Meeting of the Cabinet

Wednesday, 12th February, 2014 at 6.00pm
In Committee Room 2 at the Council House, Priory Road, Dudley

Agenda - Public Session
(Meeting open to the public and press)

1. Apologies for absence.

2. To report any changes in the representation of opposition group members at this meeting.

3. To receive any declarations of interest under the Members' Code of Conduct.

4. To confirm and sign the minutes of the meeting held on 5th December, 2013 as a correct record.

Budget, Strategic, Policy and Performance Issues

5. Annual Audit Letter 2012/13.

6. Revenue Budget Strategy 2014/15 and Setting the Council Tax (Key decision)

7. Deployment of Resources - Housing Revenue Account and Public Sector Housing Capital (Key decision)

8. Capital Programme Monitoring (Key decision)

9. Dudley Business Investment Zone (Key decision).

Service Related Corporate Issues

10. Adoption of the Members and Officers Code of Conduct – Planning Matters.

11. High Street Innovation Fund and Empty Shops Grant.

12. Providing Social Housing for Local People – Statutory Guidance on Social Housing Allocations for Local Authorities In England.

13. To report on any issues arising from Scrutiny Committees.

Director of Corporate Resources
Dated: 4th February, 2014

Distribution:

Members of the Cabinet:
Councillor Sparks (Leader - Chair)
Councillor Lowe (Deputy Leader)
Councillors K Ahmed, Branwood, Crumpton, Foster, Partridge, S Turner, Waltho and Wood.

Opposition Group Members nominated to attend meetings of the Cabinet:
Councillors Harley, James, Kettle, Mrs Simms, Vickers and Wright

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- If you (or anyone you know) is attending the meeting and requires assistance to access the venue and/or its facilities, please contact the contact officer below in advance and we will do our best to help you.

- Information about the Council and our meetings can be viewed on the website **www.dudley.gov.uk**

- The Democratic Services contact officer for this meeting is Richard Sanders, Telephone 01384 815236 or E-mail **richard.sanders@dudley.gov.uk**

MEETING OF THE CABINET

Wednesday, 5th December, 2013 at 6.00 p.m.
in Committee Room 2 at the Council House, Dudley

PRESENT:-

Councillor Sparks (Leader of the Council) (Chair)
Councillors K Ahmed, Branwood, Crumpton, Foster, Partridge, S Turner, Waltho and Wood

together with the following Opposition Group Members appointed to attend meetings of the Cabinet:-

Conservative Group - Councillors Harley, James, Kettle, Miller, Vickers and Wright

OFFICERS:-

The Chief Executive, the Director and Interim Director of Children's Services, the Director of Corporate Resources, the Director of the Urban Environment, the Director of Public Health, the Treasurer, the Assistant Director of Corporate Resources (Human Resources and Organisational Development), the Interim Assistant Director for Adult Social Care and the Assistant Principal Officer (Democratic Services) – Richard Sanders.

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45 APOLOGIES FOR ABSENCE

Apologies for absence from the meeting were received on behalf of Councillors Lowe and Mrs Simms.

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46 CHANGES IN REPRESENTATION OF MINORITY GROUP MEMBERS

It was reported that Councillor Miller was serving in place of Councillor Mrs Simms for this meeting of the Cabinet only. It was also reported that Councillor Kettle was serving for this meeting in place of Councillor K Turner, further to the resignation of the latter from the Conservative Group.

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47 DECLARATIONS OF INTEREST

No Member made a declaration of interest, in accordance with the Members' Code of Conduct.

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48 MINUTES

RESOLVED

That the minutes of the meeting of the Cabinet held on 30th October, 2013, be approved as a correct record and signed.

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49 CAPITAL PROGRAMME MONITORING

A joint report of the Chief Executive and the Treasurer was submitted on progress with the implementation of the Capital Programme and proposing certain amendments to the Programme.

RESOLVED

(1) That the Council be recommended that current progress with the 2013/14 Capital Programme as set out in Appendices A and B to the report submitted to the meeting be noted.

(2) That the results of the Post Completion Review of capital projects, as set out in Appendix C to the report submitted to the meeting, be noted.

