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**Meeting of the Urban Environment Scrutiny Committee – 27<sup>th</sup> November 2013**

**Joint Report of the Chief Executive, Treasurer, and Director of the Urban Environment**

**Revenue Budget Strategy 2014/15**

**Purpose of Report**

1. To consult the Scrutiny Committee on the Revenue Budget Strategy for 2014/15 and the Medium Term Financial Strategy, with emphasis on those proposals relating to the committee's terms of reference. For this committee the relevant items are those relating to the Directorate of the Urban Environment in paragraphs 31 and 32.

**Background**

2. At its meeting on 30<sup>th</sup> October 2013, 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 are being 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 2013/14 was approved, the Council endorsed a Medium Term Financial Strategy (MTFS) which recognised the following basic assumptions:
  - (a) Revenue Support Grant (RSG) for 2014/15 is as per the indicative figures announced with the 2013/14 settlement, and for 2015/16 changes in line with the 2012 Autumn Statement and subsequent Treasury indications.
  - (b) income from Business Rates will be in line with current forecasts;
  - (c) the underlying value of Council Tax Benefit/Support awarded will not substantially exceed current levels.
  - (d) New Homes Bonus funding for future years increases at the same rate as for 2013/14.
  - (e) there is no overall increase in employer pension contributions. The new Local Government pension scheme comes into operation from April 2014, which is also the commencement of a new valuation period. The impact of both is uncertain at this stage.
  - (f) Single Status and Equal Pay costs are no more than estimated;
  - (g) general levels of inflation, pay and interest rates do not vary materially from current forecasts;

- (h) income and expenditure relating to treasury management activity, including airport dividend income, are in line with forecasts;
- (i) the impact of schools transferring to academy status can be managed within Directorate of Children's Services budgets.
- (j) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
- (k) Council Tax increases in future years are up to the referendum threshold based on current legislation and principles.

The risks relating to the above assumptions were recognised, together with the potential need to identify alternative funding sources or further savings to ensure that the strategy remained robust.

- 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 therefore 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.

#### Forecast 2013/14 Position

- 5. Forecast General Fund revenue spend compared with budget for each Directorate is shown in Appendix A.
- 6. Latest monitoring indicates favourable Treasury variances amounting to a further £1.5m resulting from better than expected cashflows and returns on investments. Cabinet agreed that Council be recommended to amend budgets to reflect this variance.
- 7. The budget for 2013/14 included a contingency of £1.0m to cover inflationary and other pressures in excess of those assumed when the budget was set. The position will be carefully monitored and reported back to Cabinet as necessary, but at this stage it is proposed that the contingency be retained.

#### Looked After Children

8. The outturn report to Cabinet in June 2013 highlighted a risk of an overspend arising from numbers of Looked After Children being higher than those allowed for in the budget.
9. As at August 2013, there were 757 Looked After Children as against 737 allowed for in the budget. The increase is primarily among high cost external residential and independent fostering agency placements. Whereas in previous years it has been possible to manage the costs of Looked After Children by holding back expenditure in other parts of the Directorate, the impact of reducing budgets means that that is no longer possible. Furthermore, the rising demand for services from social care has led to pressures on children's social care workloads. In order to ensure that social workers have manageable workloads and are able to progress cases in a timely manner including responding to externally imposed deadlines from the courts, it has been necessary to allocate additional resource to children's social work services and independent reviewing officers. Taken together, these factors lead to a projected overspend for the Directorate of Children's Services of £3m.
10. Cabinet in June agreed that the Director of Children's Services, the Chief Executive and Treasurer (in consultation with the Cabinet Member and Opposition Spokesperson for Children's Services and Lifelong Learning and the Deputy Leader) should monitor the position and report back to Cabinet in September. It was proposed that the report should include benchmarking of data and costs relating to Looked After Children against other comparable local authorities and should consider the implications for the longer-term budget strategy. This work has taken longer than anticipated due to its complexity, sensitivity and the need to obtain information from other authorities.
11. Preliminary benchmarking data has been shared with the Cabinet Member and Opposition Spokesperson for Children's Services and Lifelong Learning and the Deputy Leader. In addition, and as part of an approach to continuous performance improvement, the Directorate of Children's Services has commissioned a care practice diagnostic exercise by the Local Government Association. This will include an exploration and assessment of the application of thresholds for care and set this against a national context.
12. Cabinet agreed that a report be brought to its meeting in February 2014 outlining the outcomes of the diagnostic exercise and presenting any proposals that arise from it. In the meantime, it is considered prudent to assume that numbers of Looked After Children will remain at their current levels. Cabinet agreed that Council be recommended to amend the current year budget to reflect this variance and that future year forecasts are amended accordingly (see table under paragraph 31 below).

