CABINET MEETING – 11th February 2009

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:
CORPORATE IMPROVEMENT PLAN 2009/2010
(iii) Revenue Budget and Proposed Council Tax for 2009/2010

Author(s):
Chief Executive and City Treasurer

Purpose of Report:
To report:
- the overall revenue budget position for 2009/2010 as detailed in the Corporate Improvement Plan;
- the projected balances position as at 31st March, 2009 and 31st March, 2010 and advice on their level;
- a risk analysis of the Revenue Budget 2009/2010;
- a summary of the emerging medium term financial position facing the Council from 2010/2011 to 2012/2013;
- any views received from the North East Chamber of Commerce and Trade Unions.

Description of Decision:
Members are requested to:
- recommend to Council the proposed Revenue Budget for 2009/2010;
- recommend to Council the proposed Council Tax for 2009/2010;
- note the views, if any, expressed by the North East Chamber of Commerce and Trade Unions.

Is the decision consistent with the Budget/Policy Framework?
No – this report is integral in reviewing and amending the Budget and Policy Framework.
If not, Council approval is required to change the Budget/Policy Framework
Not at this stage.

Suggested reason(s) for Decision:
To comply with statutory requirements.

Alternative options to be considered and recommended to be rejected:
There are no alternative options recommended for approval as the budget has been developed on the basis of an agreed framework with consultation carried out throughout the process.

Is this a "Key Decision" as defined in the Constitution? Yes **Is it included in the Forward Plan?** Yes	**Relevant Review Committee:** Policy and Co-ordination

CABINET **11th FEBRUARY, 2009**

REVENUE BUDGET 2009/2010

Report of the Chief Executive and City Treasurer

1. Purpose of Report

1.1 To report:

- the overall revenue budget position for 2009/2010 as detailed in the Corporate Improvement Plan;
- the projected balances position as at 31st March, 2009 and 31st March, 2010 and advice on their level;
- a risk analysis of the Revenue Budget 2009/2010;
- a summary of the emerging medium term financial position facing the Council from 2010/2011 to 2012/2013;
- any views received from the North East Chamber of Commerce and Trade Unions.

2. Description of Decision

2.1 Members are requested to:

- recommend to Council the proposed Revenue Budget for 2009/2010;
- recommend to Council the proposed Council Tax for 2009/2010;
- note the views, if any, expressed by the North East Chamber of Commerce and Trade Unions.

3. Introduction

3.1 Cabinet will be aware that it approved budget proposals for the purposes of ongoing budget consultation at its January 2009 meeting. At that stage there were a number of uncertainties where clarity was awaited. These included:

- the consideration of the Collection Fund position;
- the final Council Tax Base figures;
- the impact of the Final Local Government Finance Settlement;
- any adjustments necessary to individual budgets in light of final information received and evaluated.

3.2 The outcome of budget consultation is also reported and has been taken into account in the final budget proposals.

3.3 Taking account of the latest changes in the light of new information and consideration of the final stages of budget consultation, Cabinet is asked to consider the final budget proposals, including the proposed use of balances and the position in relation to major reserves, for recommendation to Council and inclusion in the Corporate Improvement Plan.

4. Adjustments to the January 2009 Position

Collection Fund

4.1 Elsewhere on today's agenda the Collection Fund position is reported. The surplus available to the Council to be taken into account in the budget and council tax calculations has been estimated at £500,000.

Council Tax Base

4.2 The Council, at it's meeting on 28th January, 2009, approved the Council Tax Base for the area covered by Hetton Town Council (£4,032) and the City Council area (£80,089).

Final Local Government Finance Settlement

4.3 The outcome of the final Local Government Finance Settlement for 2009/2010 is reported elsewhere on the agenda.

4.4 The main features of the 2009/2010 final settlement so far as Sunderland is concerned are as follows:

- the Council's final grant entitlement for 2009/2010 has remained unchanged from the figure of £154.643 million announced in November 2008, which represents an increase of 2.16%;
- the Council's provisional grant entitlement for 2010/2011 has also remained unchanged at £157.462 million, representing an increase of 1.84%;
- there have been no changes to the level of floor increases announced or to the scaling factors used;
- the Government has also re-stated that it expects council tax increases of substantially below 5% and has re-emphasised that no authority should be in any doubt about the government's resolve in this matter, particularly during this period of economic downturn.

Dedicated Schools Grant Position

4.5 Schools funding is separate from the General Formula Grant system and is instead funded through the ring fenced Dedicated Schools Grant (DSG). However, Non Schools Education Services (Local Authority central education functions) are still financed through the General Formula Grant system. The main features of the settlement for schools through the Dedicated Schools Grant are as follows:

4.5.1 The headline national percentage increases announced as part of the 3 year settlement were, for 2009/2010 and 2010/2011:

	2009/2010	**2010/2011**
DSG	3.3%	4.1%
Per Pupil Increase	3.7%	4.3%

4.5.2 The DSG for Sunderland is forecast to increase in cash terms by 2.0% in 2009/2010 and 2010/2011, though the precise increases will be determined by the final pupil numbers submitted to the Department for Children, Families and Schools (DCFS) in February each year. The DSG increases locally reflect the falling school rolls experienced in Sunderland Schools. The 'per pupil' increases are, however, much nearer to the national average increases, with a per pupil increase in 2009/2010 of 3.7% and for 2010/2011 of 4.2%.

4.5.3 The strong focus on personalising teaching and learning to meet the needs of every child will continue over the three year period, with £535 million in 2009/2010 and £912 million in 2010/2011 earmarked within the DSG. This additional funding is to support universal provision of a personalised offer to all pupils – including those with special educational needs. To complement this increased funding through DSG, the DCFS will provide funding of £138 million in 2009/2010, and £315 million in 2010/2011, to help improve the rate at which children progress, ensuring all children can meet their potential, and those who are behind expectations, or are falling behind, get back on track. A current pilot of this approach will run until July 2009, after which the funding will be made available to improve progression in all schools.

4.5.4 The increased funding for progression will continue to be delivered through the Standards Fund for the next 2 years, as will increases in funding to extend the entitlement to free nursery education from 12.5 to 15 hours, announced by the Minister for Children, Young People and Families, (Beverley Hughes), on 7th November 2007.

4.5.5 In addition, the government has prescribed a Minimum Funding Guarantee (MFG) at school level, based on a percentage uplift per pupil. The MFG reflects the average cost pressures and an assumed efficiency gain of 1.0%. The MFG for all schools has been set at 2.1% for the 3 year period.

The application of the MFG of 2.1% was also applied to the majority of School Based Grants.

4.5.6 The Learning and Skills Council introduced a new allocation and funding approach across the whole of the post 16 Further Education sector for 2008/2009. For 2009/2010 provisional allocations have been received for the three sixth form schools and are subject to confirmation.

4.5.7 Finally, in order to protect Authorities with sharply falling school rolls a minimum cash increase in DSG of 2% has been established.

4.5.8 The table below details the potential call on the total indicative funding available:

	£m
Total Indicative Funding Available	**171.786**
MFG Requirement (2.1%)	156.755
Rates	2.388
Needs Led Formula Requirement	0.678
Total ISB Budget	159.821
School Contingency	0.459
School Block - Other Expenditure	11.127
Total Indicative Call on Funding	**171.407**
Indicative Available Headroom	0.379
Total Indicative Funding Available	**171.786**

4.5.9 The Schools Forum, at its meeting on 29th January 2009, agreed to allocate available headroom to:

- increase the meal subsidy provided through the Local Management of Schools formula to reflect the increased cost of providing a school meal and to maintain prices in 2009/2010 at 2008/2009 levels;
- support the provision of Assistant Headteachers in infant schools with 2.5 form entry, thus ensuring consistency within the formula across all sectors;

It was also agreed that any remaining headroom, once final figures are confirmed, is to be distributed based on Index of Multiple Deprivation.

Specific and Special Grants

4.6 Notwithstanding the flexibilities that the Council enjoys as a top rated Council, some specific and special grants continue to be allocated for specific purposes, with the final determination for use to be agreed as part of the overall budget by Cabinet, or otherwise where Cabinet deems appropriate, in consultation with the relevant Cabinet Portfolio holder. The main features of the settlement insofar as Specific and Special Grants are concerned are set out below:

4.6.1 Specific and special grants will increase nationally by 4.9% for 2009/2010 and by 5.3% for 2010/2011, compared to the 2008/2009 adjusted figures. The above inflation increases in specific and special grants are welcomed.

4.6.2 The government also introduced some new special grants in 2008/2009 to help meet service pressures and added legal responsibilities. The main grant was the Social Care Reform Grant which was introduced to support the transformation of social care over the period of the 3 year settlement. The grant is intended to support councils with social services responsibilities to redesign and reshape their services and systems, to enable them to deliver this transformation. The allocations for Sunderland for the next two years are as follows:

Year	**£m**
2009/2010	1.288
2010/2011	1.580

4.6.3 The government also retained grant funding and increased grant funding in specific service areas to address their national priorities, particularly in the areas of deprivation, youth and education.

