Sunderland City Council

Item No. 9

CABINET MEETING – 9 October 2013

EXECUTIVE SUMMARY SHEET- PART I

Title of Report:
Budget Planning Framework 2014/2015 and Medium Term Financial Strategy 2014/2015 – 2016/2017

Author(s):
Chief Executive and Executive Director of Commercial and Corporate Services

Purpose of Report:
This report identifies the key factors influencing the development of the Councils financial plans into the medium term and sets out the budget planning framework for the Council for 2014/2015. The report sets out the headlines and context for the Medium Term Financial Strategy 2014/2015 to 2016/2017 which will be formally considered in due course.

Description of Decision:
Cabinet is recommended:

- to agree the proposed Budget Planning Framework summarised at Section 10 of the report which will guide the preparation of the Revenue Budget for 2014/2015;

- to note that the full Medium Term Financial Strategy 2014/2015 to 2016/2017 will be presented to Cabinet in February

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:
Adoption of the Budget Planning Framework forms an essential part of the process of the preparation and compilation of the Revenue Budget for 2014/2015.

Alternative options to be considered and recommended to be rejected:
There are no alternative options recommended.

Impacts analysed:

Equality ✓ **Privacy** ✓ **Sustainability** ✓ **Crime and Disorder** ✓

Is this a "Key Decision" as defined in the Constitution? No **Is it included in the 28 Day Notice of Decisions?** No	**Scrutiny Committee**

Cabinet 9th October 2013

Budget Planning Framework 2014/2015 and Medium Term Financial Strategy 2014/2015 – 2016/2017

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

1 Purpose of Report

This report identifies the key factors influencing the development of the Councils financial plans into the medium term and sets out the Budget Planning Framework for the Council for 2014/2015. The report sets out the headlines and context for Medium Term Financial Strategy 2014/2015 to 2016/2017 which will be formally considered in due course.

2 Description of Decision

Cabinet is recommended:

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3 National Economic Context

3.1 Impact of the Deficit Reduction Plan

The Government is continuing with its deficit reduction plan and announced a further £10bn reduction to department budgets in the Spending Round 2013, in addition to a £1.5bn cut announced in the Budget 2013. The Government indicated this was as a result of lower growth and lower tax revenues than anticipated.

Recent data has provided encouraging signs for the economy with Bank of England growth forecasts increasing for 2013 (from 1.2% to 1.4%) and for 2014 (from 1.7% to 2.5%). However, there is unlikely to be any reversal to Government spending plans which now show a fall in real terms until 2017/2018 at the same rate as over the Spending Review 2010 period.

3.2 Inflation

The Consumer Price Index (CPI) has been above the Government's target level of 2% since December 2009 placing additional pressures on the Council's finances.

CPI inflation reduced from 2.9% in June to 2.8% in July and the Bank of England predict that inflation will continue to fall and that they will meet their 2% inflation target within two years.

3.3 Base Rate

The Bank Base Rate has remained at an all time low of 0.5% since March 2009. The Bank of England announced forward guidance on their future plans in their Quarterly Inflation report (August 2013), stating that any increase in the current Base Rate would only be considered once the jobless rate has fallen to 7% or below. They forecast that an increase is therefore unlikely before the end of December 2016. This policy will be reconsidered if Consumer Price Index (CPI) inflation is judged likely to be at or above 2.5% over an 18 month to two year horizon.

A number of forecasters think that increased growth and employment creation will lead to Base Rates increasing before December 2016. This position will continue to be monitored and reviewed and the impact taken into account in budget planning.

4 Government Funding - 2014/2015 and 2015/2016

4.1 In January 2013 the Government provided indicative settlement figures for 2014/2015 alongside the final funding settlement for 2013/2014. However in March 2013 the Government announced a further 1% cut in funding.

4.2 On June 26th 2013 the Government announced the outcome of its Spending Review 2013. This set out a 10% real terms cut in overall funding for local government from the DCLG for 2015/2016. The Government also stated that taking account of all sources of local government funding, the spending round set out an overall local government spending reduction of 2.3%

4.3 On the 25 July 2013 the Department for Communities and Local Government (DCLG) published three consultation papers:

- Local Government Finance Settlement for 2014/2015 and 2015/2016 (response deadline 2nd October 2013);
- New Homes Bonus (NHB) (response deadline 19th September 2013);
- Use of capital receipts to fund transformation costs (response deadline 24th September 2013).

4.4 At the same time Government published exemplifications for each authority reflecting the financial impact of:

- the extra 1% government cut in funding for 2014/2015 announced in their March 2013 budget;
- additional proposed holdbacks in funding for 2014/2015 and
- a £3.1bn cut in core funding in 2015/2016.

4.5 The implications nationally and locally are set out below. The Council’s responses to the consultation documents, submitted in accordance with Government deadlines, are set out at Appendix 1, 2 and 3 for information.

4.6 National Position

4.6.1 The latest exemplifications present a £3.1 billion cut (13.1% cash cut and 15% real cut) in core funding in 2015/2016, compared to the £2.1 billion 10% real terms cut announced in the Spending Review. The difference of £1bn is due to holdback of funding by Government and a cut of £0.8m to fund initiatives and funding allocations proposed by Ministers.

4.6.2 The £1 billion of top slicing and holdbacks is to be allocated outside the main business rates retention system, so some authorities will benefit but not all. The £1billion additional cut comprises:

- £0.8 million top sliced by Government for grants and other allocations some of which involve extra costs to local authorities. Funding will not be available to all authorities.

	Amount £m	**Note**
Collaboration and Efficiency Fund	100	Announced in the Spending Review. Allocation will be to participating authorities on a basis to be determined
Fire transformation fund	30	Announced in the Spending Review. Allocation will be to fire authorities on a basis to be determined
Social care new burdens (Dilnot)	335	Announced in the Spending Review. Allocation to social care authorities. £50m of this is capital
Independent Living Fund	188	Transfer from DWP to fund the costs of closing down the Independent Living Fund
Other Allocations	147	Announced in the Spending Review. Troubled Families and other Local Government allocations to be determined
Total	**800**	

- Additional funding is also being withheld by Government for New Homes Bonus, Business Rates Retention Safety Net and to support capitalisation.

