

Meeting of the Cabinet – 3rd July 2014

Report of the Chief Executive and the Treasurer

Revenue Outturn 2013/14 and Medium Term Financial Strategy

Purpose

1. To report the provisional revenue outturn position for the year ended 31st March 2014.
2. To consider the latest General Fund revenue position for 2014/15 and Medium Term Financial Strategy (MTFS) to 2017/18.

Background

General Fund Revenue Outturn 2013/14

3. The Council's final accounts for the year ended 31st March 2014 have been completed, subject to audit. The final audited accounts will be presented to Audit and Standards Committee in September. If there are any changes to the draft outturn set out in this report, these will also be reported to Cabinet in September.
4. Details of the outturn, together with reasons for the variance from approved budget are shown at Appendix 1 and summarised in the following table.

Directorate	Revised Budget £m	Outturn £m	Variation £m
Adult, Community and Housing	106.102	106.068	-0.034
Children's Services	77.296	77.296	0.000
Urban Environment	55.376	55.372	-0.004
Chief Executive's	3.783	3.767	-0.016
Corporate Resources	1.007	0.753	-0.254
Total Service Costs	243.564	243.256	-0.308
Total Funding	-248.363	-248.949	-0.586
Contribution to Balances	-4.799	-5.693	-0.894

5. The above figures are shown after transfers to and from earmarked reserves. Further details of the position before such transfers, with explanations for variances, are set out in Appendix 1. Total funding was £0.586m higher than forecast mainly as a result of the Council receiving a share of general government funding previously top-sliced nationally for capitalisation directions but no longer required.
6. The impact of the above leaves General Balances at 31st March 2014 as follows:

	Forecast Position*	Latest Position
	£m	£m
Balance at 31st March 2013	19.4	19.4
Budgeted Contribution to balances 2013/14	4.8	4.8
2013/14 outturn, as above	-	0.9
Balance at 31st March 2014	24.2	25.1

*2014/15 Budget Report to Council 3rd March 2014

7. The improved level of general balances will go some way to help the Council manage the significant pressures it continues to face in future years.
8. Earmarked reserves at 31st March 2014 were £61.6m, a net reduction of £2.6m compared to 31st March 2013. This arises mainly from the review of and further underlying reduction in Directorate earmarked reserves during the year. A summary is shown at Appendices 2 & 3.
9. The requirement for these reserves will continue to be reviewed and any changes will be reported back to the Cabinet as part of the 2015/16 budget setting process.

Collection Fund Outturn 2013/14

10. The Collection Fund includes income from council tax and business rates. 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. 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 rateable value as a result of new building, change of use, demolitions, or successful appeals. The latter may be backdated, sometimes as far as 2005, and give rise to substantial refunds to ratepayers.

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.

11. There was a net unbudgeted surplus of £0.386m on the Collection Fund at 31st March 2014. The position will be reviewed when reporting to Cabinet in February 2015.

Medium Term Financial Strategy to 2017/18

12. In updating the Council's Medium Term Financial Strategy, 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 stated intention to offer Council Tax Freeze Grant for 2015/16 (see paragraph 39 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.)

Government Funding

13. The provisional settlement for 2014/15 included indicative figures for 2015/16. Figures for 2016/17 onwards have not been announced. Our current forecasts for 2016/17 and 2017/18 are in line with latest Treasury indications based on the 2013 Autumn Statement that for those years total Government expenditure will continue to fall in real terms at the same rate as over this Parliament. The implications of this for Local Government funding in general and Dudley's funding in particular are subject to a number of assumptions. However, if:

- expenditure on welfare is constrained such that departmental expenditure is not cut more steeply than over this Parliament;
- elements of departmental expenditure, in particular Education, the NHS, International Development and the devolved regions, are protected in real terms;
- Dudley's funding changes in line with overall Local Government funding,

then RSG would reduce by around 23% (£13m) in 2016/17 compared with 2015/16 indicative figures, and a further 27% (£11m) in 2017/18 compared with 2016/17.

