

10. Alternative Options

10.1 No alternative options are proposed.

11. List of Appendices

Appendix 1 – NNDR1 Return for 2014/2015 - to be circulated separately

12. Background Papers

None

CABINET MEETING – 15 JANUARY 2014 EXECUTIVE SUMMARY SHEET – PART I	
Title of Report: Revenue Budget 2014/2015 Proposals and Provisional Revenue Support Settlement 2014/2015	
Author(s): Chief Executive and Head of Financial Resources	
Purpose of Report: To report the provisional budget proposals for 2014/2015 including the impact of the Provisional Revenue Support settlement, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2014/2015.	
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 2014/2015.	
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 2014/2015.	
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.	
Impacts analysed: Equality <input checked="" type="checkbox"/> Privacy <input checked="" type="checkbox"/> Sustainability <input checked="" type="checkbox"/> Crime and Disorder <input checked="" type="checkbox"/>	
Is this a “Key Decision” as defined in the Constitution? <div style="text-align: right;">Yes</div>	Scrutiny Committee:
Is it included in the 28 Day Notice of Decisions? <div style="text-align: right;">Yes</div>	

**REVENUE BUDGET 2014/2015 PROPOSALS AND PROVISIONAL
REVENUE SUPPORT SETTLEMENT 2014/2015****Report of the Chief Executive and Head of Financial Resources****1. Purpose of Report**

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

2. Description of Decision

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

3. National Economic Context to 2014/2015 Budget

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

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

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

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

- 3.2 National Funding Totals

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

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

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

Provisional Settlement 2014/2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Indicative Settlement 2015/2016

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

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

- 4.10 The inclusion of the above masks:

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

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

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

5. Detail of Key Funding Elements for 2014/2015

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

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

5.1.1 Retained Business Rates

Key features of the Business Rates Retention system are:

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

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

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

5.1.2 Revenue Support Grant

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

5.1.3 Top up Grant

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

5.1.4 Section 31 Grant - Cap on Business Rates RPI increase

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

5.1.5 Other Core Grant and Revenue Funding

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

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

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

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

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

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

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

5.1.6 Council Tax

Capping Powers and Reserve Powers

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

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

Council Tax Freeze Grant

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

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

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

5.2 Schools Funding

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

5.2.1 Dedicated Schools Grant

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

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

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

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

5.2.2 Pupil Premium Funding

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

5.2.3 Education Services Grant

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

6. Provision for Spending Pressures and Commitments

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

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

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

6.3 Cabinet Secretary

The following proposals are made:

6.3.1 Capital Financing

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

6.3.2 Workforce Transformation and Workforce Planning

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

6.4 Adults Health and Housing

The following proposals are made:

6.4.1 People - Adult Services Demand / Demographic Issues

The increasing longevity of the national and specifically, the city's, population continues to place significant pressure on Adult Social Services budgets. In addition, client expectations and increasing demand to support clients with complex cases to enable clients to maintain independent living, is requiring reconfigured services and additional investment.

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

6.5 Children's Services

The following proposals are made:

6.5.1 People - Children's Services Demand Pressures

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

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

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

7. Summary Funding Gap

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

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

8. Proposals to Meet the Funding Gap 2014/2015

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

8.2 Summary of Proposed Plans To Meet Funding Gap

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

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

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

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

8.3 Detail of Proposals for Reduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Early Years and Childcare**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.3.4 Use of One Off Resources

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

8.4 Other Resources

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

9. Outstanding Uncertainties

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

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

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

10 Budget Consultation

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

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

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

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

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

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

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

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

11 Equalities Impact Assessment

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

12 General Balances

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

13 Suggested Reason for Decision

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

14 Alternative options to be considered and recommended to be rejected

- 14.1 There are no alternative options recommended for approval.