  The amounts held back in 2014/2015 and 2015/2016 are set out below:

Holdbacks	**2014/15 Original £m**	**2014/15 Revised £m**	**2015/16 £m**
New Homes Bonus	800	800	1,100
Safety Net*	25	120	50
Capitalisation	100	50	0
Totals	**925**	**970**	**1,150**
Changes		**45**	**180**

*The Safety Net is the funding that Government sets aside to fund payments to authorities whose local business rates income reduces by more than 7.5%.

4.6.3 Analysis of the cuts reveals that core funding in 2015/2016 will be cut by over £5.5billion nationally compared with 2013/2014 – a 21% cash cut and a real cut of 25%.

4.6.4 In addition to the above from 2015/2016, the Government announced that £400million of New Homes Bonus will be pooled into the Local Growth Fund and transferred to Local Enterprise Partnership areas. £400million equates to 35.09% of the National Audit Office's forecast total value of NHB Bonus for 2015/2016.

4.7 General Commentary on the Proposals

1.1.

4.7.1 The proposals within the consultation documents raise a number of concerns which are articulated in the responses:

- The cuts, as currently exemplified are not evenly distributed across local authorities. This is because the new Business Rates Retention system works in such a way that the grant cut is taken as a % cut from Revenue Support Grant. While there is some adhoc protection of a few specifically identified funding streams e.g. council tax freeze grant, this results in an increased level of cut (25%) for all other services within the general funding block which includes funding for Children's Social Care, Older Peoples Social care, Council Tax (Benefit) Support and Supporting People Grant. The outcome of this approach is that areas with higher needs, such as Sunderland, get a higher cut. Therefore key statutory services attract cuts in funding that are extremely difficult to achieve from those service areas.

- The top slice of existing funds to be redirected to fund new burdens e.g. Social Care (Dilnot) is inappropriate as the new burdens bring with them additional costs. Government should be providing genuine new funding to meet these costs.

- There are issues with the proposed holdbacks of funding:
  - It is understood that the increase in safety net holdbacks is due to concern from the government over the impact of successful business rates appeals for only a few authorities, using potentially over cautious estimates of business rate income.
  - The proposed increased holdback of New Homes Bonus funding of £210m in 2015/2016 only adds to the inherent unfairness and inequity of the NHB methodology which significantly disadvantages deprived areas such as Sunderland. The proposed NHB holdback for 2015/2016 of £1.350bn in total appears to have been set at an excessively high and overly cautious level when compared to the NAO estimated requirement of £1.140bn.
  - The Capitalisation holdback is unjustified as it is an approval to spread costs rather than additional funding.
  - The council cannot plan its budget based on a 'potential' redistribution of any holdback funds unutilised, as redistributions of the held back amounts usually occur after the budget has been officially set and council budgets and service cuts made.

- It is currently unclear how the proposed national top slice of £400m will be distributed to the LEP's therefore any funding allocated to the NELEP is not guaranteed to equate to the amounts forfeited by the councils within its area. Even if funding is proportionately redistributed to local LEP's there can be no guarantee that Sunderland will receive the equivalent benefit to the funds they have forfeited. There is concern that LEP's with the strongest economies and biggest growth will receive a higher share of the Local Growth Fund.

4.7.2 While the Council's responses to the Consultation documents reflect the above concerns, the Council is also actively lobbying Government along with the LGA, SIGOMA and ANEC to ensure Government understands the local impact of their proposals.

4.8 Impact on funding for Sunderland

In overall terms the implications are that potential reductions between 2013/2014 and 2015/2016 could be in the region of £110m rather than £100m previously included in planning assumptions. Also the government have indicated similar levels of reduction may be in prospect to 2018 in order to meet their target to eliminate the structural deficit. The detail is set out below:

1.2.
1.3.
1.4.
1.4.1. Settlement Funding Assessment

1.4.2. Based on the Settlement Funding Assessment (SFA - includes Revenue Support Grant and Business Rates baseline funding) exemplification set out by DCLG as part of the consultation documents, Sunderland will be required to make £42m of reductions over the two years 2014/2015 (£18m) and 2015/2016 (£24m).

This is before taking into account significant unavoidable spending pressures which the Council must meet.

Over the two year period the reduction is significantly higher, (circa £7m), than was expected following the SR2013 Government announcement and which had been provided for within the MTFS.

1.4.3. New Homes Bonus

- Sunderland will continue to be disadvantaged by the inherent unfairness within the NHB methodology through its continued use. It has been estimated that the net loss to the council under the New Homes Bonus funding arrangements arrangement in 2013/2014 is £1.6m.

  As the national grant top slice increases to £800m in 2014/2015 and to £1,100m in 2015/2016 the council's net loss of funding increases in proportion, resulting in an estimated loss to the council from the NHB funding mechanism of £2.9m in 2014/2015 and £4.1m in 2015/2016.

- The above position assumes the Council would receive back a proportionate share of any undistributed NHB top-slice equating to £1.1m in 2014/2015, increasing to £1.6m in 2015/2016. However there is considerable uncertainty as to how much of this top slice will be redistributed, and therefore how much the council can prudently take into account in its budget planning.

- If the transfer of New Homes Bonus to Local Growth Fund is agreed then the council is projected to lose approximately £1m of its New Homes Bonus grant award in 2015/2016.

1.4.4. Revenue Spending Power

- As part of the indicative settlement figures for 2014/2015 provided by Government in January 2013, indicative grant funding levels were provided in respect on a number of other specific grants, which along with the SFA make up the Government's 'Revenue Spending Power' calculation e.g. NHS Funding to Support Social Care and Benefit Health.

  While the Government have provided exemplification figures to show the financial impact in 2014/2015 on SFA of the additional cuts and holdbacks announced since January, they have not provided any further updates to other grants included within the Revenue Spending Power calculation. At this stage therefore it is assumed the levels of funding in respect of other grants within the Revenue Spending Power provided in the indicative settlement for 2014/2015 will be delivered.

- At the time of the Spending Review 2013 the Government stated that taking account of all sources of local government funding, the Spending Round set out an overall Local Government funding reduction of 2.3% for 2015/2016. At this stage Government have not provided any details of individual grant allocations for 2015/2016 which make up the Revenue Spending Power calculation, other than for RSG as set out at section 4.8.1. It is therefore not possible at this stage to identify how this significantly lower level of reduction is delivered.

  There is the potential that the council will receive some allocation from the top-sliced funding streams referred to in paragraph 4.6.2; however at this stage it is not possible to quantify the potential amounts.

4.9 Other Funding Streams

1.5.

