

Meeting of the Council - 6th March 2006

Joint Report of the Chief Executive and Director of Finance

Revenue Budget Strategy and Setting the Council Tax 2006/07

Purpose of Report

1. To submit to Council the recommendations of the Cabinet on 8th February 2006 concerning the deployment of General Fund revenue resources, a number of statutory calculations that have to be made by the Council and the Council Tax to be levied for the period 1st April 2006 to 31st March 2007.

Background

2. In considering the Council's Budget Strategy and tax levels for 2006/07, Members will need to consider carefully:
 - (a) the levels of Government support allocated to the Council;
 - (b) Ministerial statements about potential "capping levels";
 - (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 report of the Director of Finance in accordance with Section 25 of the Local Government Act 2003 as set out in Appendix 4;
 - (g) 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.

Revenue Support Grant 2006/07 and 2007/08

3. Following a provisional announcement on 5th December, the final details of the RSG & NNDR Settlement details for 2006/07 were confirmed on 31st January. Also, for the first time provisional allocations have been announced for the following year - 2007/08.
4. Key features are:
 - A headline increase of 4.5% in total Government funding of Councils (including Schools) in 2006/07 and 5.0% in 2007/08;
 - An increase in formula grant (total Revenue Support Grant, Non Domestic Rates & Police Grant), beyond the figures in Spending Review 2004, of £305m in 2006/07 and £508m in 2007/08, as announced in the pre-budget report.
 - Total increase of 3.0% in formula grant for 2006/07 and 3.8% for 2007/08;

- Adoption of a new 'four block' system for formula grant (as set out below).
- Increase in ring-fenced grant to over 50% with the introduction of the ring-fenced Dedicated Schools Grant in 2006/07;
- Several spending needs formula changes, including a major review of the formula for Social Services. Specific damping arrangements have been introduced to deal with the redistributive impact of the Social Services changes.
- General damping arrangements to continue - including floors of 2% and 2.7% (2006/07 and 2007/08 respectively) for Metropolitan authorities - paid for by scaling down the grant increases to authorities above the floor.

5. The new system of formula grant is composed of four blocks:

- A **relative needs block**, worked out through Relative Needs Formulae (RNF). RNFs are split into blocks covering Children's Services, Adult Services, Police, Fire and Rescue, Highways, Environment Protective & Cultural Services (EPCS) and Capital Financing. As with FSS, the formula for each service is based on a per client amount with top-ups to reflect local circumstances, including deprivation and area costs;
- A **relative resource amount**, to take account of different capacity to raise income from Council Tax;
- A **central allocation** amount, which is allocated on a per capita basis;
- A **floor damping block** to ensure that all authorities receive the minimum grant increase.

This new system abolishes the concepts of FSS and Assumed National Council Tax (ANCT), is far less transparent than the previous arrangements, and makes it impossible to undertake meaningful like-for-like comparisons with previous years' figures. Despite the majority of respondents opposing this change when consulted earlier in the year, the Government rejected the arguments put forward.

6. When announcing the provisional settlement, Local Government Minister Phil Woolas stated that:

"For over 20 years successive Governments have used a system based on notional figures for spending and local taxation.... But we no longer take that view. The formula is simply a means of distributing Government grant. Notional spending and taxation figures are nonetheless still being misunderstood and misused for a variety of purposes, such as spending or tax targets, for which they were neither intended nor suitable. Such notional figures get in the way of sensible budget setting - because councils treat them as targets, or going rates - and they get in the way of a more mature relationship with local government on doing business together. What I am proposing is a system that deals in an honest currency - cash grant - not fanciful assumptions about spending."

"...the time has come to...give councils firm forward financial allocations. There is no reason why councils cannot now provide similar certainty for their local taxpayers when setting their council tax for 2006/07, by providing an indicative council tax for 2007/08. ... With the next Spending review period we will move to give 3 years of grant allocations to local government. "

"This settlement is good news for councils and tax payers. We have been working closely with local authorities this year to identify the extent of the pressures they face up to 2007/08, and consider the actions necessary to mitigate those pressures. "

“We have provided a stable and predictable funding basis for local services. We expect local Government to respond positively as far as council tax is concerned. Therefore we expect to see average council tax increases in each of the next two years of less than 5%. There is, following today’s announcement, no excuse for excessive increases. Local government should be under no illusions; if there are excessive increase, we will take capping action - as we have done over the last two years. ”

7. The settlement also includes the following funding transfers:

- Transfer of Schools funding to a specific Dedicated Schools Grant (DSG), effectively replacing “passporting” as a means of setting a minimum level of expenditure on schools & schools related expenditure held centrally;
- Transfer of the remaining Residential Allowance grant and a further small part of Preserved Rights grants (Social Services) into RSG;

and includes £350m nationally to cover the cost of free bus travel for the over 60s and disabled people.

8. Compared with the national increase in formula grant of 3.0% for 2006/07 and 3.8% for 2007/08, Dudley’s increases amount to 2.9% and 4.4% respectively. In cash terms this gives a formula grant of £102.0m for 2006/07 and £106.3m for 2007/08.

9. The effect of the general damping arrangements is to restrict Dudley’s formula grant to over £4m less than what it would otherwise be in each year. The underlying gain largely reflects the return to the Council of resources previously used to maintain Schools budgets above the equivalent FSS.

10. As far as specific grants are concerned, the settlement figures for 2006/07 and 2007/08 contain increases of 5.1% and 5.5% respectively - well above the increase in general grant. This includes an increase in the Dedicated Schools Grant of 6% in each year. Allocations of specific grants to individual authorities - which will also as far as possible cover both 2006/07 and 2007/08 - will be clarified in due course.

11. The opportunity has been taken to respond to the Government’s invitation to comment on its proposals. The Director of Finance has, in consultation with the Cabinet Member for Finance, made representations along the following lines:

Welcoming the Government’s decision to increase funding from what was originally being proposed through the Comprehensive Spending Review;

Reiterating disappointment that the damping mechanisms applied to the RSG formula are continuing to restrict the level of resources available to the Council.

Expressing concern that over 50% of funding is now ring-fenced, contrary to the Government’s stated aim of devolving responsibility and accountability for spending decisions.

Confirming our opposition to the new methodology for calculating formula grant on the basis that it makes the system less transparent and has no redeeming advantages.

