

CABINET MEETING – 20th June 2012 EXECUTIVE SUMMARY SHEET – PART I								
Title of Report: Revenue Budget Outturn for 2011/2012 and First Revenue Review 2012/2013								
Author: Executive Director of Commercial and Corporate Services								
Purpose of Report: To report details of the Revenue Budget Outturn for 2011/2012 and First Revenue Review 2012/2013.								
Description of Decision: Cabinet is recommended to: in relation to 2011/2012: <ul style="list-style-type: none"> – approve the contingency and reserve transfers proposed at Appendix A, budget transfers and virement at Appendix B; – approve the final account decisions as set out in the report. in relation to 2012/2013: <ul style="list-style-type: none"> – 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 2011/2012 and respond to variations in expenditure and income which have arisen in 2012/2013.								
Alternative options to be considered and recommended to be rejected: No alternative options are proposed.								
Impacts analysed: <table style="width: 100%; border: none;"> <tr> <td style="border: none;">Equality</td> <td style="border: 1px solid black; padding: 2px 10px; text-align: center;">N/A</td> <td style="border: none;">Privacy</td> <td style="border: 1px solid black; padding: 2px 10px; text-align: center;">N/A</td> <td style="border: none;">Sustainability</td> <td style="border: 1px solid black; padding: 2px 10px; text-align: center;">N/A</td> <td style="border: none;">Crime and Disorder</td> <td style="border: 1px solid black; padding: 2px 10px; text-align: center;">N/A</td> </tr> </table>	Equality	N/A	Privacy	N/A	Sustainability	N/A	Crime and Disorder	N/A
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Is this a “Key Decision” as defined in the Constitution?

Yes – these relate to virements set out in Appendix B.

Is it included in the Forward Plan?

Yes

Scrutiny Committee:

Cabinet 20th June 2012

Revenue Budget Outturn 2011/2012 and First Revenue Review 2012/2013

Report of the Executive Director of Commercial and Corporate Services

1. Purpose of Report

1.1 This report covers:

The Revenue Budget Outturn 2011/2012

Set out in Section 3 below are details of the Revenue Budget Outturn for 2011/2012. The reporting format reflects the Portfolio Holder responsibilities in place during 2011/2012 and includes:

- proposed contingency transfers, budget transfers and virements for the final quarter for 2011/2012;
- details of the outturn for delegated service budgets for 2011/2012 and delegated budget surpluses for 2011/2012;
- the position in relation to the achievement of efficiency targets for 2011/2012.

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

First Revenue Budget Review 2012/2013

Set out in Section 5 are details of the First Revenue Review for 2012/2013. The format reflects Portfolio responsibilities for 2012/2013. This includes:

- proposed contingency transfers and budget transfers for the first quarter of 2012/2013;
- the position in relation to achievement of savings targets for 2012/2013.

2. Description of Decision (Recommendations)

2.1 In relation to 2011/2012 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.

2.2 In relation to 2012/2013, Cabinet is requested to:

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

3. Revenue Budget Outturn 2011/2012

Statement of Accounts

- 3.1 The statutory Statement of Accounts, subject to audit, will be made available on the internet on 30th June 2012 in accordance with the Accounts and Audit Regulations 2011 after being certified by the Executive Director Commercial and Corporate Services. The Accounts will be made available for public inspection from 1st August 2012 until the 26th August 2012 and the formal external audit of the accounts will commence on 30th August 2012. 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 30th September 2012.

Overall Position

- 3.2 The final outturn overall position is very positive and has resulted in a net underspending of £7.584m as a result of significant actions across the Council to both implement the required savings proposals and contain costs to enable transitional funding to be earmarked to meet future funding requirements.

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

Budget Adjustments 2011/2012 – 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 £12.377m including the establishment and transfer to reserves from contingencies amounting to £6.651m in respect of commitments now falling into future years. This includes the planned transfer of £4.035 million to the Strategic Investment Reserve in respect of future provisions for the strategic waste solution which will be in place in 2013/2014. In the interim this was to be utilised to support one off costs relating to the implementation of the savings requirements in future years.

Budget Transfers

- 3.4 Budget transfers since the third review primarily relate to transfers between Directorates to reflect new operational arrangements in accordance with Sunderland Way of Working principles.

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 2012/2013.

