

## CABINET MEETING – 19 JUNE 2013

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

Revenue Budget Outturn for 2012/2013 and First Revenue Review 2013/2014

**Author:**

Executive Director of Commercial and Corporate Services

**Purpose of Report:**

To report details of the Provisional Revenue Budget Outturn for 2012/2013 and First Revenue Review 2013/2014.

**Description of Decision:**

Cabinet is recommended to:  
in relation to 2012/2013:

- approve the contingency and reserve transfers proposed at Appendix A and, budget transfers and virements at Appendix B;
- approve the final account decisions as set out in this report and authorise the Executive Director of Commercial and Corporate Services to finalise any outstanding revenue financing issues or Final Accounts decisions, in consultation with the Leader and Cabinet Secretary given delegated authority to take any.
- in relation to 2013/2014:
  - approve the contingency transfers at Appendix E and budget transfers

**Is the decision consistent with the Budget/Policy Framework?** Yes  
with the exception of the use of virement requiring Council approval.

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

**Suggested reason(s) for Decision:**

To report on the outturn position compared to the budget for 2012/2013 and respond to variations in expenditure and income which have arisen in 2013/2014.

**Alternative options to be considered and recommended to be rejected:**

No alternative options are proposed.

**Impacts analysed:**

Equality N/A
 Privacy N/A
 Sustainability N/A
 Crime and Disorder N/A

**Is this a “Key Decision” as defined in the Constitution?** Yes – these relate to virements set out in Appendix B.

**Scrutiny Committee**

**Is it included in the Forward Plan?**  
Yes



## **Cabinet 19th June 2013**

### **Revenue Budget Outturn for 2012/2013 and First Revenue Review 2013/2014**

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

##### **1. Purpose of Report**

###### **1.1 This report covers:**

###### **The Revenue Budget Outturn 2012/2013**

Set out in Section 3 below are details of the Revenue Budget Outturn for 2012/2013. The reporting format reflects the Portfolio Holder responsibilities in place during 2012/2013 and includes:

- The overall provisional outturn position for the Authority;
  - proposed contingency transfers, budget transfers and virements for the final quarter for 2012/2013;
  - details of the outturn for delegated service budgets for 2012/2013 and delegated budget surpluses for 2012/2013;
  - the position in relation to the achievement of efficiency targets for 2012/2013.

Section 4 details the general fund balances and the major revenue reserves position.

###### **First Revenue Budget Review 2013/2014**

Set out in Section 5 are details of the First Revenue Review for 2013/2014. The format reflects Portfolio responsibilities for 2013/2014. This includes:

- proposed contingency transfers and budget transfers for the first quarter of 2013/2014;
- the position in relation to achievement of savings targets for 2013/2014.

##### **2. Description of Decision (Recommendations)**

###### **2.1 In relation to 2012/2013 Cabinet is recommended to:**

- approve the contingency and reserve transfers proposed at Appendix A, and budget transfers and virements at Appendix B;
- approve the final account decisions as set out in this report and authorise the Executive Director of Commercial and Corporate Services to finalise any outstanding revenue financing issues or Final Accounts decisions, in consultation with the Leader and Cabinet Secretary

###### **2.2 In relation to 2013/2014, Cabinet is requested to:**

- approve the proposed contingency transfers at Appendix E and budget transfers.

### **3. Revenue Budget Outturn 2012/2013**

#### **Statement of Accounts**

- 3.1 The statutory Statement of Accounts, subject to audit, will be made available on the internet on 30th June 2013 in accordance with the Accounts and Audit Regulations 2011 after being certified by the Executive Director of Commercial and Corporate Services. The Accounts will be made available for public inspection from 1st August 2013 until the 23rd August 2013 and the formal external audit of the accounts will commence on 27th August 2013. The draft Statement of Accounts will be presented to the Audit and Governance Committee in June for consideration and then presented for final approval to the Committee on the 27th September 2013. As preparation of the Statement of Accounts is ongoing and the final outturn position may be subject to change, this report advises Members of the Provisional Revenue Budget Outturn position for 2012/2013 as it currently stands, outlining the main areas of variance and any related proposed actions. It is proposed that Cabinet authorise the Executive Director of Commercial and Corporate Services to finalise any outstanding revenue financing issues or Final Accounts decisions in consultation with the Leader and Cabinet Secretary

#### **Overall Position**

- 3.2 The final outturn overall position is very positive and has resulted in a net underspending of £6.031m. This largely reflects the planned earmarking of contingencies relating to the strategic waste solution on a one-off basis in 2012/13 prior to implementation in 2013/14. In addition, the overall position has also benefited from significant actions across the Council to implement savings proposals, contain costs and robustly manage the severance exercise which has been resourced in-year without the recourse to reserves.