1.5.1. Integrated Health and Social Care Pooled Budget

As part of the Spending Review the chancellor also announced a £3.8bn "pooled budget" to fund integrated health and social care in 2015/2016 to reduce hospital episodes for older and disabled people. £1.8bn is existing resources (for which the Council already receives allocation through RSG and the NHS Social Care grant). £2bn will be transferred from the NHS into the pooled budget. The Local Authority and the Clinical Commissioning Group (CCG) need to develop a 2 year plan for 2014/2015 and 2015/2016 which must be in place by March 2014 to show how the funding will be used across health and social care. Work is on-going to understand the detail and level of funding available to Sunderland and this will be included within the Budget Planning as details become clearer.

1.5.2. Public Health Funding

Public Health Funding of £20.656m is to be received in 2013/2014, and the Indicative Settlement for 2014/2015 included for £21.234m to be received by the Council.

Consultation on the basis of a future funding formula undertaken in 2012 enabled indicative allocations to be calculated from proposed formula recommendations made by the Advisory Committee on Resource Allocation. The analysis indicates a potential substantial reduction in funding for Sunderland of £5.9m per annum if the formula was introduced. Sunderland have formally opposed the proposed funding allocation which is viewed as unfair and in particular does not take into account existing prioritised spend on Public Health within the city or reflect need appropriately.

Latest indications are that a new formula will not be introduced until after 2015/2016, therefore Budget Planning at this stage for 2014/2015 and 2015/2016 assumes funding will remain at the indicative level for 2014/2015.

1.5.3. 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.

The Department for Education undertook a short review in February this year to understand to what extent changes were needed in 2014/2015 in order to move closer to a national funding formula. They also wanted to understand whether any unintended consequences had arisen as a result of the arrangements for 2013/2014.

1.5.4. Education Services Grant (ESG)

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. Provision has been included within the Budget Planning Framework for the impact of academy transfers.

4.10 Other Issues which will impact on funding levels

1.6.

It should also be noted that Government are currently undertaking a review of Adult Social Care Funding Formula which is planned will be implemented for 2015/2016. Exemplifications for 2015/2016 funding provided by Government do not yet reflect the potential impact of the outcome of the review.

5 Summary Outlook

5.1 At this stage, given the changes in the economic position and Government announcements regarding further funding reductions as part of the Spending Round, the outlook for local government funding continues to be bleak and subject to both unprecedented reductions and change up until 2017/2018 at least.

5.2 Final funding allocations will not be made available until the government releases its detailed information as part of the local government finance settlement for 2014/2015 in December, when it is hoped that indicative allocations will also be made available for 2015/2016 to help with longer term financial planning. At this stage however it is proposed to progress with planning based on the reductions in funding set out at is section 4.8.

5.3 There is no indication of funding allocations beyond 2015/2016, however at this stage it seems prudent to assume a similar level of reduction in SFA funding as is to be experienced for 2015/2016.

6 Local Income Position

6.1 Council Tax - Rate Increases

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 the government limits then the public will be able to vote to agree or veto any considered ‘excessive’ increase.

As part of the Spending Review 2013 Government announced that a referendum will apply for proposed increases in Council Tax above 2%.

Government indicated as part of the Spending Review that Council Tax Freeze Grant would be made available for 2014/2015 and 2015/2016 at a rate of 1%. As the funding is not of a permanent nature any use of the grant to support on-going revenue expenditure will require alternative funding to be identified in the following years should the Council decide to access and accept the grant.

Consideration as to the affordability of this approach will be taken once firmer information on funding levels for 2014/2015 and 2015/2016 is available.

6.2 Council Tax and Business Rate - Growth in Base

Under the Retained Business Rates funding arrangement for local Government implemented from April 2013, the Council retains locally 49% of increased income arising from growth in Local Business Rates base (equally it shares the risk of any under achievement of income targets).

Processes are in place to ensure that the position in relation to both Business Rates and Council Tax future growth in bases and levels of collection are understood.

The position will be kept under review and additional income reflected in the Budget Planning Framework as appropriate.

6.3 Reserves and Balances

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

In accordance with the approach adopted to date all earmarked reserves will be revisited as part of the budget process to ensure they still accord with the Council's priorities and overall funding position.

7 Spending Pressures and Commitments

It is proposed to take into account the following spending commitments in the Budget Planning Framework for 2014/2015, noting that at this stage in a number of cases specific cost detail require finalisation and will be subject to review and refinement throughout the budget setting process:

7.1 Replacement of One-off Resources and Budget Pressures in 2014/2015

In meeting the funding gap for 2013/2014 the Council utilised £4.52m of one off resources. This therefore represents an on- going pressure into 2014/2015.

7.2 Pay and Pensions

7.2.1 Pay

The Government has indicated a limit on public sector pay of a 1.0% pay increase. For planning purposes a prudent provision has been built into the MTFS from 2014/2015.

7.2.2 Pensions

The Actuarial review of the Local Government Pension Scheme is currently underway, the results of which will impact from April 2014.The Government agreed to implement the recommendations from the Hutton Review and the cost implications of the new scheme will be reflected in the actuarial review. Indicative information will not be available until late 2013 although a spending pressure is anticipated.

At this stage some limited additional funding has been included for 2014/2015 however there is a risk that the impact could be significantly higher.

7.2.3 National Insurance

The Pensions Bill, which is expected to receive Royal Assent in spring 2014, contains provisions to reform the state pension system, introducing a single tier pension as a result. As part of these reforms, the contracting out for occupational pension schemes from April 2016 will be abolished. For employers, the abolition of contracting out will result in an increased cost of 3.4% on national insurance contributions. The Bill provides no method to alleviate the additional financial burden, although the LGA are seeking to work with Government to resolve this impact. At this stage it is prudent to reflect the impact for 2016/2017 within the medium term position.

7.2.4 Workforce Transformation

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

7.3 Energy Prices

Energy and vehicle fuel prices continue to be particularly volatile. It is therefore proposed that prudent provision be included for continued annual increases in charges for gas, electricity and vehicle fuel for the medium term.

7.4 Waste Disposal

The PFI contract with a consortium led by SITA for the Treatment and Disposal of Residual Municipal Waste is expected to commence early 2014 subject to satisfactory completion of the current commissioning period. The impact of volume and cost variations have been factored into the Medium term Financial Strategy.