Background Papers

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

Local Government Finance Settlement 2014-15:

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

APPENDIX 1a)

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

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

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

Note: Totals are rounded to 3 decimal places,

APPENDIX 1b)

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

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

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

Note: Totals are rounded to 3 decimal places,

APPENDIX 1c)

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

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

Note: Totals are rounded to 3 decimal places,

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

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

2 Consultation

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

3 Key Messages

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

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

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

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

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

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

4 CONCLUSIONS

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

Appendix 3

Statement of General Balances

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

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

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

CABINET MEETING – 15 JANUARY 2014

EXECUTIVE SUMMARY SHEET- PART I

Title of Report:

Revenue Budget Third Review 2013/2014

Author(s):

Head of Financial Resources

Purpose of Report:

To report details of the outcome of the Revenue Budget Third Review for 2013/2014.

Description of Decision:

Cabinet is recommended to approve the contingency transfers proposed at Appendix A and budget transfers set out in the report.

Is the decision consistent with the Budget/Policy Framework?

Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To respond to variations in expenditure and income which have arisen in 2013/2014 and enable effective budgetary control to be exercised.

Alternative options to be considered and recommended to be rejected:

No alternative options are proposed.

Impacts analysed:

Equality

Privacy

Sustainability

Crime and Disorder

Is this a “Key Decision” as defined in the Constitution?
No

Scrutiny Committee

Is it included in the 28 Day Notice of Decisions?

Yes- provisionally

Cabinet 15th January 2014

Revenue Budget Third Review 2013/2014

Report of the Head of Financial Resources

1. Introduction

This report advises Members of the overall Revenue position following the third review for 2013/2014 including proposed contingency transfers for the third quarter of 2013/2014.

2. Description of Decision

- 2.1. Cabinet is requested to approve contingency transfers proposed at Appendix A and budget transfers set out in the report.

3. Revenue Budget Monitoring 2013/2014

Overall Position

- 3.1 In overall terms financial progress towards delivery of the 2013/2014 savings requirement is very positive although there continues to be challenges. Where issues have been identified mitigating actions have been put in place by Portfolio holders, which, coupled with corporate actions agreed in relation to workforce planning, will ensure that a positive outturn position will be achieved.

As agreed at the Second Revenue Review, any savings in capital financing charges or unutilised contingencies at the end of 2013/2014 will be utilised to support the overall 2013/2014 position and transitional costs arising from the 2014/2015 budget setting position.

A full review has been undertaken and a summary of the position following the third review is set out in the report for each Portfolio, together with the contingency allocations proposed for the third quarter.

3.2 Contingency Transfers

Members will recall from previous reports that transfers from the contingency fund take place on a quarterly basis to reflect expenditure actually incurred in respect of approved provisions. Details of proposed contingency transfers for the third quarter amounting to £0.028m are set out at Appendix A.

3.3 Budget Transfers

Budget Transfers since the second review primarily relate to transfers between Directorates to reflect operational arrangements and budget realignments relating to the people, place and economy service areas.

3.4 Implementation of Savings Plans and Budget Pressures

3.4.1 The budget process for 2013/2014 took account of the requirement for reductions in expenditure of £37.0m. Progress in implementing the proposals is being rigorously monitored in conjunction with Portfolio holders.

3.4.2 Overall progress continues to be very positive however there are budget pressures also being experienced for which mitigating actions are being implemented.

3.4.3 In relation to savings targets the following is noted in overall terms:

- £33.3m of the savings have been fully realised to date as originally intended.
- £2.7m of reductions are no longer to be achieved as originally intended.
Of this:
 - £1.0m of alternative savings actions have been identified in year and the original saving will be delivered as planned in 2014/2015;
 - £0.4m has been replaced by an alternative on-going saving;
 - £1.3m of alternative actions have also been identified which will meet the remaining savings requirement in year, with actions to address the on-going requirement being progressed.
- £1.0m of reductions are still to be delivered although good progress is being made with action plans developed, responsibilities assigned and timescales identified. At this stage therefore it is not anticipated this will impact on the overall financial position of the Council as the full year saving is still anticipated.

3.4.4 In addition to the above there are:

- on-going pressures from 2012/2013 totalling £2.6m in relation to Home Care and Community Support;
- in year service pressures totalling £0.5m for which actions to address the position on-going into 2014/2015 are being progressed.

Although work is on-going to address these issues for 2014/2015 it is likely that corporate resource support will be required to balance the position in the current financial year.

3.4.5 Further details of issues are set out in the relevant sections below, which shows that work is being progressed in all areas.