The underspend will be earmarked to meet future funding requirements as part of the 2013-2016 Medium Term Financial Strategy.

The rest of section 3 of the report provides more detail about this outturn position.

### **Budget Adjustments 2012/2013 – Contingency Transfers and Budget Transfers**

#### **Contingency Transfers**

- 3.3 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. Appendix A sets out the transfers and adjustments for the final quarter amounting to £7.770m including the establishment and transfer to reserves and provisions from contingencies amounting to £2.501m in respect of commitments now falling into future years

## **Budget Transfers**

- 3.4 Budget transfers since the third review primarily relate to transfers between Directorates to reflect operational arrangements.

## **Delegated Budgets - Overall Summary**

- 3.5 A very positive position at outturn has been achieved which reflects the continued adoption of a strong whole organisational approach to financial management with the aim of releasing as much resource as possible to protect front line services and aid the transition process into 2013/2014 and over the medium term.

## **Ring fenced staffing budgets, cost containment and Transitional Costs**

- 3.5.1 As reported during the year salaries budgets have continued to be ringfenced with any underspendings captured corporately to assist with transitional costs. In addition robust financial management arrangements have ensured cost containment measures are actively applied with all areas of spend subject to challenge.
- 3.5.2 As reported to HR Committee and subsequently Cabinet the workforce planning project has enabled the successful and full mitigation of a projected overspending at year end, and also enabled the early release of significant planned savings for 2013/2014. It is important to note that this saving is of a one off nature as the ongoing saving has been taken into account in setting the 2013/2014 budget.

In addition further staffing savings have been generated in relation to flexible working arrangements and other staff turnover savings.

- 3.5.3 As reported at January Cabinet additional salary savings arising from the early release of 2013/2014 planned savings are to be earmarked to support the 2013/2014 budget on a one off basis. The 2013/2014 budget accordingly took into account use of one off balances of £2.572million which has been earmarked from the overall salaries outturn position.
- 3.5.4 In addition Cabinet agreed in January that other savings arising from the holistic approach to salaries monitoring would be used to meet transitional costs and in year service pressures at outturn. £3.359million of the salaries underspend will therefore be utilized to meet the previously reported in year service pressures in relation to Health Housing and Adult Services (further detail of which is set out at paragraph 3.5.7).
- 3.5.5 The remaining underspend on salaries has been used to partially offset one off transitional costs which have arisen during 2012/2013 as a result of the severance scheme. This approach enables provision set aside for this purpose as part of previous years outturn positions to be retained in reserve to meet future transitional costs.

## **Delegated Budget Surpluses**

3.5.6 The table below sets out a summary of the delegated budget position for each Portfolio.

#### Summary of Delegated Surpluses

Portfolio	Cumulative Surplus as at 31st March 2012 £000	Cumulative Surplus at 31 <sup>st</sup> March 2013, £000
Leader	630	393
Deputy Leader	456	105
Cabinet Secretary	360	32
Children's Services	0	0
Health, Housing and Adult Services	207	248
Public Health, Wellness and Culture	176	147
City Services	625	473
Responsive Services and Customer Care	220	68
Responsive Services and Customer Care - SIB	2,736	2,975
<b>Total</b>	<b>5,410</b>	<b>4,441</b>

+ after use of surpluses, and transfers between Portfolios

Cabinet Portfolio holders have been briefed on the variations which have resulted in a net decrease in delegated budget surpluses of £0.969 million.

Of the total delegated budget surplus as at 31<sup>st</sup> March 2013, £3.351 million is ring fenced to two areas and is proposed to be carried forward to 2013/2014 as ringfenced delegated budget surpluses:

- £2.975million in respect of the Strategic Initiatives Budget, which includes previously approved Area Committee budget provisions carried forward;
- £0.376million Working Neighbourhoods Funding. The balance relates to allocations of funding for use in 2013/2014 to meet commitments in relation to implementing the Working Neighbourhoods Strategy.