The Council's Current Financial Position

12. The latest Revenue Budget Monitoring information shows the following variation from approved budgets:

	£m
Additional cost of Children's Out-of-Borough Placements and Fostering costs	2.600
To be funded by:	
Allocations from Budgets for Older People and Social Services Business Support	1.200 CR
Education and Lifelong Learning Directorate Reserves and in-year reductions in spending	0.750 CR
	<hr/> 0.650
Dudley Council Plus staffing costs net yet covered by transfers from Directorate budgets	0.800
Net additional cost of refund of Mental Health Act charges	0.200
	<hr/> 1.650
Increased interest earnings	1.000 CR
Net additional cost to be met from General Balances	<hr/> 0.650 <hr/>

13. The revised overall budget position for 2005/06 can therefore be summarised as follows.

	£m
Original total service budget	351.222
Net additional costs (as above)	<hr/> 0.650
Revised total service budget	351.872
Less: Use of Balances	<hr/> -2.650
Budget Requirement (unchanged)	<u>349.222</u>

14. In addition, Leisure Centres are unlikely to meet their financial targets in the current year because of reduced income and increasing running costs but action is being taken to contain the increased costs within the total DUE resource base. This will be carefully monitored.
15. In accordance with normal practice, a review of reserves and provisions has been undertaken and it has been possible to identify around £1.3m of reserves no longer required for their original purposes.

16. There are estimated to be around £2.5m in General Balances at 31st March 2006 as set out below.

	£m
Balance Brought Forward 1 st April 2005	3.857
Forecast use 2005/06 (as above)	-2.650
Review of Reserves & Provisions	1.300
Estimated General Balances at 31st March 2006	<u>2.507</u>

17. The financial strategy set out below requires the use of £2.4m of balances to support revenue expenditure in 2006/07. It would not be unreasonable to work on the basis that, say, up to a further £1m would be available in General Balances in the period up to March 2007 from a combination of transfers from earmarked reserves, further efficiency savings and one-off issues. Subject to overspending in the current year, that would provide a further £1m in General Balances to support spending over the medium term.

Spending Forecasts

18. Details of Base Budget Forecasts for the next two years are set out below.

	2006/07	2007/08
	£m	£m
2005/06 Base	351.2	351.2
Adjustments to funding etc *	-162.0	-162.0
Pay Inflation at (generally) 2.95%	4.0	8.2
Price Inflation at (generally) 2%	2.2	4.3
Capital Programme	1.6	2.9
Other Adjustments	- 1.3	- 1.2
Base Budget Forecasts	<u>195.7</u>	<u>203.4</u>
% increase year-on-year (adjusted)	+ 3.4%	+ 3.9%

- * Effects of transfer of Schools Funding to DSG, and Residential Allowance & Preserved Rights grants to RSG.

Council Plan Priorities and Pressures

19. Having reviewed existing budgets in the light of Council Plan Priorities, and taking account of additional legislative requirements, desirable developments and service pressures, the following package of additional spending over the next two years is proposed:

	2006/07 £'000	2007/08 £'000	Main Council Plan Theme Supported
<u>Urban Environment</u>			
Improving the environment and street scene: increased street cleansing and litter removal; roads maintenance and improved signage; measure to reduce traffic congestion.	350	770	Environment Matters; Safety Matters
Improvements to Parks: Recruitment of park keepers and improved maintenance.	150	200	Environment Matters
Public Protection: Increased enforcement action.	85	100	Safety Matters
Regeneration: Additional resources for planning activities, town centre events, measures to increase tourism and improved opportunities for external funding.	415	565	Regeneration Matters
Culture: Better access to Council facilities and improved staff terms and conditions etc. in Leisure Centres.	-	365	Quality Service Matters
	1,000	2,000	
<u>Children's Services</u>			
Increasing numbers of looked after children, including out of borough placements (net of recharges to DSG)	1,800	1,800*	Caring Matters
<u>Adult, Community & Housing</u>			
Increasing numbers of adults with learning disabilities	1,300	2,200*	Caring Matters
Total Proposed Growth	4,100	6,000	

Efficiency and Other Savings

20. Following a detailed budget review process, which considered the need to redirect resources to spending priorities and minimise council tax increases in line with the results of the public consultation exercise (see below), a range of efficiency and other savings have been identified from existing budgets, as follows.

	2006/07	2007/08
	£'000	£'000
<u>Finance</u>		
Financial Services restructuring	180	217
Savings on ICT running costs etc	65	115
Efficiency savings – e-business	-	60
Savings on financial systems	141	141
Other minor changes	15	15
	401	548
<u>Chief Executive's</u>		
Review of Neighbourhood Management Programme and revised funding arrangements	177	177
<u>Law and Property</u>		
Additional Fees and Charges income	35	35
Revised R & M programme	50	150
Other Changes	15	15
	100	200
<u>DUE</u>		
Effect of Management Restructuring	55	55
<u>Social Services and Housing General Fund</u>		
Efficiency savings from remodelling	200	200
Continuing economies in Business Services	200	200
Additional Housing Grants	56	56
Additional Income from Charges	50	50
Revised arrangement for use of equipment	50	50
Other running costs	25	25
	581	581
<u>Education and Lifelong Learning</u>		
Efficiency savings from remodelling	185	185
Funding for Extended Schools now met from DSG	560	560
Revised planning, procurement and management of Home to School and Children's Social Care Transport arrangements	67	217
Revised funding arrangements for School Reviews	71	71
Other	10	10
	893	1,043
TOTALS	2,207	2,604

21. The budget proposals can be summarised as follows.

	2006/07	2007/08
	£m	£m
Base Budget Forecast	195.7	203.4
Extra Funding for Council Plan Priorities & Pressures	4.1	6.0
Efficiency and Other Savings	-2.2	-2.6
	197.6	206.8
Use of Balances	-2.4	- 1.0
BUDGET REQUIREMENT	195.2	205.8

Gershon Efficiency Savings

22. A number of the savings identified as part of the budget review process will also contribute to the Council's "Gershon" efficiency targets. Other Gershon efficiencies, which will not directly result in cash savings have also been identified and will be submitted to the Government as part of the Council's overall Annual Efficiency Statement (AES) for 2006/07. This will continue to be revised up until the actual date of submission. The detailed proposals shown at Attachment A to this report will meet the overall efficiency targets and the proportion of cashable gains required.

Medium Term Financial Strategy

23. 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.
24. The proposed MTFS covering the 3 year period 2005/06 - 2007/08 is set out in detail as Attachment B.

Risk Assessment

25. Details of the significant risks which Members should consider prior to agreeing a budget are set out in the proposed MTFS.

Detailed 2006/07 Budget Proposals

26. It is now proposed that the Council confirms the following revenue budget allocations to services.

Revenue Budget Allocations 2006/07	
Service	£m
Children's Services	55.347
Adult, Community and Housing Services	74.599
Urban Environment	52.093
Chief Executive's	9.833
Finance, ICT and Procurement	3.467
Law and Property	2.276
Total Service Allocations	197.615
Less: Use of General Fund Balances	- 2.400
BUDGET REQUIREMENT	195.215

Details of each service's budgets analysed by main divisions of service are shown at Appendix 1.

27. The yield for 2006/07 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 2006, 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.

