



## **Meeting of the Council**

**Monday, 2<sup>nd</sup> March, 2015 at 6.00pm**  
**in the Council Chamber at the Council House, Priory Road, Dudley**

You are hereby summoned to attend a meeting of the Dudley Metropolitan Borough Council for the purpose of transacting the business set out in the numbered agenda items listed below.

### **Agenda - Public Session** (Meeting open to the public and press)

Prayers.

1. Apologies for absence.
2. To receive any declarations of interest under the Members' Code of Conduct.
3. Mayor's Announcements.
4. Revenue Budget Strategy and Setting the Council Tax 2015/2016.

A handwritten signature in black ink, appearing to be "P. V. S.", is written over a faint, circular stamp.

**Strategic Director (Resources and Transformation)**  
**Dated: 19<sup>th</sup> February, 2015**

**Distribution: All Members of the Council**

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## **Meeting of the Council – 2nd March, 2015**

### **Joint Report of the Chief Executive and Chief Officer, Finance and Legal Services**

#### **Revenue Budget Strategy and Setting the Council Tax 2015/16**

#### **Purpose of Report**

1. To consider 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 2015 to 31st March 2016. The recommendations in this report will be considered by the Cabinet on 25<sup>th</sup> February, 2015 and any amendments will be reported at the Council meeting.

#### **Background**

2. At its meeting on 29<sup>th</sup> October 2014, the Cabinet approved a preliminary budget strategy as a basis for consultation. This report sets out revised proposals taking into account the final local government finance settlement for 2015/16, together with other changes to projected spending and resources resulting from the ongoing review of forecasts and assumptions. Changes to forecasts compared with the figures reported in October are set out in Appendix 1.

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

3. A total of 5,766 valid responses were received to the internet consultation which was open from 3<sup>rd</sup> November 2014 to 27<sup>th</sup> January 2015. These are summarised at Appendix 2.
4. An e-petition has also been received by the Council as follows.

*We, the undersigned, condemn the council's proposals to:*

- *reduce the range of Language Unit Provision for children with severe and complex communication issues;*
- *remove the entitlement to Local Authority transport for children attending the three specialist nursery provisions across the borough.*

*We believe that access to appropriate specialist provision and support for our most vulnerable children and their families should be made easier, not harder.*

*These cuts will adversely affect Dudley children with the most severe and complex special needs, and their families. It will reduce access to appropriate specialist provision and education for these children, impacting upon their development, well-being and future life chances. Evidence shows that early*

*intervention is crucial to children's outcomes, even more so if they have additional needs. We believe that the current structuring of Language Units within primary schools provides an excellent range of opportunities to meet the diverse nature of the children that they serve. We also believe that the removal of Local Authority transport for children attending specialist nursery provision will result in some children who may have severe disabilities, including in some instances life-limiting conditions, being unable to attend.*

At the time of writing this report the petition had 863 signatories. The closing date is 28<sup>th</sup> February and final signatory numbers will be reported to Council on 2<sup>nd</sup> March. Proposals relating to Language Unit provision are funded from Dedicated Schools Grant and fall outside of the scope of this report. Proposals in relation to local authority transport are considered further below.

5. 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. Where relevant the results of the consultation have been taken into account in preparing Equality Impact Assessments. This includes specific consultation on proposals to remove local authority transport provision for children attending specialist nurseries. This consultation was originally due to end on 2<sup>nd</sup> March. In view of responses received and the petition referred to above, it is proposed to extend the consultation and work with parents to identify ways to deliver the planned saving whilst mitigating the impact on children and their families.
6. Each Scrutiny Committee has considered the provisional budget proposals approved by Cabinet on 29<sup>th</sup> October. The work of the Scrutiny Committees has subsequently been considered by the Overview and Scrutiny Management Board. The proposals were noted by each Committee. No specific resolutions were made that affect the proposals.
7. A consultation document was distributed to representatives of Non-Domestic Ratepayers setting out the provisional budget proposals approved by Cabinet on 29<sup>th</sup> October, in pursuance of the statutory duty to consult. Further detailed information (as required under the statutory duty) is being distributed, and any comments will be reported to the Council meeting.
8. Unions have been consulted on the budget proposals in the context of the redundancy process.

#### Forecast 2014/15 Position

9. Forecast General Fund revenue spend compared with budget for each Directorate is shown in Appendix 3. The following favourable variances have now arisen:
  - Earmarked reserves have been reviewed to identify any no longer required for their original purposes which can be returned to General Balances and £2.9m has been identified.
  - Monitoring indicates favourable Treasury variances amounting to £0.9m resulting mainly from better than expected cash flows.

- It is possible to release funds previously set aside to cover potential VAT liabilities, and there have also been refunds from HMRC - totalling £0.7m.

It is proposed that budgets be amended to reflect these variances.

10. It was reported to Cabinet in October, that overall numbers of Looked After Children had not started to reduce as previously predicted and, within that overall number, external residential and independent foster agency placements have risen. In addition, there were overspends in the Social Work budget and in the budget for 14+ supported accommodation. The Directorate of Children's Services has identified some measures to partially offset these pressures, and in combination with the use of earmarked reserves, net spend is now forecast to be within budget for the current year. However, there are underlying pressures going into future years that are considered later in this report.
11. As reported to Cabinet in October, it is anticipated that the cost of redundancies required to achieve proposed savings can be met from use of resources earmarked for committed capital expenditure (which in turn could be funded from prudential borrowing), review of earmarked reserves, and general balances. Latest estimates indicate that the amount likely to be required from revenue resources in the current year is around £4.5m. It is proposed that budgets be amended accordingly.
12. As a result of the previously approved and currently proposed amendments, the total service budget for 2014/15 would be £240.0m.
13. The latest forecast General Fund Balances position, compared to the original Approved Budget for 2014/15 is therefore as follows.

	<b>Current Budget £m</b>	<b>Latest Position £m</b>
Balance at 31 <sup>st</sup> March 2014	25.1	25.1
Planned use approved by Cabinet and Council in July	-0.1	-0.1
	<b>25.0</b>	<b>25.0</b>
Review of earmarked reserves (para 9)	-	+2.9
Favourable Treasury variances (para 9)	-	+0.9
VAT refund (para 9)	-	+0.7
Redundancy costs (para 11)	-	-4.5
<b>Forecast balance at 31<sup>st</sup> March 2015</b>	<b>25.0</b>	<b>25.0</b>

#### Budget 2015/16 and Medium Term Financial Strategy (MTFS)

14. In formulating the Council's Budget and Council Tax levels for 2015/16, 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 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 2015/16 (see paragraph 18 below);
  - (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.)
15. These factors need to be considered not only in terms of their impact on the 2015/16 budget, but also their impact on the medium term position, at least over 3 years.

### Government Funding

16. The provisional Local Government Finance Settlement 2015/16 was announced on 18<sup>th</sup> December 2014, and the overall figures were broadly in line with the assumptions in the report to October 2014 Cabinet. The opportunity was taken to respond to the Government's invitation to comment on its proposals, as set out at Appendix 4. The final settlement was announced on 3<sup>rd</sup> February. The only significant change was an extra £74m of Revenue Support Grant (RSG) nationally to reflect pressures on welfare and social care. Dudley's share of this (£0.5m) has been reflected in the figures below. No detailed figures are available for 2016/17 onwards and pending the outcome of the General Election and announcements of future government policy, our forecasts for these years continue to be based on broad indications from the Treasury about the pace of deficit reduction.
17. New Homes Bonus (NHB) allocations for 2015/16 were confirmed on 30<sup>th</sup> January, and the Council's allocation was as expected. We have assumed that New Homes Bonus will continue to increase at the same rate in 2016/17 as for 2015/16, after which it will remain stable.<sup>1</sup>
18. The Government is offering a grant equivalent to a 1% Council Tax increase to Councils who freeze Council Tax in 2015/16 and has indicated that this funding will be included in the "base" position for future funding reviews.

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<sup>1</sup> New Homes Bonus is received for 6 years for each new home or long term empty home brought back into occupation. As the scheme commenced in 2011/12, homes for which grant was received in that year will no longer count from 2017/18. This will continue in each subsequent year as the "oldest" year falls out of the formula. We have assumed that this fall out will be offset by more new homes at similar levels so that overall grant will not vary significantly.

19. The Government has announced that the maximum Council Tax increase for 2015/16, above which a referendum would need to be held, will be 2% for all authorities.
20. The Government has confirmed that Education Services Grant (the grant that funds support services to schools which become the responsibility of academies after conversion) will reduce by around 20% in 2015/16, equivalent to around £1m.
21. The report to October 2014 Cabinet included savings of £6.870m per annum from the transfer of health integration funding from the Clinical Commissioning Group (CCG). Subsequent Government funding announcements have changed the funding and performance arrangements for the Better Care Fund (BCF). The amount of money available to the Local Authority has decreased. The current proposed transfer in 2015/16 from the CCG to the Local Authority is £3.000m. A further £1.620m is available subject to delivery of a challenging target of a 3.5% reduction in non-elective admissions to hospital. The consequent reduction in forecast savings of £2.250m per annum has been reflected in the revised MTFS below. At this stage, the Government has not made any announcements about the BCF beyond 2015/16.
22. The Care Act 2014 is due to be implemented from April 2015 in two phases. It defines a primary responsibility of Councils as the promotion of individual well-being.
23. Key parts of the Act are:
  - a focus on preventing or delaying the need for support;
  - carers given significant new entitlements with the aim that they are supported in their caring role;
  - Councils to provide an information and advice service, this should include how people can access independent financial advice;
  - Councils should facilitate and promote the development of a diverse market for care and support services;
  - where people are eligible, to provide them with an independent advocate;
  - a national minimum threshold at which people will be eligible for care and support.The costs of implementation are included in the Better Care Fund pooled arrangement in 2015/16 (£1.1m).
24. In addition a new burdens grant will be paid to Councils and the allocation for Dudley will be £1.8m in 2015/16. This funding is to:
  - top up carers support;
  - support early assessments for new people eligible for services;
  - administer the new mandatory deferred payments scheme;
  - recruit and train new staff;
  - publicise the changes through an information campaign.
25. Changes relating to funding reforms of the Act will be implemented in 2016/17. This will increase the capital threshold at which people become self-funders. This means that anyone with capital below £118,000 will be eligible for funding support from Councils. All eligible service users will have a cap on their care costs which when reached will result in Councils picking up the costs. (There will be a lower cap for Adults of working age).