The remaining £1.090million represents 0.6% of delegated budgets and is earmarked for specific uses following the usual rigorous review of commitments.

Where surpluses are proposed to be used for purposes other than in the area of under spend, approval to virement will be sought in accordance with the constitution with amounts above £55,000 reported to Cabinet for approval. Commitments will be kept under review in the light of budget challenges in 2013/2014.

## **Delegated Budgets - Major Variations**

3.5.7 Details of major variations for each service, which have led to the outturn position are set out at Appendix C, with key issues highlighted below:

- **Health Housing and Adult Services Demand Pressures**  
Increasing demand, particularly in residential nursing care and independent home care continues to place very significant pressure on the service which the Directorate is seeking to address through the 15 year strategy to enable people to continue to live in their homes where they wish to do so.

The outturn position reflects the position reported throughout the year with a budget shortfall of £3.359m after mitigating actions, with an ongoing impact into 2013/2014 of £3.245m over that provided for within the budget planning framework for 2013/2014. As agreed at January Cabinet, the budget shortfall for 2012/2013 has been met from the overall corporate outturn position in respect of salaries savings and other cost containment measures as referred to previously.

- **Economic Downturn**  
The economic downturn continues to impact on income generation specifically in relation to rental income for commercial premises. The potential ongoing impact was provided for in setting the budget for 2013/2014.
- **Children's Services – Safeguarding External Placements**  
There continues to be significant demand placed on the safeguarding external placement budget which is anticipated to continue into 2013/2014. Investment in the Foster Care Strategy has increased Sunderland's capacity to provide placements for children within Sunderland. Additional funding was included in the 2013/2014 budget and resource has been earmarked as part of the outturn for 2012/2013 to meet any further increase.

## **Delegated Budgets - Efficiency Targets**

3.5.8 The budget process for 2012/2013 took account of efficiency savings of £25.9 million. In the vast majority of cases the efficiency savings as originally envisaged have been realised. Where rigorous monitoring mechanisms identified that due to delays in implementation, some initiatives would not be fully realised in 2012/2013, Directors identified additional initiatives or one off resource to realise the required overall level of efficiency savings for their Directorate within 2012/2013. Where necessary actions have been put in place to ensure the ongoing achievement of efficiencies into 2013/2014 further detail of which is set out in section 5.

## **Non Delegated and Contingencies - Summary Outturn Position 2012/2013**

- 3.6 Following the transfers from contingencies, use of delegated surpluses and a further analysis of commitments against reserves, the outturn position for 2012/2013 has resulted in an underspending of £6.031million which arises from the following;
- Debt charge and interest on investment savings of £1.078million due to slippage in the Capital Programme and additional investment income over and above that previously reported and utilised to fund in year transitional costs.
  - Planned one off underspending on contingencies of £4.831m which are primarily in relation to the strategic waste solution which will be in place in 2013/2014. In this interim year this was to be utilised to support one off costs relating to savings requirements in future years.
  - Other net savings of £0.122m in respect of additional one off income and other variations in non delegated expenditure.
- 3.7 The approach set out in this report to containing in year transitional costs within the overall in year corporate position enables specific provision set aside for this purpose as part of previous years outturn positions to be maintained to meet future transitional costs.

### **Proposals for Reserves and Provisions**

- 3.8 In accordance with approval by Cabinet in January it is proposed that the remaining £6.031 million underspend identified in 3.6 is transferred to the Strategic Investment Reserve to support one off transitional costs arising from the implementation of budget savings proposals in 2013/2014 and future years.
- 3.9 During the last week DCLG have granted the Council a Capitalisation Direction regarding Equal Pay of £18.819m for 2012/13 financial year. This will now form part of financing decisions in due course regarding Equal Pay liabilities.

In addition as part of the capital programme outturn report on this agenda the anticipated reclassification of the airport refinancing transaction through revenue rather than capital expenditure in accordance with technical advice received is also noted. This will involve the temporary use of earmarked reserves in order to maximize the financial position for the Council from this invest to save transaction.