Estimated Collection Fund Surplus	
	£m
Poll Tax and Council Tax arrears brought forward	4.315
Add: Debit for 2005/06	103.605
	<hr/>
	107.920
Less: Forecast collections	- 104.418
	<hr/>
Estimated Bad Debt Provision Required	3.502
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Compared with Current Bad Debt Provision	3.586
Provision no longer required	0.084
	<hr/>
Plus: Adjustment to Surplus arising in 2004/05	0.023
	<hr/>
Total Estimated Available Surplus	0.107
Less: Fire and Police Authorities' Share	- 0.011
NET SURPLUS AVAILABLE TO DUDLEY	0.096

28. 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 2006/07

Source of Funding	2005/06 £m	2006/07 £m
Dudley MBC Budget Requirement	349.222	195.215
Less: Revenue Support Grant	(157.107)	(16.503)
Business Rate Contribution	(101.562)	(85.491)
Collection Fund Surplus	(0.021)	(0.096)
Dudley's Own Requirement from Council Tax Payers	90.532	93.125
Approved Tax base	96387.02	96750.14
COUNCIL TAX (Band D) FOR DUDLEY	£939.25	£962.53

Note: The reduction in the Budget Requirement and general Government funding is largely the result of the transfer of Schools funding to the Dedicated Schools Grant (DSG), which has been provisionally notified as £175m.

29. The proposed Dudley MBC Council Tax for a Band D property for 2006/07 of £962.53 represents an increase of 2.5% compared to 2005/06.
30. The total level of Council Tax now being considered includes the precepts for the Police and Fire and Civil Defence Authorities which were approved on 16th February and 13th February respectively, as follows.

	2005/06 £	2006/07 £	Change %
Dudley MBC	939.25	962.53	+ 2.5
Police Authority Precept	83.68	87.55	+4.6
Fire & Civil Defence Authority Precept	41.21	43.18	+4.8
Total Band D Council Tax	1064.14	1093.26	+2.7

31. 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 2.
32. Details of the cash increase for each band, together with weekly equivalents, are shown in Appendix 3.
33. 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 4. 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

34. As part of the ongoing consultation process to inform Budget and Council Tax proposals, the Council undertook a further public consultation exercise during September and October, using the Citizens Panel and the Internet. Details of the responses are shown at Appendix 5. There were a total of just over 1300 responses and the results can be summarised as:
- (a) just over half of respondents thought spending on Council services should stay the same or be reduced;
 - (b) just over half thought that the Council Tax increase should be no more than inflation, even if that meant large spending reductions.
35. A statutory consultation meeting was held on 7th February with representatives of Non-Domestic Ratepayers. No specific issues were raised which need to be reported to the Council. Relevant issues arising from any written responses subsequently received will be reported orally to the Council .
36. Each Select Committee has considered the provisional budget proposals approved at the meeting of the Cabinet on 10th January. There were no specific observations made that affect these budget proposals.

Finance

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

Law

38. 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.
39. 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.
40. 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.
41. 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 for 2006/07 and to set its Council Tax for 2006/07 before the 11th March, 2006.

Equality Impact

42. These proposals comply with the Council's policy on Equal Opportunities as far as is possible within existing and future resource levels.
43. 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 Directorate's 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

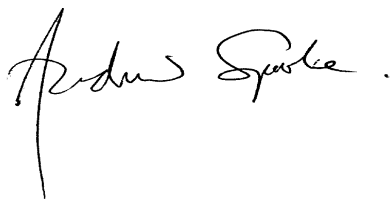
44. That the Council approves the following:
- The budget requirement for 2006/07 and service allocations as set out in paragraph 26 of the report.
 - That the statutory amounts required to be calculated for the Council's spending; income and use of reserves; budget requirement and; transfers to and from its collection fund as referred to in Section 67(2)(b) be now calculated by the Council for the year 2006/07 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 2 of this report.
 - That, having calculated the aggregate in each case of the amounts in Appendix 2, 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 2006/07:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
728.85	850.32	971.78	1093.26	1336.21	1579.15	1822.11	2186.52

45. That the Council reminds the Chief Executive and Directors to exercise strict budgetary control in accordance with the Financial Management Regime and care and caution in managing the 2006/07 budget, particularly in the context of commitments into later years.
46. That the Chief Executive and Directors be authorised to take all necessary steps to implement the proposals contained in this report, in accordance with the Council's Financial Management Regime.
47. That the provisional Annual Efficiency Statement (AES) as set out as Attachment A be noted.

48. That the Medium Term Financial Strategy (MTFS) set out as Attachment B be approved.



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Chief Executive



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List of Background Papers

Final RSG Settlement papers and electronic communications.
Budget Reports to 10th January and 8th February Cabinet.

Analysis of Provisional 2006/07 Budget by Division of Service

	£000
Children's Services	
Schools (Asset Rents & Strategy costs etc. not funded by DSG)	26,975
Youth Service	3,239
Children & Families Social Services	23,225
Other Children's Services	1,908
	<u>55,347</u>
Adult, Community and Housing Services	
Care & Support for Older People	38,756
Care & Support for People with a Physical or Sensory Disability	5,866
Care & Support for People with a Learning Disability	17,492
Care & Support for People with Mental Health Needs	4,057
Libraries, etc.	4,616
Other Adult and Community Services, etc.	1,282
Private Sector Housing	2,011
Homelessness & Welfare	216
Contribution to Housing Revenue Account for Community Expenditure	303
	<u>74,599</u>
Urban Environment	
Environmental Health & Consumer Protection	3,228
Street Cleansing	2,020
Waste Collection & Disposal	12,602
Cemeteries & Crematoria	-403
Traffic Management & Road Safety	2,654
Flood Defence & Land Drainage	175
Highways Maintenance (inc. capital charges, etc.)	16,506
Other Engineering & Transportation Services	208
Planning, Building and Development Control	2,217
Economic Regeneration	1,770
Environmental Initiatives	442
Culture and Heritage	2,258
Recreation & Sport and Open Spaces	8,416
	<u>52,093</u>

£000

Chief Executive's

Elections & Electoral Registration	529
Economic & Community Development	1,284
Community Safety	819
Corporate & Other Costs	7,201
	<u>9,833</u>

Finance, ICT and Procurement

Tax Collection & Benefits	3,358
Transport Authority Levy	15,123
Flood Defence Levy	103
Investment Income	-2,830
Asset Management Revenue Account, etc	-13,934
Corporate & Other Costs	1,647
	<u>3,467</u>

Law and Property

Licensing, Registration & Courts	567
Democratic Costs	1,497
Other Legal & Property Services	212
	<u>2,276</u>

TOTAL	197,615
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Details of Calculations to be Determined by the Council

1. That the following amounts be now calculated by the Council for the year 2006/07 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
 - (a) £562.941000m 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) £367.726000m 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) £195.215000m 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) £102.089949m 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) £962.5314 being the amount at (c) above less the amount at (d) above i.e. £93.125051m all divided by the Council Tax base of 96750.14, 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 Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
641.69	748.64	855.58	962.53	1176.43	1390.32	1604.22	1925.06

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.