Ring fenced staffing budgets and Transitional Costs

- 3.5.1 The financial year 2012/2013 has been a year of significant transition as the Council has reorganized services into the new operating model. As reported during the year salaries budgets have been ringfenced with any underspendings captured corporately to assist with transitional costs. This has enabled savings from non filling of vacant posts to be captured pending the implementation of Strategic and Shared Services Wave 2 and other Directorate reorganisations supporting the 2012/2013 savings requirement. It is important to note that this will be the last time a significant underspend will be available from the salaries budget as most vacancies have now been removed from the budget.

In addition further staffing savings have been generated in relation to flexible working arrangements, strike savings and training requirements.

During 2011/2012 one off early retirement costs in relation to the transition process have arisen which have been met from the underspend on salaries set out above, enabling specific provision set aside for this purpose as part of the 2010/2011 outturn position to be transferred to a reserve for future transition costs. In addition provision has been made for commitments in respect of agreed early retirement costs at 31st March 2012 amounting to £1.520m .

After taking account of transitional early retirement costs, the net savings on ring fenced salaries budgets is £2.308m.

Delegated Budget Surpluses

- 3.5.2 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 2011 £000	Cumulative Surplus at 31 st March 2012+ £000
Leader	5	20
Deputy Leader	0	456
Cabinet	294	214
Children and Learning City	41	41
Prosperous City	3,234	633
Health and Well Being	1,756	333
Safer City and Culture	714	563
Attractive and Inclusive City	951	271
Sustainable Communities	256	83
Responsive Services and Customer Care	2,722	2,796
Total	9,973	5,410

+ 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 £4.563 million.

Of the total delegated budget surplus as at 31st March 2012, £3.346 million is ring fenced to two areas and is proposed to be carried forward to 2012/2013 as ringfenced delegated budget surpluses:

- £2.736 million in respect of the Strategic Initiatives Budget, which includes previously approved Area Committee budget provisions carried forward;
- £0.610 million Working Neighbourhoods Funding. The balance relates to allocations of funding for use in 2012/2013 to meet commitments in relation to implementing the Working Neighbourhoods Strategy.

The remaining £1.217million represents 0.8% of delegated budgets and is earmarked for specific uses following a 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 2012/2013.

Delegated Budgets - Major Variations

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

- **Economic Downturn**
The impact of the economic downturn continues to impact on income generation in a number of service areas including rental income for commercial premises and Leisure Centres. The potential ongoing impact was provided for in setting the budget for 2012/2013.
- **Childrens Services – Safeguarding External Placements**
There continues to be significant demand placed on the safeguarding external placement budget which is anticipated to continue into 2012/2013. A review of the Looked After Childrens Strategy is currently being undertaken to assist in addressing the ongoing position.
- **Health Housing and Adult Services Demand Pressures**
Increasing demand, particularly in residential nursing care and community living schemes continues to place 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.

Delegated Budgets - Efficiency Targets

- 3.5.3 The budget process for 2011/2012 took account of efficiency savings of £57.9million. 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 2011/2012, Directors identified additional initiatives or one off resource to realise the required overall level of efficiency savings for their Directorate within 2011/2012. Where necessary actions have been put in place to ensure the ongoing achievement of efficiencies into 2012/2013 which are being closely monitored to ensure delivery. Further detail is set out in section 5.

Non Delegated and Contingencies - Summary Outturn Position 2011/2012

- 3.6 Following the transfers from contingencies, use of delegated surpluses and a further analysis of commitments against reserves, the outturn position for 2011/2012 has resulted in an underspending of £7.584 which arises from the following;
- £2.308 million net underspending on salaries and other staffing costs as set out in 3.4.
 - £2.714 million additional debt charge and interest on investment savings due to proactive Treasury Management.
 - £0.790 million one off income from the HCA to cover the upkeep of land transferred within the Washington area for which ongoing provision was included in the 2012/2013 budget
 - £0.840 million as a result of the review of existing specific reserves and the likely need to call on those reserves in the future
 - Other net savings of £0.932m primarily in respect of the improved trading position at the the Port.

Proposals for Reserves and Provisions

- 3.7 In accordance with approval by January Cabinet it is proposed that the £7.584 million underspend identified in 3.6 is transferred to the Strategic Investment Reserve to support one off transitional costs from the implementation of budget savings proposals in 2012/2013 and future years and potential costs of equal pay.