14. We have assumed that New Homes Bonus will continue to increase at the same underlying rate as for 2014/15 up to 2016/17 after which it will remain stable.¹
15. The Government has indicated that it will offer a grant equivalent to a 1% Council Tax increase to Councils who freeze Council Tax in 2015/16, and that this funding will be included in the “base” position for future funding reviews. No announcement has been made at this point in respect of subsequent years.
16. The Government has indicated 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.
17. No announcement has been made on Public Health Grant for 2015/16 onwards. The General Fund savings proposals in Appendix 4 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 (subject to approval by Cabinet and Council later in the year) that this support will be funded from a combination of Public Health reserves, decommissioning and redirection of funds within the Public Health budget. Further details on expenditure of the Public Health grant will be presented to Cabinet on 29th October.

Other Forecasts

18. The new Local Government pension scheme came into operation from April 2014. In order to smooth the impact of the significant increase in employers’ contributions that would have otherwise occurred from 1st April 2014, both Future Service employer contributions and Past Service Deficit contributions are being stepped up over the period 2014/15 – 2016/17. The difference between stepped contributions and un-stepped contributions will then be added to the contributions certified by the Fund actuary for the period 2017/18 to 2019/20 (i.e. an additional £2.5m per annum).
19. In addition to the direct impact of changes in employer pension contributions, the current National Insurance rebate for employees and employers for “contracting” out of the Additional State Pension into the Local Government Pension Scheme will end from 1st April 2016 as part of the move to the new Single Tier State Pension from that date. Although the Government has indicated the impact of this on public sector employers will be taken into account in funding allocations, it would not be prudent to assume this means the cost will be funded.

¹ 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 years 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.

20. The Council agreed at its meeting on 2nd December 2013 that the Council Tax Reduction (CTR) scheme be amended from 1st April 2014 to be based on the eligibility and calculation rules of the current scheme with a 20% cut in the resulting level of the reduction; and that a transitional arrangement of an 8.5% cut in the calculated reduction apply at least up to 31st March 2015 with full protection from any scheme changes being given to pensioners, disabled adults, disabled children, war pensioners and lone parents with a child under 5. The full 20% cut has been assumed in the forecasts of the Council's tax base for 2015/16 onwards along with other estimated changes as a result of increased property numbers, etc.
21. We have assumed that the Integrated Transport Authority (ITA) Levy will reduce by 5% in 2015/16 in accordance with the ITA's own MTFS, and will be frozen in cash terms thereafter.

Base Budget Forecasts

22. The following key assumptions have been made (and are also referred to in the risk analysis in paragraph 40):
- (a) We are expecting pay awards for local government to be settled at very low levels in the next few years. 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 1% for pay and 2% for prices each year for the duration of the MTFS.
 - (b) Interest rates will continue to have a relatively low impact in the medium term.
23. Details of Base Budget Forecasts including the cost of demographic and other pressures for the next three years are set out below.

	2015/16 £m	2016/17 £m	2017/18 £m
2014/15 Base	244.0	244.0	244.0
Pay & Prices	2.8	6.2	9.6
Capital Programme and Treasury	0.7	-0.4	-1.3
Pensions and National Insurance	1.6	5.0	6.6
Other Adjustments (*)	2.1	2.5	2.5
Spending Pressures	1.1	2.2	3.3
Base Budget Forecast	252.3	259.5	264.7

(*) Mainly the costs of Single Status, and the Government's planned reduction in Education Services Grant (ESG).

Savings

24. As was reported to Council in March, the financial position remains difficult with forecast deficits worsening year on year. It was proposed in March that work be undertaken in the following areas and progress reported back to this meeting of Cabinet.