Area Based Grant

4.7 A new Area Based Grant was created in the settlement for 2008/2009 into which a range of existing special grants were transferred. Whilst the introduction of the Area Based Grant, which is not ring-fenced, can be used to help fund general revenue expenditure, thus providing more flexibility in how this funding is to be used by the Council, each of the grants now included within the new Area Based Grant originally came with clear grant conditions and performance expectations. In the vast majority of cases, these performance expectations still remain and will be considered through the Comprehensive Performance Assessment, Comprehensive Area Assessment and other service based inspections. Accordingly, the Area Based Grants were passported through to their host Portfolio / Directorate for 2008/2009 and a review has been undertaken during 2008/2009, to ensure value for money and the appropriateness of expenditure in light of any changes in priority and performance targets and expectations. The results of this review are referred to at paragraph 10.5.

Working Neighbourhoods Fund (WNF)

The Neighbourhood Renewal Fund (NRF) has been replaced by the Working Neighbourhoods Fund and is a major grant included within the Area Based Grant. The Council's provisional WNF allocations for the next two years are:

Year	**£m**
2009/2010	10.499
2010/2011	11.024

The methodology used by the government in distributing WNF is still under review, after their consultation with local government ended on 9th January 2009. The above figures therefore represent the best indicative allocations available, which are also in line with the amounts exemplified in the government's consultation documentation.

The grant is intended to be used to address worklessness and economic development within the more deprived areas and a Working Neighbourhoods Strategy was recently approved by Cabinet. Please see paragraph 9.3 for a summary of the intended use of this grant and how it will assist in addressing the economic downturn.

Capping Powers and Reserve Powers

4.8 The Government has retained capping and reserve powers. The Local Government Minister, John Healey, wrote to all local authorities on 10th December 2008 stating that the Government expect to see average council tax increases next year of substantially less than 5% and have stated that local government should be under no illusions that they are prepared to use their capping powers. He further advised that the criteria for capping will not be known until council budgets have been set, and that past criteria should not be used as a guide to future criteria.

5. Budget Consultation

5.1 The Budget and Policy Framework procedure rules contained within the Constitution of the Council requires consultation on budget proposals to take place. In September 2008 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2009/2010 and proposed briefings to the following stakeholders:

- Trade Unions;
- North East Chamber of Commerce;
- Youth Parliament;
- Independent Advisory Groups (IAGs);
- Schools Forum, Head Teachers and Governors; and

Presentations have been made to the stakeholders and feedback taken into consideration in framing the budget proposals set out in this report.

5.2 In addition, a survey has been undertaken of the citizen's panel - Community Spirit - of eight priorities for further investment. Whilst there was strong support for all of the priorities, the following ranking resulted from the consultation:

1. Creating safer communities;
2. Health and well-being;
3. Supporting people to live in their own homes;
4. Clean streets;
5. Recycling and waste disposal;
6. Activities and facilities for young people;
7. City Centre;
8. Customer services.

5.3 Four 'Focus Groups' were held in different locations throughout the city at which members of the Citizens' Panel were provided with enhanced information to assist them in considering potential budget priorities and implications. The Groups were asked to rank, in priority order, a variety of spending pressures, taking account of varying levels of resource scenarios.

5.4 An elected member workshop with break out groups was held in November, 2008 and the feedback logged and taken into account in framing the budget proposals.

5.5 All of the feedback has been considered. The budget proposals in this report, taken alongside outline plans for use of special grants and other initiatives and plans in train, fully recognise the priorities identified and allocate additional resources to address these issues.

5.6 The outcome of the budget consultation undertaken is detailed at Appendix A. The Revenue Budget Report reported to January Cabinet formed the basis for second stage consultation. The notes of the meetings with the representatives of business ratepayers and trades unions to meet statutory obligations to consult on the proposed budget will be tabled at the meeting as Appendix F.

6. Changing Context

6.1 The economic downturn that looked like a possibility earlier in this financial year is now a reality. A separate report appears on today's agenda entitled 'Responding to the Global Economic Downturn', which sets out some of the key existing and planned services and activities that are designed to sustain the local economy and support businesses and local residents who suffer hardship as a consequence of the worsening economic condition. The budget proposals set out in this report have been drafted taking into account the current economic conditions and specifically:

- the need to ensure that services directed at, and most needed to address the impact of an economic downturn, have the necessary resources to be proactive in tackling the issues which can emerge and respond to the demands as they occur;
- the need to identify funding to support new initiatives to address the impact of the economic downturn on residents, businesses and communities within Sunderland;
- the need to identify and take into account the impact on the Council's domestic financial position in the short and medium term and take sound decisions to enable the council to take advantage of opportunities that may arise during the downturn and position the council to enable the city to drive forward it's economic recovery as the upturn occurs.

6.2 Some features of the volatility of the financial and other markets are set out below:

6.2.1 When the Revenue Budget for 2008/2009 was agreed by Council in March 2008, bank Base Rate stood at 5.25%. There have been 6 Base Rate reductions since that time with rates currently at 1.00%, which is a record low. The outlook is for further reductions during 2009/2010 with Base Rate forecast to reduce to 0.5% or even 0.0%. This is dealt with in more detail in the Treasury Management section of this Corporate Improvement Plan report.

The interest rate reduction has had a major impact on the return on Council deposits, which impacts on the level of income available to support the Council's Revenue Budget.

6.2.2 The house building sector has been one which has been hit earliest and hardest by the economic downturn. The demand for properties for sale has dropped as mortgages have become more difficult to secure, which has created a downward pressure on house prices. This has in turn impacted on the Council's ability to generate capital receipts from the sale of surplus assets, as the demand for development sites has reduced, and where demand is present there has been a negative impact on site values. The reduced capacity to generate capital receipts has a direct impact on the Council's capital programme. This is dealt with in more detail in the Capital Programme section of this Corporate Improvement Plan report.

6.2.3 When the Budget Planning Framework report was approved by Cabinet in October 2008 the annual rate of inflation to the end of August 2008 was reported as follows:

- RPI – 4.8%
- RPIX – 5.2%
- CPI – 4.7%

In addition, specific reference was made to the budget pressure arising from increases in the price of utilities.

Significant reductions to the rate of inflation have been experienced since that time and the budget proposals for 2009/2010 have been drafted to reflect the revised circumstances. The current published CPI is 3.1% whilst RPI is 0.9%.

6.2.4 In July 2008 the price of a barrel of oil was around $150 whereas the current price is around $44. Whilst this represents a significant decrease in the price of oil, the Council has still faced a significant rise in energy costs generally from the 2007/2008 levels. The decrease in the price of oil is feeding through to the price of other forms of energy, but the sustainability of the current price remains uncertain as oil producers consider options to reduce supply.

6.2.5 Government have introduced a number of measures in response to the economic downturn. These include the bringing forward of planned public sector investment from 2010/2011 to 2008/2009 and 2009/2010 on housing, regeneration, energy efficiency and schools, and a reduction in the main rate of VAT from 17.5% to 15%.

6.2.6 The Council's budget proposals contain a range of measures which are aimed at addressing the various effects of the volatility in the financial and other markets as well as the economic downturn. These are summarised at Section 9.

7. Budget Proposals

7.1 Adults Services Portfolio

In October 2008, the Vision for 2025 was launched which sets out the clear vision for transforming adult social care. The first 3 year Delivery Plan to achieve the vision was also launched. It sets out how services will be based on enablement and early intervention to promote independence rather than involvement at a point of crisis. Services will provide for a greater range of needs with a focus on using preventative approaches to promote people's independence and wellbeing. Additionally, the plan sets out how the market for the care sector will be managed in the future. Additional provision of £3.212 million has been included for Adult Services in recognition of the need to achieve the ambition of the Council for Adult Social Care. Further details on specific investments are set out below:

Preventative / Independence Services
The Social Care Reform Grant (please see paragraph 4.6.2 above) was introduced in 2008/2009 to help Councils transform Adult Social Services and consequently deliver more cost efficient and effective care packages for all client groups. A sum of £1.288 million is available in 2009/2010 as part of the 3 year grant settlement, and £1.580 million in 2010/2011.

These amounts are earmarked to support new methods of care which seek to maximise peoples' independence and enable more people to live in their own homes for longer

This will address the strategic priority of 'healthy city'.

Independent Care Providers
Significant additional provision is proposed to be provided to assist in funding fees for independent care providers for residential, nursing and other social care services in 2009/2010. Notwithstanding the modernisation of Adult Services underway, it is important that capacity is retained in the independent care market for some of our most vulnerable citizens.

This will address the strategic priority of 'healthy city'.

Shopmobility
This project was previously funded from NRF but does not meet the criteria for continued funding from WNF. Mainstream funding of £20,000 is therefore proposed to continue to support this high priority project. A key outcome of the project is to enable all people to participate as active and equal citizens, both economically and socially.

This will address the strategic priority of 'healthy city' and 'attractive and accessible city'.

7.2 **Children's Services Portfolio**

Fostering and Adoption Services
A provisional additional sum of £475,000 has been provided for the Fostering and Adoption Service. It is proposed that the additional funding will be used to aid the recruitment and retention of foster carers in a very competitive market and over time reduce the need for more expensive purchased foster care placements, and in so doing, seek to improve outcomes for children in care.

This will address the strategic priorities of 'safe city' and 'healthy city'.

Youth Initiatives
Innovative mobile youth facilities in the West and South areas led to significant reductions in anti-social behaviour when they were used on Friday and Saturday nights last summer. This scheme which has attracted national positive interest has been very well received by young people. Funding of £300,000 will be used to help to develop and spread this initiative across the city in 2009/2010 leading to anticipated further reductions of ASB behaviour in local communities.

This will address the strategic priorities of 'safe city', 'attractive and accessible city' and 'learning city'.