These issues are in the process of being finalised as part of producing the Annual Accounts by the end of June and therefore in this context, Cabinet is requested to authorise the Executive Director of Commercial and Corporate Services to finalise any outstanding revenue financing issues or Final Accounts decisions in consultation with the Leader and Cabinet Secretary

## **4 General Fund Balances and Major Reserves**



- 4.1 After taking account of the proposed use of balances set out above projected uncommitted general fund balances are £7.570 million after taking account of commitments in 2013/2014.
- 4.2 A full Statement of General Fund Balances and Major Reserves is set out at Appendix D together with supporting background information.
- 4.3 A review of reserves and provisions has been completed to reflect and ensure compliance with the Statement of Recommended Accounting Practice.

## **5. First Revenue Review 2013/2014**

### **Contingency and Reserve Transfers**

- 5.1 A full review has been undertaken for each service and full details of all proposed contingency transfers are set out at Appendix E.

### **Budget Transfers**

- 5.2 Proposals for budget transfers primarily relate to transfers between Directorates to reflect operational arrangements.
- 5.3 Appendix F sets out the summary budget position after taking account of the above transfers.

### **Revenue Budget Monitoring First Review**

#### **Budget Savings and Transitional Costs 2013/2014**

- 5.4 The budget process for 2013/2014 took account of the requirement for reductions in expenditure of £37.0 million. Progress in implementing the proposals is being rigorously monitored in conjunction with Portfolio holders. Monthly monitoring of the budget continues at an enhanced level to ensure the position is understood early and actions put in place to mitigate any impact.

At this early stage of the financial year, although overall progress continues to be positive, as we move into the third year of the spending review period the position set out below reflects the increasingly greater challenges the Council faces in implementing changes. Portfolio holders and Directors have been considering the position in respect of areas where pressure is emerging and actions are in hand to address the position.

In overall terms at this early stage the following is noted:

- £23.7 million of the savings have been fully realised to date.
- £11.3 million of reductions are not yet scheduled for full implementation although good progress is being made with action plans in place, 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

saving is still anticipated although it is imperative that these reductions are driven through to implementation in line with agreed timescales. This will involve swift implementation of the now approved latest workforce planning measures.

- The balance £2.0 million is in respect of areas where delays and issues have been encountered and where corrective actions or alternative options are being considered which require close attention to ensure a positive outcome and timely delivery of the original savings or identified alternatives.

In addition to the above there are ongoing issues from 2012/2013 totalling £3.6 million in relation to Home Care and Community Support, and Culture, Sport and Leisure.

Further details in respect of delayed efficiencies and issues from 2012/2013 are included as appropriate within the relevant portfolio monitoring update below

### **Portfolio Budget Monitoring 2013/2014**

- 5.5 The following issues in terms of emerging pressures and actions being progressed to address them are drawn to Members attention including the impact of ongoing issues arising from the 2012/2013 outturn position.

5.5.1 Leader

No issues to raise at this stage

5.5.2 Deputy Leader

No issues to raise at this stage

5.5.3 Cabinet Secretary

- Smarter Working and Services  
Phasing issues around building closures is resulting in an in year shortfall of £0.258 million against the efficiency target. Further options to rationalise buildings are being considered together with acceleration of alternative savings to address the shortfall.

5.5.4 Children's Services

- External Placements / Children Looked After Strategy  
This budget area 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 £1million 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 addition there are pressures of £0.156m arising as a result potential delays in achievement of alternative specialised flexible arrangements for children's residential care. This is being closely monitored and alternative savings are being investigated to mitigate the

position

#### 5.5.5 Health, Housing and Adult Services

The Directorate are progressing detailed action planning in order to address ongoing pressures. The key areas are set out below ;

- **Home Care and Community Support**  
As referred to in section 3 of this report there are ongoing pressures from 2012/2013 over and above that provided for within the budget planning for 2013/2014 of £3.245m. The position will be updated at the second quarter review in October
- **Residential and Nursing Care**  
The 2013/2014 budget assumes a reduction in level of placement weeks to generate a saving of £0.806 million. Current placements levels continue to be pressured and indicate difficulty in achieving this saving.
- **Demand Management**  
Savings plans for 2013/2014 included for delivery of £2m savings through demand management in social care. £1.689m of the saving has been delivered through alternative means with the balance of £0.311 million outstanding at this stage. Directorate proposals to move services to the Customer Service Network with the development of a new Start Team should enable more low level preventative solutions to be put in place for individuals.

