

**Meeting of the Cabinet - 11<sup>th</sup> February 2009**

**Joint Report of the Interim Chief Executive and Director of Finance**

**Revenue Budget Strategy and Setting the Council Tax 2009/10**

**Purpose of Report**

1. To recommend to Council the deployment of General Fund revenue resources, a number of statutory calculations that have to be made by the Council and, subject to the receipt of the Joint Authority precepts, the Council Tax to be levied for the period 1st April 2009 to 31st March 2010.

**Background**

2. In formulating the Council's Budget Strategy and tax levels for 2009/10, Members will need to consider carefully:
  - (a) the levels of Government support allocated to the Council and Ministerial statements about potential "capping levels";
  - (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, and particularly balancing what needs to be spent to provide services with what it is reasonable to ask local Council Tax payers to pay.
3. At its meeting on 7<sup>th</sup> January 2009, the Cabinet approved provisional budgets for 2009/10 - 2011/12 which can be summarised as follows.

	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Base Budget Forecast</b>	256.7	261.5	269.6
- including the costs of pay awards, price inflation, adjustments to funding and functions and other commitments			
<b>Extra Funding for Council Plan Priorities &amp; Pressures</b>	3.1	4.4	5.7
- see below			
<b>Efficiency and Other Savings</b>	-3.8	-5.4	-5.5
- as a result of budget review process to redirect resources in line with Council Plan priorities - see below			
	<b>256.0</b>	<b>260.5</b>	<b>269.8</b>
Area Based Grant	(21.2)	(20.4)	(20.8)
Use of Balances	(4.6)	(1.0)	-
<b>Budget Requirement</b>	<b>230.2</b>	<b>239.1</b>	<b>249.0</b>

## Changes arising since the report to the Cabinet on 7<sup>th</sup> January 2009

4. The budget forecasts and resource levels for 2009/10 identified in the previous report to Cabinet were based on a number of provisional figures and preliminary estimates, which might change prior to the final setting of the budget and Council Tax. Relevant issues which now need to be taken into account are as follows.
  - (a) Final Formula Grant allocations for 2009/10 were announced on 21<sup>st</sup> January 2009. These are unchanged from the provisional figures.
  - (b) The PTA levy is now being proposed at £16.307m, being an increase for Dudley of 2.1% compared to the original 2008/09 levy. (The overall levy has increased by 2.2%, but levies on individual Councils vary as a result in changes in relative population.) The Levy will not be finally confirmed by the PTA until 9<sup>th</sup> February; any variation compared with the proposed figure will be reported orally to the meeting.
  - (c) Although headline interest rates have fallen further since 7<sup>th</sup> January, the direct impact on the budget forecasts is not material as the majority of borrowing is at fixed rates, and estimates of interest earnings are cautiously prudent. However, actual cashflows remain difficult to forecast accurately, and this is an area that will continue to be monitored closely.
  - (d) On 16<sup>th</sup> January, a meeting of the Black Country Consortium (BCC) Guarantee Members agreed a reduction in the funding from each Local Authority from £337,000 to £250,000 for 2009/10, with a further reduction to £200,000 for 2010/11.
  - (e) Having approved additional net spending of £295,000 in the current year at its September meeting the Cabinet was informed at its last meeting that there was likely to be a net underspending (compared with the revised budget) of just over £300,000 which was earmarked to meet any additional costs of the 2008/09 staff pay award which is still subject to arbitration. The latest monitoring information (see paragraph 11 of the MTFs attached) suggests that the net underspending identified at the last meeting will now be offset by additional costs, mainly resulting from staff severance payments, such that any additional costs of the pay award may not be contained within existing approved budgets. This will need to be reviewed when the actual cost of the pay award is known.
5. All the above changes, where relevant, are reflected in the revenue budget allocations and MTFs set out below. The net effect (of the proposed PTA Levy and BCC contributions) is to reduce the Base Budget Forecast, the Budget Requirement and the amount to be met from Council Tax in 2009/10 by £0.1m.

6. Further details of the extra funding package are as follows.

	2009/ 2010 £'000	2010/ 2011 £'000	2011/ 2012 £'000	Main Council Plan Theme Supported	Main LAA Priority Supported (**)
<b><u>Urban Environment</u></b>					
• Increased Recycling & Waste Disposal costs, inc. Landfill Tax	250	470	715	Environment	Environment
• Lighting Column replacement programme*	25	50	75	Environment	Environment
• Parks Maintenance Improvements		60	90	Environment	Environment
• Economic Regeneration Initiatives	10	20	20	Regeneration	Wealthy
• Increased resources for Tree Strategy	100	100	100	Environment	Environment
	<b>385</b>	<b>700</b>	<b>1000</b>		
<b><u>Children's Services</u></b>					
• Increased fees for foster carers and enhanced support network	400	400	400	Caring	DCSF Statutory
	<b>400</b>	<b>400</b>	<b>400</b>		
<b><u>Adult, Community and Housing</u></b>					
• Increased residential and nursing fees.	200	400	400	Caring	Healthy
• Increasing number of clients with dementia and improved services for elderly	292	492	692	Caring	Healthy
• Increasing numbers of Adults with learning difficulties	1200	1480	1904	Caring	Healthy
• Increasing number of mental health clients	200	300	400	Caring	Healthy
• Adult Safeguarding / Valuing People Now	100	100	100	Caring	Healthy
• Relocation of Archives Service*	8	228	504	Learning	Wealthy
	<b>2000</b>	<b>3000</b>	<b>4000</b>		
<b><u>Chief Executive's</u></b>					
• Support to DCVS	60	60	60	Quality Service	Safe & Cohesive
	<b>60</b>	<b>60</b>	<b>60</b>		
<b><u>Finance, ICT and Procurement</u></b>					
• Relocation of ICT from Tower Street	200	150	150	Quality Service	Support to all priorities
	<b>200</b>	<b>150</b>	<b>150</b>		
<b><u>Law and Property</u></b>					
• Property Maintenance Programme*	25	50	75	Quality Service	Support to all priorities
	<b>25</b>	<b>50</b>	<b>75</b>		
<b>Total Proposed Growth</b>	<b>3070</b>	<b>4360</b>	<b>5685</b>		

Notes: \* Includes revenue costs of increased Capital Investment

\*\* The LAA priorities being Wealthy Communities; Healthy Communities; Environmentally Aware; Safe and Cohesive Communities; and the Department for Children Schools and Families (DCSF) statutory indicators.

7. Following a detailed budget review process, which considered the need to redirect resources to the spending pressures and priorities set out in paragraph 6, a range of efficiency and other savings (including items provisionally agreed as part of the 2008/09 strategy) have been identified from existing budgets. Details are set out at Appendix 1 and summarised in the following table.

	2009/10	2010/11	2011/12
	£m	£m	£m
<b>Finance, ICT &amp; Procurement</b>	500	768	778
<b>Chief Executive's</b>	175	190	220
<b>Law and Property</b>	262	343	385
<b>Urban Environment</b>	665	900	900
<b>Adult, Community and Housing</b>	1390	1565	1617
<b>Children's Services</b>	799	1599	1599
	<b>3791</b>	<b>5365</b>	<b>5499</b>

8. The 2007 Comprehensive Spending Review set all public services a target of achieving at least 3% net cash-releasing value for money gains per annum over the period 2008/09 to 2010/11. For 2008/09, largely by being able to utilise carried forward "surplus" Gershon cashable efficiencies from the previous 3 year Comprehensive Spending Review, the Council is estimating it will exceed its target. For 2009/10, about 50% of the savings identified in paragraph 7 will count towards our efficiency target, which together with redirections within services, including the HRA and Capital spend, should produce cashable efficiency savings equivalent to 75% of the national target.