26. In addition, Councils will have increased demand for care assessments for those people who are self funders and to identify the eligible needs that can be counted towards the care cap. The Council has not been notified of the amount of grant that it will receive for implementing these additional changes. There is risk that the grant provided by Central Government will not cover the additional costs.

### Council Tax and Business Rates

27. From 2013/14 there has been a transfer of risk from central to local government in respect of both these areas:
- Nationally set and funded Council Tax Benefit was replaced by locally determined Council Tax Reduction schemes (see below). As part of this change, the risk relating to changes in claimant numbers and value of claims is now borne by Councils.
  - 49% of business rates collected are retained by the Council, involving significant new risks resulting from any changes in collectable rates as a result of new building, demolitions, change of use, certain reliefs, or successful appeals. The latter may be backdated, sometimes as far as 2005, and give rise to substantial refunds to ratepayers.
28. The flip side of this risk transfer is that local authorities equally stand to gain from positive movements in either of these income streams. The impact in both areas is difficult to predict, and will continue to be monitored closely.
29. The Council agreed at its meeting on 1<sup>st</sup> December that, in respect of the Council Tax Reduction (CTR) scheme, the previous transitional arrangement be terminated on 31<sup>st</sup> March 2015, that a full 20% cut in the calculated reduction be implemented from 1<sup>st</sup> April 2015, and that full protection should be given to pensioners, disabled adults, disabled children, war pensioners and lone parents with a child under 5.
30. Council Tax income overall continues to be buoyant as a result of new residential development and a reduction in the underlying value of CTR discounts. We have assumed that the underlying level of CTR discount will continue at current levels, and made prudent forecasts of further increases in income as a result of new development over the period of the MTFS.
31. On the other hand, income from Business Rates continues to decline in real terms, reflecting amongst other things increases in empty premises and charitable relief. As a prudent basis for forecasting, we have assumed these trends will continue.
32. The Chancellor's Autumn Statement included a number of items impacting on individual Business Rates bills. These included the capping of increases for 2015/16 at 2% (rather than in line with RPI which is the default), and extension of the doubling of Small Business Rate Relief for another year. Councils will be compensated for the impact of these changes via a specific grant.



33. The Collection Fund includes income from council tax and business rates. Consistent with the above trends, and reflecting latest forecasts of income for the current year, it is estimated that there will be a Collection Fund surplus of £3.561m in respect of Council Tax items at 31<sup>st</sup> March 2015 of which Dudley's share is £3.122m and a deficit of £5.449m in respect of Business Rate items at 31<sup>st</sup> March 2015 of which Dudley's share is £2.670m.
34. The estimated surplus and deficit will be transferred from the Collection Fund to the General Fund in 2015/16 and are reflected in the resource forecasts below.

#### Integrated Transport Authority (ITA) Levy

35. The ITA set its levy for 2015/16 on 28<sup>th</sup> January. The total levy across the West Midlands reflects a further 5% reduction in addition to the 5% reduction in 2014/15. Dudley's share of the levy of £14.842m is in line with previous forecasts. We have assumed the levy will be no more than the 2015/16 figure over the period of the MTFS.

#### Base Budget Forecasts

36. The following key assumptions have been made, and are also referred to in the risk analysis in paragraph 57.
- (a) The provision for pay in 2015/16 reflects the agreed pay award, covering the 2 year period up to 31<sup>st</sup> March 2016. We are expecting pay awards for local government to continue to be settled at very low levels in the next few years, and have provided 1% each year for pay for the remainder of the MTFS.
  - (b) The provision for general price inflation is 2% each year for the duration of the MTFS.
  - (c) Interest rates will continue to have a relatively low impact in the medium term.
37. Details of Base Budget Forecasts are set out below.

	2015/16 £m	2016/17 £m	2017/18 £m
2014/15 Base ( <i>note 1</i> )	240.0	240.0	240.0
Pay & Prices	3.0	6.5	10.0
Capital Programme and Treasury ( <i>note 2</i> )	0.4	-0.3	-1.2
Pensions ( <i>note 3</i> )	1.7	3.1	4.7
National Insurance ( <i>note 4</i> )	-	2.0	2.0
Other Adjustments ( <i>note 5</i> )	2.9	2.9	2.7
<b>Base Budget Forecast</b>	<b>248.0</b>	<b>254.2</b>	<b>258.2</b>

Notes:

- (1) Following amendment by Cabinet and Council in July.
- (2) Including latest airport dividend forecasts.

- (3) Ongoing stepping up of employer contributions following revision of the Local Government pension scheme from April 2014.
- (4) Ending of “contracting out” on introduction of Single Tier State Pension from April 2016.
- (5) Mainly the costs of Single Status, and the Government’s planned reduction in Education Services Grant (ESG). Also reflects no local elections being held in 2017/18.

### Spending Pressures

38. Spending pressures provided for are as follows.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Increased numbers of looked after children	2.2	2.2	2.2
Increased numbers of adults with learning disabilities and clients with dementia	0.9	1.9	2.9
Pressures relating to waste collection and disposal costs	0.2	0.3	0.4
Local Welfare Assistance	0.2	0.2	0.2
<b>Total</b>	<b>3.5</b>	<b>4.6</b>	<b>5.7</b>

39. With regard to Looked After Children, we will establish a Commission with all stakeholders to undertake a robust review and detail clear recommendations on how to safely reduce the number of Looked After Children in the borough. This will incorporate partners and contributors and utilise learning both regionally and nationally. The intention is to deliver a whole system approach. Nevertheless, it is a complex matter and it will require new partnerships, new approaches, service models and behaviours and therefore savings may not be realised in 2015/16.

### Savings

40. The following savings have been identified. Detailed proposals are set out in Appendix 5.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult, Community and Housing	9,429	10,535	10,535
Children’s Services	2,714	3,176	4,359
Urban Environment	5,053	5,313	5,822
Corporate Resources	3,505	3,859	3,959
Chief Executive's	390	454	614
Corporate review of senior management	1,000	1,000	1,000
<b>Total</b>	<b>22,091</b>	<b>24,337</b>	<b>26,289</b>

41. The table above now includes the proposed saving of £1m from the corporate review of senior management. Savings at Assistant Director and Head of Service level (that were previously included in directorate proposals) have been removed. This ensures that there is no double-counting.

42. Changes to savings proposals compared with those reported to Cabinet in October are summarised in Appendix 1.

### Public Health

43. The core allocation for Dudley in respect of Public Health grant for 2015/16 remains unchanged from the 2014/15 allocation at £18.974m.
44. From 1st October 2015, local authorities will take over responsibility from NHS England for commissioning public health services for children aged 0-5. The initial transfer of funding will be handled separately to the core allocations, with Dudley's part year allocation being £2.438m. For 2016/17 onwards, Dudley's 0-5 baseline funding amounting to £4.876m will be added to existing public health grant allocation to form an overall public health grant allocation. Due diligence work is underway to ensure that when the transfer is made, contracts are affordable within this allocation.
45. The General Fund savings proposals in Appendix 5 include proposals to support Sports Development and Park Rangers from Public Health grant on the basis of the contribution that these services make to delivery of health and wellbeing outcomes. It is proposed that this support will be funded from a combination of Public Health reserves, decommissioning and redirection of funds within the Public Health budget. Public Health grant will also continue to support Children's Centres as part of closer integration with the health visitor service.
46. The proposed use of the total 2015/16 grant funding of £21.412m is shown at Appendix 6.

### Human Resource Implications

47. Council in July agreed:
- An "Expressions of Interest" process for voluntary redundancy to open from July through to early September 2014 with clear communication relating to priority given to areas of savings and that the process will be for a register to be held for future consideration including budget saving requirements and service restructures.
  - That directors through HR may continue to offer the opportunity of volunteering for redundancy to any employee whose service is undergoing a restructure involving the saving of posts as it may be that some employees did not express an interest through the corporate process that might wish to consider this option if and when their service is reviewed.
  - The continued delegation for approval of voluntary redundancies to the Cabinet Member for Human Resources, Legal, Property & Health and the (now) Strategic Director of Resources and Transformation, and of compulsory redundancies to the Cabinet Member for Human Resources, Legal, Property & Health and the Assistant Director for Human Resources and Organisational Development.

48. It was agreed by Council in December that the above delegation be confirmed up to an initial maximum of £5.0m for direct redundancy costs and the capitalised cost of pension strain, in respect of redundancies required to achieve the proposed savings.
49. Final redundancy costs, including those relating to pension strain, are dependent on the age and length of service of the individuals being made redundant and therefore cannot be precisely calculated at this stage. Latest forecast costs are reflected in the 2014/15 position set out above.

#### Medium Term Financial Strategy (MTFS)

50. The MTFS 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. It provides a context for decisions on the 2015/16 budget and council tax.
51. The principles underlying the MTFS are set out in Appendix 7. They apply to all aspects of Council activity, including the Housing Revenue account (HRA).
52. The MTFS reflecting the revised spending proposals set out above, and forecasts of likely resource availability can be summarised as follows.