#### 5.5.6 Public Health, Wellness and Culture

- **Culture, Sport and Leisure**  
As referred to in Appendix C there is an ongoing pressure from 2012/2013 in relation to the Sport and Leisure Review. The service achieved efficiency savings of £0.857m for 2012/2013 through one off measures with the intention that alternative ongoing actions be put in place for 2013/2014. However delays in closure of leisure facilities (currently assumed for September 2013) will result in an in year shortfall of £0.437m. The review is currently identifying alternative saving options to balance the position in year
- **Integrated Review of Libraries**  
A proposed future service model taking into account the results of the consultation programme is currently being developed. A number of actions are yet to be finalised within a current planned implementation of October 2013. This will result in an in year shortfall of £0.437m. which alternative actions are being sought to address.

#### 5.5.7 City Services

There are no issues to raise at this stage.

#### 5.5.8 Responsive Services and Customer Care

There are no issues to raise at this stage.

#### Other Corporate Issues

- 5.6 The holistic approach to monitoring salaries costs across the council, adopted since 2011/2012 will continue throughout 2013/2014.
- 5.7 The 2013/2014 budget savings programme assumes savings arising from a reduction in staffing levels in a number of areas. Work force planning arrangements are currently being progressed to ensure delivery of these savings and the position is being closely monitored.
- 5.8 As reported as part of the budget setting process transitional costs are arising in 2013/2014 as the organisation implements the continued improvement programmes. At this stage these costs can be met from resources set aside to meet transitional costs as part of the previous years outturns and from the 2012/2013 outturn position as referred to in section 3 of this report.

### **6. Reasons for Decision**

- 6.1 To report on the outturn position compared to the budget for 2012/2013 and respond to variations in expenditure and income which have arisen in 2013/2014.

### **7. Alternative Options**

- 7.1 No alternative options are proposed.

### **8. Impact Analysis**

- 8.1 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.

### **9. Other Relevant Considerations / Consultations**

- 9.1 The report identifies a number risks in relation to the delivery of budget savings. However, actions in place are anticipated to be sufficient to mitigate the risks identified and further confirmation of mitigating actions will be provided as part of the second review which will be reported to members in due course.

### **10. List of Appendices**

- Appendix A - Variations Necessitating Contingency Transfers 2012/2013
- Appendix B - Virements over £55,000 for the Final Quarter 2012/2013
- Appendix C - Major Variations 2012/2013
- Appendix D - Statement of General Balances and Earmarked Reserves
- Appendix E - Variations Necessitating Contingency Transfers 2013/2014
- Appendix F - Summary Budget Position after First Review 2013/2014

**11. Background Papers**  
None

**Cabinet Meeting - 19<sup>th</sup> June 2013**  
**Variations Necessitating Contingency Transfers 2012/2013**

	<b>Justification / Approval</b>	<b>2012/2013 £</b>	<b>Full Year Effect £</b>
<b>Leader</b>			
International Strategy	Specific Provision	50,000	50,000
Design and Print - Transitional costs	Specific Provision	130,000	0
Inward Investment	Specific Provision	743,290	0
Economic Development	RCCO	698,162	0
<b>Deputy Leader</b>			
Featurenet	Specific Provision	48,097	76,000
Counsels fees	Specific Provision	49,638	0
Elections – Local Elections	Specific Provision	146,506	0
Telephone Upgrade	RCCO	130,000	0
<b>Cabinet Secretary</b>			
Improvement programme	General Provision	14,350	0
Economic Downturn - rental income shortfalls	Specific Provision	900,953	477,000
Economic Downturn - Surveying fees	Specific Provision	30,772	100,000
Economic Downturn – Loan Guarantee	General Provision	50,000	0
Port Planned Maintenance	RCCO	230,333	0
<b>Children's Services</b>			
Hendon Old Orphanage –security costs	Specific Provision	32,289	68,250
Safeguarding external placements	Specific Provision	330,000	330,000
Adoption and Guardianship	Specific Provision	62,000	350,000
Counsels Fees	General Provision	300,000	0
Safeguarding Legal Fees	General Provision	220,000	0
<b>Health Housing and Adults Services</b>			
Disabled Facilities Grant	RCCO	570,000	0
<b>Public Health, Wellness and Culture</b>			
Events	General Contingency	242,846	75,000
World Heritage	Specific Provision	55,906	105,000
Wellness Equipment	Specific Provision	100,000	0
Quick Wins – Events	RCCO	243,475	0