#### Estimates, Assumptions & Risk Analysis

9. 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 need to be reviewed and amended either before the budget and Council Tax for 2009/10 is set, during the course of that year, or indeed over the term of the MTFS. There have been no reasons to adjust the draft budget for 2009/10 in respect of (a) to (h) below, but these issues will need to be kept under regular review throughout the period of the MTFS.
- (a) Single Status and EPBP costs are no more than estimated;
  - (b) LABGI income is forthcoming as assumed;
  - (c) general levels of inflation, including energy cost inflation, and interest rates do not vary materially from current forecasts;
  - (d) there will be no other unplanned expenditure - or shortfalls in income - which cannot be met from reserves;

- (e) income from fees, charges and other sources, including Airport Company dividends, are maintained in accordance with current projections;
- (f) demographic pressures, particularly as they affect services to adults and children, are no greater than currently assumed and estimated;
- (g) the effects of the recession on service demands and cash flow can be managed within proposed budget levels and there is no significant impact on the Council Tax Base;
- (h) Government "capping levels" are not significantly reduced.

In addition, the MTFs assumes an increase of 3% in Formula Grant in 2011/12 - on the basis that any underlying tightening of support will be offset by fallout of damping - and a 2% increase in Area Based Grant (including Supporting People).

- 10. An impact assessment of the significant risks which Members should consider prior to agreeing a budget and MTFs are set out in Annex D of the proposed MTFs.
- 11. In mitigation, any unbudgeted costs would have to be met from economies or reductions in planned spending in the year or from balances. If it is necessary to make additional calls on general balances in 2009/10, this will reduce the amount available to support spending in later years.
- 12. There are £2m in working balances to meet unforeseen events and it is considered that many of the remaining balances, if required, could be used in the short term to cover unforeseen budget pressures. These would, however, have to be replenished in future years.

#### Medium Term Financial Strategy

- 13. A Medium Term Financial Strategy (MTFS) provides a strategic context for the Council's budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council's overall priorities and objectives. It sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties, and the level of Council Tax.
- 14. The proposed MTFs covering the 4 year period 2009/10 - 2011/12 is set out in detail as Attachment A. This is a comprehensive document and therefore repeats some of the information in this report.

## Detailed 2009/10 Budget Proposals

15. It is now proposed to recommend to Council the following revenue budget allocations to services.

### **Revenue Budget Allocations 2009/10**

<b>Service</b>	<b>£m</b>
Children's Services	63.402
Adult, Community and Housing Services	101.973
Urban Environment	54.583
Chief Executive's	11.941
Finance, ICT and Procurement	22.091
Law and Property	1.915
<b>Total Service Allocations</b>	<b>255.905</b>
Less: Area Based Grant	-21.211
Use of General Fund Balances	-4.600
<b>BUDGET REQUIREMENT</b>	<b>230.094</b>

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

16. The yield for 2009/10 from the Council Tax necessary to meet the requirements of the Council has been calculated having regard to the estimated balance on the Collection Fund at 31st March 2009, set out as follows. It should be noted that the Fire and Police authorities are entitled to a share of any Collection Fund surpluses relating to Council Tax collection, although for 2009/10 nothing will be payable, as there is no overall surplus.

### **Estimated Collection Fund Surplus**

	<b>£m</b>
Arrears brought forward	5.327
Add: Debit for 2008/09	117.865
	<u>123.192</u>
Less: Forecast collections	119.095
Estimated Bad Debt Provision Required	<u>4.097</u>
Compared with current Bad Debt Provision	4.096
Extra provision required	<u>-0.001</u>
Plus: Adjustment to Surplus arising in 2007/08	0.001
<b>Total Estimated Available Surplus</b>	<b>0.000</b>
Less: Fire and Police Authorities' Share	-
<b>NET SURPLUS AVAILABLE TO DUDLEY</b>	<b>0.000</b>

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

**Funding the Revenue Budget Requirement 2009/10**

<b>Source of Funding</b>	<b>2008/09 £m</b>	<b>2009/10 £m</b>
Dudley MBC Budget Requirement	220.871	230.094
Less: Revenue Support Grant	(14.401)	(22.862)
Business Rate Contribution	(103.454)	(99.050)
Collection Fund Surplus	(0.001)	-
<b>Dudley's Own Requirement from Council Tax Payers</b>	<b>103.015</b>	<b>108.182</b>
Approved Tax base	97370.45	97580.03
<b>COUNCIL TAX (Band D) FOR DUDLEY</b>	<b>£1057.97</b>	<b>£1108.65</b>

18. It is being proposed that the Council approves the statutory calculations required by virtue of Section 32 to 36 of the Local Government Finance Act 1992 as set out in Appendix 3.
19. The proposed Dudley MBC Council Tax for a Band D property for 2009/10 of £1108.65 represents an increase of 4.8% compared to 2008/09. Details of the cash increase for each band, together with weekly equivalents, are shown in Appendix 4.
20. The total levels of Council Tax, which will be considered by the Council at its meeting on 2<sup>nd</sup> March 2009, will include the precepts for the Police and Fire and Civil Defence Authorities which are due to be agreed on 12<sup>th</sup> February and 9<sup>th</sup> February respectively. It will, therefore, be necessary to incorporate the figures for the precepts in the Budget Report to Council.
21. The Local Government Act 2003 requires the Director of Finance to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves. The Director of Finance's report is set out in Appendix 5. The authority will also have a statutory obligation to review its budget during the year, with particular regard to any deterioration in its financial position and the taking of any necessary corrective action.

Consultation on Budget Proposals

22. Details of public consultation already undertaken were reported to the Cabinet at its meeting on 7<sup>th</sup> January.
23. A statutory consultation meeting is due to be held on 10<sup>th</sup> February with representatives of Non-Domestic Ratepayers. Any issues will be reported orally to the Cabinet. Relevant issues arising from any written responses subsequently received will be reported to the Council at its meeting on 2<sup>nd</sup> March.
24. Each Select Committee has considered the provisional budget proposals approved at the meeting of the Cabinet on 7<sup>th</sup> January. There were no resolutions made that directly affect these budget proposals.

25. The Dudley Community Partnership has been invited to comment on the proposals. Any response will be reported orally to the meeting of Cabinet.

## **Finance**

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

## **Law**

27. The Council's budget setting process is governed by the Local Government Finance Acts, 1988 and 1992, and the Local Government and Housing Act, 1989, and the Local Government Act 2003.
28. 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.
29. The Local Government Act 2003 requires the Director of Finance to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.
30. 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.
31. The Minister for Local Government indicated when announcing the provisional RSG Settlement:

*"For 2009/10 the Government again expects the average council tax increase in England to be substantially below 5%. And again, we will not hesitate to use our capping power as necessary to protect council tax payers from excessive increases."*

In a subsequent letter to Local Authority Leaders, the Minister for Local Government reiterated this point, and added that:

*"it would be unwise for any authority to assume that the capping principles set in previous years will be repeated"*.

32. It is important for Members to note that Sections 30(6) and 32(10) of the Local Government Finance Act 1992, impose a statutory duty upon the Council to calculate its budget requirement and to set its Council Tax for 2009/10 before the 11th March, 2009.

## Equality Impact

33. These proposals comply with the Council's policy on Equality and Diversity as far as is possible within existing and future resource levels.
34. With regard to Children and Young People:
- The proposed budget for the Directorate of Children's Services (including the additional spending detailed) 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.
  - All members of the public, including children and young people, had the opportunity to take part in the Internet consultation to inform the proposals in this report.
  - There has been no specific involvement of children and young people in developing the proposals in this report.