Proposed in March	Update
A review of services where there is an existing mature market for outsourcing, considering the scope to deliver further savings, over and above those already proposed in this report, subject to wider issues including the impact on jobs and the local economy and the length and flexibility of any contract.	A soft market testing exercise has been conducted in relation to environmental management and corporate support services. The results of this exercise do not support a business case to outsource these services.
A review of services to Looked After Children taking account of comparisons with other local authorities and exploring any potential to achieve service improvements and savings from changes to care practices.	A review has been undertaken. This has produced a number of recommendations for increased revocations of care orders, improved prevention and diversion, better commissioning and lower cost provision of care. Proposed savings from implementation of these recommendations are included in Appendix 4 of this report.
A review of the Council's property assets with a view to consolidating the delivery of services where possible from a smaller number of buildings.	A review has commenced and is ongoing.
Consideration of options for new or increased fees and charges for services.	A number of proposals for increased fees and charges are included in Appendix 4 of this report.
Prioritisation of services in light of Council Plan aims and public consultation results, recognising that as a last resort in the event that other measures are insufficient to deliver a balanced budget, it may become necessary to reduce some services to a statutory minimum level or cease to provide some services altogether.	This report includes a number of additional savings proposals to reduce the projected financial deficit while maintaining services to the public (see below). However, the financial challenge remains significant and it is likely that further work to prioritise services will be required.

25. The following savings have been identified, including further savings relating to the current financial year. Detailed proposals are set out in Appendix 4.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Adult, Community and Housing	1,400	13,201	14,307	14,307
Children's Services	1,555	5,001	7,594	12,092
Urban Environment	569	5,907	6,167	6,676
Corporate Resources	418	4,031	4,485	4,585
Chief Executive's	100	577	661	801
Total	4,042	28,717	33,214	38,461

26. It is proposed that Cabinet request Council to amend the budget for the current year to reflect the 2014/15 savings set out above. The savings for future years will be brought back to Cabinet on 29th October together with any other savings proposals identified prior to that date.

Human Resource Implications

27. Further to information reported to 12th February 2014 Cabinet, 72 requests for voluntary redundancy arising out of the November 2013 Expressions of Interest in Voluntary Redundancy process have been accepted and progressed with the individuals concerned, 68 of which have been authorised through the delegated process as of 16th June 2014. Of these 36 had pension implications.
28. To help achieve the budget savings set out in the February report there has been a need for some compulsory redundancies but these have been kept to a minimum due to the voluntary redundancy process, vacancy management, reductions in working hours, redeployment and redundancy bumping. Early in the budget saving process it was estimated that 40 Full Time Equivalent (FTE) posts might be lost due to compulsory redundancy. That figure has so far been reduced to 23 FTEs and may reduce further if redeployment and redundancy bumping takes place. As at 16th June 2014 there have been 5 employees who been redeployed or redundancy bumped, 2 employees are on redeployment trials, 2 employees resigned due to obtaining alternative positions outside DMBC and 5 have left as a result of compulsory redundancy.
29. Work is ongoing to complete restructuring of the Children's Centres. There are potentially 16 staff still at risk of redundancy under the restructuring with 2 of these currently undertaking redeployment trials. The process is due for completion by 31st August 2014.
30. The Directorate of Adult, Community and Housing Services is also undergoing a major restructure programme (The Customer Journey) to support their identified budget savings. This work is at an early stage and to date 10 expressions of interest for voluntary redundancy have been agreed with a further 8 being considered for 4 voluntary redundancy opportunities.

