

## **Meeting of the Council – 5<sup>th</sup> March 2012**

### **Joint Report of the Chief Executive and Treasurer**

### **Revenue Budget Strategy and Setting the Council Tax 2012/13**

#### **Purpose of Report**

1. To submit to Council the recommendations of Cabinet on 8<sup>th</sup> February 2012 concerning the deployment of General Fund revenue resources, a number of statutory calculations that have to be made by the Council and the Council Tax to be levied for the period 1st April 2012 to 31st March 2013.

#### **Background**

2. At its meeting on 13<sup>th</sup> October 2011, the Cabinet approved a preliminary budget strategy as a basis for consultation. This report sets out revised proposals taking into account the results of that consultation, together with other changes to projected spending and resources resulting from the ongoing review of forecasts and assumptions. Changes compared with the figures reported in October are set out in Appendix 1.

#### **Consultation on Budget Proposals**

3. Public consultation took place via the internet during the last quarter of 2011, ending on 16th December. The public were asked to comment upon the Revenue Budget Strategy for 2012/13. A total of 26 comments were received. These are shown at Appendix 5 but as a result of the relatively low response, it is not possible to draw any meaningful conclusions from the comments received.
4. Detailed consultation has also been undertaken with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equality issues. Further information is set out in the Equality Impact section below. Unions have been consulted in the context of the redundancy process.

5. The Best Value Statutory Guidance issued by Government in September 2011 set out the expectations for councils considering changing funding to local voluntary and community groups and small businesses. This includes observing a duty to consult, making sure that disproportionate savings are not passed on to voluntary and community organisations, considering the wider 'social' value of procurement decisions and engaging with and giving adequate notice to any such organisations whose funding is to be reduced or ended. In addition to notification of proposals to, and consultation with, the groups and organisations concerned, it has been established that the savings being passed on to voluntary and community organisations are not disproportionate.
6. A consultation meeting was held on 22<sup>nd</sup> November with representatives of Non-Domestic Ratepayers to consider the provisional budget proposals approved by Cabinet on 13th October, in pursuance of the statutory duty to consult. Further detailed information (as required under the statutory duty) has been distributed, and any comments will be reported orally to Council.
7. Each Scrutiny Committee has considered the provisional budget proposals approved by Cabinet on 13th October. There were no resolutions made that directly affect these budget proposals.
8. The Dudley Community Partnership has been invited to comment on the proposals. No comments have been received.

#### Forecast 2011/12 Position

9. As reported to Cabinet in June and October there were variances in forecast spend compared with 2011/12 original budgets resulting from:

	<b>£m</b>
Early Intervention (Children's Services)	2.0
Highway Maintenance	0.2
Favourable Treasury variances	-2.0
Review of Earmarked Reserves	-0.5
<b>Total net reduction</b>	<b><u>-0.3</u></b>

10. Cabinet agreed that budgets be amended to reflect these variances.
11. Following the closure of Future Skills Dudley (FSD) and the termination of various contracts associated with it, the Council is likely to retain a residual amount in the region of £3.5m once final negotiations have been completed. Of this, it is proposed to use around £1.6m to repay "prudential borrowing" incurred to fund previous capital expenditure, thereby freeing up ongoing revenue resources. The Directorate of the Urban Environment is also experiencing a shortfall in planning fee income due to recession in property development, currently forecast to be £0.2m.
12. The following favourable variances have also arisen:
  - Interim 2011/12 dividend from Birmingham International Airport of £0.2m.

- Further favourable Treasury variances of £1.0m as a result of better than anticipated cashflows.
  - Remaining contingency of £0.5m no longer required. It is anticipated that as a result of robust management, pressures (in particular those relating to an increasing older population resulting in the need to manage effective and timely hospital discharge, and continuing high levels of referrals of children in need) can now be managed within Directorate budgets.
13. It is proposed that the resources arising from the variances above be set aside to fund the cost of redundancies in respect of budget savings, and that budgets be amended to reflect the variances set out in paragraphs 11 and 12.
14. The latest forecast General Fund Balances position, compared to the original Approved Budget for 2011/12 is therefore as follows.

	<b>Original Budget</b>	<b>Latest Position</b>
	<b>£m</b>	<b>£m</b>
Balance at 31 <sup>st</sup> March 2011	8.1	8.1
Effect of 2010/11 outturn	-	1.0
	<b>8.1</b>	<b>9.1</b>
Net variations from original budgets previously approved by Cabinet (para 9)	-	0.3
Future Skills Dudley closure (para 11)		3.5
Repayment of borrowing (para 11)		-1.6
Planning Fee Income reduction (para 11)		-0.2
Favourable Treasury and other variances (para 12)		1.7
Set aside to meet redundancy costs (para 13)	-	-1.7
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>8.1</b>	<b>11.1</b>

#### Budget Strategy 2012/13 and MTFS

15. In formulating the Council's Budget Strategy and Council Tax levels for 2012/13, Members will need to consider carefully:
- (a) the levels of Government support allocated to the Council;
  - (b) spending pressures, opportunities to free up resources (including efficiency savings), and Council Plan priorities;
  - (c) the implications of spending levels in later years as part of the Council's medium term financial plan;
  - (d) the views of consultees;
  - (e) the external factors and risks inherent in the Strategy;
  - (f) the impact on Council Tax payers;

- (g) the Government's offer of Council Tax Freeze Grant for 2012/13 (see paragraph 44 below and paragraph 19 of the Medium Term Financial Strategy);
- (h) the potential impacts on people with protected characteristics as defined in the Equality Act 2010. Members will need to have due regard to the public sector equality duty under the Equality Act 2010. (Further details are set out in the Equality Impact section below.)

### Formula Grant

16. The provisional Formula Grant settlement for 2012/13 was announced on 8<sup>th</sup> December. There were no changes to Dudley's allocation compared with the figures pre-announced at the time of the 2011/12 settlement. The opportunity was taken to respond to the Government's invitation to comment on its proposals. The Treasurer has, in consultation with the Cabinet Member for Finance, made representations along the following lines:
- *We note that the proposed formula grant settlement for 2012/13 includes almost £6m of (adverse) damping for Dudley - £6m that the underlying formula says we need to spend, but is not matched by the resources being made available.*
  - *We also note that the Government's response to consultation on local retention of National Non Domestic Rate income indicates that there will probably be no review of the "tariffs and top-ups" in the new system for at least 10 years, such that any damping reflected in "baseline" funding (effectively 2012/13 formula grant) will be perpetuated.*
  - *Therefore we call on the Government to redress the adverse affects of damping. This could for example be funded in whole or in part from the national pool of business rate income which we now understand to be significantly more buoyant for 2011/12 (and implicitly for future years) than was previously assumed.*
17. The final settlement figures were received on 31<sup>st</sup> January and were unchanged compared with the provisional figures.

### Base Budget Forecasts

18. The following key assumptions have been made (and are also referred to in the risk analysis in paragraph 35):
- (a) The impact of inflation will remain relatively low and pay awards will continue to be restrained;
  - (b) Interest rates may start to rise, but will continue to have a relatively low impact in the medium term;

- (c) Whilst the final costs of Single Status and Equal Pay Back Pay (EPBP) still remain uncertain, new pay and grading structures will be introduced in 2012/13. Some provision has been included in the Base Budget forecasts and reserves previously set aside. It has been assumed that any costs relating to schools will be funded from school resources.

19. Details of Base Budget forecasts are set out below.

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
2011/12 Base	241.5	241.5	241.5
Pay & Prices inc. contingency (note 1)	2.7	6.6	10.4
Capital Programme	0.7	1.4	1.6
Other Adjustments (note 2)	-3.0	-2.3	-3.0
<b>Base Budget Forecast</b>	<b>241.9</b>	<b>247.2</b>	<b>250.5</b>

Notes:

(1) The Council is expecting pay awards for local government may be frozen or settled at very low levels in the next few years. We are making sufficient provision to cover a 1% annual increase in pay from 2013/14 onwards consistent with Government announcements about public sector pay, recognising however that central government does not determine Local Government pay awards. The budget provision for prices assumes that competitive contract management and tendering will continue to minimise the impact of price rises on Council budgets. We are therefore proposing a provision of around 2% per annum in each of 2012/13 – 2014/15. In addition, to ensure a prudent approach to budget setting is adopted, a contingency provision of £1m has also been built into our base budget assumptions for 2012/13 onwards in the event that pay and/or price inflation exceed expectations;

(2) Major items contained within "Other Adjustments" are the beneficial impact of repaying debt relating to past capital spend, the fallout of the one-off provision in 2011/12 to cover the phasing-in of staffing reductions, and favourable cashflow movements.

### Additional Spending

20. Following a review of existing budgets in the light of Council priorities, additional legislative requirements and service pressures, the following package of additional spending to target key service areas for investment over the next three years is proposed.

	2012/13 £'000	2013/14 £'000	2014/15 £'000
<b>Adult, Community and Housing</b>			
Increased numbers of adults with learning disabilities	500	900	900
Increased number of clients with dementia	162	529	529
Additional costs of young physical disability clients transferring from Children's Services	-	415	415
Reshaping of voluntary sector	100	100	-
Disabled Facilities grants	200	200	-
	<b>962</b>	<b>2,144</b>	<b>1,844</b>
<b>Urban Environment</b>			
Streetlighting replacement	20	20	20
Parks maintenance improvements	50	50	50
Waste disposal cost increases, inc. landfill tax	262	523	523
Cremator improvements	-	120	120
Stray horse reactive service	52	52	52
Microasphalt road surfacing	300	300	300
Community based initiatives	131	131	131
	<b>815</b>	<b>1,196</b>	<b>1,196</b>
<b>Children's Services</b>			
Support to Social Care services	400		
Special Education Needs	100	-	-
Independent Reviewing Officer	71	-	-
Legal support	60	-	-
	<b>631</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,408</b>	<b>3,340</b>	<b>3,040</b>

In addition to the proposals agreed by October Cabinet, these include a number of further pressures and one-off investments – as set out in Appendix 1. Details of all the additional spending items are shown in Annex C of the Medium Term Financial Strategy (MTFS) attached.

21. It is also proposed that the annual Area Committee Capital Allocations (totalling £240,000) are to be met from revenue resources and no longer restricted to funding capital projects alone. This would give additional flexibility in respect of the schemes that could be funded, and would also enable groups to bid for funding that have previously been excluded because their activities are primarily of a revenue nature. All other criteria for allocation of these resources will continue to apply.