**Appendix A (Continued)**

**Cabinet Meeting - 19<sup>th</sup> June 2013**  
**Variations Necessitating Contingency Transfers 2012/2013**

<b>City Services</b>			
New Adoptions	Specific Provision	60,135	100,000
Strategic Waste - Contract Team	Specific Provision	152,139	152,000
Winter Maintenance	Specific Provision	429,109	800,000
LATS	Specific Provision	10,629	0
Utilities and Property Rates	Specific Provision	1,615	0
Carbon reduction commitment	Specific Provision	229,220	320,000
<b>Improvement Programme Efficiencies</b>			
Improvement Efficiencies	Specific Provision	(1,730,647)	0
Flexible Working Efficiencies	Specific Provision	(62,041)	0
Transitional Funding for 2012/2013 Budget	Specific Provision	800,000	0
<b>Transfers to Reserves / Provisions in Respect of Future Years Commitment</b>			
Inward Investment	Specific Provision	256,710	0
Lead Local Flood Authorities	Specific Provision	120,000	0
Adoption and Guardianship	Specific Provision	350,000	0
Insurance Reserves and Provisions – Municipal Mutual	General Provision	1,774,778	0
<b>Total Contingency Adjustments</b>		<b>7,770,264</b>	<b>3,003,250</b>

**Cabinet Meeting 19th June 2013**  
**Virements over £55,000 for the Final Quarter 2012/2013**

	<b>Transfer From £000</b>	<b>Transfer To £000</b>
General Balances	6,031	
Transfer to :		
Strategic Investment Reserve		6,031
<b>TOTAL</b>	<b>6,031</b>	<b>6,031</b>



**Cabinet Meeting 19th June 2013  
Major Variations 2012/2013**

Where the issues which were identified during 2012/2013 continue into 2013/2014 the impact is referred to below and at section 5.5 of the main report.

All portfolio outturn positions are shown net of savings achieved from vacancy management and other cost containment measures, which have been captured as a corporate saving as referred to in paragraph 3.5 of the main report.

**Leader**

The portfolio achieved a balanced budget position after taking account of vacancy management and other cost containment measures. The following is drawn to Members attention:

- **Local Strategic Partnership**  
The Partnership received additional Public Health funding in the latter part of the year for which commitments of £0.279m will fall into 2013/2014 and accordingly an amount has been earmarked in reserve for this purpose.
- **E-volve**  
As reported during the year, the unit has continued to suffer a shortfall in income of £0.144m due to the economic conditions. This has been contained within the overall outturn position.

In light of the continuing economic conditions provision for the ongoing impact was included in setting the 2013/2014 budget although the unit continues to be actively marketed.

**Deputy Leader**

The portfolio achieved a balanced budget position after taking account of vacancy management and other cost containment measures. There are no issues to draw to Members attention.

**Cabinet Secretary**

The portfolio achieved a balanced budget position after taking account of vacancy management and other cost containment measures. The following is drawn to Members attention:

- **Economic Downturn – Rents**  
Rental income received has reduced reflecting market conditions. Provision was included within the Economic Downturn contingency provision which can be used to meet this shortfall.

At this stage the position is anticipated to improve for 2013/2014 has will be contained within the 2013/2014 Economic Downturn contingency provision.

- **Economic Downturn - Industrial Units and Miscellaneous Land and Properties**  
Economic conditions have resulted in a downturn in income and increased empty property costs resulting in a combined deficit of £0.131m after taking account of available contingencies. This has been contained within the overall Directorate position.

The potential ongoing impact of these issues was provided for in setting the 2013/2014 contingencies budget.

- **Economic Downturn – ETEC**  
The Council has previously provided a loan guarantee of £50,000 to ETEC Development Trust. Following the company entering liquidation in March 2012 the Joint Liquidators have made formal demand under this guarantee. This has been contained within the overall contingency position for 2012/2013.
- **Port**  
It is proposed that the surplus be transferred to the Port reserve to fund further investment in the facilities at the Port in order to cement the improved position.
- **Municipal Mutual Insurance**  
As reported to Cabinet in January, Municipal Mutual Insurance (MMI) were the leading local authority insurer until 1992 when they ceased underwriting operations however they continue to receive historic claims. They were the Council's Employers Liability insurer until 1992. MMI's accounts have shown an increasing deficit of liabilities over assets and an administrator has now been appointed. As such the arrangements put in place at the time to allow for it to continue to meet past claims (called the Scheme of Arrangement) means that a clawback of a percentage of previous claims paid relating to Sunderland City Council is likely. Following an annual actuarial review of the position a sum of £1.745m is earmarked for this purpose which can be met from the overall contingencies position at year end as agreed by January Cabinet.