	2015/16 £m	2016/17 £m	2017/18 £m
Base Budget Forecast	248.0	254.2	258.2
Spending Pressures	3.5	4.6	5.7
Savings	-22.1	-24.3	-26.3
<b>Total Service Spend</b>	<b>229.4</b>	<b>234.5</b>	<b>237.6</b>
Revenue Support Grant (RSG)	56.4	43.8	32.6
Retained Business Rates	45.0	48.8	49.9
Top-Up Grant	15.2	15.6	16.0
Business Rate Grant	3.7	1.0	1.0
New Homes Bonus	4.1	4.8	4.8
New Homes Bonus Adjustment Grant	0.2	0.2	0.2
Council Tax Freeze Grant	1.2	2.3	3.5
Collection Fund Surplus – Council Tax	3.1	-	-
Collection Fund Deficit – Business Rates <sup>2</sup>	-2.7	-0.7	-0.7
Council Tax	96.7	97.1	97.6
<b>Total Resources</b>	<b>222.9</b>	<b>212.9</b>	<b>204.9</b>
<b>Deficit funded from Balances</b>	<b>6.5</b>	<b>21.6</b>	<b>32.7</b>
Balances brought forward	25.0	18.5	n/a
<b>Balances carried forward</b>	<b>18.5</b>	<b>n/a</b>	<b>n/a</b>

<sup>2</sup> Forecast deficit in future years is as a result of technical accounting issues relating to back-dated appeals.

53. The table above reflects the proposal to freeze Council Tax for 2015/16. Whilst there has been no Government announcement in respect of Council Tax Freeze Grant (CTFG) for subsequent years, a freeze for 2016/17 and 2017/18 has also been assumed as a prudent basis for forecasting. Any increase in Council tax above 1.2%<sup>3</sup> would increase available resources.
54. As demonstrated by the table above, if the Council does not take further action over and above the actions proposed in this report, then it faces worsening deficits over the next three years. Reserves are only adequate to fund the deficit for 2015/16 and part way into 2016/17. Action is required to reduce our reliance on reserves and ensure that we can deliver balanced budgets beyond 2015/16.
55. To address the financial position set out above, it is proposed that Budget Challenge Teams be created. These teams will involve Cabinet Members working across portfolios. With the support of the Chief Executive and Strategic Directors, each team will challenge a Chief Officer on all areas of expenditure under his/her management. The challenge process will consider comparisons with other providers, priority and statutory requirement for services, and where relevant, alternative service delivery models including opportunities for shared services. In view of the urgency of the financial challenge set out above, the process will seek to identify savings that can be implemented as soon as possible, including any savings that can be implemented to address the immediate shortfall in 2015/16. To this end, a further report will be presented to Cabinet in July.
56. As in previous years, it is essential that the Chief Executive and Directors seek to manage spending within approved budget levels and continue to review and re-allocate earmarked reserves where these are no longer required for their original purpose.

### Estimates, Assumptions & Risk Analysis

57. It was noted in the previous report to Cabinet that the budget forecasts and resource levels were based on a number of estimates, assumptions and professional judgements, which may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources, and include:
- (a) Revenue Support Grant for 2016/17 onwards is in line with Government indications of ongoing national deficit reduction. It should be noted that these forecasts in particular, remain highly uncertain;
  - (b) income from Business Rates (net of appeals etc.) will be in line with current forecasts;
  - (c) the cost of Council Tax Reduction awarded will not substantially exceed forecasts, and the tax base will continue to grow in line with recent years;

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<sup>3</sup> Council Tax Freeze Grant is calculated with reference to a higher tax base than that used for Council Tax setting - to make it consistent with the calculation prior to localisation of Council Tax Benefit / Support. It is therefore worth more than 1% of actual Council Tax income.

- (d) New Homes Bonus funding for 2016/17 increases at the same rate as for 2015/16 and then remains stable;
  - (e) Unequal Pay Back Pay costs are no more than estimated;
  - (f) general levels of inflation, pay and interest rates do not vary materially from current forecasts;
  - (g) income and expenditure relating to treasury management activity, including airport dividend income, are in line with forecasts;
  - (h) the impact of schools transferring to academy status can be managed within existing Directorate budgets;
  - (i) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
  - (j) there will be no changes to government policy on Council Tax increases;
  - (k) income from the Better Care Fund will be as forecast, taking into account that a substantial element of this is contingent on achieving challenging performance targets;
  - (l) there will be no overall pressure on resources resulting from implementation of the Care Act.
  - (m) that the measures set out in paragraph 39 will contain the pressure from numbers of Looked After Children within the sums allocated in this budget.
58. An impact assessment of the significant risks which Members should consider prior to agreeing a budget and MTFS is set out in Appendix 8.
59. In mitigation, any unbudgeted costs would have to be met from further economies or reductions in planned spending or (temporarily) from balances.

#### Detailed 2015/16 Budget Proposals

60. The following revenue budget allocations to services are now recommended.

#### **Revenue Budget Allocations 2015/16**

<b>Service</b>	<b>£m</b>
Children's Services	70.357
Adult, Community and Housing Services	94.916
Urban Environment	53.493
Corporate Resources	7.829
Chief Executive's	3,840
Corporate review of senior management	-1.000
<b>Total Service Budget</b>	<b>229.435</b>

Details of each service's budgets analysed by main divisions of service are shown at Appendix 9. It is proposed that the Chief Officer Finance and Legal Services be authorised to realign budgets in due course to reflect the new Directorate structure, including the allocation of £1m ongoing savings from the review of senior management. Budgets will only be realigned within the Total Service Budget set out above and any short-term costs arising from the transition to the new structure will need to be met within directorate budgets. Any amendment to the Total Service Budget will require Cabinet and Council approval in the normal way.

61. 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 2015/16**

<b>Source of Funding</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>
Dudley MBC Service Budget	244.038	229.435
Less: Formula Grant / Revenue Support Grant	(75.554)	(56.449)
Retained Business Rates	(45.607)	(45.098)
Business Rate Grant	(2.865)	(3.618)
Top-Up Grant	(14.886)	(15.170)
New Homes Bonus (NHB)	(3.423)	(4.098)
New Homes Bonus Adjustment Grant	(0.211)	(0.202)
Council Tax Freeze Grant 2014/15*	(1.146)	-
Council Tax Freeze Grant 2015/16	-	(1.155)
Collection Fund Surplus – Council Tax	(1.356)	(3.122)
Collection Fund (Surplus) / Deficit – Business Rates	(0.203)	2.670
Contribution from General Balances	(4.158)	(6.522)
<b>Dudley's Council Tax Requirement</b>	<b>94.629</b>	<b>96.671</b>
Tax Base	84087.69	85902.74
<b>COUNCIL TAX (Band D) FOR DUDLEY</b>	<b>1125.36</b>	<b>1125.35</b>

\*Included in RSG in 2015/16

62. The proposed Dudley MBC Council Tax for a Band D property for 2015/16 of £1125.35 represents a freeze compared to 2014/15. A referendum will therefore not be required in respect of the Council's own element of overall Council Tax.

63. The total level of Council Tax now being considered includes the precepts for Police, and Fire and Rescue, as follows.

	2014/15	2015/16	Change
	£	£	%
Dudley MBC	1125.36	1125.35	-
Police Precept	104.47	106.55	+1.99
Fire & Rescue Precept	53.87	54.94	+1.99
<b>Total Band D Council Tax</b>	<b>1283.70</b>	<b>1286.84</b>	<b>+0.24</b>

64. It is 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 10.
65. The Local Government Act 2003 requires the designated Chief Finance Officer of the authority (the Chief Officer, Finance and Legal Services) to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves. The Chief Officer, Finance and Legal Services's report is set out in Appendix 10. The authority also has 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.

### Pay Policy Statement

66. Under provisions contained in the Localism Act 2011, the Council is required to prepare an annual Pay Policy Statement setting out its policies for the financial year relating to the remuneration of chief officers; the remuneration of the lowest paid employees; and the relationship between the remuneration of chief officers and that of other employees. Supplementary guidance (statutory guidance under section 40 of the Localism Act 2011) was issued in February 2013 by the Department for Communities and Local Government. The Pay Policy Statement has to be approved by a resolution of full Council on an annual basis no later than 31<sup>st</sup> March. The Act's provisions add to the range of transparency obligations already placed upon local authorities. This includes data required to be published under the Code of Recommended Practice for Local Authorities on Data Transparency and by the Accounts and Audit (England) Regulations 2011. The proposed Pay Policy Statement 2015 is attached at Appendix 12.

### Finance

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



## **Law**

68. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.
69. 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.
70. The Local Government Act 2003 requires the Chief Officer, Finance and Legal Services to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.
71. 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.
72. 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 2015/16 before the 11<sup>th</sup> March, 2015.
73. The provisions relating to pay accountability are contained in Chapter 8 (Sections 38 to 43) of the Localism Act 2011 and associated guidance. For the purposes of the Pay Policy Statement, senior management is taken to mean 'chief officers' as defined in Section 43 of the Localism Act 2011. The Act specifies that the functions relating to pay accountability are not executive functions. Section 101 of the Local Government Act 1972, which gives local authorities powers to arrange for the discharge of their functions by committees, officers or other local authorities, does not apply to these functions. This means that full Council must approve the document. In complying with the duties in respect of pay accountability, the Council must also have regard to any guidance issued or approved by the Secretary of State.
74. The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 provide that "Immediately after any vote is taken at a budget decision meeting of an authority there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting".

## **Equality Impact**

75. Section 149 of the Equality Act 2010 - the general public sector equality duty - 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.
76. 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.
77. 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." In practice, this means that reasonable adjustments should be made for disabled people so that they can access a service or fulfil employment duties, or perhaps a choice of an additional service for disabled people is offered as an alternative to a mainstream service.
78. 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.
79. 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.
80. Original budget proposals were presented to Cabinet on 29<sup>th</sup> October 2014. 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. All changes made to budget proposals since October are set out in Appendix 1.
81. A list of equality impact assessments is shown at Appendix 13. Copies have been provided to Cabinet Members and Opposition Spokespersons attending Cabinet, and are also available in the Members' Room or can be obtained from Democratic Services.
82. 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. Actions to mitigate the impact of

savings have where necessary been taken into account in equality impact assessments.