3.5 Portfolio Budget Monitoring 2013/2014

The following issues are drawn to Members attention:

3.5.1 Leader

- The Training Centres have experienced a downturn in the number of new learners taking up courses in the period August to November 2013 compared to the level anticipated resulting in a forecast shortfall in income of £143,000 which will be contained within the overall corporate position at outturn. Management actions are being taken to increase new starter numbers and the position will continue to be closely monitored.

3.5.2 Deputy Leader

No issues to raise at this stage.

3.5.3 Cabinet Secretary

- There are a number of emerging and continuing pressures in relation the impact of the economic downturn. This includes pressures on income generation, the most significant of which is a shortfall in respect of Bridges rental income of £0.450m, which is anticipated primarily as a result of the level of unit turnover and an increase in the level of essential repairs and maintenance costs during the year. Provision is included within the contingencies to meet this shortfall.

3.5.4 Children's Services

- The Children's External Placement budget continues to be volatile due to the uncertainty regarding the level of placements in any given year. Current projections for 2013/2014 indicate a pressure of £1.567m due to the required level of placements. Reserves earmarked for this purpose as part of the 2012/2013 outturn are available to meet this shortfall in year.

The number of Looked after Children has increased to 494 as at 27th November (473 as at 19th August); an increase of 57 from April 2013.

The Children Looked after Strategy has been reviewed and pressures identified have been incorporated in the budget planning framework for 2014/2015.

- In October Cabinet approved the alignment of special guardianship and residence order allowances, and future adoption allowances to the age related core fostering allowance rate from 18th October 2013. The total estimated additional cost for the current financial year of the three allowances at the proposed revised rate is £0.414m which will be contained within the overall corporate financial position. The total estimated additional full year cost is £1.077m and this has been taken into account within the 2014/2015 budget planning.

3.5.5 Health, Housing and Adult Services

- Home and Community Support and reduction in Residential / Nursing Care places has a forecast overspend of £3.672m (on-going pressure from 2012/2013 £2.620m plus 2013/2014 pressure £1.052m as a result of use of one off actions to meet the 2013/14 savings requirement).

Significant work has been progressed over the last few months and action plans are in the process of being finalised which will be based around a new operating model to deliver a single end to end Customer Journey which promotes independence, choice and control, and customers care while also delivering improved value for money and efficiency. With robust project planning it is anticipated that the actions will fully provide for the on-going pressure and contribute to future years savings targets. However, whilst part year savings will be made there is likely to be an in year shortfall which will need to be met from transitional funding whilst the permanent solutions are being put in place.

In addition it will be necessary to address on-going operational costs associated with Care and Support Sunderland Ltd as the company moves to new operating arrangements. This can be met from transitional resources.

3.5.6 Public Health, Wellness and Culture

No issues to raise at this stage.

3.5.7 City Services

- As previously reported, the trading position on Building Services is being closely monitored and, at this stage, the service is forecasting to make a shortfall against budget of up to £0.5m. This shortfall has primarily arisen following a further reduction in client budgets in 2013/2014, resulting in reduced income for Building Services.

Actions are progressing in order to mitigate the budget shortfall in-year. At the same time, the service is working to deliver on a number of service improvements with a view to addressing this position on an on-going basis.

3.5.8 Responsive Services and Customer Care

There are no issues to raise at this stage

3.6 Other Corporate Issues

3.6.1 Workforce Planning

- A significant element of the savings plans are dependent upon implementation of workforce planning arrangements which continue to be implemented. Significant progress has been made and savings targets are on track for full delivery of savings in a full year. Transitional funding will be utilised to support any in year shortfall.
- As reported as part of the budget setting process, transitional costs will arise during 2013/2014 as the organisation implements the continued improvement programmes. At this stage these costs total £6.750m and can be met from resources set aside to meet transitional costs as part of the previous year's outturn.

3.6.2 Collection Fund - Retained Business Rates

The forecast outturn for Business Rates Income is set out elsewhere on today's agenda. At this stage a deficit on the collection fund is forecast as a result of the impact of backdated successful valuation appeals. The potential for such an eventuality was identified in setting the 2013/2014 Revenue Budget through the provision of a Safety Net Reserve which will be utilised to address the position in 2014/2015.