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 2012/2013.
- 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 2012/2013

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 new operational arrangements in accordance with Sunderland Way of Working principles.
- 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 2012/2013

- 5.4 The budget process for 2012/2013 took account of the requirement for reductions in expenditure of £25.86 million. Progress in implementing the proposals is being rigorously monitored in conjunction with Portfolio holders. Monthly monitoring of the budget is carried out 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 second 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:

- £11.609 million of the savings have been fully realised to date.
- £9.186 million of reductions are not yet scheduled for full implementation 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 although it is imperative that these reductions are driven through to implementation in line with agreed timescales.
- The balance £5.063 million is in respect of areas where delays and issues have been encountered and where corrective actions have been put in place but which require close attention to ensure a positive outcome and timely delivery of the savings.

In addition to the above there are a small number of ongoing issues from 2011/2012 totalling £3.063m which were met from one off resource in that year for which actions are in place to secure delivery in 2012/2013 but which require close monitoring to ensure delivery.

Further details of these areas are included as appropriate within the relevant portfolio monitoring update below

Portfolio Budget Monitoring 2012/2013

- 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 2011/2012 outturn position.

5.5.1 Leader

- **Training Centres**
Following a downturn in income from trainee placements as a consequence of the economic position, a review of the ITEC and Riverside training centres is currently underway with the aim of fully mitigating the shortfall of £0.244m on an ongoing basis.

5.5.2 Deputy Leader and Cabinet Secretary No Issues to raise at this stage

5.5.3 Childrens Services

- **External Placements**
Projections for 2012/2013 indicate an overspend of £1.421m due to the required level of placements. Earmarked reserves and contingencies are available to largely mitigate this position with ongoing monitoring and evaluation of the Children Looked After Strategy to develop a sustainable model moving forward.

Services to Schools

A review of the level of buyback of services by schools for 2012/2013 in respect of newly traded services relating to School Improvement, Attendance and Behaviour and Educational Psychology is being undertaken. The Directorate is reconfiguring the service to take into consideration the level of buyback and this reconfiguration will result in a breakeven position on the budget. The Director will also be considering over the next few months emerging changes in schools funding arrangements in planning for future service delivery beyond 2012/2013 and an update will be incorporated in the next quarterly revenue monitoring report.

5.5.4 Health Housing and Adult Services

- **Residential and Nursing Care and Home Care**
As set out in 3.4.5 additional demand pressures are being experienced in the residential, nursing and home care budgets. The Directorate are reviewing progress in respect of the implementation of current strategies concerning alternative solutions in respect of care arrangements which are designed to both save costs amounting to £2.879m but improve outcomes for people. In addition the Directorate are considering temporary savings or funding that can be utilised to mitigate the position in year. The position will be updated at the next quarterly update together with actions to address the overall position.
- **Housing Related Support**
Consultation and finalisation of arrangements in respect of a review of Housing Related Support Services is anticipated to lead to a temporary one-off shortfall of £0.645m in the 2012/2013 budget which will be met from delegated balances and reserves. This saving is secured on a full year basis.
- **Care and Support**
Officers are currently investigating options to meet one off costs of up to £1.2m arising from a review of operational arrangements for care and support services. The review will not impact on service delivery.

5.5.5 Public Health, Wellness and Culture

- **Sport and Leisure**
The service continue to be affected by the impact on income of the economic downturn with a shortfall for 2012/2013 estimated at £393,000. A range of measures are being actioned to offset this position including reviewing operational costs and income to understand any ongoing implications.
- **Culture, Sport and Leisure Service review**
Work is ongoing in relation to a review of service delivery in respect of leisure management services. At this stage it is anticipated that the lead-in time for the review may lead to a shortfall of £0.750m in 2012/2013. The Directorate are identifying alternative options to address the shortfall in this year and ongoing as necessary.

5.5.6 City Services

- **Responsive Local Services and Grounds Maintenance**
The impact of reducing income from schools in respect of grounds maintenance services and higher than anticipated transport costs amounting to £0.250m is continuing into 2012/2013. The Directorate have identified actions to mitigate this position which is being closely monitored.
- **Facilities Management**
Significant savings amounting to £2.5m have been achieved to date in respect of the facilities management review. However a shortfall of £0.266m is currently forecast against an ongoing savings target. Alternative savings are currently being identified to address this position
- **Third Party Spend**
The Directorate continues to actively progress options to achieve ongoing savings of almost £1million from third party spend to ensure the full achievement of the 2012/2013 savings and will look to meet any in year shortfall from cost containment measures.