#### Efficiency and Other Savings

22. Following a detailed budget review process, which considered the need to redirect resources to the spending pressures and priorities set out in paragraph 20, a range of efficiency and other savings have been identified from existing budgets as follows.

	2012/13 £'000	2013/14 £'000	2014/15 £'000
Adult, Community and Housing	3,121	5,309	5,559
Urban Environment	1,691	2,476	2,476
Children's Services	1,378	1,869	2,869
Corporate Resources	935	1,464	1,464
Chief Executive's	337	467	467
<b>Total</b>	<b>7,462</b>	<b>11,585</b>	<b>12,835</b>

As a result of consultation, in particular that undertaken with groups identified as being potentially affected by the specific savings proposals, a number of amendments have been made to the proposals agreed by October Cabinet – as set out in Appendix 1. Further details of all proposed savings are shown in Annex C of the MTFs attached.

### Human Resource Implications

23. As at 22<sup>nd</sup> February 2012, there have been a total of 549 requests for voluntary redundancy. This figure is made up of 424 requests from employees in posts that could be considered for voluntary redundancy due to them being in service areas identified for potential budget savings and 125 from employees in currently excluded posts, which may be considered if changes to budget proposals put their service area at risk or if there are bumping opportunities with employees at risk of redundancy.
24. 274 requests from the 424 could not be accepted due to the fact that the loss of these posts would compromise the needs of the service and 28 requests were withdrawn by the employee. 80 requests are acceptable and are now being progressed with the individuals concerned with 71 of them having now been authorised through the delegated process as of 22<sup>nd</sup> February 2012. There are 42 requests that require further consideration – for example, in a number of service areas, an excess of volunteers have come forward, requiring the establishment of selection pools to determine the most suitable employees to be accepted for voluntary redundancy. Additionally some of the volunteers may be “redundancy bumped” out of their role by employees identified as at risk of compulsory redundancy.
25. Subject to completion of this process, it is likely that some compulsory redundancies will still be required to completely achieve the savings for 2012/13 set out in this report. Any compulsory redundancies will be managed in accordance with both the Managing Employees at risk of Redundancy and the Retraining & Redundancy policies and be reported to Cabinet for approval.
26. Redundancy costs are dependent on the age and length of service of the individuals being made redundant and therefore cannot be precisely calculated at this stage. However, based on progress so far, it is anticipated that any direct redundancy costs can be met from revenue resources, and that the cost of immediate access to pension for qualifying staff can be met from the relevant allowance built into the Council's pension fund contributions.

27. The 2008 Pension Regulations allow employees who meet the criteria (age 55 and in the LGPS) to reduce their working hours or salary grade and receive their accrued pension. This is called Flexible Retirement. The benefit to the Council of granting requests is that the Council can make savings whilst minimising the need for compulsory redundancies.
28. When an employee is granted access to their pension, depending on their age there may be a cost to the Authority to release that pension early. This is the “capitalised cost”. In order to mitigate the capitalised cost, requests for flexible retirement are only granted in the following circumstances:
- The reduction in hours can be accommodated;
  - The request involves a minimum of a 30% reduction in hours or pay (by taking up a vacant post at a lower grade);
  - The reduction in overall salary covers the capitalised costs within the same financial year.
29. The Council’s constitution gives Cabinet responsibility for “determination of applications for redundancy with pensions implications and any premature retirements in view of the potential cost to the Council”. It was agreed by Cabinet on 8<sup>th</sup> February that the Director of Corporate Resources, in consultation with the Cabinet Member for Human Resources, Law and Governance be authorised to approve flexible retirements in order to deliver budget savings, subject to the conditions set out in the previous paragraph.

### New Homes Bonus

30. The Council has been awarded £1.7m of New Homes Bonus (NHB) funding for 2012/13. This is designed to reward councils that build new homes and bring empty properties back into use in their area. The grant is not ring fenced and so therefore can be used in a variety of ways.

It is proposed that the following amounts be allocated at this stage:

- £550,000 to support private sector housing grants and loans for renovation and major repair work which will contribute to bringing empty and substandard residential properties back into use;
- £250,000 to establish a Community Enterprise Fund to provide grants and/or loans to promote social enterprise in the Borough, up to a maximum of £25,000 per organisation;

and that a report be brought back to a future meeting of Cabinet regarding the allocation of the remaining resources. Cabinet on 8<sup>th</sup> February agreed that the appropriate Director, in consultation with their Cabinet Member, the Leader of the Council, and the Chief Executive be authorised to determine any application for a grant or loan from the Community Enterprise Fund from a social enterprise in the Borough.



## Use of Balances

31. The table in paragraph 14 shows that we forecast to have available around £11.1m at 31<sup>st</sup> March 2012.
32. On the basis of our latest resource forecasts the budget proposals for 2012/13 require the use of £0.3m of balances to support expenditure. These forecasts are subject to a number of risks and uncertainties set out in paragraph 35.
33. It is proposed at this stage that remaining balances be retained to meet any other spending pressures and risks going forward.

## Summary

34. The revised proposals can now be summarised as follows.

	2012/13 £m	2013/14 £m	2014/15 £m
<b>Base Budget Forecast</b>	241.9	247.2	250.5
- as above			
<b>Council Priorities &amp; Pressures</b>	2.4	3.3	3.1
- as above			
<b>Efficiency and Other Savings</b>	-7.5	-11.6	-12.8
- as above			
<b>Service Spend</b>	<b>236.8</b>	<b>238.9</b>	<b>240.8</b>

## Estimates, Assumptions & Risk Analysis

35. It was noted in the report to Cabinet in October that the budget forecasts and resource levels were based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended either before the budget and Council Tax for 2012/13 is set, during the course of that year, or indeed over the term of the MTFS. These may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources, and include:
- (a) Income from Business Rates plus Top-Up funding<sup>1</sup> for 2013/14 and 2014/15 is in line with the totals announced in the Comprehensive Spending Review, as adjusted following the Autumn 2011 Budget Statement;
  - (b) Single Status and Equal Pay costs are no more than estimated;
  - (c) the impact of general levels of inflation (including the Integrated Transport Authority Levy), pay and interest rates do not vary materially from current forecasts.

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<sup>1</sup> From 2013/14, Formula Grant will be replaced by a new system whereby Councils retain Business Rate income, rather than it being pooled nationally. They will also receive a Top-Up or pay a Tariff to bring total resources initially into line with what would have been received in Formula Grant, but with the risks and rewards relating to Business Rate income being more or less than expected being borne directly by individual Councils.

- (d) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
36. An impact assessment of the significant risks which Members should consider prior to agreeing a budget and MTFS is set out in Annex D of the proposed MTFS.
  37. In mitigation, any unbudgeted costs would have to be met from further economies or reductions in planned spending or from balances.

### Medium Term Financial Strategy

38. A Medium Term Financial Strategy (MTFS) provides a strategic context for the Council's budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council's overall priorities and objectives. It sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties, and the level of Council Tax.
39. The proposed MTFS covering the 4 year period 2011/12 – 2014/15 is set out in detail as Attachment A. This is a comprehensive document and therefore repeats some of the information in this report.

### Detailed 2012/13 Budget Proposals

40. It is now proposed that Council confirms the following revenue budget allocations to services.

#### **Revenue Budget Allocations 2012/13**

<b>Service</b>	<b>£m</b>
Children's Services	60.429
Adult, Community and Housing Services	93.206
Urban Environment	54.175
Corporate Resources	24.578
Chief Executive's	4.461
<b>Total Service Budget</b>	<b>236.849</b>

Details of each service's budgets analysed by main divisions of service are shown at Appendix 2.

41. The yield for 2012/13 from the Council Tax necessary to meet the requirements of the Council has been calculated having regard to the estimated balance on the Collection Fund at 31st March 2012, set out as follows. It should be noted that the Fire and Police authorities are entitled to a share of any Collection Fund surpluses relating to Council Tax collection.

### Estimated Collection Fund Surplus

	£m
Arrears brought forward	5.826
Add: Debit for 2011/12	126.385
	132.211
Less: Forecast collections	126.634
Estimated Bad Debt Provision Required	5.577
Compared with current Bad Debt Provision	5.638
Reduction in provision required	0.061
Plus: Adjustment to Surplus arising in 2010/11	0.763
<b>Total Estimated Available Surplus</b>	<b>0.824</b>
Less: Fire and Police Authorities' Share	-0.095
<b>NET SURPLUS AVAILABLE TO DUDLEY</b>	<b>0.729</b>

42. The amount required from Council Tax Payers to fund the Service Budget together with the Band D Council Tax calculation is shown in the following table:

### Funding the Revenue Budget 2012/13

Source of Funding	2011/12 £m	2012/13 £m
Dudley MBC Service Budget	241.522	236.849
Less: Formula Grant	(128.115)	(121.732)
Council Tax Freeze Grant – 2011/12 (*)	(2.766)	-
Council Tax Freeze Grant – 2012/13	-	(2.783)
Contribution from General Balances	-	(0.284)
Collection Fund Surplus	-	(0.729)
<b>Dudley's Council Tax Requirement</b>	<b>110.641</b>	<b>111.321</b>
Approved Tax Base	98313.96	98918.21
<b>COUNCIL TAX (Band D) FOR DUDLEY**</b>	<b>1125.39</b>	<b>1125.38</b>

\* merged into Formula Grant for 2012/13

\*\*unavoidably 1p lower to ensure other bands do not increase as a result of the effect of rounding within the statutory calculations

43. The proposed Dudley MBC Council Tax for a Band D property for 2012/13 of £1125.38 represents a freeze compared to 2011/12.
44. Subject to freezing the Council Tax as set out above, the Council will be eligible for a Council Tax Freeze Grant from government equivalent to the value that a 2.5% increase would have yielded (£2.8m). Unlike the 2011/12 Council Tax Freeze Grant, this grant will be for one year only. The implications for future years are set out at paragraph 19 of the MTFS.
45. The total level of Council Tax now being considered includes the precepts for the Police and Fire and Rescue Authorities which were approved on 16<sup>th</sup> February and 13<sup>th</sup> February respectively, as follows.

