
**Meeting of the Health and Adult Social Care Scrutiny Committee –
14th November 2011**

**Joint Report of the Chief Executive, Treasurer, and Director of Adult, Community and
Housing Services**

Revenue Budget Strategy 2012/13

Purpose of Report

1. To consult the Scrutiny Committee on the Revenue Budget Strategy for 2012/13 and the Medium Term Financial Strategy.

Background

2. At its meeting on 13th October 2011, the Cabinet considered a preliminary budget strategy for further consultation, including consultation with Scrutiny Committees, in accordance with the Constitution. In framing their responses to these budget proposals, Scrutiny Committees were asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.
3. When the Revenue Budget and Council Tax for 2011/12 was approved, the Council endorsed a Medium Term Financial Strategy (MTFS) which recognised the following basic assumptions:
 - (a) Formula Grant for 2012/13 is as per the figures announced with the provisional 2011/12 settlement, and for 2013/14 is in line with the totals announced in the Comprehensive Spending Review;
 - (b) Single Status and Equal Pay costs are no more than estimated;
 - (c) general levels of inflation, pay and interest rates do not vary materially from current forecasts;
 - (d) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
 - (e) Council Tax rises are in line with Office for Budget Responsibility (OBR) forecasts.
4. In order to ensure that the Council could properly manage its financial affairs over the medium term, and ensure resources would be available to deal with new spending pressures and other unforeseen eventualities, the strategy was to:
 - (a) manage spending within approved budget levels;

- (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
- (c) seek further efficiency and other savings;
- (d) maximise opportunities for additional external funding;
- (e) take action to replenish General Balances;
- (f) regularly review risks and uncertainties and other relevant factors.

Revised Outturn 2010/11

5. When the provisional 2010/11 Outturn position was reported to Cabinet in June, it was noted that the redundancy process (to achieve necessary 2011/12 savings) was still ongoing, and was likely to be the subject of close scrutiny by external audit, such that the accounting provision for redundancy costs, and consequently the outturn, might change as a result.
6. At the point that the accounts for 2010/11 were finalised, the revised total cost of redundancies was £7.6m, compared with £8.0m reported in June. This is mainly the result of the initial figure being prudent in the light of ongoing uncertainty as to the final number and cost of redundancies, and also further successful redeployment of staff previously at risk of compulsory redundancy. The result is an increase in General Fund Balances from the £8.7m reported in June, to £9.1m.

Forecast 2011/12 Position

7. Latest monitoring indicates favourable Treasury variances amounting to £2.0m resulting from better than expected cashflows.
8. Earmarked reserves have been reviewed to identify any no longer required for their original purposes, which can be returned to General Balances. At present £0.5m has been identified.
9. Cabinet has recommended that Council amends budgets to reflect these variances.
10. The budget for 2011/12 included a contingency of £1.5m to cover inflationary and other pressures in excess of those assumed when the budget was set, of which £0.750m has been allocated to support the higher than expected increase in utility costs.
11. In addition, there are a number of service pressures that Directors are seeking to manage within existing budgets:
 - Adult, Community and Housing: Significant pressures from an increasing older population resulting in the need to manage effective and timely hospital discharge within available resources. There are also continuing pressures within Mental Health and Learning Disability services.

- Children's Services: The Directorate is still experiencing high levels of referrals of children in need. These cases include an increasing number of children with complex needs and difficulties. This risk together with the associated budget pressures are currently being monitored on a monthly basis in order to remain within the Directorate's allocated resources. National changes are continuing to impact on the Directorate's planned activities resulting in higher costs.
- Urban Environment: Reduction in planning fees income due to recession in property development.

The position will be carefully monitored and reported back to Cabinet as necessary. In the light of the issues set out above, it is proposed that the remaining contingency be retained.

General Fund Balances

12. The latest forecast position, compared to the original Approved Budget for 2011/12 and subject to the risks and uncertainties outlined above, is as follows.