### General Fund Balances

13. The latest forecast position, compared to the original approved budget for 2013/14 and subject to the risks and uncertainties outlined above, is as follows.

	<b>Original Budget</b>	<b>Latest Position</b>
	<b>£m</b>	<b>£m</b>
Forecast balance at 31 <sup>st</sup> March 2013	17.7	17.7
Effect of 2012/13 outturn	-	1.7
<b>Actual balance at 31<sup>st</sup> March 2013</b>	<b>17.7</b>	<b>19.4</b>
Planned addition 2013/14	0.7	0.7
Variations approved by Cabinet in June	-	0.7
Favourable current year treasury variances (para 6)	-	1.5
Looked After Children (paras 8-12)	-	-3.0
<b>Forecast balance at 31<sup>st</sup> March 2014</b>	<b>18.4</b>	<b>19.3</b>

### Budget Strategy 2014/15

14. In formulating the Council's Budget Strategy and tax levels for 2014/15, Members will need to consider carefully:
- (a) the levels of Government support allocated to the Council;
  - (b) spending pressures, opportunities to free up resources (including savings), and Council Plan priorities;
  - (c) the implications of spending levels in later years as part of the Council's medium term financial plan;
  - (d) the views of consultees;
  - (e) the external factors and risks inherent in the Strategy;
  - (f) the impact on Council Tax payers.
  - (g) the Government's stated intention to offer Council Tax Freeze Grant for 2014/15 and 2015/16 (see paragraph 18 below);
  - (h) the potential impacts on people with protected characteristics as defined in the Equality Act 2010. Members will need to have due regard to the public sector equality duty under the Equality Act 2010. (Further details are set out in the Equality Impact section below.)

## Government Funding

15. At the time of setting the current MTFS, RSG figures for 2015/16 onwards had not been announced. Our forecasts were based on the assumption that the ongoing reduction in government funding would continue in line with the reductions over the previous four years. This was supported by the Chancellor's 2012 Autumn Statement and subsequent Treasury indications. Subsequent Government announcements in the March 2013 budget, the 2013 Spending Round (SR2013) in June, and a subsequent "Technical Consultation" on RSG and related matters require these forecasts to be revised. Based on the latest figures set out in the Technical Consultation:
- For 2014/15 RSG will reduce by 18.6% (£16.9m) compared with 2013/14, rather than by the 16.8% provisionally announced in February along with the final 2013/14 settlement;
  - For 2015/16 RSG will reduce by 28.4% (£20.9m) compared with 2014/15, rather than by the 15.4% based on previous Treasury indications and assumed in the MTFS

For 2016/17 we do not have any detailed Government funding figures. However the Chancellor indicated in SR2013 that the reduction in overall Government spending is likely to continue at least until 2017/18 at the same average rate as currently. We have therefore assumed a further reduction in RSG of 25.9% (£13.6m) being a best estimate based on underlying trends. This will need to be reviewed as and when the Government provides further details.