31. In May directors revisited the November expressions of interest information to ascertain if savings required to reduce the 2014/15 deficit could be made by reconsidering voluntary redundancy requests in areas that could not be supported previously, by bringing forward savings identified in the February report to Council as a 2015/16 or 2016/17 saving or by savings in areas not previously considered.
32. This exercise has identified no additional requests which could be followed up in areas that could not be supported previously but there are 19 additional ones.
33. Due to continuing budget constraints and the need to restructure to help meet the savings required it is proposed that a further expressions of interest process is commenced to support the savings required, but earlier in the financial year than usual to enable savings to be made in the year, and once again mitigate where possible the need for compulsory redundancies. As the process is becoming an annual event and there are other such expressions of interest which run for major restructures, a process to gather the intelligence for longer term use would be beneficial to all parties. Therefore it is proposed that employees are offered the opportunity to express their interest to be entered onto a register for voluntary redundancy for use at any stage now or in the future on the clear understanding that they might be contacted for savings in this financial year or 2015/16 savings and they can remove their name at any time.
34. Any compulsory redundancies are managed in accordance with both the Managing Employees at risk of Redundancy and the Retraining & Redundancy policies.
35. A staffing Equality Impact Assessment (EIA) is not completed until the budget savings process has been finalised. However no staffing equality issues have been identified to date.
36. 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. However, it is anticipated that they 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.

Medium Term Financial Strategy

37. The MTFS reflecting the revised spending proposals set out above, and forecasts of likely resource availability can be summarised as follows.

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Base Budget Forecast	244.0	252.3	259.5	264.7
- see para 23				
Savings	-4.0	-28.7	-33.2	-38.5
- see para 25				
Total Service Spend	240.0	223.6	226.3	226.2
Revenue Support Grant (RSG)	75.6	54.5	41.8	30.6
Retained Business Rates	45.6	48.3	50.0	51.2
Top-Up Grant	14.9	15.3	15.7	16.1
Business Rate Grant	2.9	1.4	0.8	0.8
New Homes Bonus	3.4	4.1	4.8	4.8
New Homes Bonus Adjustment Grant	0.2	0.5	0.5	0.5
Council Tax Freeze Grant	1.1	2.3	3.5	4.6
Collection Fund Surplus – Council Tax	1.4	-	-	-
Collection Fund Surplus – Business Rates	0.2	-0.7	-0.7	-0.7
Council Tax	94.6	95.4	95.9	96.3
Total Resources	239.9	221.1	212.3	204.2
Deficit funded from Balances	0.1	2.5	14.0	22.0
Balances brought forward	25.1	25.0	22.5	8.5
Balances carried forward	25.0	22.5	8.5	n/a

38. As demonstrated by the table above, balances are adequate to fund the deficit for 2015/16 and 2016/17. This is an improvement on the position reported in March, but it remains necessary to take further action going forward over and above the savings proposed in this report. Further reports will be brought to Cabinet later in the year.
39. The table above assumes, as a prudent basis for forecasting, that Council Tax is frozen 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%² would increase available resources.

² 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.

Estimates, Assumptions & Risk Analysis

40. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which are subject to continuous review. These may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources, and include:
- (a) Revenue Support Grant for 2015/16 is as per the indicative figures announced with the 2014/15 settlement, and for 2016/17 and 2017/18 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;
 - (d) New Homes Bonus funding for future years increases at the same underlying rate as for 2014/15;
 - (e) Equal 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;
 - (i) Council Tax will be frozen in each year and the Government will continue to offer an ongoing Council Tax Freeze Grant equivalent to a 1% increase.

Housing Revenue Account (HRA)

41. The latest approved budget for the HRA allowed for a deficit in the year 2013/14 of £3.896m. The actual outturn shows a deficit of £2.123m, a positive variance of £1.773m, as detailed in Appendix 5.
42. The balance remaining on the HRA at 31st March 2014 was £5.612m. This balance will be rolled forward to maintain the Decent Homes Standard, to address a range of improvement works, to build new homes, and to prepare for further changes to the welfare reform system that will affect tenants.

Finance

43. This report is financial in nature and information about the individual proposals is contained within the body of the report.

Law

44. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.

Equality Impact

45. 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.
46. 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.
47. 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.
48. 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.

49. 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.