7.5 Adult Services Demand Issues

The increasing longevity of the national and specifically, the city's, population continues to place 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 position will be kept under review and prudent provision included as appropriate.

7.6 Children’s Services Demand Pressures

There continues to be increasing demand pressures in relation to safeguarding and specifically external placements and prudent provision will be made as appropriate to the strategy.

7.7 Economic Downturn

Whilst significant resources have already been earmarked to support service pressures and actions in response to the economic downturn as part of the previous years’ budgets, given the continuing uncertainties, this will need to be kept under review and appropriate provision made throughout the budget process.

7.8 Welfare Reform

The Council continues to make plans for the significant number of Welfare Reform changes. These include measures that seek to mitigate against the significant adverse impacts anticipated across the city and changes to internal administration and support arrangements. This will need to be kept under review and appropriate provision made throughout the budget process.

7.9 Capital Financing

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

8 Spending Priorities

8.1 Priorities from Consultation

8.1.1 The Budget Consultation for 2013/2014 was undertaken within the context of the need to significantly reduce spending for a third year in light of the Government funding reductions. The findings demonstrated general support amongst respondents for the direction of travel of services and for the councils overall approach to making savings.

8.1.2 The proposals for the 2014/2015 Budget Consultation process are set out elsewhere on today’s Cabinet agenda. The approach adopted will continue to explore views of residents about the direction of travel for services in response to the changing financial landscape.

9 Summary Resource, Pressures and Commitments Position

9.1 The total reduction in resources and spending pressures represents the estimated gross funding gap. However at this stage there is significant uncertainty in relation to:

- The general economic climate and public sector finances (direct connectivity between the economy and public finances)
- Settlement confirmation for 2014/2015, probably not available until early December
- The level of government funding reductions in 2015/2016, how the Government will respond to the outcome of the current consultations, and how this level of funding could further be impacted upon by Government formula reviews (Adult social Care, Public Health)
- Significant other changes within the system (Welfare Reform, Schools etc.)

9.2 The level of funding reduction as currently presented represents a very significant challenge given the already compound impact of reductions since 2010. The prospect of significant reductions being required year on year continues over the medium term with further reduction in Council resources and capacity over the 2013-2017 period.

9.3 The table below summaries the best estimate of the resource and pressures position for the next two years taking account of the issues set out in paragraphs 4 to 8 above. Clearly this forecast is volatile due to the uncertainty surrounding the settlement and a number of other key financial issues.

MTFS 2013/2014 to 2015/2016	2013/14	2014/15	2015/16	Total
March 2013 Assumptions	£37.0m	£35.5m	£25.3m	£97.8m
Updated October following SR13	£37.0m	£35.5m	£35.3m	£107.8
Additional Requirement since March 2013			£10.0m	£10.0m

9.4 As outlined the savings requirement for 2014/2015 and beyond remains uncertain. However high level estimated reductions over the next three years are set out below

MTFS 2014/2015 to 2016/2017	2014/15	2015/16	2016/17	Total
Updated Three Year Planning	£35.5m	£35.3m	£40.0m	£110.8m

10 Budget Planning Framework

10.1 Community Leadership Programme

10.1.1 The Council has continued to develop its approach to meeting community needs by transforming services through some key programmes of work which will also support the delivery of the required financial savings over the medium term. The Council's Improvement Programme focuses on all services understanding and fulfilling their Community Leadership role which seeks to understand and meet a range of community needs through the following key elements:

- Demand Management - Developing the strategies and policies that enable the Council to manage demand and deliver services in a different and more agile way within communities;
- Development of an Intelligence Hub - with the aim of providing the Council with the information necessary to understand what it needs to do and ensure it is doing the right things to achieve the required outcomes;
- Cost of Supply and Customer Services Network (CSN) development - Increased focus on the CSN as the gateway and connector of demand and supply for services with the aim of targeting resources to areas of greatest need alongside continued delivery of efficiencies within Council services;
- Development of Alternative Service Delivery Models for services – continuing to look at the most effective and efficient models of provision for services over the short to medium term to ensure the residents of Sunderland are offered the best possible public services within the resources available;
- Strategic Services and Fixed Assets – further and continual review to meet the future needs of the Council and its communities and maximise use of Council assets.

10.1.2 Within that framework frontline services continue to be reshaped and refocused to:

- Ensure services are responsive to local needs;
- Protect core services particularly for those most vulnerable;
- Target resources rather than provide universal services.

10.2 Addressing the Savings Requirement

It is proposed the budget planning framework as set out below is adopted:

- General Issues

    - Budget planning to be based on high level position outlined at paragraph 9 and updated in light of the Local Government Settlement in December;
    - Provision for spending commitments be included at this stage on the basis set out at section 7 and kept under review;
    - Spending priorities be considered in line with the finding of the budget consultation and emerging service improvement plans as set out in section 8;
    - Budgets be prepared on the basis that all spending pressures not specifically identified above as commitments be accommodated within Directorate cash limits;
    - All commitments against Delegated surpluses / reserves to be reviewed;
    - The position regarding Council Tax to be considered as part of the budget process
    - Commitments against general balances as set out in Appendix A be noted and updated throughout the budget process.

- Current Budget Savings Programme:

    In accordance with the budget planning framework agreed for 2013/2014

    - Original permanent planned savings for 2013/2014 will be achieved or an alternative must be delivered on an on-going basis in 2014/2015;
    - Savings originally identified for 2014/2015 will be achieved. Alternative savings will need to be identified by Directorates where a proposal has become unviable;
    - A programme of activity based around the Improvement Framework key principles as outlined at 10.1 be developed to address the gap;
    - Continue to press forward with consideration of plans for new models of service delivery & improving services;
    - Directorates be requested to bring forward additional savings plans to enable a programme of additional key service reviews to be proposed;
    - Continued focus on Progressing Regeneration, Funding Leverage & Commercial Opportunities.

The framework will be robustly managed to ensure to ensure financial resilience is maintained

11 Reasons for Decision

11.1 The Budget Planning Framework forms an essential part of the process of the preparation and compilation of the Revenue Budget for 2014/2015.

12 Alternative Options

12.1 There are no alternative options recommended.

13 Impact Analysis

13.1 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.

Appendix 1

Local Government Finance Settlement 2014-15 and 2015-16: Technical consultation

Response Consultation Questions

Question 1

Do you agree with the Government's proposal on how to implement the 1% reduction to the Local Government Expenditure Limit (LG DEL)?