83. 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.

### **Recommendations**

84. That the Council approves the following:

- The budget for 2015/16, and service allocations (including the Public Health budget) as set out in the report.
- 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 2015/16 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 10 of this report.
- That, having calculated the aggregate in each case of the amounts in Appendix 10, 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 2015/16.

#### **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>
857.89	1000.88	1143.85	<b>1286.84</b>	1572.80	1858.77	2144.73	2573.68

- The revision of 2014/15 budgets to reflect the variances set out in paragraphs 9 and 11 of the report.
  - The Medium Term Financial Strategy as set out in the report.
85. That the Council determine 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.
86. That Cabinet Members, the 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.
87. 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 2015/16 budget, particularly in the context of commitments into later years and the impact that any overspending in 2015/16 will have on the availability of resources to meet future budgetary demands.

88. That the Chief Officer, Finance and Legal Services be authorised to approve the realignment of budgets in due course to reflect the new Directorate structure, including the allocation of the £1m savings from the review of senior management.
89. That consultation on proposals to remove local authority transport provision for children attending specialist nurseries be extended and that further work be undertaken with parents to identify ways to deliver the planned saving while mitigating the impact on children and their families.
90. That the creation of Budget Challenge Teams be noted as set out in paragraph 55.
91. That the Pay Policy Statement 2015 as set out in Appendix 12 be approved.
92. That a named vote be taken on the above recommendations concerning the Revenue Budget Strategy and setting of the Council Tax 2015/16 to be duly recorded in the minutes of this Council meeting.



.....  
**Sarah Norman**  
**Chief Executive**



.....  
**Iain Newman**  
**Chief Officer, Finance and Legal Services**

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**List of Background Papers**

Provisional Local Government Finance Settlement papers and electronic communications.

Budget Reports to 3<sup>rd</sup> July and 29<sup>th</sup> October 2014 Cabinet.

## Changes since report to October Cabinet

<b>1. Overall MTFs Deficit</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>October Cabinet</b>	<b>4.6</b>	<b>18.2</b>	<b>29.3</b>
Pressures on the budget for Looked After Children	2.2	2.2	2.2
Local Welfare Assistance	0.2	0.2	0.2
Review of savings (see below)	0.8	1.0	1.1
Airport dividends – latest forecast	0.3	0.8	1.0
Increased underlying Council Tax income	-1.3	-1.3	-1.3
Reduced underlying Business rate income	1.1	1.1	1.1
Change in forecast Collection Fund net position	-1.1	-	-
Final Local Government Finance Settlement - RSG	-0.5	-0.5	-0.5
Other adjustments (inc. no local elections in 2017/18)	0.2	-0.1	-0.4
<b>Revised Deficit</b>	<b>6.5</b>	<b>21.6</b>	<b>32.7</b>

<b>2. Savings Proposals</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total reported to October Cabinet</b>	<b>22,924</b>	<b>25,290</b>	<b>27,422</b>
<b>Adult, Community and Housing</b>			
Remove Assistant Director / Head of Service savings (*see below)	-122	-122	-122
Reduction in forecast Better Care Fund transfer	-2,250	-2,250	-2,250
New Bradley Hall running arrangements	-250	-350	-350
Further savings from Health Integration and Extra Care Housing efficiencies.	250	350	350
<b>Urban Environment</b>			
Remove Assistant Director / Head of Service savings (*see below)	-285	-285	-285
<b>Children's Services</b>			
Remove Assistant Director / Head of Service savings (*see below)	-	-	-200
Further savings identified	1,019	1,019	1,019
<b>Corporate Resources</b>			
Remove Assistant Director / Head of Service savings (*see below)	-108	-208	-208
<b>Chief Executive's</b>			
Remove Assistant Director / Head of Service savings (*see below)	-87	-87	-87
Reprofile reduction in grant to CFED	-	-20	-
<b>Corporate Senior Management Review</b> -replaces a number of previous proposals (see above)	+1,000	+1,000	+1,000
<b>Revised Total</b>	<b>22,091</b>	<b>24,337</b>	<b>26,289</b>
<i>Net change</i>	<i>-833</i>	<i>-953</i>	<i>-1,133</i>

## **Your Council Tax – The Big Question Public Consultation results 2015/16**

### **General returns data**

During the period 3<sup>rd</sup> November 2014 to 27<sup>th</sup> January 2015, a total of 6,131 responses were received. 365 of these responses could not be validated (of which 187 respondents did not provide their postcode, 158 provided an incorrect postcode, and a further 20 out of the overall responses provided a valid postcode however did not complete Q1). These have been removed from the analysis leaving a total of 5,766 responses analysed for this report, including responses received from Dudley College students aged 16-17 years.

### **Results**

#### **Please tell us your top five priority service areas?**

This question required a multiple response. Respondents were asked to tell us which were the top five priority service areas they most value and in order of importance (1 being the most important and 5 being the fifth most important).

The top main priority services for residents include: refuse; roads and street lighting; older people; child protection services and community safety. The greatest overall value was attributed to refuse collection and recycling (i.e. at 3526 this received the greatest number of “votes”) followed by roads and street lighting (2602). In comparison leisure services, food hygiene, youth services and heritage have less priority.

The following table (Table 1) shows in the first column the total number of respondents who chose to attribute to each service some level of importance (e.g. 3526 chose to rank refuse collection), while the following columns show the respective strength of opinion for each service (hence 17% of level 1 ratings went to refuse collection).

**Table 1**

Service area	Total Number	Level of importance				
		1	2	3	4	5
Refuse collection and recycling	3526	17%	15%	12%	10%	9%
Roads & street lighting	2602	7%	10%	10%	10%	8%
Older people's services	2531	9%	9%	11%	9%	8%
Community safety	2416	12%	8%	7%	8%	8%
Child protection & family support	2282	13%	10%	6%	6%	5%
Litter and street cleansing	2166	3%	7%	10%	10%	8%
Disabilities & mental health for children and adults	2069	8%	9%	7%	7%	5%
Supporting children's learning	1638	7%	5%	7%	5%	4%
Libraries & adult learning	1482	3%	4%	5%	7%	7%
Parks & nature reserves	1433	3%	3%	5%	6%	8%
New housing & business developments leading to job creation	1362	6%	5%	4%	4%	5%
Benefits & other welfare services	1349	7%	4%	3%	3%	6%
Leisure centres & sports development	1170	2%	4%	5%	5%	5%
Food hygiene, air quality & trading standards	910	1%	2%	3%	4%	5%
Youth services	877	1%	2%	3%	4%	5%
Tourism and our heritage	616	1%	1%	2%	2%	4%

Table 2 illustrates the distribution of importance for each service, so that the higher the percentage of top level choices, the higher the level of importance accorded them. For those respondents who voted for child protection, 56.7% rated it at level 1 or 2 and 27.4% rated it at level 4 or 5. The opposite seems to be the case for tourism services, where 61.5% accorded these a low rating of 4 or 5.

**Table 2**

Service area	Total Number	Level of importance				
		1	2	3	4	5
Refuse collection and recycling	3526	27.2%	23.7%	20.0%	15.3%	13.8%
Roads & street lighting	2602	16.3%	22.8%	21.4%	22.4%	17.0%
Older people's services	2531	19.5%	20.1%	24.3%	19.1%	17.0%
Community safety	2416	27.1%	19.4%	17.1%	18.2%	18.2%
Child protection & family support	2282	<b>32.8%</b>	<b>23.9%</b>	15.9%	14.9%	12.5%
Litter and street cleansing	2166	8.3%	19.3%	25.7%	25.4%	21.2%
Disabilities & mental health for children and adults	2069	21.1%	25.7%	20.7%	18.4%	14.1%
Supporting children's learning	1638	25.6%	17.1%	25.6%	16.2%	15.4%
Libraries & adult learning	1482	11.3%	15.1%	20.7%	25.6%	27.3%
Parks & nature reserves	1433	10.9%	13.5%	21.4%	24.4%	29.8%
New housing & business developments leading to job creation	1362	25.0%	19.4%	18.5%	17.1%	20.0%
Benefits & other welfare services	1349	27.9%	18.0%	14.9%	14.2%	24.9%
Leisure centres & sports development	1170	11.8%	17.4%	22.6%	26.0%	22.3%
Food hygiene, air quality & trading standards	910	7.1%	14.3%	18.6%	27.3%	32.7%
Youth services	877	7.4%	16.1%	20.0%	23.0%	33.5%
Tourism and our heritage	616	9.6%	12.3%	16.6%	<b>21.9%</b>	<b>39.6%</b>

## Demographics

The second section of the survey (about yourself) was optional; responses received for each question are broadly reflective of the demographic profile of the borough

### Gender

A total of 5,641 people answered the question about their gender. The gender split was 51% male and 49% female. Both genders shared the same number 1 priority, refuse collection and recycling.

The biggest differences in opinion however were:

- Females were more likely to value child protection (7 percentage points difference) along with disabilities and mental health issues (9 percentage points difference).
- Males placed more emphasis on litter and roads than females (7 percentage points difference for both services).

### Age

A total of 5,645 people answered the question about their age; this includes college students aged 16-17 that were also consulted (36). The under 45's are under-represented and the 45 year olds and over are over-represented. This is quite common for any consultation and broadly comparable with previous budget surveys.

Age Group	Number	Survey %	Borough %
16-17 (College students only)	36	1%	3%
18-24	166	3%	10%
25-44	1622	29%	33%
45-64	2499	44%	33%

Differences in response by age seem to have some correlation with lifestage. For instance, the main child raising age group of 25-44 valued children's social care and education, sports and leisure. They also expressed higher values for community safety.

The 45 to 64 year old age group valued regeneration and job opportunities along with disabilities & mental health for children and adults.