(g) Precepts for each Valuation Band

That it be noted that for the year 2006/07, the major precepting authorities are understood to be issuing the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
West Midlands Police	58.37	68.09	77.82	87.55	107.00	126.46	145.92	175.10
West Midlands Fire	28.79	33.59	38.38	43.18	52.78	62.37	71.97	86.36

WEEKLY EQUIVALENT COUNCIL TAX INCREASES 2005/06 - 2006/07

Tax Band	No. of Properties	Council Tax 2005/06			Council Tax 2006/07			Weekly Equivalent Increase		
		Dudley £	Police £	Fire £	Dudley £	Police £	Fire £	Dudley £	Police £	Fire £
A	39,900	626.17	55.79	27.47	641.69	58.37	28.79	0.30	0.05	0.03
B	35,400	730.53	65.08	32.05	748.64	68.09	33.59	0.35	0.06	0.03
C	27,800	834.89	74.38	36.63	855.58	77.82	38.38	0.40	0.07	0.03
D	15,300	939.25	83.68	41.21	962.53	87.55	43.18	0.45	0.07	0.04
E	6,100	1147.97	102.27	50.36	1176.43	107.00	52.78	0.55	0.09	0.05
F	2,200	1356.70	120.87	59.52	1390.32	126.46	62.37	0.65	0.11	0.05
G	900	1565.42	139.47	68.68	1604.22	145.92	71.97	0.75	0.12	0.06
H	100	1878.50	167.36	82.41	1925.06	175.10	86.36	0.90	0.15	0.08
Total	127,700									

**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. Although it is now a statutory requirement to report on these issues, the accuracy and robustness of estimates and the adequacy of reserves (and provisions) have, of course, been a key factor in formulating budgets in previous years and were therefore inherent in the Director of Finance's recommendations in previous years.
3. The estimates which comprise the budget proposed in this report have been completed by my staff and staff in Directorates, on the basis of known commitments, a prudent allowance for pay awards and price increases during the year and an appropriate assessment of the potential risks and uncertainties. We have also had regard to the availability of external funding, particularly specific Government Grants and partnership funding and income levels from fees and charges. The proposals for additional spending are based on specific initiatives or projects, or provide a cash-limited allocation for a particular activity. The proposals for efficiency and other savings result from a detailed review of existing spending, and represent a realistic estimate of what can be saved if the action proposed is implemented.
4. There is 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 and provisions 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 and provisions at 31st March 2006.

	Forecast Balance 31.3.06 £m
Working Capital	2.0
Capital Funding Reserve	6.8
Insurance Fund	7.9
Total Corporate Reserves	16.7
School Balances	9.0
Directorate Reserves & Provisions	11.0
Total Reserves & Provisions	36.7

5. 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.

It is anticipated that the Capital Funding Reserve which comprises sums previously earmarked to fund capital expenditure will be fully expended over the next two years.

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. Balances held by Schools will vary as they are managed by schools in accordance with the Fair Funding scheme, whilst Directorate Reserves and Provisions held for specific purposes will continue to be managed in accordance with the Financial Management Regime.

The total level of reserves and provisions at 31st March 2007 is estimated to be about £32m.

6. 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.



Mike Williams
Director of Finance

Budget 2006/07 Questionnaire Results (2004/05 in brackets)

Q1. Overall, do you think spending on services should:

Be increased 47% (35)	Stay the same 43% (54)	Be reduced 10% (12)
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Q2. Now, looking at the main services the Council provides, please indicate for each one whether you think spending should increase, stay the same, or be reduced. (Rankings obtained by comparing balance of "increase" and "reduce" responses; 2004/05 rankings adjusted to reflect more categories.)

	Spend should increase	Spend should stay the same	Spend should be reduced	Ranking
Schools	54% (55)	41% (42)	4% (3)	7 (5)
Support to Schools	53% (n/a)	42% (n/a)	5% (n/a)	8 (n/a)
Youth Service and Community Centres	48% (31)	46% (61)	6% (9)	11 (11)
Adult Education	22% (11)	69% (72)	9% (17)	16 (16)
Libraries	19% (13)	76% (79)	4% (8)	15 (15)
Refuse Collection, Disposal & Recycling	44% (31)	56% (67)	0% (2)	9 (9)
Street Cleaning & Litter Removal	55% (48)	45% (50)	0% (2)	4 (7)
Maintenance of Roads & Footpaths	70% (62)	29% (36)	1% (2)	2 (2)
Reducing Traffic Congestion	56% (n/a)	37% (n/a)	6% (n/a)	6 (n/a)
Arts & Entertainment	9% (4)	67% (56)	24% (40)	18 (18)
Museums & Heritage	8% (6)	74% (64)	18% (30)	17 (17)
Parks & Open Spaces	37% (26)	59% (67)	3% (7)	12 (12)
Sports Facilities & Leisure Centres	36% (21)	58% (65)	6% (15)	13 (14)
Helping Create New Jobs & Businesses	50% (36)	41% (53)	9% (10)	10 (10)
Care & Support for Children & Families	39% (28)	52% (60)	9% (12)	14 (13)
Care & Support for Older People	61% (56)	38% (42)	1% (2)	3 (3)
Care & Support for People with Mental Health Problems, Learning or Physical Disabilities	54% (n/a)	44% (n/a)	2% (n/a)	5 (n/a)
Crime Prevention & Public Safety	76% (74)	22% (25)	1% (2)	1 (1)

Q3. Bearing in mind your answers to questions 1 and 2, which of the following statements best reflects your views on next year’s Council Tax:

- a. Overall spending on services should be maintained or increased even if this means an increase in Council Tax well above the rate of inflation.
16% (16)
- b. Spending on important services should be maintained at the expense of other services, even if this means a Council tax increase above the rate of inflation. **31% (29)**
- c. The Council Tax increase should be no more than the rate of inflation, even if this means significant reductions in spending on services.
54% (54)

Q4. Are there any other issues we should take into account when considering next year’s budget and Council Tax?

Responses relating to specific service issues have been circulated to Cabinet Members and Directors for consideration. Copies are available in the Members’ Library.

Q5. To help us analyse the responses to this questionnaire, it would be helpful if you could you tell us:

Your age: 18-24 **3% (3)** 25-44 **32% (30)**
45-64 **44% (46)** 65+ **20% (22)**

Where you live: Dudley **20% (23)** Brierley Hill **21% (24)**
Halesowen **21% (20)** Stourbridge **24% (18)**
Sedgley/Coseley/Gornal **14% (15)**
Don’t live in Dudley Borough **0% (0)**

Is your Council Tax bill reduced by Benefit? Yes **17% (17)** No **83% (83)**

Note: For all questions, nil responses have been excluded from analysis. Totals may not sum to 100% due to roundings.