Fees for Independent Care Providers
An additional £215,000 is proposed to be provided to assist in funding fees for independent care providers for children's social care in 2009/2010.

This will address the strategic priorities of 'healthy city'.

Youth Offending Service
Mainstream funding of £271,000 is proposed for the Council's Beacon Status Youth Offending Service. It will support the continuation of the Restorative Justice project which allows victims of crime to meet and talk to offenders about the impact of crime on members of the public. In addition the monies will support the work of the Phoenix Project which supports young people working with staff from the YOS and Tyne and Wear Fire and Rescue Service on projects to educate young people about the risks of fire and fire setting.

This will address the strategic priority of 'safe city'.

7.3 **Culture and Leisure Portfolio**

Silksworth Swimming Pool
Provision of £100,000 is proposed to meet the net additional running costs of Silksworth swimming pool which will be opened during 2009/2010. This new pool in the South of the City, will complete the strategic review of swimming facilities, and enhance local participation opportunities in physical activity and learn to swim programmes.

This will address the strategic priority of 'healthy city'.

Free Swimming Initiative
The Council has embarked on a pilot period of free swimming for under 16's and over 60's for a period of two years. The government has provided specific revenue grant support of £216,690 in both 2009/2010 and 2010/2011. The Council has provided additional resources amounting to £53,104 in 2009/2010 and is committed to providing £113,704 in 2010/2011 to ensure full funding is available for the pilot period.

This will address the strategic priority of 'healthy city'.

Community Development
Provision has previously been made available from NRF but does not meet the criteria for continued funding from WNF. There is only limited existing mainstream provision to support community development and therefore it is proposed to include £288,000 to enable existing services to be continued and enable implementation of the Community Development Plan. This will enable a co-ordinated and effective approach to Community Development both through the alignment of support to the VCS and also the development of appropriate practices and procedures across the Sunderland Partnership. Resource will also support the future arrangements for Sunderland Community Network moving to a situation whereby there will be one identified voice for the VCS and thus one Community Empowerment Network in the City.

This will address the strategic cross cutting priority of 'creating inclusive communities'.

Smoke Free Environments
Provision of £40,000 is proposed to replace NRF. The initiatives do not meet the criteria for continued funding from the WNF. This will enable the Council to continue joint working with the PCT in this important area which includes a joined up approach between local businesses, the Council and local Health providers and supports the continued regulation of smoke free environments.

This will address the strategic priority of 'healthy city'.

7.4 **Housing and Public Health Portfolio**

A provision of £202,000 is proposed to meet the costs of a wide range of high priority housing related issues which have previously been funded from NRF including homelessness, warm homes, anti social behaviour and neighbourhood renewal. Research shows the significant impact housing has on helping individuals to stay healthy and sustain family networks.

This will address the strategic cross cutting priority of 'housing'.

7.5 **Leader and Deputy Leader Portfolio**

Community Safety Initiatives / Neighbourhood Police Officers
Community safety was identified in the stage 1 consultation on the budget as the top priority by the public (see Section 5). Additional resources of £162,000 is proposed plus £432,000 to mainstream priority projects previously funded by NRF which do not meet the new criteria for WNF. The additional funding will help support the provision of security measures for small retailers, increase capacity to target prolific neighbourhood offenders and protect high risk domestic violence victims. These additional measures will increase safety and reduce crime supporting Sunderland's Local Area Agreement priorities and targets.

This will address the strategic priority of 'safe city'.

Existing CCTV Operating Costs
Provision of £42,000 is proposed to replace funding from NRF and NDC that is no longer available to meet the operating costs of existing CCTV installations.

This will address the strategic priority of 'safe city'.

Service Review

Provision of £150,000 is proposed to conduct service reviews that will strengthen the internal challenge and review of services to ensure that they are delivering best value and are focused on the needs of customers.

This will address the Corporate Improvement Objectives of 'Efficient and Effective Council' (CIO3) and 'Delivering Customer Focused Services' (CIO1).

Communications

In relation to Customer Services, the Community Spirit Survey highlighted the highest priority for additional investment to be 'to improve information about the council services available and how residents can access them' and the second highest priority 'to give local residents more local and citywide information about events, activities, developments and councillors' work'. The council has an obligation to promote the availability of its services to all sectors of the community and to raise awareness of social issues such as sustainability or community safety. Steps have recently been taken to give local people a greater say in key decisions of the Council and there is a need to stimulate public involvement and participation. There is therefore a need to provide information on developments both citywide and in local areas that have an impact on local people and communities to encourage people to take part and inform debate. To make that information more accessible, timely and relevant and to target it to specific areas, it is proposed to earmark an additional sum of £250,000.

This will address the Corporate Improvement Objective of 'Efficient and Effective Council' (CIO3).

City / Services Marketing

In order to enable a more joined up approach across partners to marketing services and increase the profile and attractiveness of the city to potential visitors, students, residents and business investors, it is proposed to earmark a sum of £150,000.

This will address the Corporate Improvement Objectives of 'Efficient and Effective Council' (CIO3) and 'Improving Partnership Working to deliver 'One City''.

Partnership Support
The operational support to the Local Strategic Partnership was formerly funded through NRF. The replacement of NRF with WNF means that this source of funding is no longer available for this purpose. In order to provide pump priming funding to lever in support from other partners it is proposed to provide £170,000 for this purpose.

This will address the Corporate Improvement Objective of 'Improving Partnership Working to Deliver 'One City" (CIO4).

7.6 **Neighbourhood and Street Services Portfolio**

Enforcement Officers
It is proposed to make provision of £100,000 to appoint additional Enforcement Officers to address environmental crimes such as litter, dog fouling etc. which will increase the number in the five proposed areas of the city to 3 each (15 total).

This will address the strategic priority of 'attractive and accessible City'.

Replacement of the 'Kerb It' Recycling Scheme
Existing contractual arrangements for the treatment of recycled materials come to an end in March 2010 and provide an opportunity to change collection systems. Longer term requirements to meet recycling targets within the South Tyne and Wear Joint Waste Strategy, to provide a system which is more easily used and understood by customers and address efficiencies, will result in the provision of a further wheeled-bin to replace the black box. This change accords with wishes expressed by residents through a range of consultation feedback over recent years. The distribution of those wheeled bins to all conventional domestic properties will commence in late 2009/2010 and continue into 2010/2011 on a phased basis, and will be funded from the Capital Programme. The change in the type of container will also necessitate changes to collection vehicles as they reach the end of their economic life. Leasing costs amounting to £124,000 associated with the necessary changes to the refuse collection fleet have been included in the Revenue Budget 2009/2010.

This will address the strategic priority of 'attractive and accessible city'.

Waste Disposal Strategic Solution
In accordance with the policy of gradually building up provision within the Council's base budget to fund the eventual affordability gap associated with the Waste Disposal Solution, it is proposed to make provision of £900,000 for 2009/2010, taking into account the landfill tax that will be saved when the Waste Disposal Strategic Solution comes on stream.

The overriding intention of the strategic solution is to minimise the use of landfill as a means of waste disposal in the future. Whilst the Outline Business Case only contains illustrative affordability gaps at this stage based on a wide range of assumptions, it is clear that the annual affordability gap will be significant for all three partners within the partnership (Gateshead MBC, South Tyneside MBC and this Council).

Whilst the final annual affordability gap is not yet known, the proposal to increase provision by £900,000 will increase the Council's provision to £2.2 million which represents a prudent approach given the timescales which are being worked to. The strategic waste disposal solution is not planned to become operational until 2014/2015.

This provision will ultimately address the strategic priority of "attractive and accessible city" and the cross cutting strategic priority of 'sustainability'.

7.7 **Resources Portfolio**

Procurement
It is proposed to make provision of £150,000 for further investment in procurement to identify and secure significant corporate and directorate based procurement savings in the future. Specifically work will concentrate on category management of corporate and directorate specific spending to maximise the opportunities for contracts and the potential for procurement collaboration will be explored and where value can be added maximised.

This will address the Corporate Improvement Objective of 'Efficient and Effective Council' (CIO3).

Business Continuity
It is proposed to make provision of £50,000 to strengthen the Council's business continuity arrangements which is a high priority for the Council and is also a feature of the CPA/CAA process.

This will address the Corporate Improvement Objective of 'Efficient and Effective Council' (CIO3).

Economic Downturn
Within the Council's proposed contingency provision, it is proposed to create an earmarked provision to protect against the effects of the economic downturn on Council services. Whilst the presumption will always be that where income reduces costs will be reduced accordingly by the same amount, this may not always be possible in all cases and may not be considered to be in the longer term interests of the Council. For example where costs are fixed in the medium to long term or where expertise needs to be retained irrespective of a downturn in the level of service activity.

This will address the Corporate Improvement Objective of 'Efficient and Effective Council' (CIO3).

7.8 **Regeneration and Community Cohesion Portfolio**

Equality and Diversity
It is proposed to create provision of £260,000 to replace NRF funding (£145,000) which is no longer available to support this activity, and make additional provision (£115,000) which will enable the development of Independent Advisory Groups and the rollout of the ARCH (Agencies Against Racist Crime and Harassment) system to partners across the city.

This will address the strategic cross cutting priority of 'creating inclusive communities'.

Area Committee Support
Following the approval by Cabinet of new area arrangements in October 2008, it is proposed to provide £100,000 to strengthen the support provided to Area Committees.