NO

- We do not agree to the way the reduction is proposed to be made, when the Council fundamentally disagrees with both the level of funding reductions being incurred and the manner in which they are being allocated across local government. Sunderland is more reliant on government funding and yet it has incurred a higher disproportionate cut to its funding since 2010/11 and this trend is set to continue with the current proposals for both 2014/15 and 2015/16. To put this into context the Council has had to significantly transform its services to achieve savings of £136m and the revised funding cuts for 2014/15 to 2015/16 will require an additional £42m of budget cuts / savings, these can not be achieved without impacting on front line services which the council has managed to avoid up until now.

- Other important funding which is less visible is being subjected to deeper cuts without an understanding from government of the impact of the cuts and their deliverability. The consultation paper focussed only on the additional cut to that was previously proposed for 2014/15 but has not been adequately considered or debated in detail. The outcome of the overall cut in funding for 2014/15 must be considered in a far more transparent way. This is particularly important as it appears that the 2014/15 proposals produce a very significant redistribution of funding, with much higher cuts falling on the most deprived councils in the country such as Sunderland.

- From the cuts administered to date it is clear that there are huge variations in the level of cuts faced across local government and there is also clear evidence that councils that face the largest percentage cuts are those with the highest needs (eg highest proportion of children in need, highest proportion of low income pensioners etc.) combined with the lowest levels of income. Some of the more affluent councils have incurred some of the lowest cuts in funding to date and the consultation does not address this clear bias and unfairness.

- It is disappointing therefore that there are no alternatives being put forward to the Government's one proposal being consulted upon which will, if not addressed, continue the current unfairness of how the cuts in funding are being allocated and the Council would request that the government reconsiders this position and introduces a further paper to show alternative approaches on how to implement the

1% reduction in 2014/15 and the planned further significant cuts to funding in 2015/16. The LGA for example had set up an additional questionnaire (council responses set out in this response) in relation to areas local government considered important in order to supplement the Government's consultation. There are alternatives that could be considered further such as applying grant cuts to deliver an average percentage cut in funding per dwelling or preferably a percentage cut per head of population. These are fairly simple and transparent ways to deliver the funding reductions required which the council considers would be much fairer.

- The additional reduction in funding for 2014/15 is not affordable for most deprived councils that are more reliant on government grant funding which are adversely being affected disproportionately from the funding reductions already being implemented for 2013/14 and in previous years. The scale of reductions in 2015/16 are significant and again analysis shows that the Metropolitan areas and those in the north east region are among those having to meet the biggest funding cuts and are significantly above the national average cuts exemplified.

- The council also has issues about the level of funds being held back particularly for both capitalisation and safety net funding in 2014/15 of £170m in total (a further increase of £45m) which benefits only a small minority of councils but which is in effect paid for by those that can least afford it by top slicing RSG and would request this hold back amount is withdrawn and included the resources made available to local government. If returned the Council would expect to see its resources increase by roughly £1.224m which would help its budget position in both 2014/15 and 2015/16.

Question 2

Do you agree with the proposal for reducing the funding available for capitalisation for 2014-15 by £50m and using this revenue to reduce the amount required to be held back from *Revenue Support Grant* to fund the safety net?

NO

- The Council does not agree with this proposal and reducing any amount held back by the government should be returned to local government as the Council fundamentally disagrees with safety net holdback, as it is considered unnecessary, and is based on estimates that may show that the hold back amount is in fact not needed or has been set far too high and is overly cautious and as mentioned above. Only a few councils benefit from the hold back amount (usually tariff authority's who are least reliant on government funding) – so for these reasons the Council does not support this action and would further question why all local authorities are being asked to pay via a reduction in national funding across the sector.

- We also do not consider it appropriate for there to be any reduction in funding for capitalisation directives in 2013/14 or for 2014/15 and future years. Alternative accounting solutions should be found that provide appropriate flexibility to spread significant one off costs over more than one year, without the necessity of a cut in revenue grant. The current approach results in an unfair outcome as all councils' revenue grants are being cut, for the Secretary for State to give permission to a few individual councils to use their **own funds** to fund capitalised expenditure, while DCLG and Treasury appear to retain the cut in core funding. This anomaly within Central Government's accounting arrangement's needs addressing as a matter of urgency as this approach is resulting in real unnecessary cuts to core local government services.

Question 3

Do you agree with the way the Government proposes to hold back the funding that is necessary for New Homes Bonus and safety net support, and to return any surplus to authorities?

NO

- In the light of the severe impact of the funding holdbacks for these items we do not consider that any holdbacks of funding can be justified. In terms of the Safety Net Holdback, research has revealed that the need for the holdback is not justified. The costs primarily relate to the backdating cost of potentially successful rating appeals. Over the last two years DCLG has collected in over £600million of additional rates, some of which will be the subject of these appeals. In any event, the estimated Business Rates income to be collected in 2013/14 is likely to be underestimated by councils and the levy and central share available to fund the safety net is likely to have been overstated. With doubt about any actual year end costs DCLG should not be imposing up front cuts on services and jobs given the impact that it will have for councils, their service users; their employees and on the economy as a whole.

- The Council does not support this proposal for this and several other reasons and would request that the government considers ending the New Homes Bonus Grant funding mechanism altogether or as a minimum the Council would urge the government to fully fund a significantly reduced level of New Homes Bonus grant scheme if it is to be retained so that the significant and unfair redistribution impact of this funding stream is neutralised. Sunderland is currently losing significant net grant funding because of the way this mechanism is funded and allocated. The council contributes more into the top slice and benefits less as it has limited ability to grow additional new homes compared to the stronger economies.

- The Council is of the view that the NHB is fundamentally unfair, and is significantly redistributing funds away from the most deprived areas of the country such as Sunderland towards the higher growth and usually more affluent parts of the country. This is means that the funding mechanism is flawed and is in need of an urgent review.

- The National Audit Office has also recently reported that the NHB is not achieving its desired objectives and has had a significant redistribution of funding impact across the country to the detriment particularly of the more deprived councils who are more reliant on government grant funding. They recommended that the government should review the New Homes Bonus Scheme to ensure the government understands the substantial financial risks to local authorities.