5.5.7 Responsive Local Services

- **Customer Services End to End Service Reviews**
Current planned reviews indicate potential savings of £0.246m in 2012/2013 leaving a shortfall of £2.185m at the end of 2012/2013 due in part to phasing of achievement of savings. At this stage it is anticipated some of the shortfall will need to be accommodated within the overall corporate position for the year with alternative options to be brought forward for the remaining balance.

Other Corporate Issues

- 5.6 The transition in relation to staffing and associated salaries costs is continuing as further restructures are being implemented. As such the holistic approach to monitoring salaries costs across the council, adopted for 2011/2012 will continue throughout 2012/13 financial year.
- 5.7 As reported as part of the budget setting process transitional costs are arising in 2012/2013 as the organisation continues to move to the revised Sunderland Way of Working operational arrangements. Budget provision was provided to meet the costs of the SWITCH programme and this is being very closely monitored given the pressures on this budget and management actions will be implemented to mitigate the position.
- 5.8 At this stage transitional costs arising from early and flexible retirement agreements which will arise in 2012/2013 can be met from resources set aside to meet transitional costs as part of the 2010/2011 and 2011/2012 outturn positions 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 2011/2012 and respond to variations in expenditure and income which have arisen in 2012/2013.

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 2011/2012
Appendix B	-	Virements over £55,000 for the Final Quarter 2011/2012
Appendix C	-	Major Variations 2011/2012
Appendix D	-	Statement of General Balances and Earmarked Reserves
Appendix E	-	Variations Necessitating Contingency Transfers 2012/2013
Appendix F	-	Summary Budget Position after First Review 2012/2013

11. Background Papers

Portfolio Holders Briefing Notes

Cabinet Meeting - 20th June 2012
Variations Necessitating Contingency Transfers 2011/2012

Portfolio	Justification / Approval	2010/2011 £	Full Year Effect £
Leader			
International Strategy	Specific Provision	50,000	50,000
Design and Print	General Provision	645,851	0
City Centre Quick Wins	RCCO	68,719	0
Deputy Leader			
Member ICT	Specific Provision	50,000	0
Featurenet	Specific Provision	48,097	76,000
Legal Services consultants fees	General Provision	49,323	0
Cabinet Secretary			
Counsels fees	General Provision	(4,725)	0
Empty property business rates	Specific Provision	154,608	261,081
Bridges Income shortfall	General Provision	249,307	427,000
Repairs and Renewals	Specific Provision	250,000	0
Children and Learning City			
Empty property business rates	Specific Provision	13,612	22,986
Hendon Old Orphanage – Security costs	Specific Provision	67,324	91,000
Independent Care Services	Specific Provision	215,746	390,000
Independent Safeguarding Authority Responsibilities	Specific Provision	150,000	150,000
Counsel's fees	General Provision	263,767	370,000
Prosperous City			
Economic Downturn - Evolve Rents	Specific Provision	164,246	100,000
Quick Wins – Business Support	RCCO	113,160	0
Quick Wins – City Centre	RCCO	225,910	0
Health and Well Being			
Empty property business rates	Specific Provision	8,843	14,933
Strategic Investment Plan - Community Sports Facilities	Specific Provision	41,622	0
Southwick Sports Hall	Specific Provision	3,146	0
Legal Costs	General Provision	103,531	0
Flood Risk Management	Specific Provision	3,800	120,000
Sport and Leisure – Economic Downturn	Specific Provision	414,984	393,000
Disabled Facilities Grant	RCCO	570,000	0

Appendix A (Continued)

Cabinet Meeting - 20th June 2012
Variations Necessitating Contingency Transfers 2011/2012