## Recommendations

35. That the Cabinet recommends the Council to approve the following:
- The budget requirement for 2009/10, and service allocations as set out in the report.
  - That the statutory amounts required to be calculated for the Council's spending; income and use of reserves; budget requirement and; transfers to and from its collection fund as referred to in Section 67(2)(b) be now calculated by the Council for the year 2009/10 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 3 of this report.
  - That, having calculated the aggregate in each case of the amounts in Appendix 3, the Council, in accordance with Section 30(2) of the Local Government Finance Act, 1992, agrees the following levels of Council Tax for Dudley Council services for 2009/10:

### 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>							
739.10	862.28	985.47	1108.65	1355.02	1601.39	1847.75	2217.30

- plus the amounts to be notified for the Police, and Fire and Civil Defence Authority precepts.

36. That the Cabinet Members, Interim 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.

37. That the Council reminds the Interim Chief Executive and Directors to exercise strict budgetary control in accordance with the Financial Management Regime and care and caution in managing the 2009/10 budget, particularly in the context of commitments into later years and the impact that overspending in 2009/10 will have on the availability of general balances to support spending in 2010/11 and 2011/12.
38. That the Medium Term Financial Strategy (MTFS) set out as Attachment B be approved, and that 2008/09 service budgets be revised to reflect the variances set out in paragraph 11 of the MTFS.

*John Polychronakis*

*M. Williams*

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**John Polychronakis**

**Interim Chief Executive**

Contact Officers: Bill Baker

Telephone: 01384 814802

Email: [bill.baker@dudley.gov.uk](mailto:bill.baker@dudley.gov.uk)

.....  
**Mike Williams**

**Director of Finance**

John Everson

Telephone: 01384 814806

Email: [john.everson@dudley.gov.uk](mailto:john.everson@dudley.gov.uk)

**List of Background Papers**

Final RSG Settlement papers and electronic communications.

Budget Report to 7<sup>th</sup> January Cabinet.

**EFFICIENCY AND OTHER SAVINGS**

	2009/10 £'000	2010/11 £'000	2011/12 £'000
<b><u>Finance</u></b>			
• Efficiencies from Homeworking	50	125	125
• Effect of additional service lines in DC+	300	400	400
• Revised Staffing Arrangements	119	182	192
• Other efficiencies	31	61	61
	<b>500</b>	<b>768</b>	<b>778</b>
<b><u>Chief Executive's</u></b>			
• Personnel Service restructuring	125	125	125
• Other Savings and Efficiencies	50	65	95
	<b>175</b>	<b>190</b>	<b>220</b>
<b><u>Law and Property</u></b>			
• Staffing and Management Review	211	216	258
• Increased Income from Licences	21	57	57
• Reduced Property costs	25	45	45
• Increased Delegations and other savings	5	25	25
	<b>262</b>	<b>343</b>	<b>385</b>
<b><u>DUE</u></b>			
• Review of Leisure Facilities.	300	300	300
• Revised Staffing Arrangements	113	228	228
• Review of Museum services		120	120
• Review of fees, charges and other income	220	220	220
• Other Savings and Efficiencies	32	32	32
	<b>665</b>	<b>900</b>	<b>900</b>
<b><u>Adult, Community and Housing</u></b>			
• Revised Meals on Wheels Provision	100	150	150
• Further development of Extra Care Housing provision	230	480	480
• Staffing and Management Review	350	225	225
• Intermediate Care – Review funding arrangements	100	100	100
• Reconfigure Equipment & Occupational Therapy service	100	100	100
• Grange House reprovision	390	390	390
• Other Savings and Efficiencies	120	120	172
	<b>1390</b>	<b>1565</b>	<b>1617</b>
<b><u>Children's Services</u></b>			
• Looked After Children - Invest to Save Programme	200	1000	1000
• Review use of ABG and other grant funding	430	430	430
• Remodel Connexions Service Contract	55	55	55
• Review Management, Admin, Contract & Support costs	50	50	50
• Other Savings and Efficiencies	64	64	64
	<b>799</b>	<b>1599</b>	<b>1599</b>
<b>TOTAL</b>	<b>3791</b>	<b>5365</b>	<b>5499</b>

## Analysis of Provisional 2009/10 Budget by Division of Service

	£000
<b>Children's Services</b>	
Schools (Asset Rents & Strategy costs etc. not funded by DSG)	20,590
Youth Service	6,932
Children & Families Social Services	33,811
Other Children's Services	2,069
	<u>63,402</u>
<b>Adult, Community and Housing Services</b>	
Care & Support for Older People	45,060
Care & Support for People with a Physical or Sensory Disability	8,353
Care & Support for People with a Learning Disability	24,093
Care & Support for People with Mental Health Needs	6,440
Libraries, etc.	5,587
Other Adult and Community Services, inc. Neighbourhood Management	2,457
Private Sector Housing	9,244
Homelessness & Welfare	421
Contribution to Housing Revenue Account for Community Expenditure	318
	<u>101,973</u>
<b>Urban Environment</b>	
Environmental Health & Consumer Protection	3,843
Street Cleansing	2,585
Waste Collection & Disposal	15,771
Cemeteries & Crematoria	-550
Traffic Management & Road Safety	2,001
Flood Defence & Land Drainage	212
Highways Maintenance (inc. capital charges, etc.)	13,916
Other Engineering & Transportation Services	-200
Planning, Building and Development Control	2,546
Economic Regeneration	1,826
Environmental Initiatives	388
Culture and Heritage	2,480
Recreation & Sport and Open Spaces	9,765
	<u>54,583</u>

	<b>£000</b>
<b>Chief Executive's</b>	
Elections & Electoral Registration	563
Economic & Community Development	929
Community Safety	1,430
Corporate & Other Costs	9,019
	<u>11,941</u>
<b>Finance, ICT and Procurement</b>	
Tax Collection & Benefits	3,554
Transport Authority Levy	16,307
Flood Defence Levy	103
Treasury, etc.	1,665
Corporate & Other Costs	462
	<u>22,091</u>
<b>Law and Property</b>	
Licensing, Registration & Courts	549
Democratic Costs	1,460
Other Legal & Property Services	-94
	<u>1,915</u>
<b>TOTAL</b>	<b>255,905</b>

Note: Above figures adjusted where necessary to reflect latest estimates and accounting adjustments.

**Details of Calculations to be Determined by the Council**

1. That the following amounts be now calculated by the Council for the year 2009/10 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
  - (a) £675.876000m being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act (*The Council's Spending*)
  - (b) £445.782000m being the aggregate of the amounts which the Council estimates for the items set out in Sections 32(3)(a) to (c) of the Act (*The Council's income and use of reserves*)
  - (c) £230.094000m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year (*The Council's budget requirement*)
  - (d) £121.911753m being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates or revenue support grant [increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with Section 97(3) of the Local Government Finance Act 1988] or [reduced by the amount of the sums which the Council estimates will be transferred in the year from its General Fund to its Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1988] and [increased by the amount of any relevant sum which the Council estimates will be transferred from its collection fund to its general fund pursuant to the directions under section 98(4) of the Local Government Finance Act 1988] or [reduced by the amount of any relevant sum which the Council estimates will be transferred from its general fund to its collection fund pursuant to the directions under section 98(5) of the Local Government Finance Act 1988].
  - (e) £1108.6515 being the amount at (c) above less the amount at (d) above i.e. £108.182247m all divided by the Council Tax base of 97580.03, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year (*The Council's basic amount of tax*)

(f) 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>							
739.10	862.28	985.47	1108.65	1355.02	1601.39	1847.75	2217.30

being the rounded amounts given by multiplying the amount at (e) 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.