50. Equality impact assessments have been carried out on relevant additional savings proposals for 2014/15 (which have been made available to Cabinet members). Relevant groups will be consulted as appropriate in the implementation of these proposals:

- Looked after children;
- Efficiencies in the Directorate of Children's Services' commissioning arrangements;
- Home to school and college transport;
- Learning Disability – residential care and care at home;
- Health integration – customer journey and reduced placements in residential care.

Where savings proposals are for 2015/16 onwards, equality impact assessments and consultation will take place later in the year.

51. 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

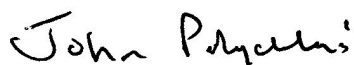
52. That Cabinet:

- Notes the draft General Fund and HRA revenue outturns for 2013/14.
- Notes the effect of the General Fund Revenue Outturn on General Balances at 31st March 2014.
- Notes the position on General Fund earmarked reserves at 31st March 2014.
- Notes the savings proposals for future years set out in paragraph 25 and Appendix 4 and that these will be brought back for further consideration by Cabinet on 29th October together with any other savings proposals identified prior to that date.
- Notes the proposal to use Public Health grant to support Sports Development and Park Rangers and that these, together with other proposals for the use of Public Health grant, will be brought back to Cabinet on 29th October.
- Notes the various issues and risks which may continue to affect the 2014/15 position and will need to be taken into account in finalising budget proposals for 2015/16, and the Medium Term Financial Strategy.

53. That Council be recommended to approve:

- 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 Director of Corporate Resources, and of compulsory redundancies to the Cabinet Member for Human Resources, Legal, Property & Health and the Assistant Director for Human Resources and Organisational Development.

54. That Council be recommended to amend the 2014/15 General Fund revenue budget to reflect the current year savings set out in paragraph 25.



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John Polychronakis
Chief Executive



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List of Background Papers

Council Tax Setting report to Council on 3rd March 2014

Draft Statement of Accounts for the year ended 31st March 2014

General Fund Revenue Service Spend Summary 2013/14

		Revised Budget	Outturn	Variance	Reasons for variance
		£m	£m	£m	
Adult, Community and Housing	Net Spend	110.642	107.454	-3.188	See note 1
	Use of / contrn. to earmarked reserves	-4.540	-1.386	3.154	See note 7
	Net	106.102	106.068	-0.034	
Children's (Non Schools)	Net Spend	80.442	78.707	-1.735	See note 2
	Use of / contrn. to earmarked reserves	-3.146	-1.411	1.735	See note 7
	Net	77.296	77.296	0.000	
Urban Environment	Net Spend	56.599	56.169	-0.430	See note 3
	Use of / contrn. to earmarked reserves	-1.223	-0.797	0.426	See note 7
	Net	55.376	55.372	-0.004	
Chief Executive's	Net Spend	3.174	2.306	-0.868	See note 4
	Use of / contrn. to earmarked reserves	0.609	1.461	0.852	See note 7
	Net	3.783	3.767	-0.016	
Corporate Resources	Net Spend	2.011	1.730	-0.281	See note 5
	Use of / contrn. to earmarked reserves	-1.004	-0.977	0.027	See note 7
	Net	1.007	0.753	-0.254	
Total Non Schools	<i>Net Spend</i>	<i>252.868</i>	<i>246.366</i>	<i>-6.502</i>	
	<i>Use of / contrn. to earmarked reserves</i>	<i>-9.304</i>	<i>-3.110</i>	<i>6.194</i>	
	Net	243.564	243.256	-0.308	
Schools / DSG	Net Spend	5.389	-0.469	-5.858	See note 6
	Use of / contrn. to earmarked reserves	-5.389	0.469	5.858	See note 7
	Net	0.000	0.000	0.000	
Grand Total	<i>Net Spend</i>	<i>258.257</i>	<i>245.897</i>	<i>-12.360</i>	
	<i>Use of / contrn. to earmarked reserves</i>	<i>-14.693</i>	<i>-2.641</i>	<i>12.052</i>	
	Net	243.564	243.256	-0.308	

Notes:

1. Includes:

- Review of commitments -£1.797m
- Planned expenditure funded from capital resources -£0.500m
- Extra winter pressures income from CCG -£0.533m
- Savings on Supporting People contracts -£0.461m
- Other net variances +£0.103m

2. Includes:

- Planned efficiencies, in year vacancies and additional traded service income achieved in respect of the Education Services and Quality and Partnership divisions -£1.199m
- Provision for payment to HMRC in respect of self employed tax status £0.911m
- Extra Troubled Families grant -£0.924m
- Other extra income -£0.523m

3. Includes:

- Pothole grant carried forward to spend in 2014/15 -£0.319m
- Vacancies and other net variances -£0.111m

4. Includes:

- Slippage in programmed Public Health expenditure -£0.825m
- Other net variances -£0.043m

5. Includes:

- Cost of redundancies in excess of £1m contingency £0.571m
- Unspent Local Welfare Assistance Grant -£0.543m, of which £0.076m was used to reduce the benefit claims backlog, leaving net variance of -£0.467m
- Extra Treasury and other income, and other net variances -£0.385m

6. Includes:

- Extra expenditure by schools from delegated budgets £3.073m
- Extra schools income -£5.022m
- Net underspend of central DSG resources -£3.909m (resulting from underspending in the high needs block, -£2.500m, and in respect of the DfEs new initiative to fund early years nursery provision for the most disadvantaged 2 years olds, -£1.500m, offset by provision for payment to HMRC in respect of self employed tax status, £0.091m).

7. In accordance with the Council's Reserves and Balances Policy, Earmarked Reserves are used in particular to carry forward resources (from budgets and grant income) to cover deferred expenditure and other commitments in future years. Positive figures reflect net contributions to reserves to fund future spend; negative figures reflect net use of previously set aside reserves to fund spend during 2013/14.

General Fund Earmarked Reserves

	Balance 31/03/13	Balance 31/03/14	Movement	Details
	£m	£m	£m	
<u>Corporate Reserves</u>				
Working Capital	2.000	2.000	0.000	"Contingency of last resort"
Insurance Fund	4.178	4.831	0.653	To meet self insured claims
LAA Reward	0.279	0.143	-0.136	To be spent on Partnership projects, etc.
Community Forums	0.377	0.369	-0.008	Carry forward of unspent budgets
Other	0.256	0.000	-0.256	
Total Corporate	7.090	7.343	0.253	
<u>Other Reserves</u>				
DGfL & Paragon Grants in Advance	12.856	11.928	-0.928	To match expenditure in later years
School Balances	28.911	29.262	0.351	From Schools' Delegated Budgets, Trading etc.
Directorate Reserves	15.376	13.060	-2.316	See Appendix 3
Total Other	57.143	54.250	-2.893	
Total	64.233	61.593	-2.640	

Directorate Reserves

Appendix 3

	Balance 31/3/13		Balance 31/3/14		Movt.	Details
	£m	£m	£m	£m	£m	
Children's Services						
Grants carried forward	0.688		1.367			Grant funding to be applied to ongoing projects in 2014/15, including Troubled Families
Social Care and other	1.719		0.134			Includes funding of initiatives for children in care
		2.407		1.501	-0.906	
Urban Environment						
Grants carried forward	0.717		0.793			Including Highways Pothole grant and former PCT funding for Healthy Towns
Other	1.050		0.048			Including management of acquired town centre properties
		1.767		0.841	-0.926	
Adult, Community & Housing						
Supporting People	0.538		0.999			Roll forward of grant funding
Housing initiatives	0.511		0.347			Including Mortgage Arrears and Debt Prevention Advice
Lifetime Costs	3.673		2.890			Funding of ongoing placements
Extra Care Housing	0.450		0.750			To fund Extra Care developments
Health integration	1.171		1.032			To support Better Care integration planning
Care Bill	0.508		0.841			To support implementation of the Care Bill
Other social care	1.912		0.527			Including management of various pressures
Libraries	0.272		0.085			Including funding for potential liabilities
		9.035		7.471	-1.564	
Corporate Resources						
ICT Development	0.275		0.326			Various investments in software and long term ICT infrastructure
Legal	0.301		0.235			Including funding for potential liabilities
Benefits	0.527		0.337			Recession grant carried forward funding pressures on benefits assessments and systems
Other	0.360		0.090			Including HR developments
		1.463		0.988	-0.475	
Chief Executive's						
Public Health	0.000		2.033			Roll forward of mainly ring-fenced funding
Other	0.704		0.226			Including Community Enterprise Fund resources
		0.704		2.259	1.555	
Total		15.376		13.060	-2.316	