16. The Government has also announced that around 35% of 2015/16 New Homes Bonus (NHB) funding will be top-sliced and allocated to Local Enterprise Partnerships (LEPs) for them to spend on their priorities as part of the "Local Growth Fund". A consultation was issued in respect of the details of the proposals, but not the policy itself.
17. We have responded to the consultations on RSG and top-slicing of NHB as summarised in Appendix B.
18. The Council Tax Freeze Grant offered to Councils who froze their Council Tax in 2013/14 was initially guaranteed for only two years. This has now been extended to 2015/16 amounting to £1.1m per year for Dudley. In addition, the Government has indicated that it will also offer similar grant (i.e. equivalent to a 1% Council Tax increase) to Councils who freeze Council Tax in 2014/15 and/or 2015/16, but with funding guaranteed only up to 2015/16.
19. The Government has indicated that the maximum Council Tax increase for 2014/15 and 2015/16, above which a referendum would need to be held, will be 2% for most authorities. However, unlike previous years this "headline" figure will not be adjusted for individual authorities as a result of changes in levies.

20. The Government has indicated that Education Services Grant (the grant that funds support services to schools which become the responsibility of academies after conversion) will reduce by around 20% in 2015/16. It is being assumed that this will be managed within the Directorate of Children's Services' existing resources.
21. On the basis of previous Government announcements it is anticipated that there will be a real increase of approximately £0.5m in the ring-fenced grant which funds Public Health activities in 2014/15. We are also assuming that grant levels will at least match current levels of expenditure in subsequent years.
22. As part of SR2013, the Government announced the creation of a £3.8bn Integration Transformation Fund to support the integration of health and social care. Precise details are not available at the local level but it is clear that the Fund will include elements of funding that are already built into the Council's budget. The transfer of any additional money will be conditional on the Council transforming the way in which it delivers services so as to release savings within the Clinical Commissioning Group (CCG). Further details are set out as Health Integration (under Directorate of Adult, Community and Housing Services) in Appendix C. These proposals will be kept under review as local plans are developed with the CCG.

#### Other Forecasts

23. The new Local Government pension scheme comes into operation from April 2014, which is also the commencement of a new valuation period. This will have a favourable effect on employers' contributions. However, on the basis of latest indications the adverse effect of market conditions will more than offset this, such that overall there is likely to be a significant increase in employers' contributions from 1<sup>st</sup> April 2014, although it may be possible to phase in those increases. However, the magnitude of the increase and how any phasing might operate remains uncertain.
24. In addition to the direct impact of changes in employer pension contributions, the current National Insurance rebate for employees and employers for "contracting" out of the Additional State Pension into the Local Government Pension Scheme will end from 1<sup>st</sup> April 2016 as part of the move to the new Single Tier State Pension from that date. Although the Government has indicated the impact of this on public sector employers will be taken into account in funding allocations, it would not be prudent to assume this means the cost will be funded.
25. A report elsewhere on this agenda considers a range of proposals regarding the local Council Tax Support scheme. The impact of any agreed changes will need to be reflected in the budget in due course. At this stage a prudent approach has been taken and the forecasts in this report are based on there being no change to the scheme.
26. The "localisation" of Business Rates from 1<sup>st</sup> April 2013 transferred significant new risks to Councils. In particular:
  - With 49% of Business Rates collected being retained by Dudley, any changes in rateable value as a result of new building, change of use, demolitions, or successful appeals, etc. will have a significant direct impact on the Council's income.
  - In addition to the current effect of appeals, these may also be backdated – sometimes as far as 2005 – giving rise to substantial refunds to ratepayers.

The impact of both the above is difficult to predict, and will continue to be monitored closely, although at present we do not have any reason to make any significant changes to our forecasts.

27. It is estimated that there will be a Collection Fund surplus of £0.6m at 31<sup>st</sup> March 2014 which can be utilised to fund the 2014/15 revenue budget. This will be reviewed prior to the setting of the budget, along with estimates of the taxbase and forecasts for New Homes Bonus and New Homes Bonus Adjustment Grant.
28. Whilst the final costs of Equal Pay Back Pay (EPBP) still remain uncertain, new Single Status pay and grading structures have now been introduced, and we are reaching the end of the appeals process in respect of these. It has been assumed that any costs relating to schools will be funded from school resources. Latest estimates indicate that ongoing annual costs will be around £2m higher than reflected in previous MTFS assumptions, of which £1m can be met from reallocating the contingency budget for 2014/15 onwards.