## Weekly Equivalent Council Tax Increases 2008/09 – 2009/10 (Dudley Only)

<b>Tax Band</b>	<b>No. of Properties</b>	<b>Council Tax 2008/09 £</b>	<b>Council Tax 2009/10 £</b>	<b>Annual Cash Increase £</b>	<b>Weekly Equivalent £</b>
<b>A</b>	40,100	705.31	739.10	33.79	0.65
<b>B</b>	36,300	822.86	862.28	39.42	0.76
<b>C</b>	28,200	940.42	985.47	45.05	0.87
<b>D</b>	15,300	1057.97	1108.65	50.68	0.97
<b>E</b>	6,200	1293.07	1355.02	61.95	1.19
<b>F</b>	2,300	1528.18	1601.39	73.21	1.41
<b>G</b>	1,000	1763.28	1847.75	84.47	1.62
<b>H</b>	100	2115.94	2217.30	101.36	1.95
<b>Total</b>	<hr/> 129,500 <hr/>				

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

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

and the Authority must then have regard to that report when making decisions about the statutory budget calculations.

2. The estimates which comprise the budget proposed in this report have been completed by my staff and staff in Directorates, on the basis of known commitments, a prudent allowance for pay awards and price increases during the year and an appropriate assessment of the potential risks and uncertainties. We have also had regard to the availability of external funding, particularly specific Government Grants and partnership funding and income levels from fees and charges. The proposals for additional spending are based on specific initiatives or projects, or provide a cash-limited allocation for a particular activity. The proposals for efficiency and other savings result from a detailed review of existing spending, and represent a realistic estimate of what can be saved if the action proposed is implemented.
3. There is a financial risk management process in operation which seeks to identify the significant risks to which the Council is subject, and which is used to inform the level of reserves which it is considered appropriate to hold at both a corporate and directorate level. The following table summarises the total level of estimated General Fund earmarked reserves at 31st March 2009.

	<b>Forecast Balance 31.3.09 £m</b>
Working Capital	2.0
LABGI	0.8
LPSA Reward	0.7
Insurance Fund	6.2
Other Corporate	0.4
<b>Total Corporate Reserves</b>	<b>10.1</b>
DGfL & Paragon equalisation	5.7
School Balances	13.1
Directorate Reserves	1.2
<b>Total Earmarked Reserves</b>	<b>30.1</b>

4. The Working Capital reserve is specifically held to cover unforeseen expenditure or shortfalls in income of an exceptional nature, and is not anticipated to be utilised under normal circumstances.

The LABGI Reserve reflects funding already received and available to support the revenue budget in 2009/10.

The LPSA Reward reserve represents the balance of anticipated reward monies and is anticipated to be spent in 2009/10.

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.

Balances 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 reserves at 31st March 2010 is estimated to be about £26m.

5. 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.

A handwritten signature in black ink, appearing to read 'M. Williams', with a horizontal line underneath the signature.

Mike Williams  
Director of Finance

# **Dudley MBC**

## **Medium Term Financial Strategy**

**2008/09 -  
2011/12**

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

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

## **Financial Background**

6. The Council's External Auditor issued an unqualified opinion on the Council's 2007/08 Statement of Accounts, and commented in the most recent Annual Audit Letter that "The Council financial position continues to be well managed."
7. A small working group of Members of the controlling group met several times during the autumn to formulate, in consultation with Directors, prioritised spending pressures and savings proposals for 2009/10 - 2011/12 to be submitted to the Cabinet.
8. Spending pressures and desirable service developments likely to arise over the next 3 years were considered which would result from:
  - Legislative pressures;
  - Demographic pressures;
  - Customer Driven;
  - Performance Standards / Government Targets;
  - Fall-out of Specific Grants.

Each pressure was fully costed and considered in the light of:

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

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

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

Each saving was considered in the light of:

- A risk assessment relating to achievability;
- A risk assessment relating to service impact;
- Any one-off costs involved in achieving the saving.

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

2008/09

10. At its meeting on 10th September 2008, the Cabinet approved total net additional budget allocations of £295,000, funded from increased general balances resulting from the 2007/08 outturn.

11. The latest budgetary control information, produced in accordance with the Council's approved Financial Management Regime, identifies the following further variations:

	<b>£'000</b>	<b>£'000</b>
<b>Finance, ICT &amp; Procurement</b>		
Additional investment income	-446	
Purchasing rebates and finance staff vacancies, less extra costs of Tower St. move	-216	-662
	<hr/>	
<b>Law &amp; Property</b>		
Reduced Land Charges fee income	152	
<b>Chief Executive's</b>		
Further expenditure on Leaps and Bounds	200	
Salary & severance costs	310	662
	<hr/>	
<b>Net variance</b>		<b>0</b>
		<hr/> <hr/>

12. Despite the effects of a number of significant financial pressures, total spending in the current year will be only about £0.3m more than the total original budget of £226.9m, subject to any unforeseen major variations in the remainder of the year,

13. The overall budget position for 2008/09 can therefore be summarised as follows.

	£m
Original total budget	226.871
Approved variances (September Cabinet)	0.295
Revised total service budget	<u>227.166</u>
Less: Use of Balances	<u>(6.295)</u>
<b>Budget Requirement (unchanged)</b>	<b><u>220.871</u></b>

14. The effect of the 2008/09 estimated outturn on the Council's General Balances is, therefore:

	£m
Balance Brought Forward 1 <sup>st</sup> April 2008	7.9
(Revised) Budgeted use 2008/09	<u>-6.3</u>
<b>Estimated General Balances at 31st March 2009</b>	<b><u>1.6</u></b>

2009/10 - 2011/12

15. The current MTFS included reference to the need to take action to replenish General Balances. As anticipated when the current MTFS was approved, a total of £3m can be transferred to General Balances from previously earmarked reserves as at 31st March 2009 (including £0.8m for Capital projects that can instead be funded from Prudential Borrowing). It would not be unreasonable to expect a future review of earmarked reserves to generate a further £1m of transfers to General Balances as at 31st March 2010. The level of estimated General Balances and the proposed use is summarised in the following table:

	<b>As at 31/3/09</b>	<b>As at 31/3/10</b>
Balances in hand b/fwd	1.6	Nil
Transfers from Earmarked Reserves	<u>3.0</u>	<u>1.0</u>
	4.6	1.0
Proposed use in following year	<u>4.6</u>	<u>1.0</u>
<b>Balance c/fwd</b>	<b><u>Nil</u></b>	<b><u>Nil</u></b>

16. The following table summarises the current budget proposals for 2009/10 - 2011/12 including the proposed use of General Balance to support spending, as detailed in the relevant Budget & Council Tax setting reports.

	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Base Budget Forecast	256.6	261.4	269.5
Council Plan Priorities & Pressures	3.1	4.4	5.7
Efficiency & Other Savings	-3.8	-5.4	-5.5
<b>Service Spend</b>	<b>255.9</b>	<b>260.4</b>	<b>269.7</b>
Area Based Grant	(21.2)	(20.4)	(20.8)
Use of Balances	(4.6)	(1.0)	-
<b>Budget Requirement</b>	<b>230.1</b>	<b>239.0</b>	<b>248.9</b>
Percentage increase	4.2%	3.9%	4.1%

17. The broad implications of this proposed budget for each main Service Area are detailed at Annex C.
18. The MTFs is based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended over the term of the MTFs. Changes to the assumptions may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources. These assumptions include:
- (a) Single Status and EPBP costs are no more than estimated;
  - (b) LABGI income is forthcoming as assumed;
  - (c) general levels of inflation, including energy cost inflation, and interest rates do not vary materially from current forecasts;
  - (d) there will be no other unplanned expenditure - or shortfalls in income - which cannot be met from reserves;
  - (e) income from fees, charges and other sources, including Airport Company dividends, are maintained in accordance with current projections;
  - (f) demographic pressures, particularly as they affect services to adults and children, are no greater than currently assumed and estimated;
  - (g) the effects of the recession on service demands and cash flow can be managed within proposed budget levels and there is no significant impact on the Council Tax Base;
  - (h) Government "capping levels" are not significantly reduced.