	2011/12	2012/13	Change
	£	£	%
Dudley MBC	1125.39	1125.38	-
Police Authority Precept	99.45	99.45	-
Fire & Rescue Authority Precept	47.83	47.83	-
<b>Total Band D Council Tax</b>	<b>1272.67</b>	<b>1272.66</b>	<b>-</b>

46. It is being proposed that the Council approves the statutory calculations required by virtue of Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as set out in Appendix 3.
47. The Local Government Act 2003 requires the designated Chief Finance Officer of the Authority (the Treasurer) to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves. The Treasurer's report is set out in Appendix 4. The authority will also have a statutory obligation to review its budget during the year, with particular regard to any deterioration in its financial position and the taking of any necessary corrective action.

## **Finance**

48. This report is financial in nature and relevant information is contained within the body of the report.

## **Law**

49. The Council's budget setting process is governed by the Local Government Finance Acts, 1988 and 1992, and the Local Government Act 2003.
50. Section 67 of the Local Government Finance Act 1992 requires the Council to make calculations concerning its spending and Council Tax for the area. These calculations enable the Council's statutory obligations to be fulfilled.
51. The Local Government Act 2003 requires the Treasurer to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.

52. The Localism Act 2011 introduced a new chapter into the Local Government Finance Act 1992 making provision for council tax referendums to be held if an authority increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons. The Localism Act 2011 also abolished the capping regime in England. These provisions are effective with respect to the setting of council tax for 2012/13. The limit for metropolitan authorities for 2012-13 before a referendum is required is 3.5%, this being calculated to exclude the impact of changes in levies. The level of Council Tax being proposed in this report would not result in that limit being exceeded.
53. It is important for Members to note that Sections 30(6) and 31A(11) of the Local Government Finance Act 1992, impose a statutory duty upon the Council to calculate its council tax requirement and to set its Council Tax for 2012/13 before the 11th March, 2012.

### **Equality Impact**

54. Section 149 of the Equality Act 2010 - the general public sector equality duty - came into force on 5<sup>th</sup> April 2011. This requires public authorities, including the Council, to have due regard to the need to:
- eliminate discrimination, harassment and victimisation and other conduct that is prohibited by the Act
  - advance equality of opportunity between people who share a protected characteristic and those who don't
  - foster good relations between people who share a protected characteristic and those who don't.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The legislation states that the steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- tackle prejudice, and
- promote understanding.

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

The duty covers the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

55. Original budget proposals were presented to Cabinet on 13<sup>th</sup> October 2011. An initial assessment of these proposals was made, and where proposals were considered likely to have a significant equality impact, they underwent an equality impact assessment informed by consultation with the protected groups who may be adversely affected. A list of equality impact assessments is shown at Appendix 6. Copies have been provided to all members or can be obtained from Democratic Services.
56. In making decisions on budget proposals, Members need to have due regard to the Public Sector Equality Duty alongside the forecast financial position, risks and uncertainties set out in this report. Equality impact assessments and consultation have been considered in developing revised budget proposals and it is now proposed that the implementation of a number of savings be deferred to allow time for further consultation and to further mitigate the impact on protected groups of savings in the following areas:
- Learning disability services
  - Mental Health services
  - Physical disability services
  - “Time for Me” and “My Space My Time” services provided by Barnardos<sup>2</sup>.
  - Dudley Performing Arts
  - Children and adolescent mental health (Black Country Partnership Foundation Trust)
  - Safeguarding training

The revised budget proposals, as set out in this report, reflect the changes outlined above. These changes are further analysed in Appendix 1.

57. With regard to Children and Young People, the proposed budget for the Directorate of Children’s Services will be spent wholly on maintaining and improving services for children and young people. The expenditure of other Directorates’ budgets will also have a significant impact on this group.

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<sup>2</sup> These services work with children living in homes where substance misuse and/or domestic violence take place.

## **Recommendations**

58. That the Council approves the following:

- The budget for 2012/13, and service allocations as set out in the report.
- Acceptance of Council Tax Freeze Grant for 2012/13.
- That the statutory amounts required to be calculated for the Council's spending, contingencies and contributions to reserves; income and use of reserves; transfers to and from its collection fund; and council tax requirement, as referred to in Section 67(2)(b) be now calculated by the Council for the year 2012/13 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 3 of this report.
- That, having calculated the aggregate in each case of the amounts in Appendix 3, the Council, in accordance with Section 30(2) of the Local Government Finance Act, 1992, agrees the following levels of Council Tax for Dudley Council services for 2012/13.

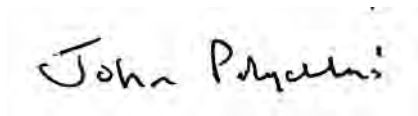
### **Valuation Bands**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
848.45	989.85	1131.26	1272.66	1555.47	1838.29	2121.10	2545.32

- The revision of 2011/12 budgets to reflect the variances set out in paragraphs 11 and 12 of the report.
  - The allocation of New Home Bonus funding as set out in paragraph 30 of the report.
  - The Medium Term Financial Strategy (MTFS) set out as Attachment A.
59. That the Council determines that a referendum relating to Council Tax increases is not required in accordance with Chapter 4ZA of Part 1 of the Local Government Finance Act 1992.
60. That the Cabinet Members, Chief Executive and Directors be authorised to take all necessary steps to implement the proposals contained in this report, in accordance with the Council's Financial Management Regime.
61. That the Chief Executive and Directors be reminded to exercise strict budgetary control in accordance with the Financial Management Regime and care and caution in managing the 2012/13 budget, particularly in the context of commitments into later years and the impact that any overspending in 2012/13 will have on the availability of resources to meet future budgetary demands.

62. That the Council notes that Cabinet on 8<sup>th</sup> February agreed that:

- the appropriate Director, in consultation with their Cabinet Member, the Leader of the Council, and the Chief Executive be authorised to determine any application for a grant or loan from the Community Enterprise Fund (as set out in paragraph 30 of this report) from a social enterprise in the Borough.
- the Director of Corporate Resources, in consultation with the Cabinet Member for Human Resources, Law and Governance, be authorised to approve flexible retirements.



.....  
**John Polychronakis**  
**Chief Executive**



.....  
**Iain Newman**  
**Treasurer**

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**List of Background Papers**

Final Formula Grant Settlement papers and electronic communications.

Budget Report to 13<sup>th</sup> October 2011 Cabinet.

Budget Report to 8<sup>th</sup> February 2012 Cabinet.



## Amendments since report to October Cabinet

	2012/ 13 £'000	2013/ 14 £'000	2014/ 15 £'000
<b>Savings deferred:</b>			
<b>Urban Environment</b>			
Use proceeds from increased bereavement services fees to cover income shortfall while cremators at Gornal Wood are being replaced	100		
<b>Adult, Community and Housing</b>			
Learning Disability services (*)	350	150	
Mental Health services (*)	100	100	
Physical Disability services (*)	70		
Adult social care commissioning	128		
<b>Children's Services</b>			
"Time for Me" and "My Space My Time" services provided by Barnados.(*)	20		
Dudley Performing Arts (*)	78		
Children and adolescent mental health (Black Country Partnership Foundation Trust) (*)	80		
Safeguarding training (*)	13		
Target savings relating to costs of Looked After Children		1000	
<b>One-off investments:</b>			-
<b>Adult, Community and Housing</b>			
Reshaping of voluntary sector	100	100	
Disabled Facilities grants	200	200	
<b>Children's Services</b>			
Legal support	60		
Independent Reviewing Officer	71		
Special Education Needs	100		
Support to Social Care services	400		
<b>Savings from repayment of prudential borrowing:</b>	-483	-483	-483
Reinvestment of savings (Urban Environment):			
Stray horse reactive service	52	52	52
Microasphalt road surfacing	300	300	300
Community based initiatives	131	131	131
<b>Area Committee Allocations:</b>			
Change from capital to revenue	240	240	240
<b>Total from Review of Budget Proposals</b>	<b>2110</b>	<b>1790</b>	<b>240</b>
(*) As a result of Equality Impact Assessments			

## Overall Summary

	2012/13	2013/14	2014/15
	£m	£m	£m
<b>Service Spend Forecast – October (*)</b>	<b>235.9</b>	<b>237.4</b>	<b>240.6</b>
Review of budget proposals (as above)	2.1	1.8	0.2
Review of Treasury forecasts	-0.8		
Other net adjustments to forecasts	-0.4	-0.3	
<b>Revised Service Spend Forecast</b>	<b>236.8</b>	<b>238.9</b>	<b>240.8</b>

(\*) 2014/15 forecast consistent with 2012/13 and 2013/14

## Appendix 2

### Analysis of Provisional 2012/13 Budget by Division of Service

	£'000
<b>Children's Services</b>	
Schools	19,674
Youth Service	2,433
Children & Families Social Services	37,511
Other Children's Services	811
	<b>60,429</b>
<b>Adult, Community and Housing Services</b>	
Care & Support for Older People	37,172
Care & Support for People with a Physical or Sensory Disability	8,784
Care & Support for People with a Learning Disability	24,663
Care & Support for People with Mental Health Needs	5,622
Libraries, etc.	5,587
Other Adult and Community Services, etc.	2,491
Private Sector Housing	7,864
Homelessness & Welfare	694
Contribution to Housing Revenue Account for Community Expenditure	329
	<b>93,206</b>
<b>Urban Environment</b>	
Environmental Health & Consumer Protection	3,290
Street Cleansing	2,675
Waste Collection & Disposal	16,102
Cemeteries & Crematoria	-937
Traffic Management & Road Safety	2,204
Flood Defence & Land Drainage	332
Highways Maintenance (inc. depreciation)	16,147
Other Engineering & Transportation Services	-461
Planning, Building and Development Control	2,233
Economic Regeneration	1,183
Environmental Initiatives	379
Culture and Heritage	2,364
Recreation & Sport and Open Spaces	8,664
	<b>54,175</b>

**Corporate Resources**

Tax Collection & Benefits	3,211
Transport Authority Levy	17,075
Flood Defence Levy	101
Treasury etc.	530
Licensing, Registration & Courts	2,115
Corporate and Democratic Core	1,546
	<b>24,578</b>

**Chief Executive's**

Elections & Electoral Registration	730
Economic & Community Development	241
Community Safety	749
Corporate & Other Costs	2,741
	<b>4,461</b>

<b>TOTAL</b>	<b>236,849</b>
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**Details of Calculations to be Determined by the Council**

1. That the following amounts be now calculated by the Council for the year 2012/13 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992:
  - (a) £716.851000m being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2)(a) to (f) of the Act. *(The Council's spending, contingencies, contribution to reserves, any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.)*
  - (b) £605.530000m being the aggregate of the amounts which the Council estimates for the items set out in Sections 31A (3)(a) to (d) of the Act *(The Council's income, use of reserves, any amounts which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act, and any amounts which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year.)*
  - (c) £111.321000m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its council tax requirement for the year.
  - (d) £1125.3843 being the amount at (c) above divided by the Council Tax base of 98918.21, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its council tax for the year.