**Dudley MBC
Draft Annual Efficiency Statement (AES)
Forward Look 2006/07**

Strategy for securing efficiency gains

The Council recognises the need to identify further real efficiencies in 2006-07 which can bring quantifiable benefits and produce measurable gains. We will work with partners and centres of excellence to further benchmarking and good practice and to develop new opportunities for ongoing efficiencies through technology and reviewing processes.

Key actions to be taken during the year

Key actions for 2006-07 focus on:

Technology: the Council will exploit new technology and new corporate systems to improve performance and productivity and increase customer access to council services.

Productivity: management structures will be reviewed in the context of Council remodelling to reduce bureaucracy and release funds to customer-focused services. Alternative delivery methods and flexible working arrangements will be explored to increase efficiency and achieve more productive working within existing resources.

Procurement: the Council will develop e-tendering processes and will work in partnership with neighbouring authorities and other organisations to achieve more efficient contract management and reduce the cost of contracts.

The Council will continue to develop its performance management system, which will ensure that priorities are clearly identified and linked, that targets are specific, measurable and appropriate, and that cross-service issues are adequately addressed.

	Expected annual efficiency gains (£)	...of which related to capital spend (£)	...of which related to other spend (£)	...of which cashable (£)
Adult social services	1,308,000			643,000
	<p>Strategy: Improve staff productivity through remodelling management structures and use of new technology. Increase care at home rather than in residential placements.</p> <p>Key actions: Improvement in sickness levels Use of technology e.g. electronic data management, IT upgrades, Wyse terminals and increased use of e-transactions Lower cost care at home and transfer from residential to supported living placements Replace lunchtime home care calls with community meal Issue equipment through community equipment store, increasing amount of recycled equipment and reducing new purchases Remodel management structures Improve debt collection</p>			
Children's services	333,000			223,000
	<p>Strategy: Improve staff productivity and reduce use of agency staff, fewer s20 referrals</p> <p>Key actions: Improvement in sickness levels Fewer s20 referrals looked after Reduction in use of agency staff</p>			
Culture and sport	296,000			291,000
	<p>Strategy: Increased take-up of services and more intensive use of facilities</p> <p>Key actions: Increased use of facilities at no additional cost Review of Sports service provision facilities</p>			
Environmental services	213,000			165,000
	<p>Strategy: Review of management and co-ordination posts and increased productivity</p> <p>Key actions: Restructure services to remove one management post and three co-ordination/inspection posts Adoption of more roads so that more street cleansing, green care and highways maintenance is undertaken within existing resources</p>			

Local transport	633,000	203,000	430,000	585,000
	<p>Strategy: Develop partnerships with the private sector and investigate the use of new materials</p> <p>Key actions: Work in partnership with private sector contractors Use new highway materials that offer better value than traditional materials Includes share of WMPTA efficiencies, mainly from more effective management of operational costs, revenue implications of capital schemes, insurance savings and use of term consultants over a five year period</p>			
LA social housing	1,046,000	150,000	896,000	1,046,000
	<p>Strategy: Ensure effective use of resources to meet tenants' aspirations and ensure that Decent Homes targets are achieved</p> <p>Key actions: Maximise rental income from housing stock by improving collection rates and reducing loss from voids More efficient area management arrangements Remodel management structures Reduce costs on repairs, maintenance and improvement works</p>			
Non-school educational services	577,000			399,000
	<p>Strategy: Improve staff productivity, remodel management structures and improve procurement</p> <p>Key actions: Remodel management structures Revised and standardised procurement methods for home to school transport Increase staff productivity Increase e-access to library service, freeing staff to deal with more complex queries</p>			
Supporting people	0			0
Homelessness	0			0

Other cross-cutting efficiencies not covered above			
Corporate services	701,000		545,000
	<p>Strategy: Exploit new technology to ensure that our ICT infrastructure is appropriate to our needs, while continuing to improve productivity allowing legislative pressures and other service developments to be addressed within existing resources</p> <p>Key actions: Restructure Finance back-office functions to reduce staffing numbers while maintaining service quality Insurance contract savings Convert ISDN data lines to ADSL Review disaster recovery provision for hardware, software and data Integrate performance management cycle with LSP as well as Council Plan Increase opening hours and number of queries handled at customer service centre</p>		
Procurement	183,000		113,000
	<p>Strategy: Develop e-tendering and work with partner organisations to achieve contract economies of scale</p> <p>Key actions: Joint procurement initiatives particularly within the Black Country Purchasing consortium e-tendering Replacement of corporate Purchasing System</p>		
Productive time	20,000		20,000
	<p>Strategy: Improve ICT and other working arrangements to free up staff time so that additional functions and duties can be taken on. Review existing business processes and management arrangements with a systematic approach to pay, productivity and workforce issues that will release more customer contact time.</p> <p>Key actions: Joint working and e-advertising to reduce recruitment costs Absence management</p>		
Transactions	264,000		181,000
	<p>Strategy: Exploit opportunities to reduce transactional costs and increase public choice</p> <p>Key actions: Exploit mobile technology for Benefits visiting officers Review EDM provision Increased efficiency of benefits admin</p>		

Miscellaneous efficiencies	197,000			170,000
	<p>Strategy: Review service provision to ensure that maximum value is gained from resources to achieve desired service outcomes</p> <p>Key actions: Restructure town centre management service Sustainability review undertaken on a regional basis to achieve savings Increased efficiency in risk management, licence fee collection and debt recovery</p>			
Total	5,771,000	353,000 (*)	1,326,000 (*)	4,381,000

(*) Capital / Non-Capital split required for Transport and Social Housing only

Note: The target for expected annual efficiency gains in 2006/07 is c£5.5m at least half of which must be cashable.

Dudley MBC

Medium Term Financial Strategy

**2005/06 -
2007/08**

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 and 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 3 years, including the current year. The Government has indicated that following the next Comprehensive Spending Review (CSR), Councils will be given 3-year forward allocations of Revenue Support Grant, etc. It is envisaged that future MTFSs will be aligned with the periods covered by these allocations.

Financial Background

6. The Council's External Auditor issued an unqualified opinion on the Council's 2004/05 Statement of Accounts, and commented in the most recent Annual Audit on the Council's "Continued effective financial management".
7. The Council's financial strategy for 2005/06 was based on:
 - (a) giving priority to Education by "passporting" increases in FSS;
 - (b) funding Social Services pressures;
 - (c) providing for other spending pressures and desirable developments in line with Council Plan priorities;
 - (d) identifying ongoing savings and efficiency gains;
 - (e) the prudent use of balances, but recognising this would produce an underlying level of recurring expenditure in excess of likely resources;
 - (f) producing an acceptable Council Tax increase.

8. A small working group of Members of the controlling group met 3 times during the summer and autumn to formulate in consultation with Directors spending pressures and savings proposals to be submitted to the Cabinet.
9. Spending pressures and desirable service developments likely to arise over the next 3 years were considered under the following headings:
 - Legislative;
 - Demographic;
 - Customer Driven;
 - Performance Standards / Government Targets.