#### Base Budget Forecasts

29. The following key assumptions have been made (and are also referred to in the risk analysis in paragraph 37):
  - (a) We are expecting pay awards for local government to be settled at very low levels in the next few years. The budget provision for prices assumes that competitive contract management and tendering will continue to minimise the impact of price rises on Council budgets. We are therefore proposing a provision of 1% for pay and 2% for prices each year for the duration of the MTFS;
  - (b) Interest rates will continue to have a relatively low impact in the medium term.
30. Details of Base Budget Forecasts for the next three years are set out below.

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
2013/14 Base	247.6	247.6	247.6
Pay & Prices	3.7	7.3	10.8
Capital Programme and Treasury	-1.2	-0.8	-1.8
Pensions and National Insurance	0.7	1.7	4.7
Other Adjustments (*)	-0.9	0.3	0.5
<b>Base Budget Forecast</b>	<b>249.9</b>	<b>256.1</b>	<b>261.8</b>
% change year-on-year (like for like)	+0.9%	+2.5%	+2.2%

(\*) Includes reduction in expenditure as a result of reviewing transfers between the General Fund and Housing Revenue Account, and the costs of Equal Pay Back Pay and Single Status which cannot be met from existing provision and the reallocation of the contingency budget (see para 28 above).

### Spending Pressures

31. 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 three years is proposed:

	2014/15	2015/16	2016/17
	£'000	£'000	£'000
<b>Adult, Community and Housing</b>			
Increased numbers of adults with learning disabilities	346	721	1096
Increased number of clients with dementia	582	1164	1746
	<b>928</b>	<b>1885</b>	<b>2842</b>
<b>Children's Services</b>			
The demand for placements of looked after children in 2013/14 (LAC) exceeds the 2013/14 base budget by £3.0m as set out in paras 8-12 above.	3000	3000	3000
	<b>3000</b>	<b>3000</b>	<b>3000</b>
<b>Urban Environment</b>			
Waste that goes to landfill is subject to a Landfill Tax set nationally	130	250	350
Domestic waste entering the incinerator is subject to an inflationary contractual 'gate fee'	56	113	170
	<b>186</b>	<b>363</b>	<b>520</b>
<b>Total</b>	<b>4114</b>	<b>5248</b>	<b>6362</b>

The proposals relating to the Directorate of the Urban Environment fall within this committee's terms of reference.

### Savings

32. Following a detailed budget review process, which considered the base budget forecast, the need to redirect resources to the spending pressures set out in paragraph 31 and the level of resources likely to be available to the Council, a range of savings has been identified from existing budgets as follows. Detailed proposals are set out in Appendix C.

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Adult, Community and Housing	3350	6707	13707
Urban Environment	1490	3592	3692
Children's Services	3037	4837	5087
Corporate Resources	681	1689	2530
Chief Executive's	100	688	751
<b>Total</b>	<b>8658</b>	<b>17513</b>	<b>25767</b>



The proposals relating to the Directorate of the Urban Environment fall within this committee's terms of reference.

### Human Resource Implications

33. 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 use of resources earmarked for committed capital expenditure (which in turn could be funded from prudential borrowing) and general balances.

### Medium Term Financial Strategy

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

	2014/15 £m	2015/16 £m	2016/17 £m
<b>Base Budget Forecast</b>	249.9	256.1	261.8
- see para 30			
<b>Pressures</b>	4.1	5.2	6.4
- see para 31			
<b>Savings</b>	-8.6	-17.5	-25.8
- see para 32			
<b>Total Service Spend</b>	<b>245.4</b>	<b>243.8</b>	<b>242.4</b>
Revenue Support Grant (RSG)	73.6	53.8	40.2
Retained Business Rates	48.1	49.1	50.3
Top-Up Grant	15.1	15.4	15.8
New Homes Bonus (net of LEP topslice)	3.4	2.7	3.3
New Homes Bonus Adjustment Grant	0.9	0.9	0.9
Council Tax Freeze Grant re. 2013/14*	1.1	-	-
Collection Fund Surplus	0.6	-	-
Council Tax	95.0	97.2	99.5
<b>Total Resources</b>	<b>237.8</b>	<b>219.1</b>	<b>210.0</b>
<b>Deficit funded from Balances</b>	<b>7.6</b>	<b>24.7</b>	<b>32.4</b>
Balances brought forward	19.3	11.7	n/a
<b>Balances carried forward (see para 35)</b>	<b>11.7</b>	<b>n/a</b>	<b>n/a</b>