(e) Dudley Council Tax for each Valuation Band

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
750.26	875.30	1000.34	<b>1125.38</b>	1375.47	1625.56	1875.64	2250.77

being the rounded amounts given by multiplying the amount at (d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different bands.

(f) Precepts for each Valuation Band

That it be noted that for the year 2012/13, the major precepting authorities have issued the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
West Midlands Police	66.30	77.35	88.40	99.45	121.54	143.64	165.74	198.89
West Midlands Fire & Rescue	31.89	37.20	42.52	47.83	58.46	69.09	79.72	95.66

**Report of the Treasurer as required by  
Section 25 of the Local Government Act 2003**

1. Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Authority (the Treasurer) to report to it on the following matters:
  - (a) the robustness of the estimates for the purposes of the statutory budget calculation;
  - (b) the adequacy of the proposed financial reserves;

and the Authority must then have regard to that report when making decisions about the statutory budget calculations.
2. The estimates which comprise the budget proposed in this report have been completed by my staff and staff in Directorates, on the basis of known commitments, a prudent allowance for pay awards and price increases during the year and an appropriate assessment of the potential risks and uncertainties. We have also had regard to the availability of external funding, particularly specific Government Grants and partnership funding and income levels from fees and charges. The proposals for additional spending are based on specific initiatives or projects, or provide a cash-limited allocation for a particular activity. The proposals for efficiency and other savings result from a detailed review of existing spending, and represent a realistic estimate of what can be saved if the action proposed is implemented.
3. There is a financial risk management process in operation which seeks to identify the significant risks to which the Council is subject, and which is used to inform the level of reserves which it is considered appropriate to hold at both a corporate and directorate level.
4. The estimated level of unearmarked balances at 31<sup>st</sup> March 2012 is £11.1m. The budget proposals for 2012/13 require the use of £0.3m of balances to support expenditure.  
The following table summarises the total level of estimated General Fund earmarked reserves at 31st March 2012.

	<b>Forecast Balance 31.3.12 £m</b>
Working Balances	2.0
Insurance Fund	7.5
Capital Resources	1.0
Other Corporate	0.4
<b>Total Corporate Reserves</b>	<b>10.9</b>
DGfL & Paragon equalisation	13.7
School Balances	14.7
Directorate Reserves	8.7
<b>Total Earmarked Reserves</b>	<b>48.0</b>

5. Working Balances are specifically held to cover unforeseen expenditure or shortfalls in income of an exceptional nature, and are not anticipated to be utilised under normal circumstances.

The Insurance Fund will continue to be maintained at a level consistent with the insurable risks borne by the Council and the level of outstanding claims at any time, and will fluctuate accordingly.

The Capital Resources reserve represents resources carried forward to fund future expenditure within the Capital Programme.

The DGfL and Paragon equalisation reserves represent Government revenue support for these PFI schemes received in advance, and will be expended over the remaining life of the projects.

Reserves held by Schools will vary as they are managed by schools in accordance with the Fair Funding scheme, whilst Directorate Reserves held for specific purposes will continue to be managed in accordance with the Financial Management Regime.

The total level of earmarked reserves at 31<sup>st</sup> March 2013 is estimated to be about £36m, the main reason for the reduction compared with 31<sup>st</sup> March 2012 being the anticipated use of reserves by schools.

6. I am therefore able to confirm that in my professional opinion:
- (a) the estimates made for the purposes of the calculation of the Council's budget requirement under Section 32 of the Local Government Finance Act 1992, contained in this report, are robust;
  - (b) the financial reserves that will remain available to the Council as a result of agreeing the proposals contained in this report are adequate.



Iain Newman  
Treasurer



## **Budget 2012/13 Public Consultation Results**

A total of 26 comments were submitted through the Council website during the consultation period. The results are summarised below.

### **Question 1. Have you noticed any changes in the services your Council provides?**

8 people answered 'no', that they had not witnessed any changes, whilst 18 answered 'yes'. Comments were offered in terms of: -

Adult Care services, (e.g. elderly day care centre closure, services for disabled people)

Children and Young People's services, (e.g. youth provision)

Environmental services, (e.g. bin bag collection, street cleanliness)

Internal (e.g. effect of staff loss on remaining workforce)

### **Question 2. Do you think the planned changes for the next two years will affect you?**

5 people answered 'no', that the planned changes for the next two years would not affect them, whilst 21 answered 'yes'. Comments were offered in terms of: -

Environmental services (e.g. parking fees, risk of flooding)

Future Care service provision

Concern over future income/job loss or rise in poverty

Concern over service provision from internal perspective greater pressure on services and staff

Concern over future children/ youth service provision

Concern over general public service loss

Concern over rising crime

### **Question 3. Do you have any ideas that can help your Council save money in the future?**

5 people answered 'no', that they had no ideas, whilst 21 answered 'yes'. Comments were offered in terms of: -

Majority focus on internal efficiency (e.g. management costs, member allowances, amenities, sickness, procurement)

Couple of responses on environmental saving (e.g. planting flower beds)

Introduce self service into library

Several comments on scaling down/closing down Dudley Town Centre market refurbishment

Invest in preventative services

Manage Council assets more efficiently

**Schedule of Equality Impact Assessments****Adult, Community and Housing**

Assessment and Care Management

Learning Disability Day Services

Mental Health Commissioning

Price Point

Learning Disability Commissioning

PULSE

Realignment of New Bradley Hall

Residential Budget

Transport

Realignment of Home Care Services

Supporting People – Gibbs Road

Supporting People – Learning Disabilities

Supporting People – Mental Health

Supporting People – Older People

Supporting People – Summit House

Anti Social Behaviour

**Children's Services**

Administration

Commissioning Service

Family Information Service

Information and Technology Services

Support for Partnership Activity

Training to Support Safeguarding of Children and Young People

Workforce Leadership

Shortbreaks

Children's and Adolescent Mental Health Services (CAMHS)

Family Intervention Service

Business Support

Schools Causing Concern

Virtual School

Dudley Performing Arts (DPA)

Children's Centres

Extended Services

Youth

Building and Estates

Connexions

Post 16

14-19 Education

**Corporate Resources**

Human Resources

# **Dudley MBC**

## **Medium Term Financial Strategy**

**2011/12 -  
2014/15**

## **Purpose of Medium Term Financial Strategy**

1. The Medium Term Financial Strategy (MTFS):
  - Provides a strategic context for the Council's budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council's overall priorities and objectives;
  - Sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties, and the level of Council Tax.
2. The principles underlying the MTFS are set out in Annex A. They apply to all aspects of Council activity, including the Housing Revenue account (HRA).
3. The operational principles of financial management are set out in the Council's Constitution - under the headings of the Financial Management Regime (FMR), Contract Standing Orders; Financial Regulations and Associated Codes of Practice. Together with the MTFS, these documents comprise the strategic and day to day framework for the operation of the Council's finances.
4. The MTFS and principles underlying it are reviewed each year as part of the annual budget process.
5. The MTFS set out below for the General Fund revenue budget covers 4 years, including the current year.

## **Financial Background**

6. The Council's External Auditor issued an unqualified opinion on the Council's 2010/11 Statement of Accounts, and commented in the most recent Annual Governance Report that the Council "had proper arrangements to secure economy, efficiency and effectiveness in its use of resources" and "is prioritising its resources within tighter budgets and is taking appropriate action to improve efficiency and productivity".
7. Cabinet members met informally during the summer and autumn to formulate, in consultation with Directors, prioritised spending pressures and savings proposals for 2012/13 – 2013/14 to be submitted to the Cabinet.
8. Spending pressures and desirable service developments likely to arise over the next 2 years were considered which would result from:
  - Legislative pressures;
  - Demographic pressures;
  - Customer Driven;
  - Performance Standards / Government Targets;
  - Fall-out of Specific Grants.

Each pressure was considered in the light of:

- Its impact on Council priorities;
- A risk assessment of not funding the pressure;
- The possibility of funding from external or capital resources.

9. Likewise, savings options were considered which might result from:

- Efficiencies from Value for Money comparison work;
- Other cash efficiency savings;
- Additional income from fees and charges;
- Additional external funding;
- Review of low priority spending.

Each saving was considered in the light of:

- A risk assessment relating to achievability;
- A risk assessment relating to service and equality impacts that took into consideration the public sector equality duty under the Equality Act 2010;
- Any one-off costs involved in achieving the saving.

### **The Proposed Budget and MTFS**

#### **2011/12**

10. As reported to Cabinet in June and October there have been variances in forecast spend compared with 2011/12 original budgets resulting from:

	<b>£m</b>
Early Intervention (Children's Services)	2.0
Highway Maintenance	0.2
Favourable Treasury variances	-2.0
Review of Earmarked Reserves	-0.5
<b>Total net reduction</b>	<b><u>-0.3</u></b>

11. Cabinet agreed that budgets be amended to reflect these variances.

12. Following the closure of Future Skills Dudley (FSD) and the termination of various contracts associated with it, the Council is likely to retain a residual amount in the region of £3.5m once final negotiations have been completed. Of this, it is proposed to use around £1.6m to repay "prudential borrowing" incurred to fund previous capital expenditure, thereby freeing up ongoing revenue resources. The Directorate of the Urban Environment is also experiencing a shortfall in planning fee income due to recession in property development, currently forecast to be £0.2m.

13. The following favourable variances have also arisen:

- Interim 2011/12 dividend from Birmingham International Airport of £0.2m.
- Further favourable Treasury variances of £1.0m as a result of better than anticipated cashflows.
- Remaining contingency of £0.5m no longer required. It is anticipated that as a result of robust management, pressures (in particular those relating to an increasing older population resulting in the need to manage effective and timely hospital discharge, and continuing high levels of referrals of children in need) can now be managed within Directorate budgets.