Those aged 65 and over, expressed higher values across street scene services in general; other services of high value to this age group include: older people's services along with libraries and adult learning.

For those aged 18 to 24 and college students 16 to 17 years, responses were too small in number to be statistically reliable.

### Ethnicity

A total of 5,592 people answered the question about their ethnicity. The ethnic split of this consultation was 96.2% White Groups and 3.8% all other groups. The borough figures are 90% White Groups and 10% all other groups 2011 Census).

### Long Term Limiting Illness (LLTI)

A total of 5,616 people answered the question about having a long term limiting illness and 15% of respondents answered yes to the question. The Borough figure is 20% (2011 Census).



## Latest Forecast 2014/15

Directorate	Revised Budget £m	Outturn £m	Variation £m	
Adult, Community and Housing	101.629	101.629	-	
Children's Services	68.942	68.942	-	
Urban Environment	55.696	55.696	-	
Chief Executive's	4.206	4.206	-	
Corporate Resources	9.523	12.441	+2.918	See note
Review of Earmarked Reserves	-	-2.933	-2.933	
<b>Total Service Costs</b>	<b>239.996</b>	<b>239.981</b>	<b>-0.015</b>	

Note: Funds previously set aside to cover potential VAT liabilities, and refunds from HMRC -£0.665m; favourable Treasury variances -£0.917m; redundancy costs to be funded from revenue resources +£4.500m.

### Response to Local Government Finance Settlement 2015-16 Consultation

We do not wish to comment on any of the detailed technical questions in the consultation document, particularly as they have very limited implications for us.

The only significant issue on which we would wish to comment in detail is the recently announced calculation of Safety Net payments relating to 2013/14 (funded from top-slicing of RSG). Although at present they have no legislative basis, we understand, as a result of contacting DCLG officials directly, that you intend to lay regulations shortly to give effect to these calculations. We have been informed that there is no intention to consult on the regulations, which is of concern given the significant amounts top-sliced from RSG for this purpose - £120m in 2014/15, which was mainly to fund 2013/14 safety net payments, and which would otherwise be available to support all authorities. The current calculations will result in substantial payments to a small number of authorities, mainly as a result of:

- the judgements made by them in determining the accounting provision for backdated appeals;
- their decision not to “spread” the cost of backdated appeals.

As a result Safety Net will not reflect its original purpose to protect authorities from substantial underlying reductions in their rate income.

The anticipated regulations could and should have been consulted on in parallel with the 2015/16 provisional settlement. If we had been consulted, we would have proposed that the regulations should be worded such that Safety Net payments should be made only if Councils would still fall below the 7.5% threshold if they had taken advantage of the spreading flexibility (the mechanism designed to deal with provisions for backdated appeals), whether or not they actually chose to do so.

While we do not wish to go in detail over the same ground already covered in our detailed responses to previous consultations, we would briefly wish to reiterate the following points in connection with the proposed settlement as a whole.

- **Spending Power**

As a result of funding reductions being applied (broadly) proportionately to RSG, those authorities with the highest spending needs (by the Government's own measures), and therefore most dependent on RSG, are suffering the greatest reductions in spending power. Instead, funding reductions should be applied proportionately to total spending power.

- **New Homes Bonus**

The allocation of this top-sliced funding continues to distort the overall settlement, diverting resources from the highest need authorities to those with the greatest capacity for new housing development.

- **Council Tax Freeze Grant**

This will continue to disproportionately reward authorities who have set high levels of Council Tax in the past.

## Proposed Savings

<b>Adult, Community and Housing</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Learning Disability - Assertive review of residential care and care packages for people, including Supported Housing. Leading to 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	1175	1175	1175
Health integration – These savings will be achieved through the transfer of monies from the Clinical Commissioning Group (CCG) via the Better Care Fund. This transfer is made up of two elements.  The first element relates to a reduction in unplanned admissions to hospital and forms the payment by results part of the fund. The target reduction in unplanned admissions to hospital that will generate the planned transfer of resources to the Local authority is 3.5% in 2015/16. In the event the performance targets are delivered in full, Dudley MBC will receive £1.620m performance related benefit.  The second element is a transfer of resources from Dudley CCG to Dudley MBC of £3.000m. This sum supports the protection of adult social care and implementation of the Care Act.	4620	4620	4620
Health integration - This option reflects the efficiencies that will be generated within DACHS as a result of the integration of services with the CCG, and the efficiencies identified following the redesign of the Adult Social Care model in respect of access to services and the customer experience.	800	1806	1806
Mental Health Services - Assertive review of residential care and care packages for people, including Supported Housing. Leading to improved value for money from existing care packages and increased use of telecare, extra care housing, and Direct Payments.	156	156	156
Reduction of management and staffing costs across adult social care	78	78	78
Physical Disability - Assertive review of residential care and care packages for people, including Supported Housing. Leading to a remodelling of how we deliver services and more people supported in community based settings.	250	250	250

<b>Adult, Community and Housing</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Older People/ Learning Disability - Review of existing shared lives service, with development of extending existing service provision to provide alternative to residential care.	250	250	250
Queens cross day centre - Remodelling of services at Queens Cross Network - remove in-house transport and replace with robust independent travel planning service and develop a traded service to include use of building by external organisations or individuals.	100	100	100
Unicorn day centre – this is a day centre for people with profound Learning Disabilities. A range of options including externalisation, community asset transfer and community fundholding are being considered. Final proposals following detailed consultation will be finalised shortly.	300	300	300
Employment Plus – this is a service that looks for employment opportunities for people with disabilities. The saving would be achieved through providing the service through a different delivery model and identifying efficiencies through the current use of resources	200	200	200
Changes to Reablement service - Following an independent review some changes in respect of the delivery of services will deliver the savings identified.	100	200	200
Extra Care Housing - The renegotiation of the contract for the running of the extra care housing provision will see current block contract being replaced with spot purchased care, which will see a reduction in the overall number of hours commissioned together with a reduction in the unit costs.	400	400	400
Introduction of tighter criteria for support to voluntary sector that is more aligned to the local authority preventative model.	300	300	300
Reduced support, and cancellation of schemes supported through Supporting People monies.	700	700	700
<b>Total</b>	<b>9,429</b>	<b>10,535</b>	<b>10,535</b>

<b>Children's Services</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Generate additional surplus traded service income.	65	109	317
Restructure the integrated youth support service.	267	397	597
Reduce the voluntary and community sector commissioning budget together with efficiencies in the Directorate's commissioning arrangements.	255	255	335
Asset Management Services will make staffing reductions.	50	50	50
Home to school and college transport budgets for pupils and students will be reduced through efficiencies and some redesign of the service provision <sup>4</sup> .	210	210	210
A consultation on the future delivery of the Children's Centre service in Dudley was undertaken in 2013 resulting in a revised model of delivery for all 20 children's centres into 5 clusters together with a restructure of family support and partner contributions from the Dedicated Schools Grant.	450	450	504
Review the scope for closer integration between Children's Centres and the health visitor service focussing on improving health and wellbeing outcomes for children and families. This will involve a contribution from Public Health Grant to sustain the service in the short term pending the delivery of savings from integration.	350	350	350
Restructure within the Education Services division.	146	181	441
Options will be explored for Dudley Performing Arts (DPA) service to become 100% financially sustainable by 2016/17, through traded service income, grants, partner contributions and trust status.	-	160	160
Redesign the early help and family support service.	40	113	277
Restructure the Directorate leadership and management arrangements.	62	82	299
Ongoing Directorate service efficiencies to include a review of supplies and service budgets and increase the income contribution from the Dedicated Schools Grant.	819	819	819
<b>Total</b>	<b>2,714</b>	<b>3,176</b>	<b>4,359</b>

<sup>4</sup> This item includes the removal of local authority transport provision for children attending specialist nurseries. It is proposed that consultation on this matter be extended and that further work be undertaken with parents to identify ways to deliver the planned saving while mitigating the impact on children and their families.

<b>Urban Environment</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Service related savings</b>			
Reduction in the Road reconstruction and resurfacing programme	461	461	461
Reduction in routine Street Lighting, signs and bollards maintenance	50	50	50
Reduction in Gully Drain Emptying with a greater focus on problem 'hot spots'	52	52	52
Reduction in the Grounds Maintenance of parks, open spaces, verges and other amenities including grass cutting, shrubs, hard surfaces & pitch marking and the pruning of trees	265	265	265
<b>Office staff related savings</b>			
Ongoing efficiencies, service transformation and corporate restructuring	2,820	2,820	3,159
<b>Income generation</b>			
Increase Bereavement charges	190	350	520
<b>Other efficiency and contractual savings</b>			
Gym equipment contract negotiated savings	40	40	40
New technology within Street Lights will reduce light pollution and save significant energy costs	205	205	205
Switch off selected Street Lighting from midnight	0	100	100
Redesign of Pest Control service	100	100	100
Review of rechargeable Green Care workloads	140	140	140
Further efficiencies including vehicle utilisation, overtime, fuel usage	200	200	200
Business efficiency and transformation	200	200	200
Sports Development and Park Rangers services to be maintained with support from the Public Health Grant on the basis of their contribution to health and wellbeing outcomes.	330	330	330
<b>Total</b>	<b>5,053</b>	<b>5,313</b>	<b>5,822</b>

<b>Corporate Resources</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
ICT - service redesign, management savings, rationalisation of equipment and licenses and contract renegotiation following the consolidation of corporate and directorate ICT teams and reflecting the council's accommodation strategy and reducing workforce.	822	822	822
Accountancy - service redesign and management savings, focussing on strategic financial management and reducing non-core and transactional activity.	437	437	437
Management restructure within Internal Audit.	55	55	55
Customer Services - service redesign focussing mainly on self service / automation, reducing non-statutory activity, a payments review and management & staff savings .	561	818	818
Reduce grant to Dudley and West Midlands Zoological society.	0	0	100
Human Resources & Organisational Development - staff and management savings from system development & self service.	802	826	826
Staff and management savings from Law & Governance Division.	140	193	193
Increased Management & Valuation, conveyancing and lease income.	5	25	25
Office accommodation savings. Town Centre project - disposal of 12 sites.	200	200	200
Staff, energy and further efficiency savings within a consolidated property function. Council wide property restructure resulting in savings around £233,000. Energy Management savings expected to deliver around £250,000 savings.	483	483	483
<b>Total</b>	<b>3,505</b>	<b>3,859</b>	<b>3,959</b>