\*Included in RSG from 2015/16

35. As demonstrated by the table above, balances are adequate to fund the deficit for 2014/15, but it will be necessary to take further action going forward over and above the savings proposed in this report.
36. In order to ensure that the Council can properly manage its financial affairs over the life of this MTFS and beyond, and ensure resources are available to deal with new spending pressures and other unforeseen eventualities, the strategy must therefore be to:

- (a) manage spending within approved budget levels;
- (b) seek further efficiency savings;
- (c) consider opportunities for additional external funding, including new or increased fees and charges;
- (d) take action to replenish General Balances, including the review and re-allocation of earmarked reserves where these are no longer required for their original purpose;
- (e) explore the viability of different models for service delivery;
- (f) prioritise services in line with Council Plan aims and, as a last resort in the event that other measures are insufficient to deliver a balanced budget, reduce or cease to provide the lowest priority services.

Given the scale and urgency of the financial challenge that the Council now faces, it will be necessary to commit significant time and resources to examination of the options set out above. Cabinet authorised the Chief Executive and Directors in consultation with the Leader, Deputy Leader and relevant Cabinet Members to examine the options set out above.

#### Estimates, Assumptions & Risk Analysis

37. 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 2014/15 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) Revenue Support Grant for 2014/15 and 2015/16 is as per the Technical Consultation issued in July 2013, and for 2016/17 is in line with Government indications of ongoing national deficit reduction. It should be noted that these forecasts in particular remain highly uncertain;
  - (b) income from Business Rates will be in line with current forecasts;
  - (c) the cost of Council Tax Support awarded will not substantially exceed previous forecasts. As set out above, the impact of any agreed changes to the scheme will need to be reflected in the budget in due course;
  - (d) New Homes Bonus funding for future years increases at the same underlying rate as for 2014/15.
  - (e) the increase in employer pension contributions from 1<sup>st</sup> April 2014 is no greater than estimated;
  - (f) Single Status and Equal Pay costs are no more than estimated;
  - (g) general levels of inflation, pay and interest rates do not vary materially from current forecasts;

- (h) income and expenditure relating to treasury management activity, including airport dividend income, are in line with forecasts;
- (i) the impact of schools transferring to academy status can be managed within existing Directorate budgets;
- (j) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
- (k) Council Tax increases in each year are 2% in line with indicated referendum thresholds. If the Council were to decide to freeze Council Tax in April 2014 and/or April 2015 and accept Council Tax Freeze Grant (see paragraph 18), the funding deficit would be greater than indicated above.

### **Consultation**

- 38. Extensive public consultation was undertaken during the last budget round (the “Big Question” exercise). Over 4,500 responses were received, giving views about Council Tax increases and about the services that people would most want to protect or would be prepared to see cut. Of those who responded, approximately 1,200 people signed up to receive e-bulletins from the council with news and information from across the borough. In view of the volume of responses already received, and in order to minimise costs, it is proposed that this year’s consultation will be done primarily via free online channels. This will include using the e-bulletin system, which now has approximately 1,600 subscribers, as well as the website and social media channels.
- 39. Detailed consultation will also be 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 will be consulted in the context of the redundancy process considered in a separate report elsewhere on this agenda.
- 40. 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 will be held 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.
- 41. In accordance with the Council’s Constitution, Scrutiny Committees are being asked to consider the issues set out in this report and in particular any proposals relevant to their terms of reference. For this committee the relevant items are those relating to the Directorate of the Urban Environment in paragraphs 31 and 32. The Director of the Urban Environment will be available at the meeting to address any queries. In framing their responses, the Scrutiny Committees are being asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.