14. It is proposed that the resources arising from these variances be set aside to fund the cost of redundancies in respect of budget savings, and that budgets be amended to reflect all the variances set out in the previous paragraphs.
15. The overall budget position for 2011/12 can therefore be summarised as follows.

	£m
<b>Original total budget</b>	<b>241.5</b>
Net reductions in spend previously approved by Cabinet	-0.3
Future Skills Dudley closure	-3.5
Repayment of borrowing	1.6
Planning Fee income reduction	0.2
Favourable Treasury and other variances	-1.7
Set aside to meet redundancy costs	1.7
<b>Revised service budget</b>	<b>239.5</b>
Less: Council Tax Freeze Grant	-2.7
Plus: Contribution to Balances	2.0
<b>Budget Requirement (unchanged)</b>	<b>238.8</b>

#### General Fund Balances

16. The latest position is as follows:

	<b>Original Budget £m</b>	<b>Latest Position £m</b>
Balance at 31 <sup>st</sup> March 2011	8.1	8.1
Effect of 2010/11 outturn	-	1.0
	<b>8.1</b>	<b>9.1</b>
Contribution to balances	-	2.0
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>8.1</b>	<b>11.1</b>

2012/13 – 2014/15

17. The following table summarises the current budget proposals for 2012/13 – 2014/15, as detailed in the relevant Budget & Council Tax setting reports.

	2012/13	2013/14	2014/15
	£m	£m	£m
Base Budget Forecast	241.9	247.2	250.5
Council Priorities & Pressures	2.4	3.3	3.1
Efficiency and Other Savings	-7.5	-11.6	-12.8
<b>Service Spend</b>	<b>236.8</b>	<b>238.9</b>	<b>240.8</b>

Further details of the implications of this proposed budget for each service area are detailed at Annex C.

18. The MTFS is based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended over the term of the MTFS. Changes to the assumptions may lead to further increases in expenditure and, therefore, the need to identify further savings and/or alternative funding sources. These assumptions include:
- (a) Income from Business Rates plus Top-Up funding for 2013/14 and 2014/15 is in line with the totals announced in the Comprehensive Spending Review, as adjusted following the Autumn 2011 Budget Statement;
  - (b) Single Status and Equal Pay costs are no more than estimated;
  - (c) general levels of inflation (including the Integrated Transport Authority Levy), pay and interest rates do not vary materially from current forecasts.
  - (d) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves.

A summary risk assessment is set out at Annex D.

19. The budget proposals for 2012/13 include a proposal that Council Tax is frozen for 2012/13 and that the Council accepts Council Tax Freeze Grant from government equivalent to the value that a 2.5% increase would have yielded (£2.8m). Unlike the 2011/12 Council Tax Freeze Grant, this grant will be for one year only. The loss of this income from base income in 2013/14 onwards may be addressed by means of:
- Council Tax rises up to the indicative limit above which a referendum would need to be held under the provisions of the Localism Act.
  - Exercise of expected local flexibility to vary certain Council Tax discounts for empty properties (subject to government consultation).

In the event that the above are not acceptable, it will be necessary to make further revenue savings beyond those set out in this MTFS.

20. It is estimated (based on the totals announced in the Comprehensive Spending Review as adjusted following the Autumn 2011 Budget Statement) that the sum of Business Rates and Top-Up Funding will fall by around £9m between 2013/14 and 2014/15. Subject to the assumptions and risks outlined above and in Annex D, reserves are considered to be adequate to meet this pressure within the life of this MTFS. However, it will be necessary to find further savings from the base budget (beyond those outlined in this MTFS) in order to ensure that the strategy remains robust from 2015/16 onwards.
21. In order to ensure that the Council can properly manage its financial affairs over the life of this MTFS and beyond, and ensure resources are available to deal with new spending pressures and other unforeseen eventualities, the strategy must therefore be to:
  - (a) manage spending within approved budget levels;
  - (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
  - (c) seek further efficiency and other savings;
  - (d) maximise opportunities for additional external funding;
  - (e) take action to replenish General Balances;
  - (f) regularly review risks and uncertainties and any other relevant factors.
22. Work is ongoing to seek further efficiency and savings in the following areas:
  - A rolling review of expenditure in all service areas (including where available comparisons with other organisations) by an informal Budget Review Working Group of members and officers;
  - Rationalisation of Dudley town centre office accommodation;
  - A Strategic Property Board with the Dudley Community Partnership to explore the further rationalisation of accommodation with partners;
  - Cross-directorate reviews with a view to rationalisation of support and other common services;
  - Opportunities for shared services with neighbouring authorities;
  - Internal Audit value for money reviews.



### Partnerships

23. The MTFS set out above reflects the Council's revenue commitments in respect of the following financially significant partnerships. (These figures are provisional and subject to review.)

	Contribution		
	2012/13 £m	2012/13 £m	2014/15 £m
<b>Black Country Consortium</b> - partnership of the 4 Black Country Councils to co-ordinate sub-regional strategies and areas of common working.	0.160	0.140	0.140
<b>Substance Misuse</b> - partnership with PCT to provide rehabilitation services for adults with misuse needs.	0.155	0.155	0.155
<b>Community Equipment Store</b> - partnership with PCT to provided aids for intermediate care and rehabilitation.	1.003	1.003	1.003
<b>Children's Placements Pooled Budgets</b> - partnership with PCT to commission placements for children with severe disabilities who require an Out of Borough or Voluntary / Independent sector placement	0.717	0.717	0.717

24. The Council has used its Partnership Evaluation Tool to ensure that these and other partnerships are appropriate means of delivering its aims and objectives in a value for money manner.

### Links with other Strategies

25. The MTFS is consistent with the Council's other Plans and Strategies, which in turn reflect the resources likely to be available over the MTFS period. In particular:

#### **Sustainable Community Strategy and Council Plan**

26. As described above, all proposals to increase or reduce spending have been specifically considered in the light of their impact on *Council Plan* priorities, the Council Plan's key themes having been devised to meet the aspirations of the *Sustainable Community Strategy* (taking into account the 2010-2013 update, approved by Cabinet in December 2009). The Council Plan detailed targets will be updated in due course to reflect the resources allocated to services as part of the MTFS.

## **Human Resources**

27. The Council's Human Resources Strategy reflects a number of key challenges identified in the MTFS, including implementation of the national Single Status agreement and development of a new pay and reward strategy.

## **Information & Communication Technology (ICT)**

28. Further implementation, development and exploitation of the Council's ICT capabilities as identified in the *ICT Strategy* will play a key role in delivering transformed and more efficient services within the resource constraints of the MTFS. The resources allocated to ICT within the MTFS in turn reflect the need for such development, with efficiencies resulting from improved performance of the ICT Services Division being utilised to increase capacity to deliver an increasing range of ICT enabled services on which the Council is increasingly dependent. This will include actively supporting the Council's Accommodation Strategy through the deployment of securely connected mobile devices, further underpinning the exploitation of the Council's investment in Electronic Document Management technology to change the way business processes are undertaken whilst driving towards a 'paper light' environment by developing an ePost Room for document scanning and as a first stage for initiating electronic document workflows. There will also be the emergence of Unified Communication to enable the Council to operate more flexibly through the integration of desktops and IP telephony.

## **Procurement**

29. The Council's current *Procurement Strategy* is a key tool in ensuring the MTFS can be delivered, particularly in ensuring Value for Money is obtained in all procurement decisions. This Strategy also reflects the increasing importance of working in partnership with other organisations (commercial, other public sector, voluntary etc.) to deliver the Council's objectives.

## **Capital Strategy and Asset Management**

30. Good management of the Council's assets, in accordance with the *Corporate Property Policy* will continue to make an ongoing contribution to the provision of Value for Money services. The MTFS reflects the allocation of the necessary revenue resources to Asset Management to ensure that the objectives of the Corporate Property Policy are achieved.

In addition, the MTFS reflects the debt charges on Capital expenditure which will enhance and improve the Council's asset base via the *Capital Strategy* and the detailed *Capital Programme* - which themselves are aligned with the Corporate Property Policy.

## **Underlying Principles of the Medium Term Financial Strategy**

### **General**

1. The Council's financial planning and budgeting will be undertaken on a medium-term basis (at least 3 years).
2. The starting point for each year's budget and the MTFS will be the previous year's "base budget", plus appropriate provision for anticipated:
  - Pay & price inflation;
  - Capital Programme implications (debt charges and running costs / savings);
  - Changes in functions and funding arrangements;
  - Fallout of specific grants and other income;
  - New specific grants;
  - Treasury activities impact (investment & borrowing rates);
  - Other necessary adjustments.
3. The Council's final budget and MTFS will be determined according to the Council's priorities, as set out in the Community Strategy, Council Plan, and Service Strategies, ensuring that funding is allocated according to the corporate vision, aims, and objectives.
4. Detailed Directorate budgets will flow from the MTFS, with provision for pay and price inflation, etc. allocated to directorates, together with the financial impact of specific growth and savings items.
5. Directorate Business Plans will reflect the resources allocated to Directorates as part of the MTFS and set out how services will be delivered and improved within these constraints.
6. The Council's budget will be linked to performance to enable the effectiveness of the allocation of resources to be fully assessed.
7. Directors are responsible for delivering planned service outputs within cash-limited budgets.
8. The financial implications of the Council's partnership working will be reflected in the MTFS.
9. An annual Budget Review process will be undertaken by Directors and Members in accordance with an agreed plan and timetable with the objective of setting the following year's Budget and Council Tax and reviewing the MTFS. The Budget Review will accord with the Council's statutory duties including consideration of the public sector equality duty in Section 149 of the Equality Act 2010. The detailed review process to be used will be subject to annual revision as necessary.
10. A diagram showing how the Budget fits into the annual planning cycle is shown at Annex B.

### **Reserves and Balances Policy**

11. In consultation with the Treasurer, Directorates may establish earmarked reserves from within their cash-limited budgets to properly reflect ongoing financial commitments, fund future service developments (in line with Council priorities) or expenditure of an uneven nature (e.g. renewal of equipment).
12. Services operated on a trading basis (internal or external) may also establish reserves to balance profits and losses over the medium term.
13. All earmarked reserves will be periodically reviewed. Any reserves no longer required for their original purpose will be transferred to General Balances.
14. A Corporate "Reserve of Last Resort" will also be maintained to cover unforeseen events that cannot be met from within cash-limited budgets, earmarked reserves, or uncommitted General Balances.
15. General Balances will be managed to enable spending pressures and resources to be balanced over the medium term.
16. In accordance with legislative requirements, the Treasurer will report to the Council (when considering the budget for the following financial year) on the adequacy of the proposed levels of reserves.