	Original Budget £m	Latest Position £m
Forecast balance at 31 st March 2011	8.1	8.1
Effect of 2010/11 provisional outturn	-	0.6
Effect of 2010/11 final outturn (see para 6)	-	0.4
	8.1	9.1
Budget adjustments approved by June Cabinet in respect of Early Intervention (Children's Services) and Highway Maintenance	-	-2.2
Favourable current year treasury variances	-	2.0
Review of earmarked reserves	-	0.5
Forecast balance at 31st March 2012	8.1	9.4

Budget Strategy 2012/13

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

Government Funding

14. Details of the Draft Finance Settlement for 2012/13 were announced by the Government in December 2010 (and marginally amended in January 2011), at the same time as the Provisional and Final Settlements for 2011/12. At this point, there is nothing to indicate that the final figures will change. Dudley's proposed Formula Grant for 2012/13 is £119.0m.
15. The Government is currently undertaking a major review of Local Government funding from 2013/14 onwards, in particular the "localisation" of Business Rates and Council Tax Benefit. Details of the current consultations on these issues were considered by Cabinet on 13th October. In terms of Formula Grant, or its equivalent, for 2013/14 (and 2014/15), the Government has however indicated that the new system will operate within the national control totals set out in Comprehensive Spending Review (CSR) 2010. At present our best estimate of available resources for 2013/14 is therefore a proportionate reduction in line with the CSR figures. This was anticipated when formulating the current Medium Term Financial Strategy.

Base Budget Forecasts

16. The following key assumptions have been made (and are also referred to in the risk analysis in paragraph 25):
- (a) The impact of inflation will remain relatively low and pay awards will continue to be restrained;
 - (b) Interest rates may start to rise, but will continue to have a relatively low impact in the medium term;
 - (c) Whilst the final costs of Single Status and Equal Pay Back Pay (EPBP) still remain uncertain, new pay and grading structures should be introduced in 2012/13. Some provision has been included in the Base Budget forecasts and reserves previously set aside. It has been assumed that any costs relating to schools will be funded from school resources;
17. Details of Base Budget Forecasts for the next two years are set out below.

	2012/13	2013/14
	£m	£m
2011/12 Base	241.5	241.5
Pay & Prices inc. contingency (note 1)	3.7	7.3
Capital Programme	0.9	1.7
Other Adjustments (note 2)	-2.8	-2.9
Base Budget Forecast	243.3	247.6
% change year-on-year	+0.7%	+1.8%

Notes:

(1) The Council is expecting pay awards for local government will be frozen or settled at very low levels in the next few years consistent with Government announcements about public sector pay. Whilst we are making no specific budgetary provision for pay awards, the Council will honour national agreed settlements. 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 each year. In addition, to ensure a prudent approach to budget setting is adopted, a contingency provision of £1m per year cumulatively has also been built into our assumptions in the event that the impact of inflation exceed expectations.

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

Additional Spending

18. Having reviewed existing budgets in the light of Council Priorities, additional legislative requirements and service pressures, the following package of additional spending to target key service areas for investment over the next two years is proposed:

	2012/13 £'000	2013/14 £'000
Adult, Community and Housing		
Increased numbers of adults with learning disabilities	500	900
Increased number of clients with dementia	162	529
Additional costs of young physical disability clients transferring from Children's Services	0	415
	662	1844
Urban Environment		
Streetlighting replacement	20	20
Parks maintenance improvements	50	50
Waste disposal cost increases, inc. landfill tax	262	523
Cremator improvements	-	120
	332	713
Total	994	2557

Efficiency and Other Savings

19. Following a detailed budget review process, which considered the need to redirect resources to the spending pressures and priorities set out in paragraph 18, a range of efficiency and other savings have been identified from existing budgets as follows.

	2012/13 £'000	2013/14 £'000
Adult, Community and Housing	3769	5559
Urban Environment	1791	2476
Children's Services	1569	2869
Corporate Resources	897	1426
Chief Executive's	337	467
Total	8363	12797

Human Resource Implications

20. Details were considered by Cabinet on 13th October. Redundancy costs are dependent on the age and length of service of the individuals being made redundant and therefore cannot be precisely calculated at this stage. However, it is anticipated that they can be met from capitalisation directions received by the Council, use of reserves set aside for committed capital expenditure (which in turn could be funded from prudential borrowing) and general balances.