Appendix 4

Proposed Savings

Adult, Community and Housing	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£,000
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	200	1375	1375	1375
Health Integration - These savings will be achieved through the transfer of monies and the pooling of budgets with the Clinical Commissioning Group which will be known as the Better Care Fund. The funding identified will protect services that may otherwise have been reduced as part of the council's budget savings. These resources will support the needs of Dudley citizens, with a specific focus on older people and older people with frailties. This approach will require significant change in the way in which people access care and support with revised working practices for staff across both Health and Social care and the integration of health and Social care teams. The emphasis will be on building community based services linked to Primary Health and Social Care in order to avoid unplanned hospital admissions and admissions into residential and Nursing homes. The funding is subject to agreement of the planned use of resources by the Health and Wellbeing Board and NHS England and is also subject to performance targets being achieved.	0	7070	7070	7070
Health integration - This option reflects the efficiencies that will be generated within DACH'S as a result of meeting the Government's performance targets of the Better Care Fund, together with the redesign of the Adult Social Care model in respect of access to services and the customer experience.	700	1200	2106	2106
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.	0	156	156	156

Adult, Community and Housing	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£,000
Reduction of management and staffing costs across adult social care	0	200	200	200
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.	0	250	250	250
Older People/ Learning Disability - Review of existing shared lives service with development of extending existing service provision to provide alternative to residential care.	0	250	250	250
Queens cross day centre - This proposal would see the council looking for a different delivery model for the centre and a different remit for the centre itself.	0	100	100	100
Unicorn day centre – this is a day centre for people with profound Learning Disabilities. This option would see a different delivery model being identified for the centre.	0	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	0	200	200	200
Savings arising from new running arrangements for New Bradley Hall	0	250	350	350
Changes to Reablement service - Following an independent review some changes in respect of the delivery of services will deliver the savings identified.	500	600	700	700
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.	0	250	250	250
Introduction of tighter criteria for support to voluntary sector that is more aligned to the local authority preventative model.	0	300	300	300
Reduced support and cancellation of schemes supported through supporting people monies.	0	700	700	700
Total	1400	13201	14307	14307

Children's Services	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Generate additional surplus traded service income.	50	115	159	367
Restructure the integrated youth support service.	33	300	430	630
Reduce the voluntary and community sector commissioning budget together with efficiencies in the Directorate's commissioning arrangements .	100	155	155	235
Asset Management Services will increase their traded service income targets and /or 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.	40	250	250	250
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 during 2015/16.	-	350	350	350
Restructure within the Education Services division.	165	311	346	606
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.	412	474	494	911
Secure efficiency in commissioning of placements and support for looked after children.	755	2,506	4,637	7,752
Total	1,555	5,001	7,594	12,092