### **Risk Assessment and Management**

17. A comprehensive financial risk assessment will be undertaken for all parts of the revenue and capital budgets, including any lessons learned from previous experience. The significant risks will be reported to Members for consideration when setting the budget and Council Tax, and when approving Capital projects as appropriate. These risks will also be taken into account when determining appropriate levels of reserves as set out above.
18. A specific risk assessment will also be undertaken for any proposals to increase or reduce expenditure.
19. Financial and other risks will be actively managed as part of the Council's established policies and procedures.
20. Directorates are required in the first instance to manage financial risks and accommodate unforeseen expenditure and/or income shortfalls from within their cash limited budgets or from their earmarked reserves - only seeking allocations from General Balances where this is proven to be impossible.

### **Income**

21. Each Directorate will undertake an annual review of all fees and charges - and of spending areas where charges are possible, but are not currently made.

22. Any cost subsidy (i.e. less than full cost recovery) must be justified in terms of its contribution to the Council's strategic aims.
23. Directorates will also monitor on an ongoing basis all opportunities to generate extra income to meet new service pressures or fund existing expenditure, thereby reducing pressures on bottom line budgets and Council Tax.

#### **Value for Money - Efficiency Review**

24. All services will be subject to regular reviews to ensure the best use is being made of resources across the Council. This will include a detailed justification of resources required after determining service objectives; establishing the level of service needed to meet those objectives; and ground-up costing. Where relevant, evidence from other authorities will be used to inform the reviews.

#### **Budget Realignment - Other Savings**

25. Each year all revenue budgets will be reviewed as part of an overall agreed process and timetable to assess their contribution to the Council's strategic aims. Particular focus will be on those areas of non-statutory expenditure, or where spend is in excess of statutory levels.
26. As a result of the above, proposals will be brought forward for resources to be redirected to higher priority services over the medium term in the light of the Council's overall financial position. A risk assessment will be made of the potential impact of all such proposals (in terms of service outputs, and achievability), and considered by members prior to approval. As required by the Equality Act 2010, members must also effectively assess potential impacts on protected groups, consider how to mitigate them and demonstrate how communities and groups have been consulted with as part of the decision making process.
27. Once approved, the implementation of any budget reductions will be monitored as part of normal budget and output monitoring processes.

#### **Budget Realignment - Pressures and Growth**

28. As part of the annual budget review, proposals will also be considered for additional expenditure to meet spending pressures and service development in line with the Council's priorities.
29. Proposals will be prioritised in terms of their necessity and contribution to the Council's priorities. A risk assessment will also be made of the impact of not taking the proposal forward.
30. A growth package will be agreed in the light of overall resource availability.
31. The impact of agreed budget increases on service outputs will be monitored as part of the Council's overall performance monitoring processes to ensure that the intended outputs have been achieved.

### **Capital Programme**

32. The Council's Capital Programme will complement the revenue budget in achieving the Council's priorities. It will be constructed and developed in accordance with the principles outlined in the Council's approved Capital Strategy.
33. All known revenue costs arising out of capital spend will be included in the revenue budget.
34. Where proposals are made to use the flexibilities offered by the "Prudential Borrowing" regime to undertake unsupported borrowing, these (and their revenue implications) will be considered as part of the annual budget review process in the light of overall revenue resource availability and the contribution of the proposed expenditure to achieving the Council's aims.

### **Treasury Management**

35. All borrowing and/or investment activity will be carried out in accordance with the approved Treasury Strategy and, and within the Prudential Indicators set annually by the Council.
36. This will include forecasting the main Balance Sheet items at least 3 years forwards to ensure optimal borrowing / investment decisions, and as a basis for subsequent monitoring.

### **Performance Management**

37. The delivery of required service outputs and the achievement of financial performance targets will be monitored by budget holders and reported to Cabinet as part of the quarterly Performance Monitoring report, as an integral part of the Council's performance management framework.
38. As set out above, particular emphasis will be given to monitoring the impact of budget growth and savings.

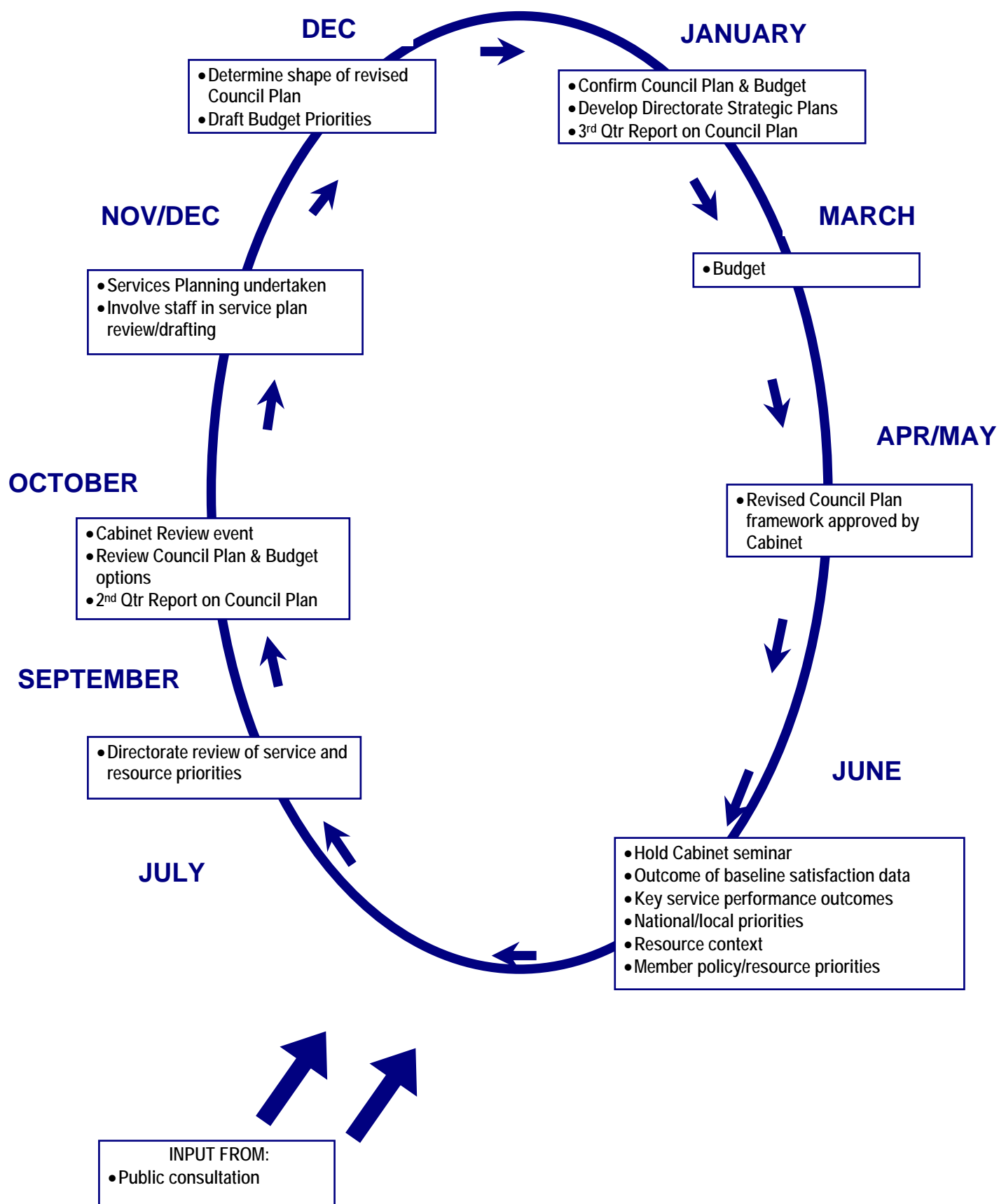
### **External Funding and Partnerships**

39. In addition to income from fees and charges discussed above, the Council will maximise external funding in the form of specific grants from the Government and other sources towards expenditure which will enable its aims and objectives to be achieved.
40. With regard to specific grants, the anticipated level of funding (where known) over the medium term is taken into account when reviewing budgets as part of the MTFS - particularly where new/ increased grant funding can contribute to meeting budget pressures, or where the fallout of existing grant may create a budget pressure in itself if the need for the underlying expenditure is ongoing.

41. With regard to partnerships, the Council will use its Partnership Evaluation Tool to ensure that its many partnerships continue to be appropriate means of delivering its aims and objectives in a value for money manner. For the key partnerships operating throughout the Council, the joint plans agreed with partners and other stakeholders will include detailed financial elements - including each partner's medium term financial (or other resource) commitment. These will be consistent with the Council's budget and MTFS.
42. The Council will also seek to ensure where possible that the mainstream budgets and financial plans of our partners reflect the Council's (and the community's) priorities.
43. For all external sources of funding or partnership support, an exit strategy will be put in place.

### **Consultation**

44. The Community Strategy and Council Plan which determine the priorities for the MTFS, Capital Programme and annual revenue budget are subject to extensive consultation with the general public and other stakeholders and partners.
45. In addition, public consultation will be undertaken as appropriate during the budget process.
46. Detailed consultation will be undertaken with groups and organisations identified as being potentially affected by the specific savings proposals, with a particular emphasis on equalities issues. In making decisions Members will have due regard to the public sector equality duty under the Equality Act 2010.
47. In accordance with the Council's Constitution, the Scrutiny Committees are consulted on the Cabinet's budget proposals and any related specific issues relevant to their Council Plan and service responsibilities. In framing their responses, the Scrutiny Committees are asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.
48. The Council is required by law to consult with representatives of Business Ratepayers each year before the final budget and Council Tax are agreed.
49. The Dudley Community Partnership is also encouraged to comment on the budget proposals.