Use of Balances

21. The table in paragraph 12 shows that we forecast to have available around £9.4m at 31st March 2012.
22. On the basis of our latest resource forecasts, consistent with CSR announcements and Office for Budget Responsibility assumptions, including the recently announced Council Tax Freeze Grant, the budget proposals for 2012/13 do not require the use of balances to support base expenditure. These forecasts are subject to a number of risks and uncertainties set out in paragraph 25 and will be reviewed as the budget is developed.
23. It is proposed at this stage that remaining balances be retained to meet any other spending pressures and risks going forward and that a tight regime of control and review of balances continues to operate throughout the medium term to free up reserves wherever possible.

Summary

24. The following table summarises the budget proposals for 2012/13 and 2013/14:

	2012/13 £m	2013/14 £m
Base Budget Forecast	243.3	247.6
Council Plan Priorities & Pressures	1.0	2.6
Efficiency & Other Savings	-8.4	-12.8
Net Budget	235.9	237.4
% change year-on-year (like for like)	-3.0%	+ 0.6%

Estimates, Assumptions & Risk Analysis

25. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended either before the budget and Council Tax for 2012/13 is set, during the course of that year, or indeed over the term of the MTFS. These may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources, and include:
- (a) Formula Grant for 2012/13 is as per the figures announced with the 2011/12 settlement, and for 2013/14 it (or its equivalent following the Local Government Resource Review) is in line with the totals announced in the Comprehensive Spending Review;
 - (b) Single Status and Equal Pay costs are no more than estimated;
 - (c) general levels of inflation (including the Integrated Transport Authority Levy), pay and interest rates do not vary materially from current forecasts;
 - (d) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
 - (e) Council Tax rises are in line with Office for Budget Responsibility (OBR) forecasts.

Medium Term Financial Strategy 2014/15 Onwards

26. Decisions about spending, funding and council tax levels in any one year need to be made in the context of the Medium Term Financial Strategy (MTFS), recognising that medium term projections need to be reviewed and revised on a regular basis. The proposed financial strategy assumes inflationary pressures over the next three years remain low and that spending can be contained within approved budgets.
27. As indicated in paragraph 15 the Government has stated that any new system of Local Government funding will operate within the national control totals set out in Comprehensive Spending Review 2010. At present our best estimate of available resources for 2014/15 is therefore a proportionate reduction in line with the CSR figures. This indicates a significant reduction in Formula Grant (or its equivalent following the Local Government Resource Review) in 2014/15 of around 6-7% equivalent to around £8m.
28. In order to ensure that the Council can properly manage its financial affairs over the medium term, and ensure resources are available to deal with new spending pressures and other unforeseen eventualities, the strategy must therefore be to:
- (a) manage spending within approved budget levels;
 - (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
 - (c) seek further efficiency and other savings;
 - (d) maximise opportunities for additional external funding;

- (e) take action to replenish General Balances to cover risks, etc., whilst not relying on Balances to sustain underlying expenditure;
- (f) regularly review risks and uncertainties and any other relevant factors.

29. In particular, the Budget Review Working Group within the controlling group will be undertaking fundamental reviews of each of the Council's main service areas to identify scope for further savings and efficiencies.