In addition, the MTFs assumes an increase of 3% in Formula Grant in 2011/12 - on the basis that any underlying tightening of support will be offset by fallout of damping - and a 2% increase in Area Based Grant (including Supporting People).

19. A summary risk assessment is set out at Annex D.
20. The extent to which medium term spending plans are sustainable depends upon many factors, including: the effect of inflation; the Council's capacity to deliver economies and efficiencies; the Government's commitment to funding pressures through grant and keeping council tax increases low; pressures to spend on services. Each of these factors is in itself a difficult variable to accurately predict.

However, there are some basic assumptions we can make, and these are:

- (i) Pressures on services are likely to continue;
  - (ii) Inflationary pressures will continue to affect the level of future pay awards and spending levels, and are likely to be more volatile than in previous years;
  - (iii) The MPC will continue to use interest rates to manage the economy, and actual levels of interest rates are difficult to forecast accurately, particularly in the current circumstances;
  - (iv) The continued use of balances to support ongoing spending is not sustainable in the medium to long term.
21. Although increases in the projected Budget Requirement in 2010/11 and 2011/12 are within current capping criteria, the implied levels of annual council tax increase may be considered unreasonably high and, depending on prevailing economic and other conditions at the time, may not be politically acceptable. Any further increased spending pressures and/or significant adverse variations from key budget and forecast assumptions will, of course, either increase the level of savings required or further increase the pressure on council tax levels.
  22. 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 continue to:
    - (a) ensure spending in the remainder of 2008/09 and in 2009/10 is managed within approved budget levels;
    - (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
    - (c) seek further efficiency and other savings;
    - (d) maximise opportunities for additional external funding;
    - (e) take action to replenish General Balances;
    - (f) regularly review risks and uncertainties and any other relevant factors.

## Partnerships

23. The MTFS set out above reflect the Council's revenue commitments in respect of the following financially significant partnerships.

	2009/10 Contn. £m	2010/11 Contn. £m	2011/12 Contn. £m
<b>Safe &amp; Sound (Crime Reduction Partnership) -</b> partnership with Police, PCT, Voluntary and Private Sector responsible for Community Safety issues.	0.4	0.4	0.4
<b>Black Country Consortium</b> - partnership of the 4 Black Country Councils to co-ordinate sub-regional strategies and areas of common working.	0.2	0.2	0.2
<b>Substance Misuse</b> - partnership with PCT to provide rehabilitation services for adults with misuse needs.	0.1	0.1	0.1
<b>Community Equipment Store</b> - partnership with PCT to provided aids for intermediate care and rehabilitation.	1.0	1.0	1.0
<b>Ridge Hill Learning Disability</b> - partnership with PCT to improve quality of life for people with severe learning disabilities.	0.6	0.6	0.6
<b>Children's Placements Pooled Budgets</b> - partnership with PCT to commission placements for children with severe disabilities who require an Out of Borough or Voluntary / Independent sector placement.	1.2	1.2	1.2
<b>Health Promoting Schools</b> - partnership with PCT to promote healthy living to children.	0.2	0.2	0.2

24. The Council will use its Partnership Evaluation Tool to ensure that these and other partnerships continue to be appropriate means of delivering its aims and objectives in a value for money manner.

## Links with other Strategies

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

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

26. As described above, all proposals to increase or reduce spending have been specifically considered in the light of their impact on *Council Plan* priorities, the Council Plan's key themes having been devised to meet the aspirations of the *Community Strategy 2005-2020*. The Council Plan detailed targets will be updated in due course to reflect the resources allocated to services as part of the MTFS.

### **Human Resources**

27. The Council's *Human Resources (People Management) Strategy* reflects a number of key challenges identified in the MTFS, including implementation of the national Single Status agreement and development of a new pay and reward strategy for the council, and delivery of efficiency gains.

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

28. Further development of the Council's ICT capabilities as identified in the *ICT Strategy* will play a key role in delivering better and more efficient services within the resource constraints of the MTFS. The resources allocated to ICT within the MTFS in turn reflect the need for such development, with efficiencies resulting from improved performance of the ICT Services Division being utilised to increase capacity to deliver an increasing range of ICT enabled services.

## **Procurement**

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

## **Capital Strategy and Asset Management**

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

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

## **Annex A**

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

#### **General**

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

## **Reserves and Balances Policy**

11. In consultation with the Director of Finance, Directorates may establish earmarked reserves from within their cash-limited budgets to 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. As part of each year's budget review process, all earmarked reserves will be 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 Director of Finance will report to the Council (when considering the budget for the following financial year) on the adequacy of the proposed levels of reserves.

## **Risk Assessment and Management**

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

## **Income**

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

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

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

24. All services will be subject to regular efficiency reviews to ensure the best use is being made of resources across the Council.
25. The 2007 Comprehensive Spending Review set all public services a target of achieving at least 3% net cash-releasing value for money gains per annum over the period 2008/09 to 2010/11. Savings identified as part of the budget review process together with redirections within services, including the HRA and Capital spend, will contribute to these targets.

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

26. 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.
27. As a result of the above, proposals will be brought forward for resources to be redirected to higher priority services over the medium term in the light of the Council's overall financial position. A risk assessment will be made of the potential impact of all such proposals (in terms of service outputs, and achievability), and considered by members prior to approval.
28. Once approved, the implementation of any budget reductions will be monitored as part of normal budget and output monitoring processes.

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

29. As part of the annual budget review, proposals will also be considered for additional expenditure to meet spending pressures and service development in line with the Council's priorities.
30. 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.
31. A growth package will be agreed in the light of overall resource availability.
32. The impact of agreed budget increases on service outputs will be monitored as part of the Council's overall performance monitoring processes to ensure that the intended outputs have been achieved.

### **Capital Programme**

33. 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.
34. All known revenue costs arising out of capital spend will be included in the revenue budget.
35. 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**

36. All borrowing and/or investment activity will be carried out in accordance with the approved Treasury Policy and Treasury Strategy and, and within the Prudential Indicators set annually by the Council.
37. 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**

38. 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.
39. As set out above, particular emphasis will be given to monitoring the impact of budget growth and savings.