### **Children's Services**

The portfolio achieved a balanced budget position after taking account of vacancy management and other cost containment measures. The following is drawn to Members attention:

- **External Placements**  
This budget area continues to be volatile due to the uncertainty regarding the level of placements in any given year. The ongoing uncertainty has been recognised at the outturn stage historically with the earmarking of specific reserves to address the ongoing position and additional funding provided through the Budget process for 2013/2014. The outturn position is a budget shortfall of £2.360m, which has been met from earmarked resources.

If the numbers of children in placements continues at the levels experienced in 2012/2013 then it is anticipated that the available budget will be exceeded in 2013/2014. £1.357m of funding has been earmarked for this purpose.

## **Healthy, Housing and Adult Services**

As reported throughout the year, continued demand pressures have resulted in a budget shortfall of £3.359m after mitigating actions, with an ongoing impact into 2013/2014 of £3.245m over that provided for within the budget planning framework for 2013/2014. As agreed at January Cabinet, the budget shortfall has been met from the overall corporate outturn position in respect of salaries savings and other cost containment measures as referred to at paragraph 3.5.5 of the main report. Work is continuing to mitigate the ongoing position although the use of some transitional funding may be required in 2013/2014.

- **Health Funding**  
During 2012/2013 the council received £0.872m funding from the Health Authority to deliver projects which will result in improvement in social and health care. These projects have been agreed but will not commence until 2013/2014 and as such this funding will be earmarked for this purpose.
- **Pooled Budgets**  
Pooled budget surpluses of £0.162m have been earmarked to meet service demands in 2013/2014:
  - Intermediate Care Service Pooled Budget had an overall surplus of £0.139m which will be carried forward and re-invested within the service to prevent hospital admissions and facilitate hospital discharges.
  - Mental Capacity / Deprivation of Liberty Pooled Budget generated savings of £0.023m from general running expenses.
  - Demand pressures has resulted in a deficit on the Community Equipment Service Pooled Budget of £0.345m of which Health, Housing and Adult Services share is £0.152m which has been contained within the Directorates overall position. Provision for increased demand has been provided for within the 2013/2014 base budget.
  - Learning Disabilities Difficult to Place Clients had increased costs relating to increased assessed need for two clients which has been fully funded by the Health Authority.

## **Public Health, Wellness and Culture**

The portfolio achieved a balanced budget position after taking account of vacancy management and other cost containment measures. The following is drawn to Members attention:

- **Health Funding**  
During 2012/2013 the council received £0.991m funding from the Health Authority to deliver Public Health initiatives which are currently being developed for

implementation in 2013/2014. As such this funding has been earmarked for this purpose.

- **Culture, Sport and Leisure**  
Culture sport and leisure services achieved in year efficiency savings £0.857m for 2012/2013 through one off measures with the intention that alternative ongoing actions be put in place for 2013/2014. However delays in closure of leisure facilities (currently assumed for September 2013) will result in an in year shortfall of £0.437m. The review is currently identifying alternative saving options to balance the position in year

### **City Services**

The portfolio achieved a balanced budget position after taking account of vacancy management and other cost containment measures.

### **Responsive Services and Customer Care**

The Portfolio is £0.241m under its delegated budget after taking account of vacancy management and other cost containment measures. The underspend is in relation to the Strategic Initiative Budget which has been ring fenced for the same purpose in future years.