Corporate Planning Cycle - Overview



## Implications of Proposed Budget for Service Areas

### Adult, Community and Housing

<b>Additional Spending</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Increased numbers of adults requiring support with Learning Disabilities including those transferring from Children's services	500	900	900
Increased numbers of people with dementia will require specialist services this additional investment recognises the increase in numbers and the higher cost of these services	162	529	529
Additional costs of young physical disability clients transferring from Children's Services.	0	415	415
Funding to support capacity building across the voluntary sector to support the Adult Social Care personalisation agenda. Would be used in partnership with Dudley CVS to pump prime social enterprises across the borough to increase market capacity in the social care market and will include the wider voluntary sector. Would also be consistent with some of the objectives of the Big Society. This is in addition to the Community Enterprise Fund to be resourced from the New Homes Bonus.	100	100	0
Disabled facilities grants. Would support pressures facing the directorate, could offset some higher care costs if properties were not adapted.	200	200	0
	<b>962</b>	<b>2144</b>	<b>1844</b>

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Older people services – The completion of the closure of Shenstone Residential Home alongside public consultation on the future of the remaining in house residential services together with the additional investment in Extra Care Housing.	261	713	713

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Older people services - Further developments towards emergency response, recuperation/reablement and dementia only service being provided by internal home care services. Some efficiency savings will be achieved through reprovision of some long term internal care hours by external providers. Other savings will be achieved through reducing long term care needs as a result of investment in reablement and prevention and intervention services this should enable long term care hours to be reduced by around 250 hours per week.	220	220	220
Housing general fund - Supporting people contracts. To work in partnership with providers to deliver VFM through a programme of assertive reviews aligned with priorities for strategic relevance including: -Remodelling of the existing Gibbs road provision in readiness for the new build. -Levels of support and hourly rates being brought into line with national benchmarking and best practise using the gateway computer system to ensure appropriate support levels and promote independence. -Continuing work with all internal providers to maximise investment.	512	560	560
Learning Disability - Reduction in the levels of residential care and care packages for people including Supported Housing. This will be achieved following a re modelling of how we deliver services to people with a Learning Disability which will see more people supported in community based settings and through the delivery of Direct Payments.	100	250	400
Increase proportion of admin funded from the grant as kickstart transitional arrangements draw to a close.	21	21	21
Policy Performance and Resources Remodelling of a number of services including commissioning and ICT resulting in a loss of at least 7 posts. A further loss of three posts (currently vacant) across social care finance and policy. Savings in all areas will lead to realignment of services and their priorities.	334	873	873

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Policy Performance and Resources - Social care Learning & development. Further reductions in staffing by 1 post, other reductions in training fees which will see fewer staff undertaking and attending post entry training, social worker qualifications and post qualification training, together with attendance at conferences. It will also see a reduction in the provision to cover the cost of care staff attending training courses. Other savings will be achieved through more effective procurement contracts.	203	332	332
Policy Performance and Resources - Community centres. In year 1 it would see the removal of existing vacancies and the removal some other staffing resources. In year 2 It is planned to transfer three centres to community associations with resulting savings in existing administrative budgets.	32	103	103
Older Persons/ Physical Disability services - The saving is a result of the improved model of care and support which provides a number of alternative to residential care. Additional funding shown for year 2 will cover the additional costs of young physical disability clients transferring from Children services.	100	100	100
Older peoples/ Physical Disability services - Further reduction of qualified Social workers across all OPPD teams. This is made possible by the redistribution of staff from Sept 2011 There will be a reduction from 5 social care teams to 2 teams along with a wider mix of skills and experience to ensure service requirements are met.	150	250	250
Directorate Management - Savings will be achieved through the reorganisation of the Senior management at Assistant Director level within DACHS £350,000 and the consequent reduction in support staff. Other savings of £250,000 in first year and £300,000 in second year will be achieved through the continued rationalisation of management within Adult Social Care.	600	650	650
Physical Disability – Will see a reduction in the levels of residential care and care packages for people including Supported Housing. One off savings of £50,000 in 2012/13 will also be available as a result of renegotiation of the contract for client support for people with a Direct payment.	80	100	100

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Devolving management of social care transport to remaining day centres. Reducing management and number of drivers/ attendants following reduction of vehicle fleet in 2011/12 and 4 additional vehicles in 2012/13. Transport provision has reduced in line with other reductions in day services across the Directorate.	320	320	320
Mental Health – Will see savings being identified through the reshaping of the existing day care services.	-	51	86
Libraries service efficiency savings from the potential move of Netherton Library to the Savoy Centre. This is linked to a related saving in Children's Services.	23	23	23
Mental Health services management and staffing. Deletion of one Social Worker (Primary Care) post in 2012-13. together with a Team Manager post and a further Social Work post respectively in 2013/2014.and 2014/15.	34	51	86
Library service - potential introduction of Black Country shared Library service	-	347	347
Mental Health services reduction in the amount spent on residential care and care packages for people in supported housing. This will be achieved by reducing the cost of new placements with providers; delivering improved value for money from existing care packages; telecare; extra care housing; and Direct payments . This could impact on the existing care being provided to around 100 clients	24	74	104
Learning Disability services review of the PULSE service, as part of the overall remodelling of Learning Disability services (see DACHS's 32). There will be a strong focus on personalisation and employment.	107	271	271
<b>Total</b>	<b>3,121</b>	<b>5,309</b>	<b>5,559</b>

## Urban Environment

<b>Additional Spending</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Streetlighting replacement. Provision of new lighting columns through Prudential investment.	20	20	20
Parks maintenance improvements. Investment in support of maintenance costs arising from the Heritage Lottery Fund bid for key Parks.	50	50	50
Waste disposal cost increases, inc. landfill tax. Year on year tax uplifts on waste taken to landfill tips, and contractual increases on fees associated with the incinerator at Lister Road.	262	523	523
Cremator improvements. Installation of new cremators at Gornal Wood Crematorium to comply with legislative requirements, through Prudential investment.	-	120	120
Stray horse reactive service. This funding would enable continuation of service removing stray horses from the public highway. Over 100 horses have been removed to date with 3rd party contractor working with the local police.	52	52	52
Micro asphalt road surfacing. Would mean an additional 75 roads could be treated a year on top of existing programme	300	300	300
Localism Act. Funding to support community based initiatives such as environmental clean ups that could include establishing borough wide networks for litter picking, tackling void properties and community based educational activity.	131	131	131
	<b>815</b>	<b>1,196</b>	<b>1,196</b>

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Reprofiling of debt financing for sports equipment.	125	125	125
A review of vacancies and reorganisation in the Culture & Leisure Division.	89	89	89
Cross divisional review aimed at reducing directorate overheads, procurement and "back office" staffing costs following outcomes of the Administrative Support review including the reduction of one Administration Support Manager.	257	300	300
Restructuring of Waste Management and more efficient utilisation of Waste to Energy facility.	250	300	300
Pest Control service - remodel existing service	106	106	106
Bereavement services extra income from increased fees and charges	0	200	200
More efficient utilisation of existing vehicle fleet and expansion of business opportunities.	100	150	150

Reduce energy consumption on Street Lighting utilising new technology	100	100	100
New arrangements will provide town centre traders with faster access to council services enabling the reduction of Town Centre manager posts and also a project manager post.	141	141	141
Explore options to charge on currently free surface car parks and to consider on street parking meters in town centres	75	150	150
Loss of one head of service post as part of restructuring within Regeneration Division.	60	60	60
Review of Engineering Structures Section	36	36	36
Change of delivery mechanism for corporate sustainability responsibility, from enabling role for Directorates to embedding within Directorates.	33	65	65
1 x Health & Safety officer post already achieved	33	33	33
Himley Hall extra income	30	50	50
Reduced Summer and Winter Bedding Displays at selected locations	30	30	30
1 x Assistant Access Officer post already achieved	27	27	27
Prudential borrowing debt management saving	27	27	27
Review of Street Maintenance Management structure including vacancies.	25	50	50
1 x Landscape Design post already achieved.	25	25	25
Reduction in Trading Standards capacity in terms of technical support, together with change in delivery mechanism through online advice.	55	55	55
2 x flexi retirement posts pro-rata in Traffic and Transportation Section.	20	20	20
Increase some fees and charges excluding Car Parks & Trade Waste	18	49	49
Reduction in contribution to Princes Trust Management Post	17	17	17
Landscape Design income surplus	12	12	12
Halls Service Management review - "Big Society" Pilot	0	150	150
Restructuring and efficiency savings in Traffic and Transportation Section.	0	90	90
Restructure of technical support teams for planning to maximise efficiencies.	0	19	19
<b>Total</b>	<b>1,691</b>	<b>2,476</b>	<b>2,476</b>

## Children's Services

<b>Additional Spending</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Redesign and enhance business support to social care services in order to improve the timeliness, consistency and quality of direct service delivery. Reshape ICT systems in order to ensure they can be used effectively. Monitor quality and consistency across social care services. Further embed performance management arrangements.	400	-	-
To review the current statutory arrangements and reshape the Directorate's SEN function and improve work with schools. This would be a shared responsibility with the Dedicated Schools Grant, £100,000 each; part of SEN is a LA role and part is a DSG role.	100	-	-
Additional Independent Reviewing Officer and admin support to enhance capacity to undertake statutory reviews of children's cases and ensure care plans are implemented in a timely and effective manner. To improve the timeliness of child protection conferences.	71	-	-
Improve internal capacity within Legal Services to provide an additional solicitor for looked after children legal work and new education legislative responsibilities. This will be a spend to save initiative to avoid seeking expensive external legal advice.	60	-	-
<b>Total</b>	<b>631</b>	<b>0</b>	<b>0</b>

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transforming Futures The 14-19 Education Strategy support will conclude. The responsibility for collaborative work passes predominately to schools as outlined in the Education Bill. This saving includes the removal of 1.81 full time equivalent (fte) posts including 1fte vacancy.	92	92	92
Children and Families A small part of the education support for looked after children which has been funded from Council funding will now be funded from the Government's new Pupil Premium grant saving £13,000.	13	13	13
Directorate Reduction in funding that supports partnership working will be achieved by the removal of 1 vacant post from the Children's Services establishment to the value of £40,000 for 2012/13.	40	40	40