### **External Funding and Partnerships**

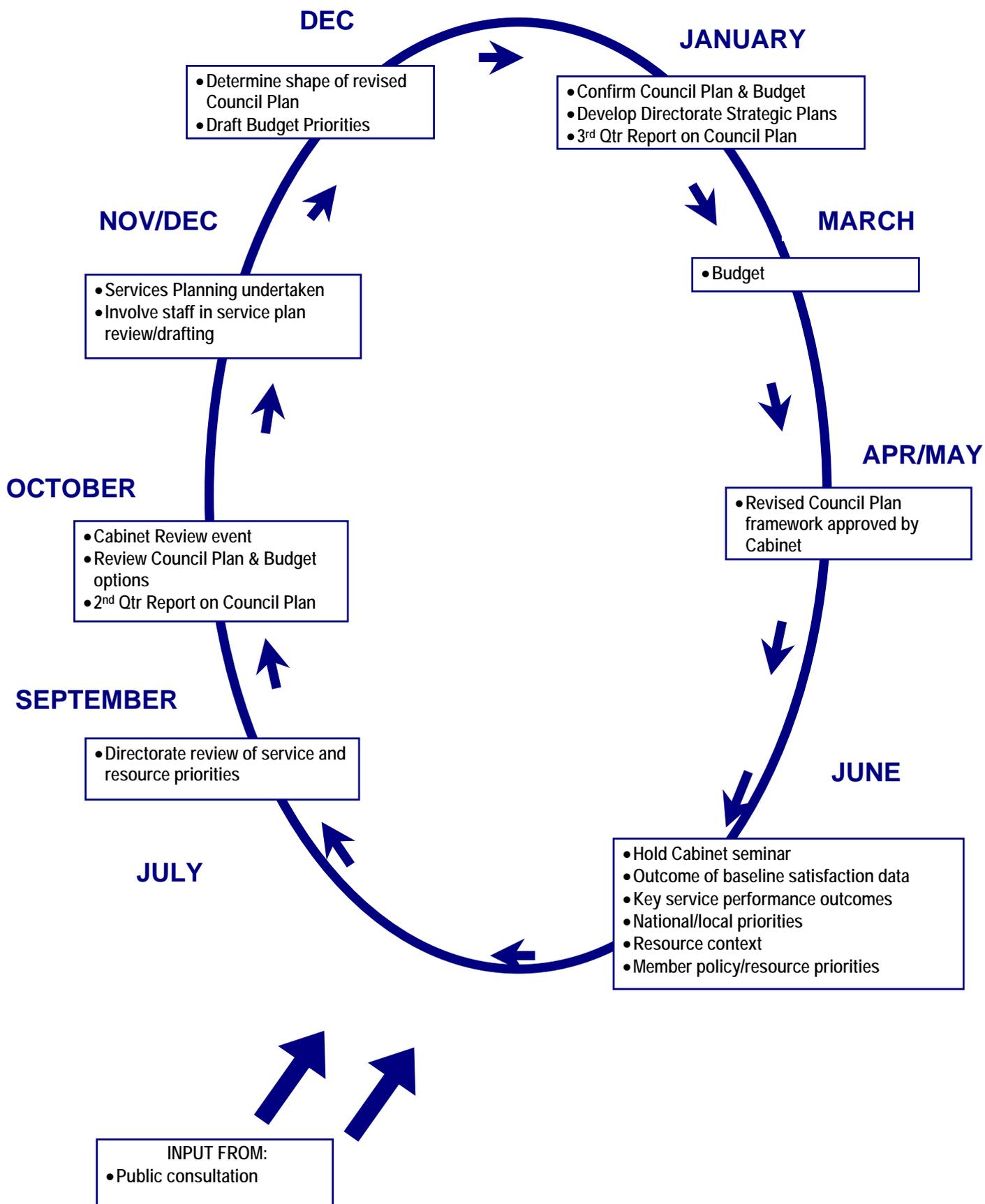
40. In addition to income from fees and charges discussed above, the Council will maximise external funding in the form of specific grants from the Government and other sources towards expenditure which will enable its aims and objectives to be achieved.
41. With regard to specific grants, the anticipated 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.

42. 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.
43. 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.
44. For all time-limited sources of funding or partnership support, an exit strategy will be put in place.

### **Consultation**

45. The Community Strategy and Council Plan which determine the priorities for the MTFS, Capital Programme and annual revenue budget are subject to extensive consultation with the general public and other stakeholders and partners.
46. In addition, public consultation will be undertaken as appropriate during the budget process using the Citizens' Panel and/or other options such as public meetings and the Internet in accordance with the Council's Consultation strategy. The Citizens' Panel consultations are undertaken in collaboration with some of our major partners, and the results shared with them so that any necessary action can be considered by the most appropriate party.
47. In accordance with the Council's Constitution, the Select Committees are consulted on the Cabinet's budget proposals and any related specific issues relevant to their Council Plan and service responsibilities in the January cycle. In framing their responses, the Select Committees are asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.
48. The Council is required by law to consult with representatives of Business Ratepayers each year before the final budget and Council Tax are agreed.
49. The Dudley Community Partnership is also encouraged to comment on the budget proposals.

**Corporate Planning Cycle - Overview**



## Implications of Proposed Budget for Main Service Areas

### Community Safety and Community Services

#### Chief Executive's

1. The proposed service implications for the Chief Executive's Directorate as outlined in this report will not affect front line services. The key change will be the rationalisation of corporate personnel services, resulting in efficiency savings through restructuring of the services under the Law and Property Directorate. In addition, the budget proposals will see the Dudley Council for Voluntary Services receive increased support to enable them to maintain their core work in engaging voluntary and community organisations within the Borough. Members will be aware that increasing volunteering, and enhancing the capacity of local voluntary organisations is a key priority within the Local Area Agreement and also for national government. The support from the Council will enable the DCVS to build upon the strong network of local voluntary and community bodies in the borough, increasing the number of volunteers and engagement in local decision making.
2. The main Community Safety budget continues to support the Council's obligation and duty under section 17 of the Crime & Disorder Act 1998, which requires the Council to consider the implications for Crime and Disorder in the borough of every decision it makes. In effect, no such decision should have the effect of worsening the safety of local people, and, wherever possible should improve their safety. It further supports the successful Crime Reduction Implementation Group (CRIG) and the Substance Misuse Implementation Group (SMIG) under the auspices of the Safe and Sound Partnership
3. The Community Safety budget is directed largely by the priorities expressed within the Borough's new Community Safety Strategy. The core priorities within the Strategy are included within the Borough Local Area Agreement, including a number of areas with stretched targets as part of the follow up to the successful LPSA round 1. The Borough continues to be the safest place in the West Midlands and has sustained a reduction in the overall level of reported crime throughout the last three years.
4. Further developments to be introduced during 2009/10 include the Preventing Violent Extremism Pathfinder initiative, with a government allocation of almost £100,000. This programme is anticipated to be extended into 2010/11, although formal confirmation from Government on the content and scope of the Prevent plan is awaited during January 2009.
5. From June 2008 the Council, in conjunction with the Dudley Community Partnership, has been implementing the New Generation Local Area Agreement (LAA). This involves a number of the existing stretched targets drawn from the Community Safety Strategy and will see the pooling of a number of national funding programmes including the 'Building Safer Communities Fund' that have been applied in the past for community safety measures. Dudley was identified as a transitional authority under the Working Neighbourhoods programme and eligible for £1.1m in 08/09 and £440k for 09/10. In order to sustain the Home Safety programme, further support from such partnership funds will be required.

6. Through the Civil Contingencies Act, the Government has given local authorities a clear set of roles and responsibilities. It is intended that civil protection will be fully integrated into mainstream auditing processes, and individual local authorities' performance in this area is one of the elements for consideration through the Comprehensive Performance Assessment process.
7. Finance, ICT and Procurement - Dudley Council Plus  
The budget proposals for 2009/10 and 2010/11 reflect the conclusions of the review into the operation of Dudley Council plus by PA consulting suggesting that new management and control arrangements could begin to bring the budget back into line by allowing a combination of operational efficiencies and restructuring to reduce staffing levels over the next 3 years. Details are still being worked up as part of the transfer of responsibility to the Finance Directorate, but we are already implementing a number of changes eg the introduction of the Housing non-repairs telephone service line and are forecasting a saving in 2008/09 of around £350,000. There is no reason to doubt that with future efficiencies and further service transfers that higher savings will be achieved in 2009/10 (£320,000) and 2010/11 (£400,000).