This will address the strategic cross cutting priority of 'creating inclusive communities'.

7.9 **Planning and Transportation Portfolio**

Provision of £50,000 has been made to support a public campaign to promote sustainability issues and to develop measures to address the Council's own waste.

This will address the strategic cross cutting priority of 'sustainability'.

8. Additional Proposed 'One off' Investments

8.1 Revenue Budget Position 2008/2009

As referred to in the January 2009 Cabinet report additional funds will accrue to balances at the outturn for this financial year arising from savings on debt charges and additional interest from investments and unspent contingencies. At this stage it is anticipated that £8.150m savings will accrue to the end of 2008/2009.

In the light of the above, it is proposed that:

- £4.000 million of this sum is earmarked within the Strategic Investment Reserve to support the Children's Services capital programme commitments thus increasing this provision from £6.000 million, originally provided temporarily to assist in funding the Building Schools for the Future project, to £10.000 million.

- £1.538 million is earmarked to support the other services capital programme existing commitments funded by capital receipts.

It is proposed that the remaining £2.612m will be used to support the capital programme for 2009/2010 through a Revenue Contribution to Capital.

8.2 Use of the Revenue Contribution to Capital and other Sources of Funding

There are a significant number of Capital Programme pressures which need to be addressed as part of the Capital Programme for 2009/2010. These feature as proposals elsewhere on today's agenda. The main areas of investment are:

- Cultural Quarter - £1,555,000
- Central Car Park - £1,500,000
- City Centre Improvements – £1,000,000
- World Heritage Site – Streetscape Improvements – £677,000
- Subway Improvements Review - 2009/2010 - £90,000
- ICT Infrastructure Investment – £240,000
- Revenue and Benefits - Phase 2 - £444,000
- Economic Development Provision - £800,000
- Software City – £2,000,000
- Crematorium – £750,000
- Recycling - Replacement Kerb-it Scheme - £2,400,000
- Free Swim Initiative - £85,000
- Travellers Site - £100,000
- Business Improvement Programme - £500,000

8.3 **Proposed 'One off' Revenue Budget Investments**

8.3.1 **Highways Maintenance / Footway Maintenance - £400,000**

It is proposed to continue to provide a sum of £400,000 to supplement the existing Highways Maintenance budget and thereby address the backlog of maintenance and incidence of claims. Since the introduction of the additional provision in 2002/2003 highway claims have reduced from 668 to 204 in 2007/2008 coupled with an increase in repudiation rate to 83% in 2007/2008 (76% in 2006/2007). This has contributed to reduced public liability insurance premiums and improved satisfaction evidenced through the Annual Residents Survey. Allocation of the budget will be made between Highway Maintenance and Footway Maintenance in light of need, performance and satisfaction issues. It is proposed that within this overall sum, the following priorities should be funded from this source

- resurfacing footpaths in Cemeteries - £40,000
- Public Rights of Way – proposal is to replace 150-200 steel direction signs and waymark disks which are out of date or missing

This will address the strategic priority of 'developing an attractive and accessible city'.

8.3.2 **Repairs and Renewals - £250,000**

A review of repairs and maintenance priorities is being undertaken by the Head of Land and Property in conjunction with Directorates. Additional repairs and maintenance pressures were included in Other Services bids for new starts for 2009/2010. Taking account of the sum which Cabinet approved for drawdown at its October meeting, a total sum of £1,000,000 is available to assist in addressing those priorities (£500,000 earmarked from 2007/2008 and £250,000 earmarked from 2008/2009). It is proposed to provide a further £250,000 in 2009/2010. This is accounted for within the proposed contingency provision. Within this overall sum it is proposed to fund remaining DDA access works to enable full compliance with legislation amounting to £136,000.

This will address the corporate improvement objective of 'Efficient and Effective Council' (CIO3).

8.3.3 **Local Development Framework - £251,000**

Resources are required to support the evidential information requirements associated with preparing the Local Development Framework (LDF). At this stage various elements of work relating to the Greenspace study and Core Strategy consultation are planned in 2009/2010. In addition, during the remaining period which spans four years to the end of 2011/2012, there could be public enquiries, inspector costs, witness costs and consultants costs arising. Accordingly it is considered prudent to top up the specific contingency provision to £400,000 to meet any remaining additional costs.

This will address the strategic priority of 'developing an attractive and accessible city'.

8.3.4 **Waste Disposal Strategy - Preparatory Costs - £230,000**

The development of the Waste Disposal Strategic Solution with South Tyne and Wear Waste Management Partnership requires the continued engagement of specialist advisers. Additional provision of £230,000 is required over the next two years to be held in contingencies to fund the Council's contribution towards the projected costs.

This will address the strategic priority of 'attractive and accessible city'.

8.3.5 **Occupational Health Unit - £150,000**

The provision of additional OHU funding of £150,000 in 2009/2010 will continue to be aimed at reducing the waiting times for physician appointments. Records show that in 2008/2009 the average waiting time reduced from 6 weeks to just under 2 weeks. This reduction in waiting times results in many long-term sickness cases achieving resolution 4 weeks earlier than they otherwise would. A report setting out the detailed use of this funding will be presented to the Personnel Committee.

This will address the corporate improvement objective of 'Efficient and Effective Council' (CIO3).

8.3.6 **Festivals and Events - £250,000**

A provision is necessary to maintain the momentum of developing the City as an exciting and vibrant place to live and visit - this proposed provision of £250,000 will enable a continuation of existing festivals and events, and provide a contingency for other events. The funding will enhance the existing festivals and events programme, develop new events, and ensure the current level of events is maintained.

This will address the cross cutting priority of 'culture'.

8.3.7 **Job Enrichment - £150,000**

Provision of £150,000 will ensure satisfactory completion and operation of job enrichment arrangements as part of the implementation of Phase 1 of the Single Status Agreement and consideration of service transformation opportunities as part of the implementation of Phase 2. It will also support work currently undertaken within the Business Improvement Programme.

This will address the corporate improvement objective of 'Delivering Customer Focused Services (CIO1).

8.4 **Equal Pay and Single Status**

Funds have previously been agreed to meet compensation payments necessary to settle equal pay claims or the outcome of Employment Tribunal proceedings. It is possible that further sums will be required and the position will be kept under review and additional funding earmarked as appropriate.

With regard to Single Status, prudent provision has been included for the further impact of implementing Single Status generally.

9. The Proposed Revenue Budget and Capital Programme 2009/2010 in the Context of the Economic Downturn

9.1 Clearly as illustrated at Section 6. above, the economic context has changed very rapidly over the past 5 months for the worse. A key consideration in preparing the proposed Revenue Budget and Capital Programme for 2009/2010 has been to give a very high priority to:

- the need to ensure that services directed at, and most needed to address the impact of an economic downturn have the necessary resources to be proactive in tackling the issues which can emerge and respond to the demands as they occur;
- the need to identify funding to support new initiatives to address the impact of the economic downturn on residents, businesses and communities within Sunderland;
- the need to identify and take into account the impact on the Council's domestic financial position in the short and medium term and take sound decisions to enable the council to take advantage of opportunities that may arise during the downturn and position the council to enable the city to drive forward its economic recovery as the upturn occurs.

9.2 In financial terms the Council's response can be captured through consideration of four key areas:

- the proposed use of the Working Neighbourhoods Fund as set out in the Working Neighbourhoods Strategy;
- the financial commitment which the council is asked to make to enable the response detailed elsewhere on the Cabinet Agenda entitled 'Responding to the Global Economic Downturn' which sets out the impact of the downturn on Sunderland, its, residents, business sector and communities, to be delivered;
- the capital investment proposed in and Capital Programme 2009/2010 and the individual schemes within it;
- the proposal set out in the Revenue Budget to bolster existing services that are or will be subject to increased demands, and provide additional provision to tackle the effects of the downturn.

9.3 **Working Neighbourhoods Strategy**

9.3.1 Sunderland has been allocated £30.1 million over 3 years out of the national £1.5 billion Working Neighbourhoods Fund (WNF), as part of the Government's drive to reduce long term unemployment and benefit dependency now and in the future in our most disadvantaged communities. DWP and DCLG Working Neighbourhoods Funding Guidance states the focus of the fund is “to empower local communities by putting employment at the heart of neighbourhood renewal.”

9.3.2 As such, WNF represents a new opportunity to focus funding on addressing worklessness in the city. Worklessness in Sunderland stands at 36,700 representing 21% of the total working age population (the national figure is 14%). Labour market participation stand at 74%. The Government’s target is to achieve 80%. The need to address this issue has grown in its importance and relevance with the onset of the economic downturn being experienced.

9.3.3 To achieve this, the Sunderland Working Neighbourhoods Strategy sets out the Council's approach to the allocation of the Working Neighbourhoods Fund through the twin themes of Assisting People into Work and Boosting Enterprise and sets the challenging target of assisting 2,500 people to move from benefits to work by March 2011, of which 350 will be self-employed. Cabinet approved the Working Neighbourhoods Strategy in December 2008 for delivery against agreed objectives until 31st March 2011.

9.3.4 The Government's Tackling Worklessness Review Panel, reporting in December 2008, highlighted the importance of developing local measures to combat worklessness in light of the current global economic downturn and stressed the need to use Working Neighbourhood Funding "innovatively and to best effect".

9.3.5 By focusing on engaging a greater number of the hardest to reach clients and working with employers to improve the appropriateness of training to meet their skills requirements, the Council will seek to achieve the challenging neighbourhood targets.