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.

10. Likewise, savings options were considered under the following headings:
 - "Gershon" real cash efficiency savings, including areas identified from Audit Commission Value for Money profiles.
 - Stopping / reducing Non-Core activities;
 - Reducing other activities to minimum levels;
 - Additional income;
 - Other savings.

Each saving was considered in the light of:

- Achievability;
- A risk assessment, including service impact;
- Any one-off costs involved in achieving the saving.

The Proposed Budget and MTFs

2005/06

11. The latest Revenue Budget Monitoring information shows the following variation from approved budgets:

	£m
Additional cost of Children's Out-of-Borough Placements and Fostering costs	2.600
To be funded by:	
Allocations from Budgets for Older People and Social Services Business Support	1.200 CR
Education and Lifelong Learning Directorate Reserves and in-year reductions in spending	0.750 CR
	<hr/> 0.650
Dudley Council Plus staffing costs net yet covered by transfers from Directorate budgets	0.800
Net additional cost of refund of Mental Health Act charges	0.200
	<hr/> 1.650
Increased interest earnings	1.000 CR
Net additional cost to be met from General Balances	<hr/> 0.650 <hr/>

12. The revised overall budget position for 2005/06 can therefore be summarised as follows.

	£m
Original total service budget	351.222
Net additional costs (as above)	<hr/> 0.650
Revised total service budget	351.872
Less: Use of Balances	<hr/> -2.650
Budget Requirement (unchanged)	<u>349.222</u>

13. In addition, Leisure Centres are unlikely to meet their financial targets in the current year because of reduced income and increasing running costs but action is being taken to contain the increased costs within the total DUE resource base. This will be carefully monitored.

2006/07 - 2007/08

14. There are estimated to be around £2.5m in General Balances at 31st March 2006 as set out below.

	£m
Balance Brought Forward 1 st April 2005	3.857
Forecast use 2005/06 (as above)	-2.650
Review of Reserves & Provisions	1.300
Estimated General Balances at 31st March 2006	<u>2.507</u>

15. It would not be unreasonable to work on the basis that, say, up to a further £1m would be available in General Balances in the period up to March 2007 from a combination of transfers from earmarked reserves, further efficiency savings and one-off issues. Subject to overspending in the current year, that would provide a further £1m in General Balances to support spending over the medium term.
16. The following table summarises the current budget proposals for 2006/07 and 2007/08 as detailed in the relevant Budget & Council Tax setting reports.

	2006/07	2007/08
	£m	£m
Base Budget Forecast	195.7	203.4
Efficiency & Other Savings	-2.2	-2.6
Council Plan Priorities & Pressures	4.1	6.0
Total Service budget	<u>197.6</u>	<u>206.8</u>
Use of Balances	<u>(2.4)</u>	<u>(1.0)</u>
Budget Requirement	<u>195.2</u>	<u>205.8</u>
% Increase (on adjusted base)	+4.3%	+5.4%

17. The broad implications of this proposed budget for each main Service Area are detailed at Annex C.
18. Figures are subject to the risks identified in Annex D and are based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended during the course of the year and which may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources. These include:
- (a) a reduction in the number of looked after children who are placed outside the borough, and the development of alternative approaches to treatment and support;
 - (b) an assumption that the increase in the level of fees for residential and nursing accommodation for older people will be broadly in line with inflation;

- (c) the increasing demand for more intensive home care packages and the management of home care waiting lists can be met from within existing budget levels;
- (d) the total costs of Dudley Council Plus can be contained within existing budget levels and resources transferred from Directorates as and when service lines are transferred;
- (e) Leisure Centre income and usage targets are met and expenditure is contained within approved budget levels.

19. 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 upon services are likely to continue;
- (ii) Inflation is unlikely to fall much below existing levels and may rise;
- (iii) Interest rates are likely to remain relatively low for the short-term;
- (iv) The continued use of balances to support ongoing spending is not sustainable in the medium to long term.

20. With regard to 2007/08, the Government has already indicated the level of RSG/NNDR support both in total and for individual authorities. For Dudley, the indicated increase of 4.6% compares with a forecast Budget Requirement increase of 5.4% as shown in the table above. Therefore there is likely to be a gap between resources and spending projections if Council Tax increases are to be limited to around the level of general inflation.

21. Given the Government's initial indications that public spending will not increase in future at the same rate as has been the case in recent years, this gap is likely to persist.

22. It will be necessary, therefore, to continue to:

- (a) review spending and resource forecasts on an ongoing basis;
- (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
- (c) seek further efficiency and other savings, although the scope for this is becoming more and more limited;
- (d) seek opportunities for additional external funding;
- (e) take action to replenish General Balances;
- (f) review risks and uncertainties and any other relevant factors.

23. The Council is currently undertaking a Single Status review which will include a process of job evaluation and the development of a Pay & Reward strategy. This process is planned for completion by April 2007 and any costs associated with review of gradings will need to be managed from the 2007/08 financial year onwards.
24. In addition, the Government's response to the findings of the "Lyons Inquiry" into Local Government Finance which is now intended to consider both the functions and funding of local authorities might clearly have significant implications for the Council's future finances.

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. 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 by Directors in consultation with Cabinet members. 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 - Comparative Spend & Performance

24. Comparative spending and output data from other Councils will be used to produce an annual Value for Money (VFM) summary indicating those areas where significant resources might be freed up, or outputs increased for the same cost, by moving towards the position of best-performing Councils.
25. Directors will produce an action plan for each area identified and report back to Members on progress as part of the following year's budget review process.

Value for Money - Efficiency Review

26. In addition to the targeted VFM work described above, all services will be subject to regular efficiency reviews to ensure the best use is being made of resources across the Council.
27. Each year the Council will also produce an Annual Efficiency Statement (AES) setting out how it plans to achieve the required level of "Gershon" efficiencies. This process will be integrated with the Council's budget review process and any efficiencies which have a cash impact will be reflected in the Budget and MTFP.

Budget Realignment - Other Savings

28. 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.
29. 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.
30. 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

31. 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.
32. 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.

33. A growth package will be agreed in the light of overall resource availability.
34. 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

35. 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.
36. All known revenue costs arising out of capital spend will be included in the revenue budget.
37. 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

38. All borrowing and/or investment activity will be carried out in accordance with the approved Treasury Management Strategy and Treasury Policy, and within the Prudential Indicators set annually by the Council.
39. 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

40. 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.
41. As set out above, particular emphasis will be given to monitoring the impact of budget growth and savings.