## **Regeneration, Culture and Adult Education**

1. Adult, Community and Housing  
Provision has been made in the Medium Term Forecast for the provision of a new purpose built Archive to replace the existing Archive building which is no longer fit for purpose.
2. Law and Property  
Additional funding of £25,000 per annum has been provided to support capital investment of £250,000 per annum over 3 years to enhance the Council's Structural Repairs and Maintenance programme in response to increasing health and safety requirements and to improve the overall condition of its property portfolio.
3. Finance  
Following the need to vacate the Tower Street ICT accommodation because of structural problems, and the subsequent relocation of staff to short term temporary accommodation, approval has now been given to the acquisition of two properties - one in Dudley Town Centre, and the other on the Pensnett Trading Estate, which will enable the Division to vacate the various temporary locations, the Cloughton Centre and Abberley Street Training Unit and result in operational efficiencies and savings in due course. The additional cost of the new accommodation and relocation costs is estimated to be £200,000 in 2009/10, although this will reduce to £150,000 per annum in future years.
4. Chief Executive's  
Proposals will see the Dudley Council for Voluntary Services receive increased support (£60,000 per annum) to enable them to maintain their core work in engaging voluntary and community organisations within the Borough. Members will be aware that increasing volunteering and enhancing the capacity of local voluntary organisations is a key priority within the Local Area Agreement and also for national government. The support from the Council will enable the DCVS to build upon the strong network of local voluntary and community bodies in the borough, increasing the number of volunteers and engagement in local decision making.

5. Urban Environment

Economic Regeneration Initiatives will provide additional allocations of £10,000 in 2009/10 increasing to £20,000 per year thereafter to fund feasibility and preparatory work to develop externally funded projects.

6. Efficiencies and other savings comprise the following items:

7. Urban Environment

(a) *Review of Leisure Facilities* – This is included in the existing approved Medium Term Financial Strategy and officers have been assessing a range of options the details of which will be reported to the Cabinet in the near future.

(b) *Review of Museums Service* - It has been established in the Councils Capital Strategy for a number of years that the amalgamation of the Red House Glass Cone and Broadfield House Glass Museum could lead to an improved visitor attraction and a better heritage asset. During the 2009-10 financial year further feasibility work will be undertaken in order that the collections and services currently provided at the Broadfield House site could be relocated and integrated at the Red House Glass Cone thereby focussing the Councils glass heritage assets within the Glass Quarter and allowing the Council to dispose of Broadfield House and realise a capital receipt in due course. These plans will be targeted in time for the start of the 2010-11 financial year when it has been assumed savings of £120,000 per annum will be achieved.

(b) *Bereavement Services* – Comparisons with neighbouring authorities suggest a review of fees and charges should provide increased income of approximately £100,000 per year.

(c) *Black Country Arts Partnership* - withdrawal of grant funding from the BCAP

(e) *Divisional Reorganisation (Regeneration)* - £48,000 from 2009/10. This is the continuing effect of the decision taken in last year's budget to restructure the Regeneration Division

(d) *Other Savings and Efficiencies* –reducing directorate overheads will produce savings of £17,000 per annum.

8. Law and Property

The budget proposals for 2009/10 include savings of £262,000 consisting mainly of staff / management savings achievable as a result of operational efficiencies, and also increased licence fee income and reduced property costs. Further sustainable annual savings of £81,000 in 2010/11 and £42,000 in 2011/12 should also be achievable as a result of further developments in these areas.

9. Finance

Further reviews of staffing structures following vacancies, the consolidation and further development of homeworking in Benefit Services and other financing issues will produce savings of £200,000 in 2009/10, increasing to £378,000 by 2011/12.

10. Chief Executive's.  
Savings of £125,000 per annum result from the Cabinet's approval to the restructuring of Corporate Personnel Services and the transfer to the Law and Property Directorate. Restructuring within the Marketing & Communications team to effect better working and management arrangements will also yield savings through a requirement for one less management post.

### **Children's Services**

1. An additional £0.4m in 2009/10 will enable the Directorate to address weaknesses highlighted within the 2008 fostering inspection. This will be achieved by ensuring that the foster carers' remuneration is set at an appropriate level, with the positive outcomes of recruiting a sufficient number of carers in order to offer placement choice to appropriately meet individual children's needs.
- a. The investment will increase the number of level 2 carers who will be eligible to care for children with more complex needs thus reducing the reliance on expensive out of borough placements. The investment will also aid recruitment and retention of foster carers.
  - b. Three additional posts will be required in order to strengthen and support foster carers thus minimising the risk of fostering placement breaking down.

Some redirection of funding has been achieved already within existing resources to enable carers to be remunerated for higher skill levels.

2. Ongoing preventative work in the area of children's social care is expected to release savings of £0.2m in 2009/10 and a further £0.8m in 2010/11 in respect of previous year's growth allocated as 'spend to save' initiatives. This will be achieved through a reduction in respect of external residential placements and other payments for looked after children.
3. The service contract with Black Country Connexions will be remodelled from 2009, reducing costs by £0.055m.
4. The Directorate has reviewed a number of activities funded by Area Based Grant, such as the Children's Fund, Extended Schools, SEN and Care Matters and has identified that costs reflected in the increase in funding for 2009/10 can be addressed from within existing resources; this will save £0.43m.
5. Economy and efficiency measures will be implemented across the Directorate, including utilising alternative sources of funding, to the value of £0.114m.

### **Environment**

1. Waste Disposal and Recycling - Although the Council uses the incinerator to dispose of the majority of residual waste, a relatively small amount still goes to landfill, predominantly from the Stourbridge Civic Amenity site. Landfill Tax is now charged at £32 per tonne, a 267% increase in seven years, and it is due to rise to £40 from 1st April 2009. An additional £150,000 in 2009/10 rising to £300,000 thereafter has been added to future years budgets to meet these unavoidable extra costs.

2. Lister Road incinerator PPC running costs – The Council is contractually bound to accommodate any additional expenditure brought about by legislation relating to the incinerator plant. Pollution Prevention and Control (PPC) is a regulatory regime for controlling pollution from the incinerator. The regime is enforced by the Environment Agency and failure to comply could result in loss of licence and shut down of the Plant. An additional £100,000 per annum is to be invested.
3. Blowers Green Recycling Centre - A new recycling, storage and transfer site at Blowers Green is proposed, the capital cost being covered by Waste Infrastructure Grant. This facility is essential if we are to deliver our Waste Strategy, overcome constraints in recycling performance and relieve existing vehicle congestion. The Council is proposing to invest £70,000 in 2010/11 rising in a full year to £140,000 to meet ongoing operational costs.
4. New Civic Amenity site running costs - As part of the Black Country Waste Study and subsequent Waste Strategy, the need for a second Civic Amenity site in Dudley Borough was identified as the Stourbridge site can no longer cope with demand or segregation. As with the Blowers Green facility, every effort will be made to fund this project through Waste Infrastructure Grant. However, provision has been made to cover running costs in 2011/12.
5. Waste Vehicle Replacement - The majority of Dudley's kerbside collection fleet was purchased from Government grant and will become due for replacement from 2011/12 (first phase). Provision has been made in the budget to replace the fleet over a 2-3 year period in order to continue with the service.
6. Street Lighting - In order to continue with the Council's 25 year Street Lighting Replacement Programme, initially targeted at high risk columns, further prudential borrowing is required. Failure to continue with Street Lighting Replacement Programme will significantly increase the risk of column collapse in the Borough. This proposal funds Capital investment of an extra £250,000 per annum in each of the next 3 years .
7. Tree Risk Strategy - As a result of pro-active tree inspection and numerous enquiries from the public, the Council still has to manage an unacceptable backlog of tree works. The additional funding of £100,000 per annum will help bring in additional external resources, that will have a significant impact on the existing backlog of maintenance and help reduce the risk of tree collapse.
8. Parks – £60,000 has been provided in 2010/11 and £90,000 in 2011/12 to enhance maintenance of Priory Park and Mary Stevens Park to support Heritage Lottery Fund (HLF) bids for major improvements.
9. Efficiencies and other savings for 2009/10 comprise the following items:
  - Revised Staffing Arrangements - It is anticipated that a soon to be completed review and market testing of the Pest Control service and an analysis by the Improvement and Development Agency (IDeA) of projected staffing needs in relation to Capital and engineering works will identify efficiency savings of £65,000 in 2009/10 and £180,000 per annum thereafter.