- Evidence provided by both ANEC and SIGOMA and which the LGA also recognises shows that this particular funding stream is one of the main causes of the disproportionate impact of government funding cuts to councils such as Sunderland and the detrimental impact it has and continues to have on the most deprived councils across the country but especially in the North East region. A rebalance of resources is urgently required in order to smooth out and make the funding cuts more equitable across the country, to this end a radical review of the New Homes Bonus Scheme ids seen as essential by this council.

- Local government itself is also recognising the inherent unfairness caused by this funding mechanism and the question should be how can the Government make the funding cuts fairer and more appropriate to the level of need and demands for services which the NHB currently does not address.

- It is therefore very difficult for the council to agree with new homes bonus holdback when it fundamentally disagrees with methodology for reapportionment due to its inherent inequity.

- Also the government must recognise that returning surpluses withheld to authorities is of no benefit in budget planning or to the local council tax payer when setting a level of council tax after as we do not know how much we will get back until after the budget has been set, thus implementing cuts to services that were subsequently not required. The current process does not help with budget setting or aid service planning at a time when all available resources need to be taken into account in the year they relate.

- On the question itself all unutilised funding should be returned based on the SFA / SUFA.

Question 4

Do you agree with the proposed methodology for calculating control totals for each of the elements within the *Settlement Funding Assessment*?

NO

The protections given to some funding streams that are visible is arbitrary and has the effect of increasing the cut in the general revenue funding block for all other services from -21% in cash terms over the two year to -25% over the two years. There is not a sufficiently strong case for giving some items a cash protection, allowing an inflationary increase in transport funding for London (while there is a 25% cut for transport funding for other areas). There is more merit in providing protection for other areas of funding, which cannot be given protection because the funding has not been kept visible, such as –

1. Children’s Social Care

2. Concessionary Travel
3. Council Tax (Benefit) Support
4. Council Tax Resource Equalisation Adjustment (including compensation for student council tax exemptions)
5. Grants rolled in, including Supporting People Grant, Housing Strategy for Older People, HIV/AIDs and Preserved Rights

- The outcome is to increase the distribution of cuts towards areas that face the greatest pressure from deprivation (e.g. pressure on children's social care services); with higher proportion of pensioners (including frailer and poorer pensioners); with lower council tax bases; and with higher numbers of students.

- The council would also seek clarity on the how the Council Tax Support Grant is being protected within the Settlement when it has been subsumed into the SFA / RSG mechanism. This would imply that to protect this element means a higher implied reduction for the remaining RSG general funding allocated. This leaves a difficult choice for councils especially those that receive the higher amounts for CTSG, which if they do not pass on the general funding reduction will have to find the additional savings from elsewhere within their budget. This impacts more in the deprived areas of the country where those on benefit are the highest. The council would request that the government fully funds this aspect of the settlement similarly to how they are protecting the Council Tax Freeze Grant so that there is transparency and it is clear that this is being protected within the funding system. Any funding implications arising from this should be borne fully by the government and not simply passed on in higher RSG cuts to funding.

- It is also clear that Early Intervention Grant is being targeted with a further 8.5% reduction when most other specific grants rolled into the settlement are being 'protected'. The council would request the rationale behind this decision.

Question 5

Do you agree with the proposed methodology for transferring in the 2013-14 Council Tax Freeze Compensation?

NO

- While the freeze grant should be included, it should not be given a cash protection at the expense of a higher cut allocated to other services, including Council Tax Resource Equalisation Adjustment. In 2013/14 the Government accepted that the Council Tax Resource Equalisation adjustment should be restored. The current approach would see it cut again by 25% over the next two years. It is essential that it continues to have cash protection. Only then could it be justified to give protection to the council tax freeze grant.

- In respect of the question, the Council as an authority which has frozen its council tax since 2010/11 would seek an assurance that the freeze grant is fully protected within the new funding mechanism and it is also future proofed. This is considered very important so that this funding is transparent and is not eroded in future settlements to the disadvantage of those that took the difficult decisions to freeze council for its residents. We would prefer if this funding was kept as a separate grant outside of the SFA to ensure it can be tracked and protected.

Question 6
Do you agree with the proposed methodology for adjusting the 2015-16 settlement to take account of the loss of tax revenue due to the Exchequer from the local authorities who are too small to participate in the Carbon Reduction Commitment Energy Efficiency Scheme?

NO

The consultation paper proposes that the Exchequer should consider using the “New Burdens Principle” to take account of the lost tax revenue from the Local Authorities too small to participate in the Carbon Reduction Commitment Energy Efficiency Scheme.
The 2011 Guidance stipulates that ‘The new burdens doctrine only applies where central government requires or exhorts authorities to do something new or additional.’ However, this proposal does neither; it does not require authorities to do anything new or additional.
If the government is to be consistent in its use of this principle it should reconsider its approach taken to the £800m designated as ‘New Burdens’ funding in the Spending Round announcement rather than cutting Core baseline funding as revealed in the settlement consultation. The Spending Round had given the impression that additional baseline funding would be available such as the £335m for social care new burdens associated with Dilnot reforms, rather than being part of it. New burdens funding is allocated to councils to meet new costs from the transfer of responsibilities or costs from central to local government. The £30m fire transformation fund and £100m collaboration and Efficiency Fund and the £188m costs associated with closing down the Independent Living Fund are further examples. Clearly these are instances that should have been dealt with under this doctrine and Core baseline funding should not have to be cut in this way.
In response to the question, any adjustment made to the 2015/2016 settlement must be targeted at those Authorities that have gained from dropping out of the CRCEE scheme and should not simply be another top slice to the system which is then funded by the majority of authorities. This is seen as another unnecessary cut to Sunderland’s funding which it can ill afford. The principle being more important than the level of funding involved.

For Information - Sunderland's Response to the LGA Survey

LGA Alternative Questionnaire

Q1. In allocating the cuts for 14-15 and 15-16 the government has protected funding for some elements, including the council tax freeze and for the learning disability and health forum transfer. Do you think this is the right approach? (See Table 2 in the consultation paper)

No

Comment
This results in an increased level of cut (25%) for all other services within the general funding block which includes funding for Children's Social Care, Older Peoples Social care, Concessionary Travel, Council Tax (Benefit) Support and Supporting People Grant. The perverse outcome of this approach is that areas with higher needs get a higher cash and higher percentage cut. It also means that some key statutory services attract cuts in funding that are extremely difficult to achieve.

Q2. Some authorities have raised what they regard as a fairer way of allocating cuts. In allocating the cuts for 14-15 and 15-16 should the government take into account of the fact that some authorities are more dependent upon government grant than others?