<b>Chief Executive's</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Reduction in voluntary sector grant	0	20	40
Staff savings across Policy and Customer Access to Services (CATS) teams	66	77	123
Admin support and directorate running costs savings	34	34	80
Communications and Public Affairs staff savings and additional income	96	129	177
Community Safety staff savings	169	169	169
Emergency Planning savings	25	25	25
<b>Total</b>	<b>390</b>	<b>454</b>	<b>614</b>

## Proposed use of Public Health Grant 2015/16

	£'000	£'000
Substance misuse (alcohol & drugs) - adults	4,755	
Substance misuse (alcohol & drugs) - young people	506	
<b>Substance Misuse Programme total</b>		<b>5,261</b>
Sexual health services - STI testing and treatment (prescribed function)	2,013	
Sexual health services - contraception (prescribed function)	529	
Sexual health services - advice, prevention & promotion	396	
<b>Sexual Health Services Programme total</b>		<b>2,938</b>
<b>Obesity (prevention &amp; tiers 1 &amp; 2 treatment) Programme</b>		1,696
Children 5-19 - (Public Health programmes)	1,770	
Children 5-19 - (National Child Measurement programme)	329	
<b>Children 5-19 Programme total</b>		2,099
<b>Tobacco Control (prevention &amp; treatment) Programme</b>		1,693
<b>Public Health Advice (core offer) (prescribed function)</b>		974
<b>Community Health Improvement Programme</b>		601
<b>Physical Activity</b>		1,306
<b>NHS Health Checks Programme (prescribed function)</b>		573
Health Protection - communicable disease	231	
Health Protection - LA role (prescribed function)	250	
<b>Health Protection Programme total</b>		481
<b>Mental Health Promotion Programme</b>		416
<b>Nutrition &amp; Oral Health Promotion Programme</b>		341
<b>Long Term Conditions Self Management Programme</b>		235
<b>Other Public Health Services</b>		615
<b>Children 0-5 Public Health Programmes</b>		2,895
<b>Total Spend</b>		<b>22,124</b>
Reserve funding		(712)
<b>Total Public Health Grant funded</b>		<b>21,412</b>
Estimated Opening Reserves 1.4.2015		2,200
Reserves use		(712)
<b>Estimated Closing Reserves 31.3.2016</b>		<b>1,488</b>



## 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, 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.
10. 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.

## **Reserves and Balances Policy**

11. In consultation with the Chief Officer, Finance and Legal Services, 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 Chief Officer, Finance and Legal Services 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.

### **Budget Realignment - Pressures**

24. As part of the annual budget review, proposals will also be considered for additional expenditure to meet spending pressures arising from:
- Legislative change;
  - Demographic change;
  - Customer needs;
  - Performance standards / Government targets;
  - Fall-out of specific grants, or other reductions in income.

Each pressure will be 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.

25. 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.
26. A package will be agreed in the light of overall resource availability.
27. 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.

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

28. 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**

29. 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.

30. As a result of the above, proposals will be brought forward for savings in light of the Council's overall financial position. In particular, options will be considered which might result from:
- Additional income from fees and charges;
  - Additional external funding;
  - Review of low priority spending.

Each saving will be considered in the light of:

- A risk assessment relating to achievability;
  - A risk assessment relating to service and equality impacts that take into consideration the public sector equality duty under the Equality Act 2010. Members will 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.
  - Any one-off costs involved in achieving the saving.
31. Once approved, the implementation of any budget reductions will be monitored as part of normal budget and output monitoring processes.

### **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 Council Plan which determines 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.

## 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>
Unequal Pay Back Pay	Amounts provided for are based on current best estimates, but are subject to the outcome of outstanding claims.
General inflation and staff pay awards higher than budgeted	The Council is expecting pay awards for local government to be settled at very low levels in the next few years. We are making sufficient provision to cover a 1% annual increase in pay for 2016/17 and 2017/18. 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. A 1% increase in inflation would cost (excluding Schools) around £1.2m extra per year in respect of pay and £1.5m in respect of prices.
Interest rates higher / lower than expected	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.
Change in Employer's Superannuation Contributions	The employer's superannuation contributions are set for the three years up to and including 2016/17. Contributions in subsequent years are sensitive to demographic changes, market conditions and pension regulations. Contributions for 2017/18 - 2019/20 will include £2.5m per annum addition to the contributions certified by the fund actuary as a result of the 2016 actuarial valuation.
Income levels not achieved	A 1% loss of income (excluding grants & interest) would cost the Council around £0.3m per year.
Other unplanned events, or assumptions not in line with forecasts	Unforeseen costs or costs greater than estimated - including those arising from demographic pressures.
Revenue Support Grant, lower than assumed	We have assumed Revenue Support Grant for 2016/17 onwards is in line with Government indications of ongoing national deficit reduction. A 1% shortfall compared with 2015/16 would reduce annual resources by £0.6m.
Better Care Fund and Care Act	The Council's access to this funding will depend on ongoing discussions with the CCG and the delivery of

	agreed outcomes, with £1.620m dependent on the meeting of targets in 2015/16. We have assumed there will be no overall pressure on resources resulting from implementation of the Care Act.
New Homes Bonus lower than assumed	We have assumed New Homes Bonus funding for 2016/17 increases at the same rate as for 2015/16 and then remains stable. Failure to increase would reduce annual resources by £0.7m.
Business Rate income lower than assumed	We have assumed this (net of the impact of appeals) to be in line with the current levels. A 1% shortfall would reduce annual resources by £0.5m.
Localisation of Council Tax Support and Tax Base	The budget reflects the Council's decision to further amend the scheme from 1 <sup>st</sup> April 2015. While the target is full recovery of the income generated by this decision, the budget prudently assumes a 60% recovery rate, which will be reviewed in future years in light of actual performance. We have otherwise assumed the underlying cost of support will continue in line with current levels. The impact of a 1% variation in total cost would amount to around £0.2m. We have also assumed that the underlying taxbase will continue to grow in line with recent years. Failure to grow would reduce annual resources by around £0.5m cumulatively.
Council Tax Freeze / Increase	Current forecasts are on the prudent basis that Council Tax Freeze Grant (CTFG) will continue to be available for each year of the MTFS on the same basis as for 2015/16 and that it will be accepted in each year. If instead the Council were to increase Council Tax by 2% in 2016/17, this would generate around an extra £0.8m (net) annually from that year onwards. Likewise if the Council were to increase Council Tax by 2% in 2017/18, this would also generate around an extra £0.8m (net) annually from that year onwards.

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.

## Analysis of Proposed 2015/16 Budget by Division of Service

	£'000
<b>Children's Services</b>	
Schools	16,880
Youth Service	2,761
Children & Families Social Services	45,860
Other Children's Services	4,856
	<b>70,357</b>
<b>Adult, Community and Housing Services</b>	
Care & Support for Older People	29,750
Care & Support for People with a Physical or Sensory Disability	9,372
Care & Support for People with a Learning Disability	35,661
Care & Support for People with Mental Health Needs	6,263
Supporting People	2,809
Libraries, etc.	5,839
Other Adult and Community Services, etc.	1,181
Private Sector Housing	3,325
Homelessness & Welfare	716
	<b>94,916</b>
<b>Urban Environment</b>	
Environmental Health & Consumer Protection	2,696
Street Cleansing	2,746
Waste Collection & Disposal	16,484
Cemeteries & Crematoria	-1,195
Traffic Management & Road Safety	1,140
Flood Defence & Land Drainage	323
Highways Maintenance (inc. depreciation)	15,857
Other Engineering & Transportation Services	1,034
Planning, Building and Development Control	1,831
Economic Regeneration	1,716
Environmental Initiatives	519
Culture and Heritage	2,635
Recreation & Sport and Open Spaces	7,707
	<b>53,493</b>



**Corporate Resources**

Tax Collection & Benefits	2,636
Transport Authority Levy	14,842
Flood Defence Levy	101
Other Corporate Resources	1,098
Corporate & Democratic Core	1,558
Treasury etc.	-12,406
	<u><b>7,829</b></u>

**Chief Executive's**

Elections & Electoral Registration	842
Economic & Community Development	201
Community Safety	261
Corporate & Other Costs	2,010
Public Health	526
	<u><b>3,840</b></u>

Corporate review of Senior Management	-1,000
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<b>TOTAL</b>	<b>229,435</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 2015/16 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992:
  - (a) £687.213000m being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act. *(The Council's spending, contingencies, contributions to reserves, and specified transfers from the general fund to the collection fund.)*
  - (b) £590.542000m being the aggregate of the amounts which the Council estimates for the items set out in Sections 31A (3) of the Act. *(The Council's income, use of reserves, and specified transfers from the collection fund to the general fund.)*
  - (c) £96.671000m 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) £1125.3541 being the amount at (c) above divided by the Council Tax base 85,902.74, 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>
750.24	875.28	1000.31	<b>1125.35</b>	1375.43	1625.51	1875.59	2250.71

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 2015/16, 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	71.03	82.87	94.71	<b>106.55</b>	130.23	153.91	177.58	213.10
West Midlands Fire & Rescue	36.62	42.73	48.83	<b>54.94</b>	67.14	79.35	91.56	109.87

**Report of the Chief Officer, Finance and Legal Services as required by  
Section 25 of the Local Government Act 2003**

1. The Council's External Auditor issued an unqualified opinion on the Council's 2013/14 Statement of Accounts, and commented in the most recent Review of the Council's Arrangements for Securing Financial Resilience that " the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future."
2. Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Authority (the Chief Officer, Finance and Legal Services) 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.
3. 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.
4. There is financial risk management 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.
5. The estimated level of unearmarked balances at 31<sup>st</sup> March 2015 is £25.0m. The budget proposals for 2015/16 include a contribution of £6.5m from balances.
6. The following table summarises the total level of estimated General Fund earmarked reserves at 31st March 2015.