Urban Environment	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000
Service related savings				
Reduction in the Road reconstruction and resurfacing programme	0	461	461	461
Reduction in routine Street Lighting, signs and bollards maintenance	0	50	50	50
Reduction in Street Cleansing linked to increased community led litter picking	71	71	71	71
Reduction in Gully Drain Emptying with a greater focus on problem 'hot spots'	0	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	0	265	265	265
Office staff related savings				
Ongoing efficiencies, service transformation and corporate restructuring	248	3353	3353	3692
Income generation				
Increase Bereavement charges	50	240	400	570
Other efficiency and contractual savings				
Gym equipment contract negotiated savings	0	40	40	40
New technology within Street Lights will reduce light pollution and save significant energy costs	0	205	205	205
Switch off selected Street Lighting from midnight	0	0	100	100
Redesign of Pest Control service	0	100	100	100
Review of rechargeable Green Care workloads	200	340	340	340
Further efficiencies including vehicle utilisation, overtime, fuel usage	0	200	200	200
Business efficiency and transformation	0	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
Total	569	5,907	6,167	6,676

Corporate Resources	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000
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.	94	916	916	916
Accountancy - service redesign and management savings, focussing on strategic financial management and reducing non-core and transactional activity.	0	500	500	500
Management restructure within Internal Audit.	0	55	55	55
Customer Services - service redesign focussing mainly on self service / automation, reducing non-statutory activity, a payments review and management & staff savings .	0	589	846	846
Reduce grant to Dudley and West Midlands Zoological society.	0	0	0	100
Directorate management restructure. Removal of Assistant Director post.	0	0	100	100
Human Resources & Organisational Development - staff and management savings from system development & self service.	66	868	892	892
Staff and management savings from Law & Governance Division.	35	175	228	228
Increased Management & Valuation, conveyancing and lease income.	0	5	25	25
Office accommodation savings. Town Centre project - disposal of 12 sites.	223	423	423	423
Staff, energy and further efficiency savings within a consolidated property function. Council wide property restructure resulting in savings around £250,000. Energy Management savings expected to deliver around £250,000 savings.	0	500	500	500
Total	418	4,031	4,485	4,585

Chief Executive's	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000
Reduction in voluntary sector grant	0	0	40	40
Staff savings across Policy and Customer Access to Services (CATS) teams	50	260	304	304
Admin support and directorate running costs savings	0	0	0	80
Communications and Public Affairs staff savings and additional income	8	132	132	192
Community Safety staff savings	42	160	160	160
Emergency Planning savings	0	25	25	25
Total	100	577	661	801

Appendix 5

Housing Revenue Account 2013/14 Outturn

	Revised Budget £000	Outturn £000	Variance £000s
Income			
Dwelling rents	-89,296	-89,702	-406
Non-dwelling rents	-688	-678	10
Charges for services and facilities	-243	-245	-2
Contributions towards expenditure	-1,071	-1,471	-400
Interest on balances	-33	-29	4
Total income	-91,331	-92,125	-794
Expenditure			
Management (inc. North Priory)	14,974	13,853	-1,121
Responsive and cyclical repairs	23,661	23,671	10
Transfer to Major Repairs Reserve	21,893	22,040	147
Interest payable	18,354	18,257	-97
Purchase of Miscellaneous Properties	1,045	1,083	38
Revenue contribution to capital expenditure	13,960	13,960	0
Other expenditure	1,340	1,384	44
Total expenditure	95,227	94,248	-979
Surplus/deficit for the year	3,896	2,123	-1,773
Surplus brought forward	-7,735	-7,735	0
Surplus carried forward	-3,839	-5,612	-1,773

Main reasons for the variances shown above include:

- For dwelling rent income, although there was a reduction in rent received, largely owing to increased number of Right to Buy sales, the full provision for bad debts was not required in the year. This was owing to the slower than expected progress of the Government's welfare reforms, specifically Universal Credit.
- Additional contributions to expenditure have been received from tenants' rechargeable repairs and from works undertaken on leasehold properties, where the tenant or leaseholder contributes towards the cost.
- Savings on management costs have arisen from vacancies and running cost efficiencies. Resources have also been carried forward into future years relating to preparation for welfare reforms.
- The increase in the transfer to the major repairs reserve is owing to technical adjustments in how depreciation has been calculated.
- There has been a small reduction in interest paid, as lower rates were payable.