### **Finance**

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

## **Law**

43. The Council's budget setting process is governed by the Local Government Finance Acts 1988 and 1992, and 2012 and the Local Government Act 2003.
44. 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.
45. The Localism Act 2011 introduced a new chapter into the Local Government Finance Act 1992 making provision for council tax referendums to be held if an authority increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons.

## **Equality Impact**

46. Section 149 of the Equality Act 2010 - the general public sector equality duty - requires public authorities, including the Council, to have due regard to the need to:
  - eliminate discrimination, harassment and victimisation and other conduct that is prohibited by the Act;
  - advance equality of opportunity between people who share a protected characteristic and those who don't;
  - foster good relations between people who share a protected characteristic and those who don't.
47. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
  - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
  - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
  - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
48. The legislation states that "the steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities." In practice, this means that reasonable adjustments should be made for disabled people so that they can access a service or fulfil employment duties, or perhaps a choice of an additional service for disabled people is offered as an alternative to a mainstream service.

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

- tackle prejudice, and
- promote understanding.

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

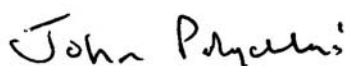
The duty covers the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

51. 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 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.

52. 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**

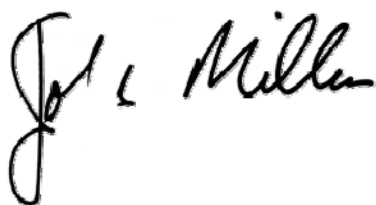
53. That the Committee considers the Cabinet's Revenue Budget Strategy proposals for 2014/15 and the Medium Term Financial Strategy, taking into account the considerations set out in paragraph 41.



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**List of Background Papers**

HM Treasury Budget 2013

Spending Round 2013

Local Government Finance 2014-15 Technical Consultation Paper

## Latest Forecast 2013/14

Directorate	Revised Budget £m	Outturn £m	Variation £m	
Adult, Community and Housing	103.759	103.759		
Children's Services	68.556	71.613	3.057	See note 1
Urban Environment	56.287	56.287		
Chief Executive's	3.635	3.635		
Corporate Resources	14.707	13.201	-1.506	See note 2
<b>Total Service Costs</b>	<b>246.944</b>	<b>248.495</b>	<b>1.551</b>	

Note 1: Costs of extra Looked After Children.

Note 2: Better than expected cashflows and returns on investments.

### **Summary of response to Technical Consultation on RSG for 2014/15 and 2015/16**

- We are disappointed that this consultation does not give any opportunity to comment on the reduction in Government funding. Indeed what is essentially a political decision has been hidden within something that purports to be a purely technical consultation. For Local Government to continue to suffer a disproportionate share of the “deficit reduction” is unsustainable.
- In particular, we are disappointed that figures for 2014/15 provided in February, on which authorities based their medium term financial plans, were amended as soon thereafter as the March 2013 Budget.
- In respect of top-slicing RSG to fund New Homes Bonus (NHB), we would re-iterate the point already made by ourselves and others that NHB is redistributing resources to those areas with the greatest capacity for new construction at a time of unprecedented reductions in Council funding. Moreover NHB is no longer required to achieve its original purpose (to provide councils with funding from outside the formula grant system towards the pressure on services resulting from new homes being built in their area), as this is now integral to the new funding system. As a minimum, there should be no further increase in NHB or the hold back required to fund it.
- In respect of top-slicing RSG to fund safety net payments to authorities with large reductions in Non Domestic Rate income, we believe that the safety net requirement may have been overestimated and there should therefore be no upfront safety net hold back, but rather an adjustment in future years once costs are known.