4. Reason for Decision

- 4.1 To respond to variations in expenditure and income which have arisen in 2013/2014 and enable effective budgetary control to be exercised.

5. Alternative Options

- 5.1 No alternative options are proposed.

6. Impact Analysis

- 6.1 Impact assessments of Directorate actions to ensure the achievement of savings targets and a balanced budget position will be undertaken within Directorates as each action is developed.

7. Other Relevant Considerations / Consultations

- 7.1 The report identifies a number of risks in relation to the delivery of budget savings and the need to address budget pressures. However, actions in place and the available transitional resources earmarked as part of previous years outturns are anticipated to be sufficient to mitigate the risks identified.

Variations Necessitating Contingency Transfers 2013/2014

	Justification / Approval	2013/2014 £
Children's Services		
Social Care Contract Inflation	Specific Provision	187,000
Utilities realignment	Specific Provision	341,732
Improvement Programme Efficiencies		
Improvement Efficiencies		(374,032)
Flexible working and vacancy management		(126,328)
Total		28,372

Cabinet Meeting – 15th January 2014

Revenue Budget Position after Third Review

	Second Review 2013/2014	Budget Transfers	Transfers from Contingency fund	Third Review 2013/2014
	£'000	£'000	£'000	£'000
Portfolio				
Leader	8,120	(282)	157	7,995
Deputy Leader	3,675	46	24	3,745
Cabinet Secretary	7,794	242	(250)	7,786
Children's Services	65,132	(5)	177	65,304
Health, Housing and Adult Services	83,310	(95)	21	83,236
Public Health, Wellness and Culture	17,193	(2)	117	17,308
City Services	45,731	96	(169)	45,658
Responsive Services and Customer Care	2,969	0	(49)	2,920
Portfolio Expenditure	233,924	0	28	233,952
Contingencies	16,278	0	(28)	16,250
Technical Adjustments	(30,095)	0	0	(30,095)
Transfer to Reserves	6,097	0	0	6,097
Levies	17,820	0	0	17,820
Grants – Council Tax Freeze Grant, New Homes Bonus	(2,722)	0	0	(2,722)
Capital Financing Cost	26,066	0	0	26,066
Total Expenditure	267,368	0	0	267,368
Use of Balances	(2,572)	0	0	(2,572)
Net Budget Requirement	264,796	0	0	264,796

CABINET MEETING – 15 JANUARY 2014

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Capital Programme - Third Capital Review 2013/2014, Provisional Resources 2014/2015 and Treasury Management Review 2013/2014

Author(s):

Head of Financial Resources

Purpose of Report:

This report details:

- reprofiling of projects since the Second Capital Review for 2013/2014 was approved in October 2013;
- the inclusion of additional schemes and revisions to costs and resourcing for 2013/2014 since the Second Capital Review was reported;
- the allocation of capital resources for 2014/2015, as set out in Section 5, subject to any adjustment when final resource announcements are made;
- the progress in implementing the Treasury Management Strategy for 2013/2014.

Description of Decision:

- (i) In relation to the Capital Programme for 2013/2014, Cabinet is asked to approve, and where necessary recommend to Council, the inclusion of additional schemes or variations to existing schemes for 2013/2014 detailed at Appendix A, as a variation to the Capital Programme;
- (ii) In relation to the Capital Programme for 2014/2015, Cabinet is asked to note
 - that the allocation of resources as set out in Section 5 will be subject to final resource announcements;
 - that Cabinet Members will consider proposals for new starts based on resource allocations to be confirmed in due course in order to incorporate proposed new starts in the Capital Programme to be presented to Cabinet in February 2014.
- (iii) In relation to the Treasury Management Strategy and Prudential Indicators, Cabinet is asked to note the positive progress made in implementing the strategy for 2013/2014.

Is the decision consistent with the Budget/Policy Framework? Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To respond to proposed variations in expenditure and funding which have arisen since the Second Capital Review 2013/2014 was approved to enable effective budgetary control to be exercised.