External Funding and Partnerships

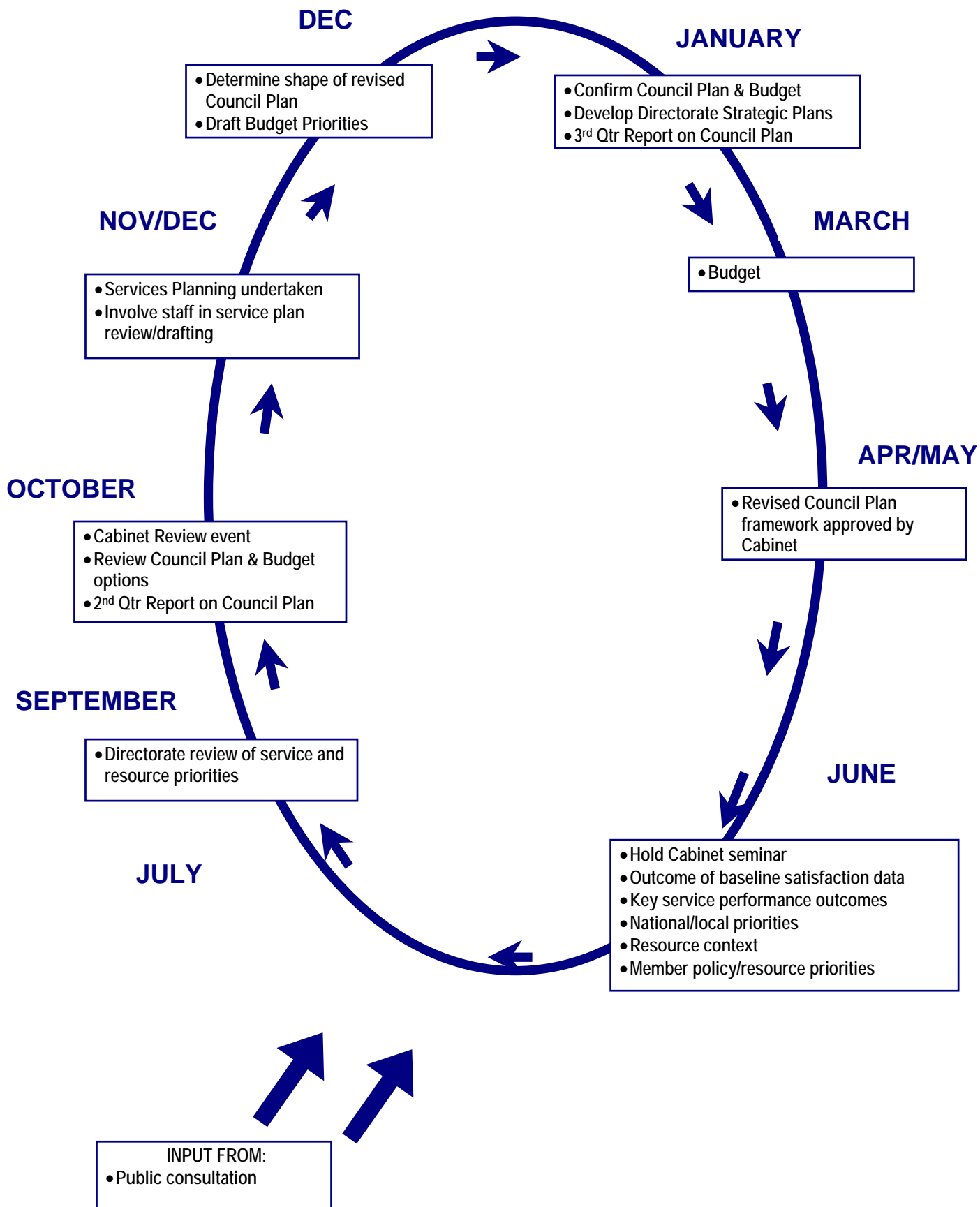
42. In addition to income from fees and charges discussed above, the Council will maximise external funding in the form of specific grants from the Government and other sources towards expenditure which will enable its aims and objectives to be achieved.

43. 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 MTFP - 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.
44. 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 MTFP.
45. 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.
46. For all time-limited sources of funding or partnership support, an exit strategy will be put in place.

Consultation

47. The Community Strategy and Council Plan which determine the priorities for the MTFP, Capital Programme and annual revenue budget are subject to extensive consultation with the general public and other stakeholders and partners.
48. 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.
49. 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.
50. The Council is required by law to consult with representatives of Business Ratepayers each year before the final budget and Council Tax are agreed.

Corporate Planning Cycle - Overview



Implications of Proposed Budget for Main Service Areas

Economic Regeneration

1. The proposed 2006/07 Revenue Budget for Economic Regeneration (including Planning and Development Control activities) is £3.987m, including an increased funding package of £415,000.
2. This will provide:
 - (a) an additional £100,000 in 2006/07 (£130,000 in 2007/08) for planning and development control, including the development of planning on-line and £140,000 (£170,000 in 2007/08) to develop and begin implementing local area action plans;
 - (b) £70,000 in 2006/07 (£100,000 in 2007/08) for the development of a series of town centre events in the Borough, which will bring added vitality to town centres, thereby increasing visitor numbers and enhancing the visitor economy;
 - (c) £30,000 in 2006/07 (£35,000 in 2007/08) to support tourism development projects, including the development of the Dudley Canal network;
 - (d) £75,000 in 2006/07 (£130,000 in 2007/08) for the further development of external funding applications and pump priming funds for some external grants.

Good Health

1. In addition to the effects of changes in funding and provision for pay and prices, there are a number of significant pressures facing Social Services provision, particularly in the areas of Children's Services and Learning Disability where it is proposed to invest a further £3.1m in 06/07 and £4m in 07/08 to meet these pressures and to develop services. An assumption has also been made that the increase in fees for externally purchased services for older people will broadly be kept within allowed inflationary uplifts included in the budget. Details of the proposed additional investments are shown below.

	2006/7	2007/8
	£'000	£'000
Children and Families		
Investment to meet the existing demand for and increasing cost of care away from home. The additional monies will be used to offset some of the existing cost pressures currently being experienced on out of borough placements, and also invest in more cost effective ways of protecting these vulnerable children.	1,800	1,800
Other Adult groups		
Increased investment to support the increased numbers of clients with a learning disability who are expected to be placed in residential or supported living placements. The increase in numbers has been brought about by increased life expectancy of clients with a learning disability, and the increasing number of elderly carers.	1,300	2,200

Environment

1. The proposed 2006/07 Revenue Budget for these Services within the Directorate of the Urban Environment is £37.432m. As part of the increased funding package, additional allocations are proposed for:
 - (a) £170,000 in 2006/07 (£225,000 in 2007/08) for additional mini precinct type sweepers and drivers and additional resources to empty the increasing number of litter and dog bins throughout the Borough. This will have a positive impact on BVPI 199 relating to street cleanliness;
 - (b) £50,000 to provide an additional gully emptying machine and driver;
 - (c) capital financing costs in relation to total capital expenditure of £0.5m over two years to replace dangerous, time expired and missing street signage;
 - (d) capital financing costs in relation to total capital expenditure of £0.25m over two years for structural work to bridges and dangerous structures;
 - (e) £30,000 for additional traffic management staffing resources to deal with congestion and accessibility planning;
 - (f) £85,000 in 2006/07 (£100,000 in 2007/08) to address increased enforcement obligations in relation to new food hygiene and body piercing regulations and for work on key contamination land sites;
 - (g) capital financing costs of £80,000 per year for the phased implementation of wheelie bins over a three year period, subject to a first phase trial and further reports to this Committee and Cabinet.
2. It is also proposed to allocate an additional £200,000 in 2007/08 for highways resurfacing and repair, extending the programme currently funded from LPSA investment.
3. The Housing General Fund budget for 2006/07 is proposed at £2.530m representing in the main the net cost of housing strategy, private sector housing, homelessness and the administration of renovation grants. Efficiencies amounting to £56,000 resulting from the ability to recover costs from external funding sources are being proposed.