9.3.6 At the same time, the Boosting Enterprise elements of the strategy aim to increase the competitiveness of the Sunderland economy through stimulating new enterprise generation in the city's most deprived neighbourhoods, looking at innovative ways of generating new enterprise opportunities and – critically – continuing the work of the Council's Business and Investment Team to support existing businesses through strategic investment, job creation grants and business support packages.

9.4 **Responding to the Global Economic Downturn**

A summary of the various measures designed to help sustain the local economy and support businesses and local residents who may suffer hardship as a consequence of the worsening economic conditions, detailed in the separate report to Cabinet elsewhere on today's agenda entitled 'Responding to the Global Economic Downturn' is set out below:

9.4.1 Supporting local businesses by:

- Providing, with our partners, advice on both business planning and the availability of financial support and also providing suitable business premises.
- The Councils Business Development team manages a set of financial support measures that help improve and develop support for inward investment and business growth for the City.
- Business support measures are actively being promoted across the City.
- A raft of measures are in place to promote and increase the take up of available rate relief by businesses across the city e.g. individual canvassers visit companies from February to encourage businesses to take up entitlement to small business rate relief and empty property rate relief.
- Promotion of Sunderland as a place for both business investment (UK and foreign markets) and also as a short break destination to bolster the local economy.
- The Council has speeded up its payment of invoices such that on average it is now paying undisputed invoices within ten days of receipt to help businesses improve their cash flows and will make urgent and immediate payments in cases of financial hardship.

- Council procurement practices seek to enable local businesses to compete for council work and further developments are planned to increase work awarded to local businesses.

9.4.2 Improving employability by:

- The Council contributes to both the Rapid Response Scheme and also provides 12 Job Linkage service outlets that both provide people threatened with redundancy, opportunities for further training, skills development, and to assist with ensuring early and maximum benefit payment / entitlement.
- Neighbourhood Enterprise Talent Scouts will be promoting enterprise and supporting individuals to start up their own businesses.

9.4.3 Helping people with financial problems by:

- Improving the welfare rights provision right across the city thereby increasing access to specialist services for the most vulnerable and needy.
- Actively promoting information on all benefits available from the council and others on things like benefit entitlement, debt advice and 'handy tips guide' on how to get the most from your money.
- Government has introduced a Mortgage Rescue Support Scheme to help prevent people from losing their homes – the council will both publicise the scheme and will provide advice on access and eligibility.

9.4.4 Stimulating house building by:

- Accelerating the assessment of the feasibility of developing a Local Housing Company (LHC) to mitigate the downturn in the housing and construction market.

9.4.5 Investing in Strategic Regeneration by:

- Including a range of targeted regeneration schemes in the proposed Capital programme 2009/2010 to maximise public investment to stimulate confidence and demand - please see paragraph 9.5 below;
- Undertaking a review to assess which future projects can be brought forward to increase investment in infrastructure and environmental projects to help stimulate the construction industry in the region but also deliver practical service improvements on the ground earlier, including through using government funding where available.
- Developing an Economic Master Plan to enable the council and its partners to direct investment over the medium term, into projects that provide the greatest economic benefit and growth to the city and the wider region.

9.4.6 At this stage all of these interventions can either be met from within existing budgets through a redirection of resources reflecting the very high priority of this agenda, or else specific additional budgetary provision has been made in service budgets or the council's contingency. All interventions and services will be kept under review as will demand. Additional financial capacity has been built into contingencies.

9.5 Capital Programme 2009/2010

9.5.1 The Council's capital programme for 2009/2010 amounts to £112.366m and given its scale, will, of itself have a positive impact on the city's economy.

9.5.2 With regard to individual schemes aimed at, or making a significant positive contribution to, addressing the economic downturn, further details are set out elsewhere in item ii) of this agenda item. The schemes are summarised below:

9.5.3 City Centre

- Market Square Public Realm Improvements - £1.6m (£800,000 Council funding);
- Cultural Quarter - (£3m provided within the Council's proposed Capital Programme and discussions taking place with ONE North East with a view to investing in a larger scheme);
- Sunniside Public Realm - £2.2m;
- Central Car Park - £1.5m;
- City Centre - General Improvements (£1m Council funding with discussions taking place to secure matched funding);
- World Heritage Site - Action Plan - £584,000.

9.5.4 Economic Development Schemes

- Software City (£2m Council funding earmarked - full scheme cost to be finalised but likely to be well in excess of £10m ONE North East and other partners are planning to meet the balance of funding);
- Washington Managed Workspace - £5.5m (Council funding of £4m provided for and balance to be met from external funding);
- General Provision for Economic Development - £0.8m.

9.6 Revenue Budget 2009/2010

9.6.1 The Council's Revenue Budget for 2009/2010 has taken into account:

- the effect on its domestic financial position arising from the economic downturn and established appropriate contingencies e.g. reduced car park income, reduced planning application fees, etc.;
- additional provision is proposed to ensure improved awareness of and thereby access to services provided across the council. In the current climate, this will be focused on those services that people directly affected by the downturn will be reliant on and services provided to the most vulnerable people in the city;
- additional provision has been included to market the city and within that the city centre specifically.

10. Efficiency Savings

10.1 The Comprehensive Spending Review 2007 (CSR07) set out a national efficiency target for local government of £4.9billion by the end of 2010/2011 equating to 3% cashable savings per annum.

While there are no mandatory individual targets for councils, performance of individual councils will be monitored through NI179. In addition, the 2009 Use of Resources framework includes references to performance against efficiency targets. Together these indicate it is necessary for Councils to set themselves stretching targets for efficiency for the period of the CSR07.

In order to ensure a successful response to the efficiency requirements of the CSR07, Cabinet agreed the Efficiency Strategy 2008/2009 to 2010/2011.

The strategy is predicated on setting challenging targets for both cash releasing and non-cash releasing efficiencies for the period of the CSR07 as follows:

- 3 % per annum cash releasing efficiencies;
- 0.6% per annum non cash releasing efficiencies.

10.2 The Budget Planning Framework reported to Cabinet in October, 2008, set out the proposed approach to identifying efficiency savings for inclusion in the 2009/2010 which was a combined approach of:

- tightly drawing Directorate cash limits to prompt the identification and reinvestment of efficiency savings;
- seeking to identify a range of corporate and cross cutting efficiency savings, through Corporate Efficiency Projects;
- asking Directorates to bring forward 4% efficiency savings, including through drawing on efficiency savings arising from policy and service reviews, and through modernising and improving services across the Council.

The above approach has placed the Council in a good position to respond to the Final Local Government Finance Settlement for 2009/2010.

10.3 As part of the Revenue Budget strategy for 2008/2009 targets were set for a range of Corporate Efficiency Projects. These are currently being reviewed and a fresh target of £500,000 has been set for 2009/2010 with the objective of maximising efficiencies from these reviews.

The following Corporate Efficiency Projects are being progressed:

- Voice Over Internet Protocol (VOIP);
- Transport – including Car Leasing and Fleet Management;
- E Commerce – Income Collection;
- E Procurement;
- Corporate Procurement – Contract Programme Review;
- Water Cooler Replacement;
- Energy Management;
- ICT Hardware Rationalisation (including all Desktop);
- Business Improvement Programme;
- On Line Recruitment;
- Property – Review of Vacant Property;
- Smarter Working;
- HR/Payroll;
- City Print.

Further opportunities for developing corporate efficiency projects are being explored to assist with the medium term position in the light of the efficiency framework.

10.4 The efficiency savings submitted by Directorates in response to the Budget Planning Framework guidelines were assessed against the following criteria:

- efficiency savings to have no material effect on policy or front line services except where already approved by Cabinet and/or Council;
- minimise the effect on job losses and seek to ensure so far as possible no compulsory redundancies.

10.5 As part of the budget planning framework, it was agreed that a review would be undertaken of all Area Based Grants to ensure value for money and the appropriateness of expenditure in light of any changes in priority and performance targets and expectations. This review identified efficiency savings of £1,946,000 and it is proposed that these savings be used to assist in balancing the budget for next year.

10.6 The following table shows the financial impact of draft efficiency savings proposed to be taken into account in the budget for 2009/2010:

Service	**2009/2010**
	£000
Back Office / Support Services / Corporate Services / Development and Regeneration	1,373
Additional or Alternative Sources of Income	2,288
Overheads/General Efficiencies	1,289
Health, Housing and Adult Services	2,001
Community and Cultural Services	1,194
Children's Services	1,090
Outcome of the Area Based Grants Review	1,946
Corporate Efficiency Projects	500
TOTAL	**11,681**

The focus of the above proposed efficiency savings has been on back office / support services, income generation and reducing overheads. The savings include the impact in 2009/2010 of savings accepted as part of the Revenue Budget strategy for 2008/2009.

The efficiency savings are reflected in the Corporate Improvement Plan.

10.7 The government has introduced amending regulations that require councils to include information about efficiency performance on the face of the council tax bill. This includes information in relation to this Council and the Tyne and Wear Fire and Rescue Authority.

The requirements include:

- forecast information relating to the year prior to the council tax billing year i.e. 2008/2009;
- forecast information relating to the council tax billing year i.e. 2009/2010;
- the total impact of forecast efficiencies for the average Band D dwelling in the billing authority's area.

The same regulations also require councils to include information about efficiency performance in the leaflets that accompany demand notices, including prior years performance and benchmarking information.