Portfolio	Justification / Approval	2010/2011 £	Full Year Effect £
Safer City and Culture			
World Heritage	Specific Provision	51,019	105,000
Festivals and Events	RCCO	230,000	0
Attractive and Inclusive City			
Fuel Inflationary Increase	Specific Provision	181,000	181,000
Strategic Investment Plan – Fly tipping	Specific Provision	50,000	0
New adoptions	Specific Provision	50,000	50,000
Tavistock car park income	Specific Provision	161,000	0
Car Parks Income	Specific Provision	200,000	0
Street Scene Apprentices	Specific Provision	4,000	230,000
Kerb it vehicle replacement	Specific Provision	124,000	294,000
Landfill tax	Specific Provision	347,148	1,217,000
Sustainable Communities			
Carbon Reduction Commitment	General Provision	257,643	320,000
Utilities inflationary increase	Specific Provision	961,884	893,000
Improvement Programme Efficiencies			
Improvement Efficiencies		(134,178)	0
Flexible Working Efficiencies		(173,890)	0
Strike Deductions		(238,069)	0
Training Efficiencies		(234,561)	0
Salix Savings		(31,656)	0
Transfers to Reserves In Respect of Future Years Commitments			
Flood Risk Management	Specific Provision	116,200	0
Strategic Investment Reserve	Specific Provision	2,500,000	0
Planned use of one off savings from the provision Strategic Waste Solution to support transitional costs		4,035,000	
Portfolio Total		12,377,411	5,756,000

Cabinet Meeting 20th June 2012
Virements over £55,000 for the Final Quarter 2011/2012

	Transfer From £000	Transfer To £000
General Balances	7,584	
Transfer to :		
Strategic Investment Reserve		7,584
TOTAL		

**Cabinet Meeting 20th June 2012
Major Variations 2011/2012**

Where the issues which were identified during 2011/2012 continue into 2012/2013 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 actions, which have been captured as a corporate saving as referred to in paragraph 3 of the main report.

Leader

The portfolio achieved a balanced budget position after taking account of vacancy management savings. The following is drawn to Members attention:

- **Design and Print**
As previously reported the service has been subject to major review during 2011/2012 due to the continued challenges faced by the service in relation to income generation. A shortfall in income of £0.646m has been met from the overall contingency position. A new service delivery model is now in place.

Deputy Leader

The portfolio is £0.211m below its delegated budget which is in relation to earmarked resource for externally funded projects. There are no issues to draw to Members attention.

Cabinet Secretary

The portfolio is £0.101m below its delegated budget which is in relation to earmarked resource for externally funded projects. The following is drawn to Members attention:

- **Economic Downturn**
Rental income received in respect of the Bridges shopping centre has resulted in a shortfall in income of £0.249m primarily due to rental concessions. This has been met from within the overall contingencies position.

The potential ongoing impact was provided for in setting the 2012/2013 contingencies budget.

- **Port**
The Port has continued to improve its performance during 2011/2012 resulting in a surplus against budget of £0.384m. This represents a significant improvement on the outturn position for 2010/2011. This is as a result of an increase in activity and income levels. It is proposed that the surplus be transferred to the Port reserve to fund continued investment in the facilities at the Port in order to cement the improved position.

Children and Learning City

The portfolio is £0.015m below its delegated budget after taking account of vacancy management savings. The surplus relates to the school meals client function and will be ringfenced for future investment. The following area is also 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 was recognised at the 2010/2011 outturn stage with the earmarking of specific reserves to address the position in 2011/2012 alongside specific contingency allocation. The outturn position is a budget shortfall of £1.411m, which can be contained within earmarked resources.

A similar level of deficit is projected for 2012/2013 which can be met from specific contingency and earmarked resources available. The continued implementation of the Foster Care Recruitment and Retention Strategy will build Sunderland's capacity to provide placements for children within Sunderland and assist in addressing the ongoing position and a review of the Looked After Children Strategy is currently being undertaken.

Prosperous City

The portfolio achieved a break even position after taking account of vacancy management savings. The following is drawn to members attention:

- **E-volve**
The unit has suffered a shortfall in income of £0.164m which has been met from the contingency for economic downturn. The unit continues to be actively marketed.
- **Training Centres**
The council's two training centres, Riverside and ITEC, have seen a reduction in workplace placement income as a result of general economic conditions combined with a retrospective clawback of funds by the Skills Funding Agency in relation to reducing apprenticeship numbers resulting in a shortfall in income of £0.243m. This has been contained within the overall portfolio position. A management review of the service is on-going with the aim to mitigate the position on-going.