Yes

Comment
Resource equalisation has been further eroded in the new funding regime and a corrective adjustment is urgently required as the most deprived areas of the country are, as a result, bearing the deepest funding cuts.

Q3. For those that answered 'Yes' to number 2 above would you prefer?

A straight cut per dwelling split between tiers Yes

A cut allocated on a simplified spending power basis - eg Settlement Funding Assessment (revenue support grant plus business rates local share) plus council tax income Yes

Any other proposal – Yes - could base the cuts on a set % cut based on per head of population

Comment
All options are preferable compared to the existing methodology. No alternatives were, disappointingly, considered or provided within the consultation papers by the government – but options as set out above do exist and would help to: simplify and make the process more transparent and, would make the cuts in funding fairer across the country. These

alternatives should be considered and exemplified by the government and be further consulted upon.

Q4. Is your authority likely to apply for capitalisation in 2013-14 or 2014-15

No

Comment

Q5. Do you agree that business rates appeal losses for 2012-13 and previous years should be set against the 'old' national NNDR pool?

Yes

Comment
The government has benefitted from surpluses generated from the NNDR system in the past and it is therefore considered fair that they should fund any successful appeals that relate to this period (up to 31st March 2013).

Q6. How is your authority dealing with estimated losses due to business rates appeals?

All estimated losses set against 2013-14 business rates income	Yes
Spreading over 5 years	No
Any other method	No

Comment
But would need to reconsider in light of any 'major' successful appeals

Q7. Do you agree that any amounts for the new burdens funding for social care should be genuine new money and not taken out of local government resources?

Yes

Comment
All new burdens funding should be genuine new money form central government and not simply being funded from the significant top slice proposed from existing local government resources.

Q8. Do you agree that in calculating the estimated New Homes Bonus for 2015-16 the government should use the NAO estimate of £1.140bn rather than the estimate in the consultation document of £1.350bn?

Yes

Comment
Essentially the New Homes Bonus methodology should be fundamentally reviewed given its inherent unfairness in the way funding is top sliced and then redistributed with the reward linked to council tax bands. This inevitably disadvantages more deprived lower tax based areas such as Sunderland. However if government insist on continuing with this methodology, would prefer the government uses the NAO estimates available.

Q9. In light of the grant reductions being consulted on, and the fact that Council Tax Support funding is no longer separately identified within the settlement, are you likely to reduce funding for your council tax support scheme in 2015-16?

Not Known - this will need to be considered once all of the data is known for the year ahead.

Comment
This funding should be preferably separated form the SFA and protected so that it is clear and transparent what the government's intentions are for this element of funding. The fact it is lost within the RSG implies a cut to this funding or a deeper cut to other services if this is 'protected'.

Q10. Do you think it is in line with the spirit of the business rates retention scheme for government to reduce RSG to take account of predicted RPI growth in the local share, as is proposed in the consultation document?

No

Comment
All funding generated by local government should be retained within the sector and should not be simply deducted from central government funding.

Appendix 2

New Homes Bonus and Local Growth Fund: Technical Consultation

Response to the Consultation Questions

Specific responses to the individual questions posed within the consultation are as follows with the overarching principle that the council believes that the current level of funding should remain fixed at (2013/14) current levels until a fundamental review is carried out of the scheme.

Question 1:

We would welcome views on the underlying principles of pooling the New Homes Bonus in this way, with specific regard to ensuring that pooled funding remains in the Local Enterprise Area where it originates and that the method of calculating the Bonus remains unchanged?

The Council has significant concerns about the way in which the New Homes Bonus mechanism works, and the size and scale of the distributional impact the scheme has both on cutting formula funding by applying a simple percentage reduction to fund the scheme, and then by allocating the reward linked to council tax bands which broadens the distributional impact by benefiting wealthier less deprived high tax base Councils over poorer more deprived low tax base Councils such as Sunderland. This is because Councils such as ours with high needs and low tax base and high levels of council tax benefit costs have a larger top slice from their revenue support grant used to fund the scheme. We also in common with more deprived areas receive less reward grant back from the scheme as this is based upon housing growth which is generally constrained by lower market demand and lower council tax values.

The scheme therefore does not reflect the very different housing market conditions that councils are facing. Factors such as Councils facing much more difficult housing market conditions due to external factors – such as the economic downturn – are losing out not because they are not striving to build houses but simply because of the prevalent market conditions.

The Council is a net loser from the scheme, which is the case for all North East authorities, as its top sliced contribution is not matched by the Reward grant it receives each year. The gap for 2013/14 is £1.5m which will increase to an estimated £2.8m in 2014/15 and to £4.1m in 2015/16. If the LEP transfer is implemented the gap will grow further in 2015/16 to approximately £5.1m.

The New Homes Bonus scheme is an unringfenced revenue grant payable to each council for a period of six years. Two of its main principles are that it is Predictable and Flexible:

a) “Predictable - the scheme is intended to be a permanent feature of local government funding and will therefore continue beyond the six-year cycle. The design features have been kept simple and stable to ensure that expected rewards for growth are delivered.
b) Flexible - local authorities will be able to decide how to spend the funding in line with local community wishes…… This may relate specifically to the new development or more widely to the local community. For example, they may wish

> to offer council tax discounts to local residents, support frontline services like bin collections, or improve local facilities like playgrounds and parks."

Taking the above into account and in response to the question, the proposals outlined give no recognition of the current level of reward and how that has already been committed in council budgets and forward planning under the principles of the current scheme. Reward grant, earmarked and anticipated based on current levels rolling forward by Councils to use as they see fit, should remain intact. The issue with the proposals is that Government intend to take funding included in council base budgets and transfer 35% of it to the LEPs without recognition of the existing use / proposals and the potential impact on council budgets and forward planning.

Therefore, current levels of reward grant should remain intact with only a proportion of the new reward grant allocated to LEP's from 2015/16 within that authority area but only if the Government decide to increase their funding for the New Homes Bonus scheme.

In conclusion the Council is therefore of the view that the New Homes Bonus Scheme is in need of reform as it currently redirects resources away from the most deprived areas of the country such as Sunderland to the more affluent areas of the country, and is in urgent need of review. This is a view shared by the independent National Audit Office.

The Council would recommend that the government considers freezing the New Homes Bonus Reward Grant and Top slice at its current 2013/14 levels and reduce or preferably remove altogether the proposed transfer of New Homes Bonus of £400m nationally to the LEP's until a full review of the New Homes Bonus is carried out.