11. Overall Position

11.1 Since the initial budget proposals were formulated, consideration has been given to the outcome of the budget consultation, the final settlement, the collection fund position, the council tax base, and government guidance in relation to Council Tax levels.

11.2 The difference between the Net Budget Requirement for 2008/2009 and that proposed for 2009/2010 is set out below.

	£m	**£m**
Net Budget Requirement 2008/2009		**243.153**
Commitments		
- Pay Awards, Price Increases, and Service Pressures	4.930	
- Energy Price Increases	1.871	
- Passenger Transport Levy	0.285	
- Debt Charges	0.365	
- Waste Disposal/Recycling	0.432	7.883
Spending Priorities (by Portfolio)		
- Adult Services	3.212	
- Children's Services	1.261	
- Culture and Leisure	0.481	
- Housing and Public Health	0.202	
- Leader / Deputy Leader	1.356	
- Neighbourhood and Street Services	1.124	
- Resources	0.600	
- Regeneration and Community Cohesion	0.410	
- Planning and Transportation	0.050	8.696
Efficiency Savings		
- Efficiency Savings including Directorate Efficiency Savings, the Review of Area Based Grants, and Corporate Efficiency Projects		(11.681)
Contribution from Balances		**(3.496)**
Spending Pressures – One Off		
Capital		3.065
Revenue		1.431
Net Budget Requirement 2009/2010		**249.051**

The Net Budget Requirement to be approved by the Council is funded through:

- the grant received from government (the Council's share of Revenue Support Grant and National Non – Domestic Rates); and
- Council Tax.

The General Summary page of the Revenue Budget together with details of the proposed contingency and allocations proposed for investment in strategic priorities will be circulated separately for inclusion in the Corporate Improvement Plan.

11.3 The formal decisions of the major precepting bodies are awaited regarding their precept proposals for 2009/2010. Consequently, the Proposed Council Tax for 2009/2010 will be tabled as an Appendix to this report at the Cabinet meeting on 11th February 2009.

12. Medium Term Financial Position

12.1 In considering the Revenue Budget for 2009/2010 it is important to have regard to the medium term position, covering 2010/2011 through to 2012/2013. There are a number of assumptions included in the Medium Term Financial Strategy and a range of scenarios, which may emerge. Those particularly significant commitments, which have been considered when estimating the resources position for future years are set out below:

12.2 **Pay and Pensions**

With regard to pay awards, the government has previously indicated that they expect public sector pay awards to be no higher than 2.0%. However, that policy direction has not been refreshed in light of the significant changes to the economic position which has been experienced over the past 5 months. Given the significant downturn in inflation (RPI as at December 2008 was 0.9%), lower pay awards can be expected, and potentially, significantly lower. However, it is prudent to plan on the basis that pay awards will exceed general government grant settlements over the medium term. Prudent provision has been included on this basis.

Prudent provision continues to be made for the implementation of Phase 2 of the Single Status Agreement.

With regard to pensions, the next actuarial review is planned for 31st March 2010, the results of which will be implemented in 2011/2012. The significant economic downturn can be expected to have impacted negatively on the funding level of the Tyne and Wear Pension Fund, the actuarial review is not for another 14 months, and the outcome can not be prejudged. There are a range of factors which could affect the outcome, both positive and negative. The position will be kept under review, but at this stage a prudent estimate of additional costs have been factored into the medium term position.

12.3 **Debt Charges and Revenue Consequences of Capital Expenditure**

The prudential framework for the control of local authority capital expenditure provides flexibility to borrow to fund capital expenditure. A limited amount of prudential borrowing has been provided for within the medium term financial position. As reported elsewhere in detail on today's agenda, the level of government support within the revenue support grant settlement and the expectations of individual government departments to see a certain level of capital investment in the areas they are responsible for continues to place constraints on local authorities. Allowance has been included on the best information to meet anticipated government supported borrowing.

With regard to the revenue consequences of capital expenditure, other than financing costs, the medium term planning assumption is that these will be met from within Directorate cash limits. For major corporate developments additional provision may be included in the Medium Term Financial Strategy.

12.4 **Passenger Transport Levy**

The position relating to the PTA levy in future years is based on the latest estimates which provide for an increase of 2.5% in future years.

12.5 **Waste Disposal**

The impact of increases in the costs of waste disposal have been factored into the Medium Term Financial Strategy including landfill tax, volume of waste and recycling requirements and the need to address a significant affordability gap associated with the Waste Disposal Strategic Solution. The provisions for waste disposal in the short to medium term will continue to be affected by the annual increases in landfill tax (£8 per tonne until 2010/2011) and the need to continue to make progress in the area of recycling.

12.6 **Adult Services Demand and Performance Issues**

The increasing longevity of the national and specifically, the city's, population continues to place pressure on Adult Social Services budgets and indeed health budgets generally. In addition, client expectations and demand for support which enables them to maintain independent living is requiring reconfigured services and the growth in establishing and operating individualised budgets to meet client care needs will create transitional pressures.

These factors have been recognized in the Adult Social Care Vision for 2025 and have been factored into the 3 year delivery plan which will be refreshed as the Strategy is implemented. The financial implications have been considered in preparing the 2009/2010 Revenue Budget and have been considered in preparing the Medium Term Financial Strategy.

The government is currently undertaking a review of how Adult Social Care is funded and the results will be factored into the Medium Term Financial Strategy when known.

12.7 **Spending Review 2007 and Future Spending Reviews**

The Spending Review 2007 has set out indicative funding in terms of general and special grants for 2010/2011. The indicative settlement has been factored into the Medium Term Financial Strategy.

Given the economic downturn, much lower settlements can be expected for the next Spending Review, likely to cover the period to 2012/2013. Prudent assumptions have been made regarding future government grant funding.

12.8 **Impact of European Funding Changes**

The North East, in common with other regions, has experienced a fall in the quantum of European funding and the impact of changes in the way funding is distributed. Whilst the impact of the reduced funding has largely been accounted for within the Council's overall position, every effort will continue to be made to maximise funding from this source consistent with addressing the Council's Strategic Priorities.

12.9 **Outcome of the Lyons Review - Developments in Local Government Finance**

The final Lyons Report 'Place-shaping: a Shared Ambition for the future of Local Government' was published in March 2007 and contained numerous recommendations for both central and local government. Specific recommendations were made for different sectors and services with the overall view that local and central government should pursue a developmental approach to reform and that flexibility is more important than the balance of funding. Whilst the government initially ruled out the implementation of certain recommendations, it did indicate that these would be kept under review and brought forward if appropriate over the medium term. Specifically, the government has already reformed Empty Property Business Rate Relief, though has provided temporary relief to reverse these reforms for small businesses in light of the economic downturn, and a bill has been published to introduce a supplementary business rate by 1st April, 2010.

The recommendations, and any action planned or taken by government, will be kept under review and incorporated within the Medium Term Financial Strategy as appropriate.

12.10 **Maximising Efficiency Savings**

The Comprehensive Spending Review 2007 (CSR07) set out a national efficiency target for local government of £4.9billion by the end of 2010/2011 equating to 3% cashable savings per annum.

In order to ensure a successful response to the efficiency requirements of the CSR07, Cabinet agreed the Efficiency Strategy 2008/2009 to 2010/2011.

The strategy is predicated on setting challenging targets for both cash releasing and non-cash releasing efficiencies for the period of the CSR07 as follows:

- 3 % per annum cash releasing efficiencies;
- 0.6% per annum non cash releasing efficiencies.

In light of the outlook, it is vitally important for the Council to continue to identify and maximise efficiency gains and savings. The Medium Term Financial Strategy sets stretching targets for future efficiency savings.

12.11 **Overall Outlook**

The table below sets out a range of Net Budget Requirements for each of the next three years. They are based on a range of assumptions.

	2010/2011 £m	**2011/2012 £m**	**2012/2013 £m**
Net Budget Requirement	256.1-258.1	263.7-267.8	271.5-277.9
% increase	2.8% - 3.6%	3.0% - 3.8%	3.0%-3.8%

12.12 Clearly there is a wide range of potential Net Budget Requirements for 2010/2011 and future years. This reflects the very significant uncertainty, principally related to the length and depth of the economic downturn, and the volatility of the financial and other markets. These uncertainties include:

- the length and depth of the economic downturn;
- the level of inflation both in relation to specific goods, services, commodities and generally;
- the level of pay awards;
- the results of the actuarial review of the pension fund and future changes which may be made to pension arrangements e.g. cost sharing;
- the level of government funding through general grant, area based grant and specific and special grants;
- the increasingly downward pressure on the level of Council Tax.

12.13 The wide range of net budget requirements potentially requires a range of options to be explored and if necessary implemented to meet the demands placed on the budget, including:

- reducing the base budget through maximising efficiency savings, implementing alternative financing options, incurring capital expenditure on an invest to save basis, or reducing services;
- generating additional income including through maximising resources via external funding streams;
- ensuring effective exit strategies are in place in relation to services funded by time limited external funding streams;
- working with partners and utilising technology to implement more efficient models of service delivery and thereby reducing costs;
- identifying areas of priority for additional investment if resources are available.

12.14 As stated above there are many uncertainties. Given the estimated levels of future Total Budget Requirements, the position is tight, with no room for growth and an identified need to maximise efficiency and other savings. On this basis, the budget is nevertheless sustainable in the medium term, with the use of some or all of the options identified above.