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Directorate Leadership and Management</b> The Directorate will redesign its workforce and leadership structures following consultation with staff and reduce the staff establishment by approximately 2 - 3 posts and will realise £112,000 by 2012/13.	112	112	112
<b>Education, Play And Learning</b> The Directorate proposes to review and restructure music and arts services. The restructure will be informed by parental, school and other clients regarding their interests and also the requirements laid down by national government relating to the music grant.	0	78	78
<b>Children and Families</b> The Directorate will seek to reduce its commissioning budget by £100,000.	0	100	100
<b>Education, Play And Learning</b> The Directorate realised the 2012/13 extended service saving alongside its year 1 saving in this area. The restructure of extended services provision has been completed. Funding for extended services activities rests with schools and they will be the decision maker as to future provision in this area.	232	232	232
<b>Transforming Futures</b> The saving of £90,000 will be achieved from the universal youth budget by relocation and downsizing of office accommodation (Kent Street, Beechwood Road, Cloughton Centre and Leasowes youth office) there will also be a reduction in the universal sessional work across the townships and 2 fte qualified youth worker posts within the universal youth work service.	90	90	90
<b>Children and Families</b> During 2012/13 the commission for family based care for children with disabilities will be reviewed and in the event that alternative funding is not available to support the reduction the tender will be reduced by £50,000.	0	50	50
<b>Children and Families</b> Changes will be made to the short breaks residential service commissioning for children with disabilities in order to achieve a more cost effective model. The Directorate will redesign the tender and commission within a reduced budget of £50,000. This will be monitored to ensure the contract meets the annual demand.	50	50	50



<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<p><b>Transforming futures</b>  Connexions service. Savings of £106,000 for 2012/13 and a further £56,000 for 2013/14 will be made by reducing the training, car allowance and stationery budget in addition to removing 2 vacant posts from the service. The residue will be found by rationalising the activity budget and utilising the residual funding set aside when transferring the service to the council.</p>	106	162	162
<p><b>Education, Play And Learning</b>  Currently the Education Psychology service is jointly funded through council funding and from 2011/12, a traded services to schools. The full buy back from schools will be determined during 2012/13 and used to inform the setting of increased income targets and any reduction of staff required to meet the 2013/14 saving of £194,000. This saving could involve the removal of up to 4 posts dependant upon the traded service income position.</p>	0	194	194
<p><b>Quality And Partnership</b>  The budget saving of £84,000 will be made from the Quality and Partnership Divisional budget. This will reduce the amount and pace of work that can be done to collect, analyse and communicate information. This will affect services within the Council and across the Children and Young People's Partnership. However in all cases the services will continue.</p>	84	84	84
<p><b>Transforming Futures</b>  Savings of £58,000 will be achieved in the 16 - 19 team through efficiencies, redesign of services and the removal of 1 post.</p>	58	58	58
<p><b>Transforming Futures</b>  Building &amp; Estates team saving of £40,000 will be achieved by the removal of 1 vacant post from the structure and efficiencies.</p>	40	40	40
<p><b>Children and Families</b>  The jointly held pooled budget for externally provided services for children with disabilities can reduce its contingency by £40,000.</p>	40	40	40
<p><b>Children and Families</b>  Family intervention services will make saving of 40,000 by the reduction of one vacant post together with efficiencies within the running costs of this service.</p>	40	40	40

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education, Play and Learning The Directorate will make efficiency savings of £10,000 from the central administration of children's centres.	10	10	10
Education, Play and Learning £30,000 will be saved by reducing the level of Directorate support to schools in challenging circumstances.	30	30	30
Education, Play and Learning The Dedicated Schools Grant (DSG) will now fund £205,000 of the Council's funding in respect of vulnerable groups. This is a statutory change in accordance with the school finance regulations regarding responsibilities for vulnerable groups funding.	205	205	205
Transforming Futures £23,000 savings will be achieved from within the transforming futures division budgets by service efficiencies and increased income targets.	23	23	23
Quality and Partnership £27,000 efficiency savings will be made from the Directorate budgets for administration and training over a two year period.	14	27	27
Children and Families £22,000 savings will be achieved from within the Children and Families division by service efficiencies together with the removal of a 0.5fte vacant post.	22	22	22
Directorate Early Intervention Grant efficiencies will be made across all of the areas that the Early Intervention Grant supports to achieve a saving of £77,000.	77	77	77
Directorate The Council's strategy to save £1m from the Children's Services budget for 2014/15 is under review. Children's Services is still experiencing high level of referrals and children in need therefore it cannot yet be determined how this saving can be achieved. The Directorate will review its budget in 2012/13 in order to form proposals in advance of the 2014/15 budget setting process.	0	0	1,000
<b>Total</b>	<b>1,378</b>	<b>1,869</b>	<b>2,869</b>

## Corporate Resources

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Efficiencies to be found in Production Services within ICT Services (1 post) and reduced costs to external suppliers	77	77	77
Restructure of Information Systems section in ICT Services	105	105	105
Additional income from a partnership initiative within ICT Services	20	20	20
Restructure of management team in Customer Services and Support section in ICT Services	14	42	42
Further reduction of service provision in Information Systems in ICT services	0	46	46
Restructure management between Information Systems and Customer Services within ICT Services	0	50	50
ICT Services: Rationalise KERN Service (Automated enveloping)	0	30	30
ICT Services: Desktop Delivery / Support Service Redesign	50	50	50
ICT Services saving following consolidation of Service Desk provision	38	38	38
Efficiencies found within Accountancy Services from improved working practices	94	94	94
Value for Money (VFM) work (efficiency studies to be carried out by the Internal Audit section)	43	91	91
Restructure of Internal Audit function	17	17	17
Reduction in External Audit charges	85	85	85
Reduction in costs due to disbanding of West Midlands City Region group	42	42	42
Fallout of 4 temp principal HR officers for 2 years (2011/12 and 2012/13) who assisted managers with the redundancy process	0	160	160
HR vacant posts (£65,000) and non pay (£28,000)	59	93	93
Training - reduce training budget for Members	3	8	8
Payroll - restructure of team, vacant posts yr1	14	62	62
Efficiencies in delivering the Council's Repairs & Maintenance programme	211	211	211
Democratic Services - Reduction in staff hours	21	21	21
Coroners -reduction in non-pay costs and Mortuary Fees	20	20	20
Relocation of register office	0	35	35
CCTV - increase income streams and reorganisation of staff responsibilities	22	47	47
Remove a post within Licensing section	0	20	20
<b>Total</b>	<b>935</b>	<b>1,464</b>	<b>1,464</b>

### Chief Executive's

<b>Efficiency and Other Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Dudley Council for Voluntary Services	40	40	40
Centre For Equality and Diversity (CFED)	5	5	5
Reduction in Grant to the Black Country Living Museum	0	70	70
West Midlands Councils subscription	24	24	24
Streamline Management, Administration, Policy and support services	119	119	119
Reduction in rent for office costs	93	93	93
Reduce emergency planning running costs	36	36	36
Rationalise the range and extent of Marketing and Communications activity by the Council	0	40	40
Reduce contribution to Black Country Consortium (BCC)	20	40	40
<b>Total</b>	<b>337</b>	<b>467</b>	<b>467</b>

**Risk Assessment**

1. The following table sets out the significant risks which Members must consider prior to agreeing a budget and MTFS, albeit that these risks become more difficult to assess within a medium term timescale.

<b>Risk</b>	<b>Impact</b>
<ul style="list-style-type: none"> <li>Single Status and Equal Pay Back Pay</li> </ul>	Figures included in spending forecasts are based on best estimates at this time, but are subject to the outcome of appeals.
<ul style="list-style-type: none"> <li>General inflation and staff pay awards higher than budgeted</li> </ul>	The Council is expecting pay awards for local government may be frozen or settled at very low levels in the next few years. We are making sufficient provision to cover a 1% annual increase in pay from 2013/14 onwards consistent with Government announcements about public sector pay, recognising however that central government does not determine Local Government pay awards. The budget provision for prices assumes that competitive contract management and tendering will continue to minimise the impact of price rises on Council budgets. We are therefore proposing a provision of around 2% per annum in 2012/13 and 2013/14. In addition, to ensure a prudent approach to budget setting is adopted, a contingency provision of £1m has also been built into our assumptions for 2012/13 in the event that pay and/or price inflation exceed expectations. A 1% increase in inflation would cost (excluding Schools) around £1.2m extra per year in respect of pay and £1.6m in respect of prices.
<ul style="list-style-type: none"> <li>Interest rates higher / lower than expected</li> </ul>	A 1% change either way in short term interest rates would not have a material impact as the majority of borrowing is at long term fixed rates, and estimates of interest earnings are prudent.
<ul style="list-style-type: none"> <li>Change in Employer's Superannuation Contributions</li> </ul>	The employer's superannuation contributions are set for the three years up to 2013/14. Contributions in subsequent years are sensitive to demographic changes, market conditions, pension regulations, and level of pension strain arising from early retirements charged to the fund.
<ul style="list-style-type: none"> <li>Income levels not achieved</li> </ul>	A 1% loss of income (excluding grants & interest) would cost the Council around £0.3m per year.

<ul style="list-style-type: none"> <li>Other unplanned events, or assumptions not in line with forecasts</li> </ul>	Unforeseen costs or costs greater than estimated - including those arising from demographic pressures.
<ul style="list-style-type: none"> <li>Council Tax limitation</li> </ul>	The budget proposals in this report result in a Council Tax freeze for 2012/13. The Localism Act enables the Government to limit Council Tax increases that can be implemented in future years without approval via local referenda. It has been assumed that these will be in line with the indicative limit for 2012/13.
<ul style="list-style-type: none"> <li>Business Rate income plus Top-Up for 2013/14 onwards lower than assumed</li> </ul>	We have assumed this to be in line with the Comprehensive Spending Review indications for national totals, as adjusted following the Autumn 2011 Budget Statement. A 1% shortfall in total funding would reduce annual resources by £1.2m. The new system of funding will also be more complex than the existing system and will lead to additional uncertainty and risk in forecasting resources.
<ul style="list-style-type: none"> <li>Localisation of Council Tax Benefit from 2013/14</li> </ul>	The current proposals would transfer the risk of variations in benefit payments to local authorities. The Government grant would also be 10 per cent less than current benefit levels. A 1% variation in cost compared with resources would amount to around £0.2m.

2. Any unbudgeted costs, or shortfalls in income, would have to be met from reductions in planned spending in the year or from balances.
3. In addition to General Fund Balances, there are £2m Working Balances to meet unforeseen events and it is considered that many of the remaining earmarked reserves could be used in the short term to cover unforeseen budget pressures. These may need to be replenished in future years.