	<b>Forecast Balance 31.3.15 £m</b>
Working Balances	2.0
Insurance Fund	3.3
Other Corporate	0.5
<b>Total Corporate Reserves</b>	<b>5.8</b>
DGfL & Paragon equalisation	9.4
School Balances	29.3
Directorate Reserves	7.3
<b>Total Earmarked Reserves</b>	<b>51.8</b>

7. 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 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 2016 is estimated to be about £41m.

8. 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  
Chief Officer, Finance and Legal Services

## **Pay Policy Statement 2015**

### **1.0 Introduction and Purpose**

- 1.1 The purpose of this policy statement is to clarify the Council's strategic stance on pay in order to provide direction for members and officers making detailed decisions on pay, and to provide the citizens of Dudley with a clear statement of the principles underpinning decisions on the use of public funds.
- 1.2 The purpose of the pay policy is to encourage staff with the appropriate skills to seek to work for the Council, and to reward them appropriately for the tasks they undertake in order to maintain their motivation and retain their services.
- 1.3 Under Section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit".
- 1.4 This pay policy statement (the "statement") sets out the Council's approach to pay policy in accordance with the requirements of Sections 38 to 43 of the Localism Act 2011 and associated guidance. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (this excludes staff employed on Teachers' terms and conditions of employment which are set nationally, and non-Teaching staff working in Schools where the Council is not the employer) by identifying:
  - the methods by which salaries of all employees are determined;
  - the detail and level of remuneration of its most senior staff i.e. 'chief officers', as defined by the relevant legislation;
  - the remuneration of the lowest-paid employees;
  - the relationship between the remuneration of 'chief officers' and that of other employees;
  - the persons or bodies responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full council.
- 1.5 An annual pay policy statement is produced for each financial year, in accordance with the relevant legislation prevailing at that time, for approval by a resolution of the full council.
- 1.6 This Pay Policy Statement is part of the Pay Policy Statement and Pay Arrangements Policy which sets out the Council's approach to pay and reward, including temporary payments for additional responsibilities and temporary market forces supplement payments.

## **2.0 Legislative Framework**

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations. With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its own pay structures for employees covered by the National Joint Council for Local Government Services Since 1997 and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

## **3.0 Pay Structure**

- 3.1 The large majority of the non-teaching based workforce are employed on the National Joint Council (NJC) for Local Government Services Since 1997, terms and conditions of employment. Based on the application of the Local Government Single Status Job Evaluation Scheme, the Council uses the NJC nationally negotiated pay spine as the basis for its local grading structure (see table 1). Table 2 shows the distribution of staff across the NJC local grading structure. The national pay spine was increased effective 1 January 2015 (the previous increase was effective 1 April 2013). A 2.2% increase was applied to all spinal column points from 11 and above, with a higher increase applied to points 5 to 10. The NJC also agreed payment of non-consolidated payments in December 2014 for all spinal column points; and in April 2015 for spinal column points 26 to 49. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine.
- 3.2 Strategic Director and Chief Officer posts are evaluated using the LGE Job Evaluation Scheme. At a national level, basic pay increases are negotiated through the Joint National Committee (JNC) on a collective bargaining basis and senior officers are never offered more than other staff. The aim is to ensure that the basic conditions offered to Chief Executives and 'Chief Officers' are the same or very similar to those given to rank-and-file staff. This promotes a single organisational ethos, whilst preserving the flexibility needed for specialist recruitment. The JNC for Chief Officers of Local Authorities reached agreement on a pay award effective 1 January 2015 (the last increase to the pay rates for the Chief Executive and 'Chief Officers' was effective April 2008). This national agreement increased the basic salaries of the Council's 'Chief Officer' posts of £99,999 or less (at 31 December 2014), by 2%, from 1 January 2015 to 31 March 2016. This did not include a pay award for any 'Chief Officer' post at a salary of £100,000 or more.

- 3.3 The remaining employees are employed on other nationally defined rates. This includes those subject to the National agreements reached by the Soulbury Committee for certain education-related jobs (55 employees); the Joint Negotiating Committee (JNC) Craft for Local Authority Craft and Associated Employees (269 employees), and JNC Youth and Community Workers (99 employees).
- 3.4 In addition, where services have transferred into the Council from other organisations, the employees have remained on their existing terms and conditions of employment, in accordance with employment legislation, eg 93 Public Health employees transferred from the NHS on 1 April 2013, and currently remain on the applicable NHS pay scales. Other groups included in this category are those who transferred from the Learning and Skills Council (LSC) (5 current employees), Connexions and Prospects (30 current employees), and Action for Children (54 current employees). Negotiations on harmonisation will take place during the next 12 months.
- 3.5 Staff employed on Teachers' terms and conditions of employment, and those employed in Schools where the Council is not the employer, are not included in this statement.
- 3.6 All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.
- 3.7 New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Any additional payments will be made in accordance with the Council's Policy and Procedure for Market Forces Supplements, as set out later. The Policy and Procedure outlines the criteria which must be met for payment of a market forces supplement, including the approval process by senior management and the Cabinet Member for HR & Organisational Development. The Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector. Market forces supplements when used will be time-limited and subject to review. All posts receiving a market forces supplement will be reported in this annual Statement.



## **4.0 Senior Management Remuneration**

- 4.1 For the purposes of this statement, senior management means ‘chief officers’ as defined within Section 43 of the Localism Act 2011. In Dudley Council this is interpreted as the posts of Chief Executive, Strategic Director and Chief Officer. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1<sup>st</sup> April 2015.
- 4.2 During the 2014/15 financial year, a senior management restructure was carried out, resulting in a reduction of senior management positions from 24 to 12. The salaries and allowances were approved by Cabinet and full council. The posts of Directors and Assistant Directors no longer exist and have been replaced by new posts of three Strategic Directors and eight Chief Officers.
- 4.3 The Chief Executive is employed under the terms and conditions of the Joint Negotiating Committee for Chief Executives, and all other Strategic Directors and Chief Officers are employed under the terms and conditions of the Joint Negotiating Committee for Chief Officers.
- 4.4 The following lists the 12 senior officer posts that make 0.12% of the 10,057 people employed by the Council (which excludes staff employed on Teachers’ terms and conditions of employment which are set nationally, and non-Teaching staff working in Schools where the Council is not the employer).
- 4.5 The list includes roles which are a statutory requirement in accordance with the Local Government and Housing Act 1989 (“the Act”).
- (a) Chief Executive  
(the head of paid service designated under section 4(1) of “the Act”) The current salary range of the post is £160,000 to £165,000. This includes payment for returning officer duties in connection with local elections and all travel expenses incurred on official Council business.
- (b) Strategic Directors  
The salaries of posts designated as Strategic Directors are as follows:
- Strategic Director (People Services) - £127,000 plus £18,000 statutory postholder allowance for both Director Children’s Services and Director Adult Social Services.  
(these two are both statutory chief officers mentioned in section 2(6) of “the Act”)
  - Strategic Director (Resources and Transformation) - £117,000 plus £10,000 statutory postholder allowance for Monitoring Officer (temporary until 30 April 2016 when it will be reviewed).  
(the monitoring officer designated under section 5(1) of “the Act”)
  - Strategic Director (Environment, Economy and Housing) - £117,000

(c) Chief Officers

The salaries of these posts are as follows:

- Chief Officer (Finance and Legal Services) - £90,780 plus £10,000 statutory postholder allowance for Section 151 (Section 151 Officer – a statutory chief officer mentioned in section 2(6) of “the Act”)
- Chief Officer (Corporate and Customer Services) - £90,780
- Chief Officer (Adult Social Care) - £90,780
- Chief Officer (Children’s Services) - £90,780 potentially plus a temporary market forces supplement in the region of £25,000. A market forces supplement is not a permanent payment. It is for three years, but reviewed after two years.
- Chief Officer (Health and Well Being) - £90,780 plus £10,000 statutory postholder allowance for Director Public Health
- Chief Officer (Planning and Economic Development) - £90,780
- Chief Officer (Environmental Services) - £90,780
- Chief Officer (Housing) - £90,780

(d) Professional Public Health posts

Although not management posts, there are four Consultant in Public Health / Consultant in Public Health Medicine posts – basic salary range £65,992 – £101,451. In addition, there are national monetary Clinical Excellence Awards for which they may apply. Any such allowances are met by the national body, Public Health England. These posts report to the Chief Officer (Health and Well Being). NHS terms and conditions of employment currently apply to these posts.

## **5.0 Recruitment of Strategic Directors/Chief Officers**

- 5.1 The Council’s policy and procedures with regard to recruitment of Strategic Directors and Chief Officers is set out within the Officer Employment Procedure Rules as contained in Part 4 of the Council’s Constitution. When recruiting to all posts the Council will take full and proper account of its own Equality and Diversity, Recruitment and Redeployment Policies, including any particular requirements for those who have transferred in to the Council, eg Public Health. The determination of the remuneration to be offered to any newly appointed Strategic Directors/Chief Officers will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it may consider the use of temporary market forces supplements in accordance with its relevant policies.