### **Summary of response to consultation on pooling (top-slicing) New Homes Bonus and allocation to Local Enterprise Partnerships**

In addition to the general issues raised concerning NHB in the response to the consultation on RSG above:

- We are opposed to pooling New Homes Bonus (NHB) in this way. Pooling of NHB will divert more resources away from existing essential services, contrary to the DCLG’s own documentation which states “New Homes Bonus is an unringfenced grant, which means local authorities are free to decide how to spend it, as they are in the best position to make decisions about local priorities.”
- Whilst LEPs have a useful role to play, they are unelected bodies. Local authorities are better placed in terms of accountability and making decisions about local priorities, which will include the economy.
- Amounts of NHB which Councils have already included in their medium term financial plans (i.e. to fund existing services) should be taken into account by LEPs when determining their priorities for using pooled funding whether or not any expenditure has been contractually committed. Otherwise pooling will lead directly to further service reductions.



## Proposed Savings

The proposals relating to the Directorate of the Urban Environment fall within this committee's terms of reference.

<b>Adult, Community and Housing</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Learning Disability - Review the levels of residential care and care packages for people including supported housing. This will be achieved following a re modelling of how we deliver services to people with a Learning Disability which will see more people supported in community based settings and through the delivery of Direct Payments.	496	871	871
Health Integration - Working together with the Clinical Commissioning Group for Dudley we will introduce new ways in which people access care and support with revised working practices for staff across both Health and Social Care and the integration of Health and Social Care teams. The emphasis will be on building and maintaining community based services linked to Primary Health and Social Care in order to avoid unplanned hospital admissions and significantly reduce length of stay. This would result in a transfer of resources within the health and social care system to Social Care from Health.	1267	3443	10443
Mental Health Services - Review 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; through the use of telecare; extra care housing; and Direct Payments.	100	256	256
Transfer of home care hours from internal provision to external provider. The difference in unit costs will deliver the savings with no loss of care hours being provided.	300	300	300
Closure of the existing reablement homes for the elderly, with the transfer of required beds to Russell Court which has changed the use of beds in the home from long term residential care.	515	515	515
Older People - Reduction in number of residential placements being made from 6 residential home equivalents per week to 5 through more effective use of reablement to reduce long term care needs.	200	200	200
Reduction in social work and management posts as a result of the restructuring of the Directorate and the reduction in directly provided services.	200	400	400
Physical Disability - Savings from reviews of existing care packages. This will be achieved following a re modelling of how we deliver services to people with a Physical Disability which will see more people supported in community based settings and through the delivery of Direct Payments.	0	200	200
Libraries Archives and Adult Learning – Planned efficiencies across management and infrastructure costs whilst maintaining local provision.	272	272	272

<b>Adult, Community and Housing</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Older People/ Learning Disability - Review of existing shared lives service with development of extending existing service provision to provide alternative to residential care.	0	250	250
<b>Total</b>	<b>3,350</b>	<b>6,707</b>	<b>13,707</b>

<b>Urban Environment</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Service related savings</b>			
Reduction in the Road reconstruction and resurfacing programme	120	581	581
Reduction in the Footway reconstruction programme and public right of way maintenance	100	100	100
Reduction in routine Street Lighting, signs and bollards maintenance	0	50	50
Reduction in Street Cleansing linked to increased community led litter picking	0	71	71
Reduction in Gully Drain Emptying with a greater focus on problem 'hot spots'	0	52	52
Reduction in the Grounds Maintenance of parks, open spaces, verges and other amenities including grass cutting, shrubs, hard surfaces & pitch marking and the pruning of trees	5	270	270
Shortening the collection period for Green Waste to between April and the end of October	100	100	100
<b>Office staff related savings</b>			
Staff related savings across all Divisions of the Directorate	217	1175	1175
<b>Income generation</b>			
Increase car parking charges	225	225	225
<b>Other efficiency and contractual savings</b>			
Selling the spare capacity of the Incinerator at Lister Road Depot	313	313	313
Introduction of Wheelie Bins for domestic waste as part of wider waste minimisation strategy	100	100	100
Gym equipment contract negotiated savings	40	80	80
New technology within Street Lights will reduce light pollution and save significant energy costs	0	205	205
Broadfield House - explore the potential for an Asset Transfer to a third party	170	170	170
Utilise route optimisation software in Council vehicles	100	100	100
Switch off selected Street Lighting from midnight	0	0	100
<b>Total</b>	<b>1,490</b>	<b>3,592</b>	<b>3,692</b>