Consultation

30. Public consultation is being undertaken via the internet to seek views on the savings proposals detailed in this report. Detailed consultation is also being undertaken with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equalities issues. Further information is set out in the Equality Impact section below. Unions were briefed on the overall position for 2012/13 and 2013/4 on Friday 7th October. They were provided with the 13th October 2011 Cabinet report on the Revenue Budget Strategy 2012/13 week commencing 10th October. Specific consultation on directorate proposals affecting staff will take place in Directorates' Joint Consultative Committee meetings before the end of November. There is also an invitation to the unions for a further corporate meeting. Last year unions were also informed of the budget position for 2011/12 and 2012/13.
31. The Best Value Statutory Guidance issued by Government in September 2011 has set out the expectations for councils considering changing funding to local voluntary and community groups and small businesses. This includes observing a duty to consult, making sure that disproportionate savings are not passed on to voluntary and community organisations, considering the wider 'social' value of procurement decisions and engaging with and giving adequate notice to any such organisations who's funding is to be reduced or ended.
32. The Council is required by law to consult with representatives of Business Ratepayers before the final budget and Council Tax are agreed. A consultation meeting is scheduled to take place on 22nd November to consider the issues set out in this report. Further detailed information (as required by law) will be distributed in February for comment before the Council Tax setting meeting.
33. In accordance with the Council's Constitution, the Scrutiny Committees are being asked to consider the issues set out in this report and any related specific issues relevant to their terms of reference and service responsibilities. In framing their responses, members should consider the forecast financial position, risks and uncertainties set out in this report. Scrutiny Committees are therefore being asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.

Implications for services covered by the Terms of Reference of this Scrutiny Committee

34. The proposed efficiencies and other savings falling wholly or partly within the terms of reference of this committee are set out at Appendix A, summarised as follows:

	2012/13 £'000	2013/14 £'000
Adult, Community and Housing	3714	5086
	3714	5086
Proposals falling wholly within the terms of reference of other Scrutiny Committees (*)	4649	7711
Total as per paragraph 19 above	8363	12797

(*) Note that some proposals falls within the terms of reference of, and will be considered by, more than one scrutiny committee

Finance

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

Law

36. The Council's budget setting process is governed by the Local Government Finance Acts 1988 and 1992 and the Local Government Act 2003.
37. The Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves and this will be included in the final budget report.
38. The Local Government Finance Act 1992 gives the Secretary of State power to determine that an authority's Budget Requirement is excessive. This may result in "designation" (possibly leading to recalculation of the Budget Requirement and Rebilling) or "nomination" which either pre-sets a Budget Requirement limit for a future year or a notional budget for the current year against which future years' Budget requirements will be measured for capping purposes.
39. The Equalities Act 2010 creates a new public sector equality duty, which came into force from 5 April 2011. This consists of a general equality duty, which applies to the Council and specific duties, which have not yet been published.

The general equality duty has three objectives, to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act.
- advance equality of opportunity between people who share a characteristic and those who don't.
- foster good relations between people who share a characteristic and those who don't.

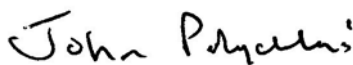
The new Equality Duty covers the following protected characteristics: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Equality Impact

40. An initial assessment of the budget proposals has been made. Where proposals are likely to have a significant equality impact, they will undergo an equality impact assessment informed by consultation with the protected groups who may be adversely affected, during the autumn. The results of this process and any steps which emerge that might help to mitigate any potential impact of the budget proposals on the protected groups (and other groups, e.g. looked after children) will be reported to Members so that they can pay due regard to the Public Sector Equality Duty in making decisions on the budget. In making decisions on budget proposals, Members will need to weigh the Public Sector Equality Duty against the forecast financial position, risks and uncertainties set out in this report.
41. 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

42. That the Committee considers the Cabinet's Revenue Budget Strategy proposals for 2012/13 and the Medium Term Financial Strategy, taking into account the considerations set out in paragraph 33.



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List of Background Papers

Draft Formula Grant Settlement for 2012/13 (DCLG website)
Best Value Statutory Guidance