13. General Fund Balances and Position in Relation to Major Reserves

13.1 In considering the level of general balances as part of budget preparation decisions, regard is given to:

- known commitments against balances in future years;
- financial risks faced by the Council and the measures in place to mitigate them or meet them financially.

13.2 In respect of equal pay legal action the Council is mounting a strenuous and robust defence to the outstanding claims which are before the Employment Tribunal. Consideration continues to be given to the level of reserves to assist in meeting potential liabilities which might arise in light of legal advice received which is regularly updated to reflect changing case law.

13.3 The estimated level of general balances as at 31st March, 2009 and 31st March, 2010 is set out at Appendix B.

13.4 In accordance with best practice an analysis of the major financial risks has been undertaken in order to inform the level of balances deemed necessary. These are detailed at Appendix C.

13.5 In addition the Council has a range of earmarked reserves e.g. Strategic Investment Reserve. The major earmarked reserves are also set out at Appendix D.

13.6 In accordance with Part 2 of the Local Government Act 2003 there is a requirement for the Chief Financial Officer (CFO) to report upon the robustness of the estimates and the level of reserves. In making the statement, the CFO places reliance on information provided to him by other officers of the Council as part of the budget setting process. This process involves reasonable checks and other verification, which is undertaken in accordance with the overall system of internal control to validate the information provided.

13.7 Based upon the information used in determining this Revenue Budget 2009/2010 report, including specifically:

- the Medium Term Financial Position set out at paragraph 12;
- the outcome of budget consultation set out at Appendix A;
- the Statement of General Balances set out in Appendix B;
- the Risk Analysis set out in Appendix C;
- the Major Reserves set out in Appendix D;

the Revenue Budget is considered robust and the level of reserves is considered to be adequate for 2009/2010 after an assessment of the financial risks and future plans of the Council have been taken into account.

14. Presentation of the Revenue Budget

General

14.1 As reported at Part i) of this Agenda Item, the budget is presented as part of the Corporate Improvement Plan. All changes with the exception of the adjustments relating to final considerations of Council tax levels, have been incorporated into the Plan.

Best Value Accounting Code of Practice

14.2 The presentation of the budget reflects the requirements of the Best Value Accounting Code of Practice, published by CIPFA. The purpose of the Code is to standardise the way Local Authorities account for expenditure so that comparisons can be made with other Authorities and external providers. The Code constitutes a 'proper practice' for the purposes of financial reporting and therefore assumes the status of statutory guidance. Compliance with the requirements of the Code is therefore mandatory. For next year:

- the bases of allocation of central support service and departmental support service costs have been reviewed to better reflect the actual use and or activity of each support service;
- the impact of revaluation of assets has been incorporated.

Members will appreciate that these changes, where applied, do not enable a valid year on year comparison, and some significant variations between years may be apparent because the original budgets will not reflect the amended practice or valuations.

Revised Estimates

14.3 Quarterly budget reports have been reported to Cabinet during the year. The revised estimates reflect changes notified within those reports. In addition the revised estimate reflects variations in asset charges arising from revaluation of assets and a number of technical adjustments e.g. contingency transfers.

Background Papers

Local Authority Finance (England) Revenue Support Grant 2009/2010 and related Matters

Cabinet Reports to 14th January, 2009
- Provisional Revenue Support Grant Settlement for 2009/2010
- Calculation of Council Tax Base 2009/2010
- Revenue Budget 2098/2010

Cabinet Reports to 11th February, 2009
- Final Local Government Finance Settlement 2009/2010
- Collection Fund 2008/2009

Appendix A

Budget Consultation Results

Presentations on the budget planning framework were made to a range of stakeholder groups in accordance with the approach to Budget Consultation agreed by Cabinet in September 2008, and feedback was noted.

The following stakeholder groups were consulted:

- Trade Unions;
- North East Chamber of Commerce;
- Youth Parliament;
- Schools Forum, Head Teachers and Governors; and
- Independent Advisory Groups

In overall terms indications were that consultees recognised that the financial position facing the Council was tight with little scope to address spending pressures and an understandable need to generate maximum efficiency savings.

The consultees acknowledged the consultation as being an in-depth approach to ascertain the views of the stakeholders consulted.

In addition a postal survey was undertaken with Sunderland's citizens' panel and the Independent Advisory Groups to ascertain residents' views on identified spending priorities. The survey was completed by 1,015 panel members and 9 members of the Independent Advisory Groups.

The following rank order for additional investment and priority resulted:

1. Creating safer communities;
2. Health and well-being;
3. Supporting people to live in their own homes;
4. Clean streets;
5. Recycling and waste disposal;
6. Activities and facilities for young people;
7. City Centre;
8. Customer services.

Finally, members of the citizens' panel were invited to workshops at different locations across the city and were able to hear about the council's budget in greater detail so that they could provide more informed feedback when considering the budget priorities. A total of 98 panel members attended the groups and were asked to rank, in priority order, identified areas of spend based around the budget priorities, if resources were available to invest in service development.

Additional priorities emerged from this part of the consultation around:

- Mobile Youth Facilities to be used in areas of greatest need;
- Different methods of collection that make it easier to recycle and allow a wider range of materials to be recycled;
- Investigate instances of fly tipping to identify and pursue those responsible.

With regard to the Community Spirit Focus Group sessions, participant feedback was excellent in terms of the steps the Council had taken to engage people as evidenced below:

- 97% rated the presentation on budget overview as being good / very good;
- 96% rated the question and answer sessions with Directors / Heads of Service as good / very good;
- 92% rated the break out group sessions as being good / very good.

It needs to be recognised that the manner in which participants were chosen - they volunteered - means that the sample cannot be regarded as being statistically representative of Sunderland citizens. Further, to consult properly the Council needs to inform, so that participants can get a better understanding of the complexity and the issues that have to be addressed in the budget setting process and thereby make better informed judgements and the presentations given prior to the discussion sessions were effective in achieving this. This means that, although the results of the workshop cannot be regarded as being statistically representative, they do give an indication of the thinking of the panel members in arriving at decisions and coming to judgements on priorities.

As in previous years, participants indicated that the sessions had increased their understanding of the complexity of the decisions the Council faces. Participants also indicated that they are happy to listen to others' expertise, provided they feel the information they are given is clear and accessible and that opportunities for comment are made easily available. Furthermore, during the discussion sessions it became evident that differences of opinion, whilst leading to constructive discussion and debate, made it extremely difficult for participants to reach a consensus about more detailed priorities.

By taking cognisance of these results and Members own knowledge and feedback from constituents, the budget setting process becomes more informed. In addition, in considering the results of the consultation and its impact on the mainstream budget decisions of the Council, regard should be had to past investments which are still being implemented, and any special funding streams which are being used to address the issues highlighted.

Within that overall context each of the priorities identified has been considered and addressed within the budget proposals contained within this report and as detailed within the Corporate Improvement Plan as follows:

1. *Creating safer communities*

- paragraph 6.3 of the report identifies mainstream funding of £271,000 to continue to support the Restorative Justice and Phoenix projects in the Youth Offending Service;
- paragraph 6.6 identifies additional resources of £162,000, plus £432,000 to mainstream priority projects, to help support the provision of security measures for small retailers, increase capacity to target prolific neighbourhood offenders and protect high risk domestic violence victims. These additional measures will increase safety and reduce crime supporting Sunderland's Local Area Agreement priorities and targets.
- it should also be noted that Northumbria Police have announced an additional 30 Neighbourhood Police Officers for Sunderland;
- provision of £42,000 is proposed to replace funding from NRF and NDC that is no longer available to meet the operating costs of existing CCTV installations.

2. *Health and well-being*

- mainstream funding of £20,000 has been provided to continue to support the Shopmobility scheme;
- paragraph 6.3 includes funding of £475,000 for the Fostering and Adoption Service aimed at increasing capacity and improving outcomes for children in care;
- an additional £215,000 is included for fees to independent care providers for children's social care;
- paragraph 6.4 identifies provision of £100,000 to meet the net additional running costs of Silksworth swimming pool which will open in 2009/2010;
- provision of £40,000 is included to replace NRF funding to maintain smoking free environments through joint working with the PCT;
- provision of £269,794 has been provided to provide free swimming for the under 16's and over 60's.

3. *Supporting people to live in their own homes;*

- additional provision of £3.212million has been included for Adult Social Services in recognition of the need to invest resources in preventative and community based services and assist in funding fees for independent care providers;
- a sum of £1.288million in 2009/2010 is available in the form of the Social Care Reform Grant to assist the Council in modernising Adult Social Services to deliver more cost efficient and effective care packages for the elderly. This will support new methods of care to maximise independence of older people and enable more to live in their homes independently for longer;

4. *Clean streets*

- provision of £100,000 has been included to appoint additional Enforcement Officers to address environmental crimes such as littering, dog fouling etc, which will increase to number 15 across the city so that there are 3 in each area of the city (15 total).

5. *Recycling and waste disposal*

- provision of a further £900,000 is proposed to support a strategic Waste Disposal Solution which will minimise the use of landfill as a means of waste disposal in the future;
- provision of £50,000 is included to support a public campaign to promote sustainability issues and to develop measures to address the Council's own waste.

6. *Activities and facilities for young people*

- provision of an additional £300,000 is proposed to fund costs associated with mobile youth facilities which, when piloted in the West and South of the city last summer, led to significant reductions in anti-social behaviour, attracted national positive interest, and has been very well received by young people. The funding will be used to help to develop and spread this initiative across the city in 2009/2010 leading to anticipated further reductions of anti social behaviour in local communities.