To note the resources available to enable capital programme priorities for 2014/2015 to be considered by Cabinet in February.

To note the progress in implementing the Treasury Management Strategy for 2013/2014, this is in line with the approved Treasury Management Policies.

Alternative options to be considered and recommended to be rejected:

No alternative options are proposed.

Impacts analysed:**Equality**☒**Privacy**☒**Sustainability**☒**Crime and Disorder**☒**Is this a “Key Decision” as defined in the Constitution?**

Yes - new capital projects detailed at Appendix A estimated to cost above £250,000

Is it included in the 28 Day Notice of Decisions?

Yes provisionally - in light of content of this report it is necessary

Scrutiny Committee

Third Capital Review 2013/2014, Provisional Resources 2014/2015 and Treasury Management Review 2013/2014

Head of Financial Resources

1. Purpose of Report

1.1 This report details:

- reprofiling of projects since the Second Capital Review for 2013/2014 was approved in October 2013;
- the inclusion of additional schemes and revisions to costs and resourcing for 2013/2014 since the Second Capital Review was reported;
- the allocation of capital resources for 2014/2015, as set out in Section 5, subject to any adjustment when final resource announcements are made;
- the progress in implementing the Treasury Management Strategy for 2013/2014.

2. Description of Decision:

2.1 Cabinet is requested:

- (i) In relation to the Capital Programme for 2013/2014, Cabinet is asked to approve, and where necessary recommend to Council, the inclusion of additional schemes or variations to existing schemes for 2013/2014 detailed at Appendix A, as a variation to the Capital Programme;
- (iii) In relation to the Capital Programme for 2014/2015, Cabinet is asked to note;
 - that the allocation of resources as set out in Section 5 will be subject to final resource announcements;
 - that Cabinet Members will consider proposals for new starts based on resource allocations to be confirmed in due course in order to incorporate proposed new starts in the Capital Programme to be presented to Cabinet in February 2014.
- (iii) In relation to the Treasury Management Strategy and Prudential Indicators, Cabinet is asked to note the positive progress made in implementing the strategy for 2013/2014.

3. Introduction

- 3.1** The Capital Programme changes during the year as notifications of additional schemes and resourcing are received, and phasing of schemes is reviewed. Variations to anticipated expenditure and financing of the 2013/2014 capital programme since reported to Cabinet on 9th October 2013 are shown in section 4 of this report. Those increases that exceed £250,000 will require Council approval in due course.

- 3.2 Performance in implementing the Treasury Management Strategy and adhering to the agreed Prudential Indicators is detailed in section 6 along with confirmation that the Council is operating within its agreed borrowing limits.

4. Third Capital Review 2013/2014

- 4.1 Since the Second Capital Programme was reported to Council in October 2013, there have been some changes required to the Capital Programme both in terms of expenditure and resourcing. In total, reprofiling and other adjustments have led to the 2013/2014 Capital Programme reducing by £7.424m from £79.665m to £72.241m. This can be analysed as follows:

- Reprofiled expenditure of £5.444m between 2013/2014 and future years. The primary reasons for this reprofiling relate to external influences outside of the Council's control;
- Additional fully funded schemes and cost variations notified since the Capital Programme was last reported increasing the capital programme by £0.520m.
- Technical Adjustments of £2.500m.

Appendix A gives a summary of the changes to expenditure and resources for 2013/2014 with the principal variations set out below:

4.2 Reprofiling of Expenditure between 2013/2014 and future years

Schemes where significant reprofiling of expenditure and resources are being proposed are set out below.

4.2.1 Deputy Leader

Modernisation Improvements

The Capital Programme includes provision of £1.000m to enable ICT investment to support business transformation and the delivery of further efficiencies in key areas. The £1.000m will be reprofiled into 2014/2015 to facilitate these requirements in that year.

4.2.2 Cabinet Secretary

Port Infrastructure

The capital programme includes investment of £5.680m for Port Infrastructure works to enable access to wider commercial opportunities and allow for expansion. However £2.500m in respect of the scheme has been reprofiled into 2014/2015 to maximise potential for external funding.