- 5.2 The Constitution states that any salary packages for new appointments that exceed £100,000 should be the subject of a recommendation by the Appointments Committee to full council.
- 5.3 The terms of reference of the Council's Appointments Committee, contained within the Council's Constitution, include:
- Recommending to the full council the appointment of the Chief Executive;
  - Recommending to the full council on any new appointments or severance packages that exceed a threshold of £100,000 (excluding pension payments);
  - The appointment of Strategic Directors and Chief Officers.
- 5.4 Where the Council remains unable to recruit Strategic Directors/Chief Officers under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive Strategic Director/Chief Officer post, the Council may, where necessary, consider and utilise engaging individuals under 'contracts for services'. These will be sourced through a relevant procurement process, and in accordance with HMRC rules, ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any Strategic Directors/Chief Officers engaged under such arrangements.
- 5.5 At this time there are no market forces supplements paid to any senior managers listed above (recruitment currently taking place).

## **6.0 Additions to Salary of Strategic Directors/Chief Officers**

- 6.1 The Council does not apply any bonuses or performance related pay to its Strategic Directors/Chief Officers.
- 6.2 In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfillment of duties:
- Fees are paid for deputy returning officer duties in accordance with the rates approved by the Council's Cabinet and increased in line with national pay awards. Employees who act as deputy returning officers at local elections are currently paid a fee of £66.15 per ward.
  - A mileage allowance is paid to all employees using their own vehicle for work purposes. The rate is 55p per mile (or, where applicable, the NHS mileage rate is 67p per mile).

- The posts of Chief Officers, any other third tier posts and fourth tier Head of Service posts have all been evaluated as part of the Council's restructure. The Council may consider granting an honorarium (of an amount dependent upon the circumstances of each case) to Senior Officers, Strategic Directors and Chief Officers who perform duties outside the scope of their role over an extended period. Any requirement for an honorarium will be dealt with through evaluation of the additional duties. Such a temporary arrangement would need to be approved by the relevant Cabinet Member in consultation with the Chief Executive and formalised in a Decision Sheet, and would be in the interest of efficient administration of a service(s) and would normally produce a short term financial saving.
- The Council will pay for any annual leave untaken at the end of the year, if this is due to service requirements.

## **7.0 Payments on Termination**

- 7.1 The Council's approach to statutory and discretionary payments on termination of employment of staff, prior to reaching normal retirement age, is set out within policies on managing employees at risk of redundancy, the discretionary severance payments scheme and any policies adopted in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 or as amended, and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 or as amended. For employees who transferred from the NHS, the NHS Agenda for Change Staff Handbook and NHS Pension Regulations apply.
- 7.2 Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.
- 7.3 The Constitution states that any severance packages for employees leaving the Council that exceed £100,000 (excluding pension payments) should be the subject of a recommendation by the Appointments Committee to full council.

## **8.0 Publication**

Upon approval by the full council, this statement will be published on the Council's website. Reference is made to the Council's Constitution, which is also available on the Council's website. In addition, for posts where the full time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts will include a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

## **9.0 Lowest Paid Employees**

9.1 As referred to above, there are a number of national pay scales covering different groups of employees.

9.2 The lowest paid persons employed under a contract of employment with the Council are employed on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's NJC grading structure. With effect from 1<sup>st</sup> January 2015, this is £13,500 per annum (£12,435 at 1<sup>st</sup> April 2013) which is the National pay spine minimum. The Council employs Apprentices who are not included within the definition of 'lowest paid employees' as they are employed under the terms and conditions and pay rates applicable to the relevant apprenticeship scheme. In their first year, their hourly rate of pay is £2.73 which is the national minimum rate for apprentices; in their second year their rate of pay is in accordance with the national minimum wage rates according to their age. The relationship between the rate of pay for the lowest paid and Strategic Directors/Chief Officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

- 9.3 The statutory guidance under the Localism Act 2011 recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton review was asked by the Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.
- 9.4 The 2015 pay levels within the Council defined the multiple (rounded to the nearest whole number):
- between the lowest paid full time equivalent employee and the Chief Executive as 1:12 (1:13 at 1<sup>st</sup> April 2014)
  - between the lowest paid employee and average Strategic Director/Chief Officer as 1:8 (1:6 at 1<sup>st</sup> April 2014)
  - between the median (average) full time equivalent earnings and the Chief Executive as 1:9 (1:9 at 1<sup>st</sup> April 2014)
  - between the median (average) full time equivalent earnings and average Strategic Director/Chief Officer as 1:6 (1:4 at 1<sup>st</sup> April 2014)
- 9.5 A January 2014 LGA submission to the Communities and Local Government Select Committee Inquiry indicated that the average ratio between the lowest and highest paid in local government is approximately 1:9.
- 9.6 As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. The Council participates in the Local Government Earnings Survey, which provides pay bill and average pay rate information for all local government employees (excluding Teachers) in England and Wales. The Council has also subscribed to the Epaycheck system, which is an on line local government pay database. This enables participating Councils to share and compare pay and reward data with other Councils. There are over 12,500 pay records within Epaycheck covering 47 job families including post specific information on Chief Officer roles. This gives the Council access to a wide range of data and reports, which can be used for comparison against other Local Authorities. Local pay and reward data is also available for local government employers in the West Midlands.

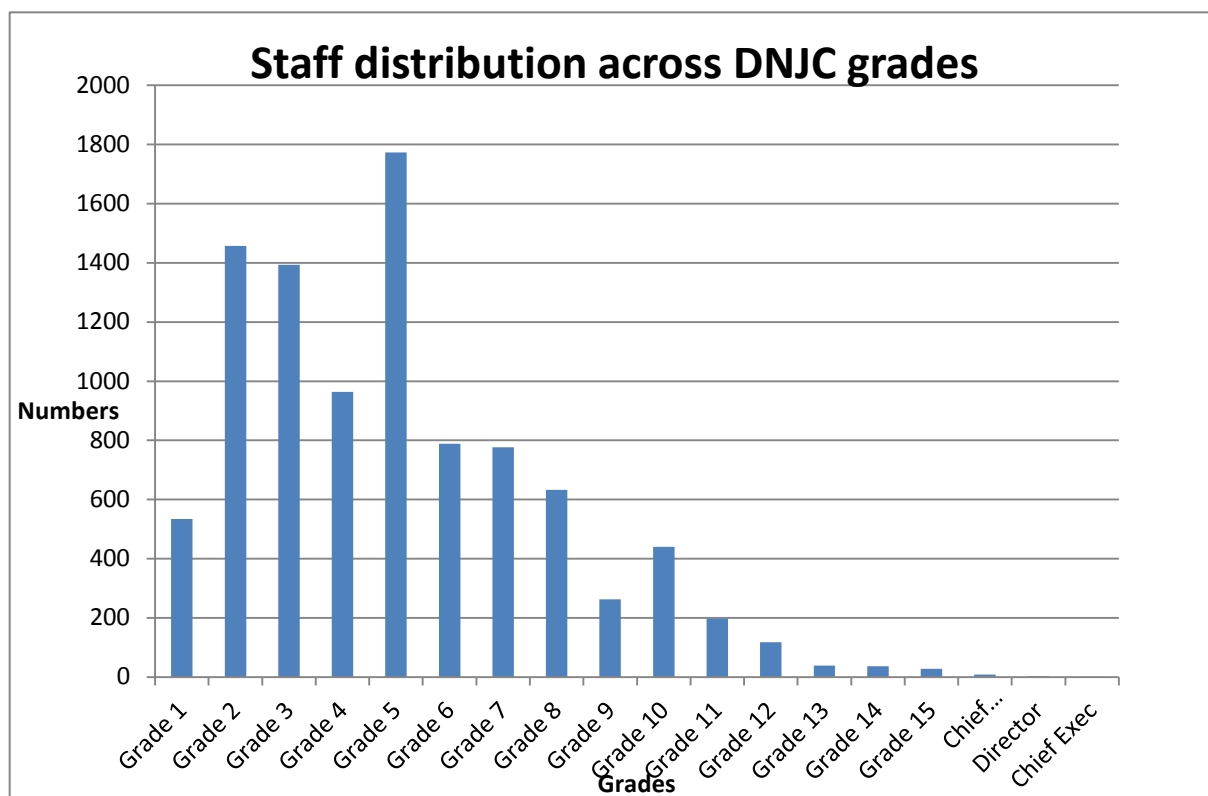
## **10.0 Accountability and Decision Making**

In accordance with the Council's Constitution, the full council, the relevant Committee, elected members or officers with delegated authority are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council. These are contained in Part 4, Officer Employment Procedure Rules, of the Constitution. The full terms of reference of the Appointments Committee are set out in Part 3.

### **Main Salary Grades, for the Dudley MBC NJC pay scales, with effect from 1 January 2015:**

<b>Grade</b>	<b>Pay range minimum</b>	<b>Pay range maximum</b>	<b>National Pay spine Points</b>
Grade 1	£13,500	£13,614	5 – 6
Grade 2	£13,715	£14,075	7 – 9
Grade 3	£14,338	£15,941	10 – 13
Grade 4	£16,231	£17,372	14 – 17
Grade 5	£17,714	£19,742	18 – 21
Grade 6	£20,253	£22,212	22 – 25
Grade 7	£22,937	£25,440	26 – 29
Grade 8	£26,293	£28,746	30 – 33
Grade 9	£29,558	£31,846	34 - 37
Grade 10	£32,778	£35,662	38 - 41
Grade 11	£36,571	£39,267	42 - 45
Grade 12	£40,217	£42,957	46 - 49
Grade 13	£43,750	£46,994	50 - 53
Grade 14	£48,222	£51,466	54 - 57
Grade 15	£53,382	£59,170	58 - 61

## **Staff distribution across DNJC grades**



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

Health integration (2)  
Unicorn and Queens Cross day centres  
Extra care housing  
Employment Plus  
Care and support packages for younger adults with disabilities  
Shared Lives service  
Support People to Live Independently  
Changes to Reablement Service

**Children's Services**

Short breaks for children with disabilities (2)  
Youth service  
Connexions  
Travel support for children attending pre-schools specialist nurseries

**Urban Environment**

New Technology within Street Lights