Community Safety

1. The 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 successfully merged Crime & Disorder Reduction Partnership (CDRP) and the Drug & Alcohol Action Team (DAAT) under the auspices of the new Safe and Sound Partnership

2. The Community Safety budget is directed largely by the priorities expressed within the Borough's Community Safety Strategy 2005/2008, including the three current Local Public Service Agreement (LPSA) targets. Current projections indicate that the Council and its partners are on target to achieve the stretched targets for LPSA which should trigger the payment of reward grant during 2006/07 and 2007/08. This considerable achievement is one of the outcomes of the sustained reduction in overall crime within the Borough, and the success of the partnership in bringing agencies together to tackle crime and the fear of crime.
3. One significant development during 2006/07 will be the preparation of the Local Area Agreement in conjunction with the Dudley Community Partnership. This will involve negotiating local targets, and identifying future resource commitments towards those targets, building upon programmes previously funded through initiatives such as the Building Safer Communities Fund.
4. 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.

Lifelong Learning

1. Work is in hand to transfer budgets from Social Services Budgets to the new Children's Services Directorate. It is anticipated that efficiency savings of £185,000 can be realised as a result of the former restructuring.
2. 2006/07 sees the introduction of the new Dedicated Schools Grant, which will fund schools activities including both the delegated budgets to schools and centrally retained areas relating to school-related functions. Subject to actual pupil counts, the provisional DSG allocations are £175m for 2006/07 and £185m for 2007/08. Overall the DSG allocation will provide an additional £9.4m in 2006/07 and £10.1m in 2007/08. Details of schools budgets are being considered by the Schools Forum at its meeting on 7th February 2006.
3. The Council has supported the Extended Schools programme in the current year with allocations totalling £560,000 for 23 schools. With effect from 2006/07 the School Standards Grant (SSG) has been increased and the grant conditions amended to enable schools to spend this grant on community facilities in support of extended services, which are not currently eligible to be supported through their delegated budgets.
4. Together with the efficiency savings from remodelling and other efficiency etc. savings, a total of £893,000 can be redirected to meet increasing service demands (including children's out of borough placement and increased fostering costs) and Council Plan priorities.

5. Like all other authorities with responsibilities for Children's Services, the Council is faced with increasing numbers (and costs) of children, whose care requires out of borough placements. Although it has been possible to meet most of the additional costs of these pressures in the current year from existing Social Services and Education and Lifelong Learning resources, this will not be possible and the proposed 2006/07 Budget includes an additional allocation of £1.8m (net of recharges to the DSG). However, this assumes a reduction in the number of looked after children who are placed outside the borough, and the development of alternative approaches for their social care and education.

Culture and Recreation

1. The proposed 2006/07 Revenue Budget for Culture and Recreation Activities is £10.674m, including an additional £150,000 for improvements to parks.
2. This will support the "Improvements to Parks" agenda which is currently being delivered as part of the Liveability Project and will provide resource to recruit additional park keeping staff and maintenance improvements, as a response to the wishes of Friends of Parks Groups and the general public. An additional £50,000 will be available in 2007/08 to recruit further park keeping staff.
3. As part of the Council's medium term financial strategy, additional resources are proposed in 2007/08 to meet the financing costs of £0.5m capital investment to improve access to Council leisure facilities and other buildings used by the Culture and Community Division. Additional resources are also earmarked to consolidate and equalise pay terms and conditions for Leisure Centre staff and for increased staff training and development.
4. Funding previously allocated to operate Brierley Hill Leisure Centre will be reinvested to support the Council's Leisure Centre Strategy, improving remaining Leisure Centre facilities and a range of other health-related sport and recreation facilities in the Brierley Hill area.
5. Leisure Centres are unlikely to meet their financial targets in the current year because of reduced income and increased running costs. It has been assumed in preparing the 2006/07 Budget that Leisure Centre income and usage targets will be met and expenditure is contained within approved budget levels. This will need to be carefully monitored.

Risk Assessment

1. The following section considers 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.

Risk	Impact
<ul style="list-style-type: none"> • General inflation higher than budgeted 	<p>We have assumed general price inflation will average at around 2% for next year and 2007/08 which is in line with the Treasury's current forecasts. A higher allowance has been made for utility costs reflecting current market trends.</p> <p>A 1% increase would cost the Council (excluding Schools) around £0.8m. (See 2. below)</p>
<ul style="list-style-type: none"> • Staff pay awards higher than budgeted 	<p>Main staff pay awards for 2006/07 have already been agreed at just under 3%. We have assumed a similar increase for 2007/08. A 1% increase would cost the Council around £1.1m. (See 2. below).</p> <p>This excludes teachers' pay which is largely met from the Dedicated Schools Grant.</p>
<ul style="list-style-type: none"> • Income levels not achieved 	<p>A 1% loss of income (excluding grants & interest) would cost the Council around £0.4m. (See 2. below).</p>
<ul style="list-style-type: none"> • Interest rates higher / lower than expected 	<p>We are assuming interest rates may reduce slightly from current levels. A 1% change in interest rates would not materially impact as the majority of loans are at fixed rates, and short term investments are kept at minimum levels consistent with the Council's cashflow needs. (See 2. below).</p>
<ul style="list-style-type: none"> • Unforeseen costs or costs greater than estimated 	<p>Any unbudgeted costs would have to be met from economies or reductions in planned spending in the year or from Balances. (See 2. below).</p>
<ul style="list-style-type: none"> • Single Status 	<p>There may be as yet unquantified effects on the budget for 2007/08 onwards.</p>
<ul style="list-style-type: none"> • Medium term spending plans may not be sustainable 	<p>Use of Balances to cover ongoing spending is not a viable long term strategy. Action will be required in future years to replace the use of Balances.</p>
<ul style="list-style-type: none"> • Capping 	<p>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 the next two years, Council Tax rises should be less than 5% per year.</p>

2. As set out in the relevant budget reports, 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.