4.2.3 Health, Housing and Adult Services

Area Renewal – Hetton Downs

The timing of expenditure on area renewal is difficult to forecast as it is dependent on agreement being reached with property owners in the area. Expenditure of £0.747m has been reprofiled into 2014/2015. A review of spend plans for Hetton Downs Housing Renewal scheme has been undertaken following agreement for a key piece of land to be acquired by a housing developer, rather than the Council, which will enable better outcomes to be achieved.

Cluster of Empty Homes

This project, jointly funded by the Council and the Homes and Communities Agency, aims to refurbish empty properties and return them to use in four areas where there is a significant number of empty properties. The Department for Communities and Local Government have confirmed an extension to March 2015 for required outcomes from this scheme to be achieved. Lower than anticipated interest from property owners requires £0.526m to be reprofiled into 2014/2015. A change to the criteria for support to property owners earlier this year is expected to increase up take and enable the required outcomes to be achieved in accordance with the revised timescales.

Empty Property Action Plan

This project provides funding to refurbish empty properties across the city and bring them back into use. Due to the cross-over with the above Cluster scheme and to ensure access to the Cluster grant is maximised, appropriate properties that fall within a cluster area have been transferred to that scheme. As a consequence £0.432m of the Empty Property Action Plan is to be reprofiled into 2014/2015.

4.2.4 Children's Services

School's Devolved Capital

A review of school's devolved capital plans indicates that spend will be less than previous projections in 2013/2014. Therefore £0.206m will be reprofiled into 2014/2015.

4.3 Additional Schemes and Cost Variations 2013/2014

4.3.1 City Services

Clean Bus Technology Fund

Following a successful joint bid with Durham County Council, £0.276m Clean Bus Technology Fund grant has been awarded by the DfT. This grant will be pass-ported to Go North East to retrofit 19 buses to cut pollution and improve air quality across Sunderland and Durham.

Trans-Sunderland Cycle Route

£0.265m funding has been secured from the Department for Transport for a trans-Sunderland cycle route and includes works at Washington Road and Ferryboat Lane. Match funding is provided by existing Local Transport grant.

5. Capital Resources 2014/2015

Funding allocations are in the form of capital grants. The Council may supplement external funding allocations from its own resources or undertake prudential borrowing. Prudential borrowing undertaken will not be supported by any funding from the government. Local borrowing levels must be set within the Authority's Prudential Limits, which will be reported to Council in March 2014.

At the time this report was produced the Coalition Government had released details of certain capital grants which are shown in the table below. The Council is awaiting details of Other Education grants that will be awarded to support the 2014/2015 capital programme.

	2013-14 £000s	2014-15 £000s
Highways Maintenance	3,397	3,052
Integrated Transport	2,141	3,011
Local Pinch Point	0	1,169
Total Transport	5,538	7,232
Department of Health Community Capacity	843	860
Communities and Local Government Disabled Facilities	1,422	1,467
Basic Needs	805	805
Universal Infant Free School Meals	0	443
Total Department for Education	805	1,248

It is proposed to continue the existing practice of allocating capital resources regarding Education, Transport, Communities and Local Government, and Health Government Grants as well as resources for other services up to the limit of the grant allocation and resource availability in the context of revenue budget pressures. Actual capital grants awarded to Sunderland will be reported to Cabinet once they become known.

6. Review of the Prudential Indicators and Treasury Management Strategy for 2013/2014

6.1 The Prudential Indicators for 2013/2014 were approved by the Council on the 6th March 2013 and are regularly reviewed to ensure that:

- the Council remains within its Authorised Limit for External Debt which is a regulatory requirement;
- treasury management decisions are taken in accordance with the Treasury Management Code of Practice and the agreed Council Treasury Management Policy and Strategy for 2013/2014;
- the capital expenditure control framework operated locally is consistent with, and supportive of, local strategic planning, local asset management planning, and proper option appraisal.

6.2 Internal monitoring procedures track performance daily against the various prudential indicators agreed by the Council. At this stage, the Council is operating within its Authorised Borrowing Limit, which is a statutory limit determined under Section 3 (1) of the Local Government Act 2003 and there are no areas for concern or any issues which require any review of the indicators as originally approved.