<b>Children's Services</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Directorate</b> Accommodation savings and the relinquishing of property leases.	237	237	237
<b>Education Services</b> Redesign the Information Advice and Guidance support to targeted groups of vulnerable young people. The achievement of efficiencies and the use of different delivery models of support will reduce the impact to the service user but a reduction in staffing will be required to achieve the savings together with the release of 2 fte vacant posts.	550	650	650
<b>Education Services</b> Significantly reduce and redesign universal Youth Service activity offered to 11-19/25 year olds in the Borough. Resulting in the closure of up to 3 centres and a reduction in staffing including 2.6 fte vacancies. The service will also develop income opportunities including trading to schools, utilising buildings and activity programmes.	180	380	380
<b>Quality and Partnership</b> Reduce voluntary and community sector commissioning budget.	10	60	60
<b>Education Services</b> The Special Education Needs (SEN) home to school transport budget for pupils will be reduced through efficiencies and some redesign of the service provision to pupils and looked after children.	30	250	250
<b>Quality and Partnership</b> Savings will be achieved by releasing a 1fte vacant post and reducing the commissioned service for early Intervention mental health work.	40	110	110
<b>Asset Management</b> Asset Management Services will increase their traded service income targets and /or make staffing reductions.	40	90	90
<b>Children and Families</b> Proposals will be put forward for the restructuring of Children's Centres and the services they provide. These proposals will be subject to full and proper public consultation prior to any decision about the shape of future service delivery.	1,500	2,300	2,300
<b>Education Services</b> Options will be explored for Dudley Performing Arts (DPA) service to become 100% financially sustainable by 2016/17, through traded service income, grants, partner contributions and trust status.	0	0	160
<b>Education Services</b> A service review of Early Years activities has released 1.5fte vacant posts to save £0.090m. The remaining £0.070m will be saved from either additional traded service income and/or a redesign of the Early Years service delivery with potential staff reduction.	50	160	160

<b>Children's Services</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Education Services</b> The saving will be achieved by the release of 3 vacant Education Improvement Advisor (EIA) posts together with potential staff reduction.	185	185	220
<b>Directorate</b> The Directorate will review and redesign its service provision from April 2014. This will include the release of 2.7 fte vacant posts saving £0.070m; service restructures saving £0.110m will result in some staff reduction; additional income targets of £0.070m; and other efficiencies of £0.050m.	115	245	300
<b>Quality and Partnership</b> Reduce the commissioning budget for short breaks for children with disabilities and redesign and reduce service provision internally resulting in possible staff reduction.	100	100	100
<b>Education Services</b> The national policy changes to Special Education Needs (SEN) should allow for a service redesign to achieve £0.070m of efficiencies by reducing staff by 2015/16.	0	70	70
<b>Total</b>	<b>3,037</b>	<b>4,837</b>	<b>5,087</b>

<b>Corporate Resources</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
ICT - Consolidation of corporate and directorate-based ICT Services	200	350	507
100% Removal of Risk Management Funding	195	195	195
Management restructure across directorate	0	110	332
Other efficiency savings following process and service redesign	21	31	89
Increase Management & Valuation and conveyancing fees	0	5	25
Human Resources & Organisational Development staff savings	29	197	221
Accountancy staff savings	93	93	222
Staff savings across Customers division	0	100	298
Staff savings from Law & Governance division	143	185	218
Office accommodation savings	0	423	423
<b>Total</b>	<b>681</b>	<b>1689</b>	<b>2530</b>

<b>Chief Executive's</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community Safety staff savings	0	140	140
Communications - income generation and staff savings	0	180	200
Other staff savings across directorate	100	268	311
Reduction in Grant to DCVS / CFED	0	40	40
Reduce running expenses across directorate	0	60	60
<b>Total</b>	<b>100</b>	<b>688</b>	<b>751</b>