Healthy and Well Being

The portfolio is £0.020m below its delegated budget after taking account of pooled budget surpluses of £0.139m and vacancy management savings. The following areas are drawn to members attention:

- **Independent Residential / Nursing Care and Community Living Schemes**
Increased demand for the services, and a delay in finalising fee levels payable to providers has resulted in an overspend in this service area of £2.804 million primarily in relation to Older People. One off funding from delegated balances and reserves has been utilised to meet this pressure in 2011/2012.

The increasing demand pressures represent an on-going pressure of approximately £0.786m which the directorate is seeking to address through the 15 year strategy to prevent people going into residential and nursing care. The position will be monitored closely during 2012/2013.

- Independent Home Care and Community Support
Delays in the implementation of reablement and alternative services have resulted in the service being over budget by £0.985 million. One off funding from delegated balances and reserves has been utilised to meet this pressure in 2011/2012.

This represents an ongoing pressure into 2012/2013 of £0.540m which the directorate is seeking to manage through personal budgets whereby alternative cost effective solutions to meet users needs will be utilised.

- Health Funding
During 2011/2012 the council received £1.779m funding from the Health Authority to deliver projects which will benefit social and health care. These projects have been agreed but will not commence until 2012/2013 and as such this funding will be earmarked for this purpose.
- Housing Related Support
Plans to deliver a £2.0m efficiency saving were delayed resulting in a one off pressure which has been funded from delegated balances and reserves. It is anticipated that the £2.0m saving will be fully delivered on an on-going basis.
- Pooled Budgets
Pooled budget surpluses of £139,000 are ringfenced to meet service demands in 2012/2013:
 - Learning Disabilities Difficult to Place clients had an overall surplus of £0.085m as a result of more cost effective accommodation solutions.
 - Intermediate Care Service had an overall surplus of £0.029m which will be carried forward and re-invested within the service to prevent hospital admissions and facilitate hospital discharges.
 - Mental Capacity Act / Deprivation of Liberty Pooled budget generated savings of £0.025m from general running expenses.

Demand pressures have resulted in a deficit on the Community Equipment pooled budget of £0.378m of which Health, Housing and Adult Services share is £166,000 which has been contained within the Directorates overall position. Provision for increased demand has been provided for within the 2012/13 base budget.

- Sport and Leisure
As previously reported the service continues to be adversely affected by the impact of the economic downturn with a shortfall in income of £0.415m following mitigating actions which has been met from the overall contingency position.

The shortfall for 2012/2013 is estimated at £393,000, with a range of measures being actioned to offset this position

Safer City and Culture

The portfolio is £192,000 below its delegated budget after taking account of vacancy management savings. The following areas are drawn to members attention:

- **Safer Communities**
A surplus of £0.101m has arisen within safer communities service relating to the phasing of a number of projects and utilisation of ringfenced funding. This service area has seen reduced funding through Home Office Grant in 2011/2012 and 2012/2013 with further uncertainties arising from the Police Reform and Social Responsibility Act 2011. It is proposed to earmark this surplus to assist in addressing potential future issues.
- **Drug and Alcohol Service**
An underspending of £0.071m has arisen due a reduction in client placements within the service and cost savings.

Attractive and Inclusive

The Portfolio achieved a break even position at the end of 2011/2012 after taking account of vacancy management savings. The following areas are drawn to members attention:

- **Responsive Local Services**
A deficit of £194,000 has arisen from a combination of lower than anticipated fees from schools for grounds maintenance services and higher than anticipated transport costs. The position has been met from savings elsewhere in the directorate. The position in respect of schools income is set to continue into 2012/2013 and the Directorate are identifying actions to address this position ongoing.
- **Commercial Catering**
As reported at the third review the service continued to identify and implement a number of initiatives aimed at generating additional income however the service has continued to operate at a deficit, with a shortfall of £78,000. This position has been contained within the overall Directorate budget.

Sustainable Communities

The portfolio is £48,000 below its delegated budget after taking account of vacancy management savings. The surplus has arisen due to additional income achieved from Housing in Multiple Occupancy licences. The surplus has been utilised in meeting the overall Health Housing and Adult budget pressures in 2011/2012. In addition the following is drawn to Members attention:

- **Carbon Reduction Commitment**
The Carbon Reduction Commitment Energy Efficiency Scheme is a mandatory carbon trading scheme which Sunderland Council is required to participate in. The cost arising for 2011/2012 was £0.257m which has been met from the overall contingencies position. The ongoing position was included in the budget setting process for 2012/2013.