Borrowing Strategy for 2013/2014

6.3 The Borrowing Strategy is based upon the Council's anticipated borrowing requirement and prospects for interest rates. During 2013/2014 to date there has been a sharp rise in UK gilt yields which has led to an increase in PWLB rates as investors have switched from bonds into equities, with share markets now standing at or near new highs. Potential upside risks for further increases remain e.g. if there are large financial improvements within the Eurozone or UK inflation was to be significantly higher than in the wider EU or the US.

However, bond yields remain extremely unpredictable and there are still exceptional levels of volatility which are highly correlated to the sovereign debt crisis and to political developments in the Eurozone and US. This uncertainty is expected to continue into the medium term.

No new borrowing has been undertaken in the current financial year. The Council's strategy for 2013/2014 is to continue to adopt a pragmatic and flexible approach and to respond to any changing circumstances to seek to secure benefit for the Council. Consideration will be given to various options, including utilising some investment balances to fund the Council's borrowing requirement, in 2013/2014 as appropriate.

Investment Strategy for 2013/2014

6.4 The primary aim of the Investment Strategy is the security of Council funds, then having regard to liquidity i.e. the availability of cash to meet council liabilities, and finally to secure a reasonable rate of return on its investments.

- 6.5 As at 30th November 2013, the funds managed by the Council's Treasury Management team has achieved a rate of return on its investments of 1.04% compared with the benchmark rate (i.e. the 7 day rate) of 0.36%. Performance is therefore very positive and is significantly above the benchmark rate, whilst adhering to the prudent policy agreed by the Council.
- 6.6 The rate of return on investments however has fallen markedly in 2013 as UK-based financial institutions access funding from alternative sources such as the Government's Funding for Lending Scheme to allow them to increase their capital/cash reserves in line with recent regulatory requirements. The result is that investment rates have reduced considerably since April 2013 and continue to follow a downward trend. Even special tranche investment rates (which offer better than market average returns) have reflected this downward trend. Forward guidance announced in the Quarterly Inflation report (August 2013) by the Bank of England, and reaffirmed in November 2013, shows that they do not expect to increase the Bank Base Rate until 2016. The implication from this is that returns on investments will be significantly lower than those achieved in recent years until interest rates begin to increase.
- 6.7 The Council is following advice from its treasury adviser, Capita Asset Services – Treasury Solutions, that investments with non-part government owned institutions should be kept to shorter periods of a maximum of three months. The investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions to the benefit of the Council.

7. Reasons for Decision

- 7.1 To respond to variations in proposed expenditure and income which have arisen since the 2013/2014 Capital Programme was approved to enable effective budgetary control to be exercised and to update Cabinet on the progress in implementing the Treasury Management Borrowing and Investment Strategy for 2013/2014.

8. Alternative Options

- 8.1 No alternative options are proposed.

9. Impact Analysis

Impact assessments will be undertaken by Directorates as each Project is developed.

10. List of Appendices

Appendix A - Other variations to the 2013/2014 capital programme to those previously reported.

11. Background Papers

Sunderland City Council Capital Programme 2012/13 to 2016/17
Cabinet Report - First Capital Review 2013/2014
Cabinet Report - Second Capital Review 2013/2014

Scheme Variations since the Second Capital Review 2013/2014

	£000	£000
Reprofiling of Expenditure from 2013/2014 to future years since the Second Review		
Deputy Leader		
Modernisation Improvements		(1,000)
Cabinet Secretary		
Port Infrastructure		(2,500)
Health, Housing and Adult Services		
Area Renewal – Hetton Downs	(747)	
Cluster of Empty Homes	(432)	
Empty Property Action Plan	(526)	(1,705)
Children's Services		
School's Devolved Capital		(206)
Other Schemes Reprofiling		(33)
		(5,444)
Additional Schemes and Variation to Existing Schemes in the Capital Programme - Fully Funded		
City Services		
Clean Bus Technology Fund	276	
Trans-Sunderland Cycle Route	265	541
Other Fully Funded Variations		(21)
		520
Technical Adjustments		
Capital Contingencies – Reprofiling into 2014/2015		(2,500)
TOTAL VARIATIONS 2013/2014		(7,424)