7. *City Centre*

- paragraph 9.5.3 refers to a range of developments and works planned for the City Centre and for which provision is made within the proposed capital programme;
- provision has been made within the budget for enhanced city and city centre marketing.

8. *Customer services*

- provision is made in the capital programme for the upgrade of the Revenues and Benefits system which will enable customers to access account information without contacting the Council, and complete benefit applications on line;
- provision of additional resources is proposed to conduct service reviews to ensure that services are delivering best value and are focused of the needs of customers;
- additional resources are identified to improve information about the council services available and how residents can access them and give local residents more local and citywide information about events, activities, developments and councillors work, and to improve awareness on a number of issues including sustainability and community safety.

Appendix B

Statement of General Balances

	£000	£000
Balances as at 31st March 2008		**12,008**
Additions to Balances 2008/2009		
- Local Authority Business Growth Incentive Scheme	211	
- Safer and Stronger Communities Fund - Neighbourhood Element	258	
- Repayment of Temporary Capital Financing	456	
- Debt Charges and Interest Savings	8,150	
		9,075
Use of Balances 2008/2009		
- Contribution to Revenue Budget	(1,150)	
- Contribution to fund the Capital Programme	(2,899)	
- Transfer to the Strategic Investment Reserve	(5,538)	
		(9,587)
Estimated Balances 31st March 2009		**11,496**
Use of Balances 2009/2010		
- Contribution to fund the Capital Programme	(3,065)	
- Contribution to Revenue Budget	(431)	
		(3,496)
Estimated Balances 31st March 2010		**8,000**

Appendix C

General Balances – Financial Risk Analysis

Inflation

Risk is that pay and price increases may exceed the levels provided for within the budget.

This is very unlikely to occur due to the realistic provisions made:

- prudent provision has been made for the Green Book employees pay award;
- Teacher's pay for the pay settlements of September 2009 and September 2010 have been settled at 2.3%, and 2.3% respectively and are factored into the 2009/2010
- Revenue Budget and Medium Term Financial Strategy;
- the government's previous guidance is that they expect public sector pay awards to be no higher than 2.0% but the latest economic downturn points to a greater likelihood that pay awards will be lower than this level;
- currently RPI is 0.9%, RPIX is 2.8%, and the Consumer Price Index (CPI) is 3.1% and the inflation outlook (CPI) for the year ahead is within the 0.9% to 1.3% banding.
- provision for price increases has been included in the budget on the basis of:
  - income related budgets - 2.5%
  - contract related budgets – 2.5%; and for certain areas a higher allowance has been included;
  - other budgets - 0%
- expenditure in respect of most of the budget heads can be either influenced or controlled;
- separate provision has been made for fuel and utility costs, which have been volatile over the past year. Supplies have been secured at low points in the market. Council procurement officers are continuously monitoring price changes in order to take advantage of any further purchasing opportunities that may arise.

Debt Charges

Risk is that Debt Charges will be greater than budgeted.

This is very unlikely to arise due to:

- a prudent estimate has been made for 'in year' ring fenced Supported Capital Expenditure' and a sum has been provided for to enable limited borrowing under the prudential framework;
- our current level of variable rate debt is £52.4m and our fixed level of debt is £133.5m. The requirement to borrow in 2009/2010 is estimated to be £45m. This includes the replacement of a market loan at 11.75% that matured in November 2008, and the replacement of PWLB loans within the range 4.15% to 4.30% repaid in January 2009 to take advantage of favourable market conditions. Provision for this requirement to borrow is included in the budget and the Treasurer will review the position in the light of prevailing market conditions to decide the most appropriate action. There is therefore a limited risk, which is not considered material, in respect of very rapid interest rate increases in 2009/2010. The market consensus regarding the economic outlook for the year ahead is that base rates will decrease to 0.5% in the first quarter of 2009 and remain at that level for the rest of 2009/2010 before steadily rising again until it reaches 4.00% by March 2012. Long-term PWLB rates are expected to be at their lowest in the fourth quarter of 2009 (5 year loans being 2.15% and 50 year loans 3.8% to 3.9%) before slowly increasing over the following two years.;
- a contingency exists for any additional new borrowing costing more than forecast.

Investment Interest

Risk is that income generated will not match budget provision.

This is unlikely to arise as a prudent rate of return has been included in the budget, which reflects the investments made to date, the prevailing market conditions and the economic forecasts for the year ahead.

Contingencies

Risk is that the contingency provision will be insufficient to meet the needs identified.

This is unlikely to occur due to:

- prudent estimates being included in respect of each category of contingency provision and specific contingencies have been created for all known spending pressures in 2009/2010;
- the total contingency provision is deemed sufficient in the context of the net revenue budget;
- general contingencies have been set at £0.900m.
- past experience suggests an underspending against contingency provision;

Risk Management

Risk is that all risks have not been identified and that major financial consequences may result.

This is very unlikely to occur due to:
- existence of Bellwin Scheme;
- corporate risk profile in place, which is regularly and formally reviewed, and action is taken to mitigate and manage risks;
- corporate and directorate risk management action plans are maintained;
- comprehensive self and external insurance arrangements are in place;
- adequate self insurance fund;
- risk management practices are assessed as part of the CPA/CAA process and have been found to be robust and high rated.

Financial Planning

Risk is that a major liability or commitment is currently known but has not been taken into account in the financial planning of the Council.

This is unlikely to arise due to:
- the existence of a comprehensive Medium Term Financial Strategy process with regular updates during the year;
- benchmarking and networking with other senior finance staff in other authorities who are likely to identify similar liabilities;

The position regarding equal pay claims is subject to rigorous monitoring and review. Reserves and provisions have been created to address the potential liability and appropriate action will be taken as necessary.

Revenue Budget - Budgetary Control

Risk is that the budget will be overspent in the year.

This is very unlikely to occur due to:
- monthly budget monitoring is in place in all Directorates;
- quarterly Council-wide Revenue Budget Budgetary Control reviews are undertaken, reported to Cabinet and corrective action agreed or set in train;
- Financial Procedure Rules relating to delegated budgets provide for virement and carry forward of under / over spending to be used / met the following financial year;
- clear budget management responsibilities are in place and recorded within the Corporate Improvement Plan;
- demonstrable track record.

Capital Programme Implications

Risk is that funding will not be available as planned or that over spending may occur.

This is unlikely to happen due to:

- project sponsors are identified for each capital programme project and recorded within the Corporate Improvement Plan;
- quarterly Council-wide Capital Programme Budgetary Control reviews undertaken, reported to Cabinet and corrective action agreed or set in train;
- budgeted revenue contributions to capital expenditure and the Prudential Borrowing Regime gives added flexibility in terms of financing the Capital Programme.

Reductions to the Revenue Budget

Risk is that planned efficiency reductions to the Revenue Budget will not occur or are unachievable.

This is unlikely to occur due to:

- the reductions to budgets planned have all been subject to due diligence and there are no significant barriers to implementation;
- the budgetary control processes that are in place will identify any shortfall and remedial action will be taken;
- contingencies exist to safeguard against the non - realisation of some of the efficiency reductions.

Availability of Other Funds

Risk is that the Council could not call on any other funds to meet unforeseen liabilities.

This is very unlikely as the Council has a range of other funds which whilst earmarked are not wholly committed e.g. Strategic Investment Reserve.

Impact of the Economic Downturn

Risk is that the impact of the economic downturn is so severe and so deep as to have a significantly greater impact on the Council's financial position than currently envisaged

This is unknown at this stage but the issue and its effects on the Council's financial position will be kept under constant review so that remedial action can be taken at the earliest opportunity.

Appendix D

Major Earmarked Reserves - Position Statement

Title and Purpose of Earmarked Reserve	Opening Balance 1/4/2008 £'000	Estimated Movement in the Year £'000	Estimated Balance 31/3/2009 £'000
Strategic Investment Reserve A reserve established with the proceeds of the Housing Stock Transfer and Airport Share Sale to allow capital investment to be funded to address the Council's Strategic Priorities and address other major liabilities.	58,665	(13,973)	44,692
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. The majority of the balances held are earmarked for investment in specific projects	7,195	(2,881)	4,314
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. In November 2008 the Schools Forum endorsed proposals to combine both Main School and Standards Fund surpluses when determining the level of balances held by schools at the end of 2008/2009. Previously the Standard Fund balance was classified as income in advance to reflect the 17month spend profile. However, the DCSF, when calculating the level of balances held by schools do include The Standards Fund allocations. The level of main school surplus balances is estimated to decrease in 2008/2009 from £5.6m to £4.4m but when Standard fund balances of £3.2m are included the level of balances held will increase to £7.7m	9,996	(2,295)	7,701
Insurance Reserve This reserve has been established to provide for potential claims associated with the housing stock transfer, future claims increases and risk management funds.	6,449	137	6,586

Street Lighting PFI Smoothing Reserve The reserve was established in order to smooth the financial impact of the 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.	7,607	(52)	7,555
Unutilised RCCO Reserve This reserve consists of unutilised direct revenue financing and is fully earmarked to fund future capital expenditure	5,898	1,379	7,277
Strategic Investment Plan Reserve A reserve to fund the Council's contribution to its Strategic Investment Plan approved by Council in April, 2008.	6,747	(1,381)	5,366