Proposed efficiencies and other savings

Adult, Community and Housing

	2012/ 13	2013/ 14
	£'000	£'000
Older people services - Continuation of the approved home closure programme alongside the additional investment in both years 1 and 2 into Extra Care Housing. This will see the closure of Shenstone in January 2012 with the loss of 36 long-stay and 5 short-stay beds and the closure of New Bradley Hall with the loss of 29 long-stay and 2 short-stay beds by the end of year 2.	261	713
Older people services - Further developments towards emergency response, recuperation/reablement and dementia only service being provided by internal home care services. Some efficiency savings will be achieved through reprovision of some long term internal care hours by external providers. Other savings will be achieved through reducing long term care needs as a result of investment in reablement and prevention and intervention services this should enable long term care hours to be reduced by around 250 hours per week.	220	220
Housing general fund - Supporting people contracts. To work in partnership with providers to deliver VFM through a programme of assertive reviews aligned with priorities for strategic relevance including: -Remodelling of the existing Gibbs road provision in readiness for the new build. -Levels of support and hourly rates being bought into line with national benchmarking and best practise using the gateway computer system to ensure appropriate support levels and promote independence. -Continuing work with all internal providers to maximise investment.	512	560
Learning Disability - Reduction in the levels of residential care and care packages for people including Supported Housing. This will be achieved by reducing the cost of new placements with providers; delivering improved value for money from existing care packages; increased use of telecare and Extra Care Housing. The number of clients that fall into the group of clients who could be affected is 485.	400	400
Increase proportion of admin funded from the grant as kickstart transitional arrangements draw to a close.	21	21
Policy Performance and Resources Remodelling of a number of services including commissioning and ICT resulting in a loss of at least 7 posts. A further loss of three posts (currently vacant) across social care finance and policy. Savings in all areas will lead to realignment of services and their priorities.	462	873

	2012/ 13	2013/ 14
	£'000	£'000
Policy Performance and Resources - Social care Learning & development. Further reductions in staffing by 1 post, other reductions in training fees which will see fewer staff undertaking and attending post entry training, social worker qualifications and post qualification training, together with attendance at conferences. It will also see a reduction in the provision to cover the cost of care staff attending training courses. Other savings will be achieved through more effective procurement contracts.	203	332
Older Persons/ Physical Disability services - The saving is a result of the improved model of care and support which provides a number of alternative to residential care. Additional funding shown for year 2 will cover the additional costs of young physical disability clients transferring from Children services.	100	100
Older peoples/ Physical Disability services - Further reduction of qualified Social workers across all OPPD teams. This is made possible by the redistribution of staff from Sept 2011 There will be a reduction from 5 social care teams to 2 teams along with a wider mix of skills and experience to ensure service requirements are met.	150	250
Directorate Management - Savings will be achieved through the reorganisation of the Senior management at Assistant Director level within DACHS £350,000 and the consequent reduction in support staff. Other savings of £250,000 in first year and £300,000 in second year will be achieved through the continued rationalisation of management within Adult Social Care.	600	650
Physical Disability - Reduction in the levels of residential care and care packages for people including Supported Housing. This will be achieved by re-negotiating reducing the cost of new placements with providers; delivering improved value for money from existing care packages; increased use of telecare and Extra Care Housing. The number of clients that fall into the group of clients who could be affected is 200. One off savings of £50,000 should also be available as a result of renegotiation of the contract for client support for people with a Direct payment. Up to 200 people could be affected by these proposals.	150	100
Devolving management of social care transport to remaining day centres. Reducing management and number of drivers/ attendants following reduction of vehicle fleet in 2011/12 and 4 additional vehicles in 2012/13. Transport provision has reduced in line with other reductions in day services across the Directorate.	320	320
Mental Health services relocation of the Woodside centre to alternative premises due to problems with the existing building. Relocation creates the opportunity to re-provide the day centre services.	35	86

	2012/ 13	2013/ 14
	£'000	£'000
Mental Health services management and staffing. Deletion of one Team Manager post and one Social Worker (Primary Care) post in 2012-13, and a further Social Work post in 2013-2014.	69	86
Mental Health services reduction in the amount spent on residential care and care packages for people in supported housing. This will be achieved by reducing the cost of new placements with providers; delivering improved value for money from existing care packages; telecare; extra care housing; and making use of the care funding calculator. This could impact on the existing care being provided to around 100 clients	54	104
Learning Disability services re-provision of the PULSE service, which provides community day activities for people with a learning disability. This will result in a reduced service and have a clear focus on employment.	157	271
Total	3,714	5,086