- Vehicular Crossings (dropped kerbs) - It is proposed that the cost of installing a vehicle crossing be increased by 15%. A review of vehicle crossing charges has revealed that Dudley charges considerably less than neighbouring authorities and the proposed increase will bring us in line with other West Midland authorities and will generate an extra £20,000 each year.
- Car Parking Charges - Following a review of off-street parking it is proposed that we increased long stay charges, introduce Sunday charging, consolidate existing tariffs and close barriers on staff car parks at weekends, generating an additional £100,000 in income in total. Despite proposed changes, Dudley's charging policy will still remain highly competitive when compared with other West Midland Authorities.

## **Health and Adult Social Care**

1. The next 3 years will again present challenges for Adult Social Care in meeting the expectations of both Central Government and the residents of the Borough. In addition to meeting the impact of changes in funding and the provision for pay and prices, a number of significant pressures have been identified for which additional net funding has been allocated in each of the next 3 years.
2. Independent Sector Residential/Nursing Home Costs - The Directorate is continually trying to drive up quality in the delivery of services it both purchases and provides. Additional resources of £200,000 in 2009/10 rising to £400,000 in 2010/11 will be used to reward those homes who meet the highest standards as determined by the Commission for Social Care Inspection (CSCI) star rating system.
3. Increase in Aged Population and Rates of Dementia -The elderly population over 80 is expected to rise significantly over the next three years. One in six people within this age group have dementia and, therefore, will be likely to require Social Care services. The increased level of funding in each of the next 3 years (£292,000 rising to £692,000) will ensure that appropriate services will be available as the demand increases.
4. Learning Disability - Learning Disability services are generally expensive because of the nature of the needs they seek to meet .The additional funding identified (£1,200,000 in 2009/10 rising to £1,904,000 by 2011/12) will, with the continued modernisation of the service, ensure that appropriate services are available for both the existing and new clients accessing the service.
5. Mental Health - During the last few years we have seen both an increase in the length of stays and in the complexity of Mental Health cases requiring Local Authority intervention. The additional funding of £200,000 in 2009/10 rising to £400,000 in 2011/12 will be used to ensure that appropriate services are available for these clients.
6. Adult Safeguarding / Valuing People Now - £100,000 per annum will be made available to bolster resources to meet the requirements of the Government's Valuing People Now legislation which will see significant changes to the ways in which Local Authorities manage the safeguarding of vulnerable adults.
7. Cost pressures are being funded through efficiency savings, modernisation of services and redirections of existing resources to front-line care. The following initiatives have been taken to generate resources for redirection.

- The removal of the remaining subsidy for meals currently received by meals on wheels clients will generate gains of £100,000 in 2009/10 (£150,000 per annum thereafter). This policy is combined with private sector provision being promoted within the Borough, thus increasing client choice.
- The Extra Care Housing Initiative will enable us to better care for the elderly in accommodation, to provide a better quality of life. The phased closure of two additional residential homes during the next two years, alongside the opening of a number of Extra Care Housing schemes will generate efficiency gains of £230,000 in 2009/10 rising to £480,000 in 2010/11.
- In addition to changes in direct service provision the Directorate has also identified efficiency savings of £350,000 for 2009/10 in a number of back office services either directly linked to or indirectly supporting those services. These include savings in management of direct service provision, savings in the Policy Performance and Resources division, savings in Mental Health management and one-off savings from vacancy management. Some of these savings will be “one-off” and will not continue in future years.
- Discussions are currently underway to finalise the PCT and Social Care contributions to the winter plan in respect of the intermediate care and reablement services; this should identify savings of £100,000 in 2009/10.
- Discussions are underway with the PCT to look at closer links between Occupational Therapy Services and the Adult Care Assessment teams to identify efficiency savings of £100,000 in 2009/10.
- Following the closure of Grange House and the funding of these clients through other Directorate budgets, the former Grange house budget of £390,000 can be released.
- The more efficient and effective use of both community and externally hired transport should generate savings of £30,000 in 2009/10.
- The use of Supporting People funding (£50,000) will be reviewed; there may be scope for redistribution to support some existing spending programmes or possibly through reduction in the administrative support required.
- Other possible savings of around £40,000 in 2009/10 rising to £92,000 in 2011/12 can be delivered through a combination of increased levels of income and savings in other areas within the Directorate.

**Risk Assessment**

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

<b>Risk</b>	<b>Impact</b>
<ul style="list-style-type: none"> <li>• Single Status and Equal Pay Back Pay</li> </ul>	Figures included in spending forecasts are based on best estimates at this time, but the impact may be significantly different once details emerge and negotiations commence. It has been assumed that all Equal Pay Back Pay costs can be capitalised.
<ul style="list-style-type: none"> <li>• LABGI</li> </ul>	Income from the “new” LABGI scheme can only be estimated at this stage. There is no guarantee of any income other than that already received.
<ul style="list-style-type: none"> <li>• General inflation higher than budgeted</li> </ul>	We have assumed general price inflation will average at around 2% over the MTFs period, which appears prudent given current market forecasts. A further 1% increase would cost (excluding Schools) around £1.0m extra per year,
<ul style="list-style-type: none"> <li>• Staff pay awards higher than budgeted</li> </ul>	We have assumed staff pay awards of 2.25% for 2009/10 and 2% each year thereafter. A further 1% increase would cost (excluding Schools) around £1.4m extra per year.
<ul style="list-style-type: none"> <li>• Interest rates higher / lower than expected</li> </ul>	The draft budget assumes interest rates remain similar to current levels during 2009/10. A 1% change either way in interest rates would not have a material impact as the majority of borrowing is at fixed rates, and estimates of interest earnings are cautiously prudent.
<ul style="list-style-type: none"> <li>• Income levels not achieved</li> </ul>	A 1% loss of income (excluding grants & interest) would cost the Council around £0.4m per year.
<ul style="list-style-type: none"> <li>• Other unplanned events, or assumptions not in line with forecasts</li> </ul>	Unforeseen costs or costs greater than estimated - including those arising from demographic pressures and the effects of the recession.
<ul style="list-style-type: none"> <li>• Capping</li> </ul>	It is impossible to know in advance of setting any future budget what the capping criteria will be, as they are not pre-set and have varied in previous years. The Council can, at best, take a view as to whether its future spending plans are potentially excessive year-on-year. The Secretary of State has indicated that for 2009/10, the average Council Tax increase is expected to be “substantially below 5%”.
<ul style="list-style-type: none"> <li>• Formula Grant and ABG for 2011/12 lower than assumed</li> </ul>	A 1% shortfall in Formula Grant would reduce resources by £1.3m. A 1% shortfall in Area Based Grant (ABG) would reduce resources by £0.2m.

2. Any unbudgeted costs, or shortfalls in income, would have to be met from economies or reductions in planned spending in the year or from balances. If it is necessary to make additional calls on general balances in 2009/10, this will reduce the amount available to support spending in later years and therefore increase the potential shortfall in resources referred to in the MTFS.
3. There are £2m in working balances to meet unforeseen events and it is considered that many of the remaining balances, if required, could be used in the short term to cover unforeseen budget pressures. These would, however, have to be replenished in future years.