Cabinet Meeting 19<sup>th</sup> June 2013

## Statement of General Fund Balances

	<b>£000</b>
<b>Revised Estimate of Balances as at 31st March 2013</b>	<b>7.570</b>
<b>Additions / Variations to Revised Estimate Balances</b>	
Ring fenced Salaries, Unutilised Contingencies and non delegated budgets	6.031
<b>Transfer to Earmarked Reserves</b>	
Strategic Investment Reserve	(6.031)
<b>Balances 31st March 2013</b>	<b>7.570</b>
<b>Use of Balances 2013/2014</b>	
Contribution to Revenue Budget	(2.572)
Transfer from Strategic Investment Reserve to support transitional costs	2.572
<b>Estimated Balances 31<sup>st</sup> March 2014</b>	<b>7.570</b>

## Cabinet Meeting 19th June 2013

## Major Earmarked Reserves/Provisions - Position Statement

Title and Purpose of Earmarked Reserve	Opening Balance 1/4/2012 £'000	Movement during 2012/2013 £'000	Closing Balance 31/3/2013 £'000
<b>Strategic Investment Reserve/Provision</b> A reserve / provision established to address some of the Council's key developments, strategic priorities and address other major liabilities	68,578	6,445	75,023
<b>Council Directorates - Delegated Budget Surpluses</b> The Council has approved the operation of a delegated budget scheme in accordance with Financial Procedure Rules which provides specific flexibility in the management of Directorate Budgets, for instance by allowing the carry forward of delegated budget under spend from one financial year to the next. There is a balance held by Directorates at the end of each financial year.	5,410	(969)	4,441
<b>Schools Delegated Budget Surpluses</b> These are the financial reserves held by schools under School Finance Regulations.	10,641	(1,277)	9,364
<b>Insurance Reserve</b> This reserve has been established to provide for potential claims associated with the housing stock transfer; future claims increases, and the Port and risk management funds. The Reserve is also intended to cover the excess element of any significant claims in relation to Fire Insurance and Official and Professional Indemnity liability claims should they arise in future	3,685	246	3,931
<b>Street Lighting PFI Smoothing Reserve</b> The reserve was established in order to smooth the financial impact of the Street Lighting PFI contract across the 25 years of the contract life. In the early years of the contract surpluses were achieved as the full level of unitary charge is not incurred until the core investment programme for the installation of the new street lighting and highways signs is completed.	6,682	(424)	6,258
<b>Unutilised RCCO Reserve</b> This reserve consists of unutilised direct revenue financing and is fully earmarked to fund capital projects previously approved.	3,176	(167)	3,009
<b>Strategic Investment Plan Reserve</b> A reserve to fund the Council's contribution to its Strategic Investment Plan approved by Council in April, 2008.	8,049	(666)	7,383
<b>HCA Riverside Transfer Reserve</b> The reserve was established to fund ongoing maintenance of Homes and Communities Agency Riverside Land Transferred to the Council.	11,980	(104)	11,876
<b>Sandhill View PFI Smoothing Reserve</b> The reserve was established in order to smooth the financial impact of the Sandhill View PFI contract across the 25 years of the contract life.	2,686	(21)	2,665

**Cabinet Meeting – 19th June 2013**  
**Variations Necessitating Contingency Transfers 2013/2014**

	<b>Justification / Approval</b>	<b>2013/2014 £</b>	<b>Full Year Effect £</b>
<b>Improvement Programme Efficiencies</b>			
Improvement Efficiencies	Specific Provision	(22,692)	(22,692)
Training Efficiencies	Specific Provision	(329,152)	(329,152)
<b>Portfolio Total</b>		<b>(351,844)</b>	<b>(351,844)</b>

## Cabinet Meeting –19th June 2013

## Revenue Budget Position after First Review

	Original Budget 2013/2014	Budget Transfers	Transfers from Contingency fund	First Review 2013/2014
	£'000	£'000	£'000	£'000
<b>Portfolio</b>				
Leader	7,432	357	(124)	7,665
Deputy Leader	4,434	21	(85)	4,370
Cabinet Secretary	7,878	(55)	0	7,823
Children's Services	65,033	(1)	(71)	64,961
Health, Housing and Adult Services	82,538	(42)	(99)	82,397
Public Health, Wellness and Culture	16,898	(183)	0	16,715
City Services	45,434	212	0	45,646
Responsive Services and Customer Care	4,146	(309)	27	3,864
<b>Portfolio Expenditure</b>	<b>233,793</b>	<b>0</b>	<b>(352)</b>	<b>233,441</b>
Contingencies	16,409	0	352	16,761
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 Costs	26,066	0	0	26,066
<b>Total Expenditure</b>	<b>267,368</b>	<b>0</b>	<b>0</b>	<b>267,368</b>
Use of Balances	(2,572)	0	0	(2,572)
<b>Net Budget Requirement</b>	<b>264,796</b>	<b>0</b>	<b>0</b>	<b>264,796</b>