Responsive Local Services and Customer Care

The portfolio is £94,000 below its delegated budget in relation to the Strategic Initiative budget and has been ring fenced for the same purpose in future years.

Cabinet Meeting 20th June 2012

Statement of General Fund Balances

	£000	£000
Revised Estimate of Balances as at 31st March 2012		7.570
Additions / Variations to Revised Estimate Balances		
Ring fenced Salaries, Unutilised Contingencies and non delegated budgets		7.584
Transfer to Earmarked Reserves		
Strategic Investment Reserve		(7.584)
Balances 31st March 2012		7.570
Use of Balances 2012/2013		
Contribution to Revenue Budget		(2.272)
Transfer from Strategic Investment Reserve to support transitional costs		2.272
Estimated Balances 31st March 2013		7.570

Cabinet Meeting 20th June 2012

Major Earmarked Reserves - Position Statement

Title and Purpose of Earmarked Reserve	Opening Balance 1/4/2011 £'000	Movement during 2011/2012 £'000	Closing Balance 31/3/2012 £'000
Strategic Investment Reserve A reserve established to address some of the Council's key developments, strategic priorities and address other major liabilities.	61,313	9,421	70,734
Council Directorates - Delegated Budget Surpluses 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.	9,973	(4,563)	5,410
Schools Delegated Budget Surpluses These are the financial reserves held by schools under the Local Management of Schools/Fair Funding arrangements. The level of un-earmarked balances is limited to 8% for Primary, Nursery and Special Schools and 5% for Secondary Schools in accordance with a detailed scheme, with balances in excess of these thresholds requiring the approval of a licensed surplus application at individual school level. To encourage in year efficiencies that support the long term stability of the school, the Schools Forum will continue to allow schools to carry forward above the 5% and 8%.	8,090	2,551	10,641
Insurance Reserve This reserve has been established to provide for potential claims associated with the housing stock transfer, future claims increases, the Port and 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 the future.	3,948	(263)	3,685
Street Lighting PFI Smoothing Reserve 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 are 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.	7,064	(382)	6,682
Unutilised RCCO Reserve This reserve consists of unutilised direct revenue financing and is fully earmarked to fund capital projects previously approved.	6,494	(3,318)	3,176
Strategic Investment Plan Reserve A reserve to fund the Council's contribution to its Strategic Investment Plan approved by Council in April, 2008.	9,837	(1,788)	8,049

Appendix E

**Cabinet Meeting – 20th June 2012
Variations Necessitating Contingency Transfers 2012/2013**

	Justification / Approval	2012/13 £	Full Year Effect £
Cabinet Secretary			
Asbestos Management Survey	General Provision	249	249
Public Health, Wellness and Culture			
HMS Ocean visit	General Provision	15,000	0
Corporate Procurement Efficiencies		(35,958)	(35,958)
Improvement Programme Efficiencies		(71,770)	(71,770)
Flexible Working Efficiencies		(353,473)	0
Salix Savings		(31,656)	(31,656)
Portfolio Total		(477,608)	(139,135)

Revenue Budget Position After First Review 2012/2013

	2012/13 Budget	Budget Transfers	Transfers from Contingency fund	First Review 2012/2013
	£'000	£'000	£'000	£'000
Portfolio				
Leader	7,302	(52)	(7)	7,243
Deputy Leader	5,377	26	(115)	5,288
Cabinet Secretary	6,941	17	(99)	6,859
Children's Services	53,962	59	(124)	53,897
Health, Housing and Adult Services	69,488	(14)	(80)	69,394
Public Health, Wellness and Culture	17,882	66	(7)	17,941
City Services	44,796	(110)	(20)	44,666
Responsive Services and Customer Care	4,379	8	(26)	4,361
Portfolio Expenditure	210,127	0	(478)	209,649
Contingencies and Strategic Priorities	20,925	0	478	21,403
Technical Adjustments	(22,976)	0	0	(22,976)
Levies	15,709	0	0	15,709
Capital Financing Costs:				
Revenue Contributions to Capital Programme	2,570	0	0	2,570
Debt Charges and Interest	20,959	0	0	20,959
Total Expenditure	247,314	0	0	247,314
Use of Balances	(2,272)	0	0	(2,272)
Net Budget Requirement	245,042	0	0	245,042