Question 2:

The first mechanism is that an equal percentage of all New Homes Bonus allocations will be pooled to the lead authority of their Local Enterprise Partnership, the precise percentage to be determined, but will be that necessary to make £400m nationally. Do respondents consider this to be an appropriate method?

Yes, this would be our preferred mechanism

Question 3:

The second mechanism would act as described above for all areas with a single tier of local government (unitary authorities, metropolitan boroughs, etc). Where areas have two tiers of local government (lower tier district councils and upper tier counties) the alternative distribution mechanism would operate whereby upper tier authorities would surrender all of their New Homes Bonus, with the balance coming from the lower tier. Do respondents consider this to be a preferable method of pooling for two tier areas?

Not applicable.

Question 4:
Do respondents consider that the content of the proposed condition placed on the section 31 grant will be sufficient to enforce the local pooling of the New Homes Bonus funds?

Yes.

Question 5:

The government considers that the existing accountability arrangements for Local Enterprise Partnership should apply to pooled funding as these are considered to provide sufficient safeguards for the protection of spending. Do recipients agree?

Yes.

Question 6:

Do recipients agree that locally pooled New Homes Bonus in London should pass to the Greater London Authority to be spent under existing arrangements?

Not Applicable but would suggest that this should be determined by London Councils.

Question 7:

Do you agree that where an authority is a member of more than one Local Enterprise Partnership, then the proportion to be pooled should be divided equally amongst the Local Enterprise Partnerships?

This seems a sensible view unless it would make sense to split proportionately according to the size of the LEPs.

Question 8a:

The Government proposes that where local authorities can demonstrate that they have committed contractually to use future bonus allocations on local growth priorities, Local Enterprise Partnerships should take this into account when determining their local growth plan and their priorities for using pooled funding. Do respondents agree with this proposal?

As highlighted in Question 1 the New Homes Bonus final scheme design payment is an unringfenced revenue grant payable to each council for a period of six years with one of the key principles of the scheme being it's flexibility for local authorities to be able to decide how to spend the grant within their local communities and the predictability that the funding is a permanent feature of local government funding captured for six years for each years reward.

Under the principles of the final scheme design we believe that Council's should not have to be required to demonstrate that they have committed contractually to use future bonus allocations. It should be sufficient that it has been budgeted for and used under the flexibility principle of the scheme in line with Council priorities.

Question 8b:

If respondents disagree with question 8a are there alternative approaches for dealing with such commitments?

Please refer to comments in 8a.

Question 8c:

Are there other circumstances in which a spending commitment should be taken into account by the Local Enterprise Partnership?

Yes, where New Homes Bonus has been incorporated into base budgets whether that is for growth priorities or in line with local community priorities as highlighted under the flexibility principle.

Appendix 3

Proposals For The Use Of Capital Receipts From Asset Sales To Invest In Reforming Services

Response to the Consultation Questions

Question 1:

Do you consider that the proposal to allow some flexibility for use of capital receipts from new asset sales will provide you with a useful additional flexibility for one-off revenue costs associated with restructuring and reforming local services to deliver long term savings?

Yes - the ability to use capital receipts could provide additional flexibility in reforming services to deliver long term savings. The process however needs to be simple, timely and practical in its application.

Question 2:

To evidence base the response to Question 1, we would welcome (in no more than 400 words) your initial ideas for change(s) that you consider would benefit from the flexible use of capital receipts policy?
Information could include the level of funding required, type of asset(s) to be disposed, details of the service transformation and savings that could be achieved and future use of the asset(s).

The Council is looking into bids to use the flexibility provided to develop reform of IT processes, for initial consultancy work design to facilitate long term savings and to use as funding to facilitate the reduction of staffing numbers necessary within the Council as it transforms services. Assets proposed to be sold will generally be those assets that are no longer required by the Council following initial restructuring of services and a property rationalisation programme that the council has undertaken. At this stage we are unable to quantify the savings that could be achieved or the future use of the asset(s). The requirements from government in this area however should allow a high degree of local flexibility and not be unnecessarily prescriptive.

Question 3:

Do you agree that these criteria should be used, or would you suggest alternative or additional measurements to decide a bid based approach and ensure a fair distribution for the proposed flexibility?

No - We do not think that the forward use of an asset should be part of the criteria on which bids are assessed. Assets should be sold with the purpose of achieving the highest value receipt possible which may not be received if conditions must be attached to sales i.e. developers must build social housing.

Question 4:

Do you agree that a direction letter mechanism would be the best method of delivering the aims of the policy proposal?

Yes - Under a bid based system the direction letter mechanism is the best method of delivering the aims of the policy proposal. An alternative would be to allow a general use of capital receipts to be spent on revenue items where an authority can prove that this is for one off spending that can deliver savings over, say, at least a 5 year period.

Question 5:

Is the proposed timetable realistic to allow for the practical implementation of the flexible use of capital receipts proposal?

No - the proposed timetable is inflexible and should allow for expenditure over more than one financial year. In particular there should be further flexibility especially where councils are collaborating with other organisations.

Question 6:

If you felt the timetable was not realistic, what changes would you make to the proposed implementation of the policy to allow for the practical delivery of the flexible use of capital receipts?

It should allow for revenue expenditure to take place over the period October 2014 to March 2017 and disposal of assets to take place over the period August 2013 to March 2017. Depending on the size and / or complexity of the scheme it may not be possible to contain spend within one financial year. There is often a time delay in placing assets for sale and receiving a capital receipt. Unless asset management plans are sufficiently developed then it is also not certain that disposal will take place before March 2016. Both of these limitations could be exacerbated where a council is working in collaboration with other organisations to achieve efficiencies.

APPENDIX 4

Statement of General Balances

	£m
Balances as at 31st March 2012	**7.570**
Use of Balances 2012/2013	
- Transfer to Strategic Investment Reserve	**(6.031)**
Additions to Balances 2012/2013	
- Ring Fenced Salaries, Unutilised Contingency and non-delegated budget savings	6.031
Balances 31st March 2013	**7.570**
Use of Balances 2013/2014	
- Contribution to Revenue Budget	(2.572)
Additions to Balances 2013/2014	
- Transfer from Strategic Investment Reserve to support transitional costs	2.572
Estimated Balances 31st March 2014	**7.570**