(This was a Key Decision with the Council and the Cabinet named as Decision Takers)

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50 REVIEW OF BUSINESS RATES DISCRETIONARY RATE RELIEF POLICY

A report of the Director of Corporate Resources was submitted updating Cabinet on the outcomes of a review of the Council's Business Rates Discretionary Rate Relief policy and containing associated proposals.

RESOLVED

That the proposals contained in paragraph 8 of the report submitted to the meeting be approved, as follows:

(1) That no changes to the eligibility criteria and amount of relief awarded via the current policy be made, meaning that charities will continue to pay no rates and other eligible organisations will retain their current rate reductions.

(2) That entitlements be awarded for one financial year at a time, rather than indefinitely, as is the case at present.

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51 CORPORATE QUARTERLY PERFORMANCE MANAGEMENT REPORT

A report of the Chief Executive was submitted on corporate performance for the period 1st July to 30th September, 2013. The Corporate Performance Management, Efficiency and Effectiveness Scrutiny Committee had considered the report on 20th November, 2013.

RESOLVED

(1) That the Corporate Quarterly Performance Management report be approved.

(2) That the consideration of the report by the Corporate Performance Management, Efficiency and Effectiveness Scrutiny Committee be noted.

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52 BLACK COUNTRY CITY DEAL

A report of the Chief Executive was submitted seeking Cabinet approval for the Council to become a joint signatory to the Black Country City Deal document. The key themes which formed the basis of the City Deal proposal were set out in paragraph 6 of the report now submitted.

The report indicated that the four Black Country authorities were being asked to sign up to the principle of the Black Country City Deal Programme as referred to in the report.

RESOLVED

(1) That the Leader of the Council be authorised to sign the Black Country City Deal document.

(2) That a further report be submitted to the Cabinet detailing any proposed financial commitments by the Council arising from negotiations in relation to specific elements of the City Deal process.

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53 DUDLEY GRID FOR LEARNING 3 – PROJECT MID POINT REVIEW

A report of the Director of Children's Services was submitted setting out the current position regarding the Dudley Grid for Learning 3 project and containing proposals for actions arising from a need to review the project further to the cessation of Private Finance Initiative funding and feedback from schools concerning their desire for flexibility in the service received, in order to meet their individual needs.

RESOLVED

That the current position with the Dudley Grid for Learning (DGfL) project be noted and that the actions below be approved:

(1) That consultation commence to inform the new flexible provisions to be made available for the second five years of the existing contract;

(2) That the local authority client team work closely with RM PLC to define the new offer and ensure appropriate contract Key Performance Indicators properly support its delivery;

(3) That to maintain oversight during this period of change the DGfL3 Executive Steering Board be re-convened in April 2014 to ensure senior leaders within the local authority have knowledge of and opportunity to feed into these developments and that the existing DGfL3 Steering Board continue to be the vehicle through which school consultation and dialogue will be obtained.

(4) That, in response to the schools budgetary timetable, the new offer be presented to schools in Autumn 2014 in preparation for delivery from 1st February 2016.

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54 ISSUES ARISING FROM SCRUTINY COMMITTEES

No issues were reported under this item.

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55 EXCLUSION OF THE PUBLIC

RESOLVED

That the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act, 1972, as specified below and, in all the circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption from disclosure:

Description of Item	Relevant paragraph of Part 1 of Schedule 12A
Staffing Issues – Children's Services	1

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56 STAFFING ISSUES – CHILDREN'S SERVICES

A report of the Director of Children’s Services containing proposals for the termination of the contracts of employment of certain staff on the grounds of redundancy. An updated report with a revised appendix had been circulated in advance of the meeting.

RESOLVED

That the termination of the contracts of employment of the employees referred to in the revised appendix to the report submitted to the meeting be approved, on the grounds of redundancy, in accordance with the terms and conditions set out in the report and appendix.

The meeting ended at 6.10 p.m.

LEADER OF THE COUNCIL

Agenda Item No. 5

Meeting of the Cabinet – 12th February 2014

Joint Report of the Chief Executive and the Treasurer

Annual Audit Letter 2012/13

Purpose of Report

1. To consider the External Auditor's Annual Audit Letter for 2012/13

Background

2. Grant Thornton, the Council's external auditors, have produced an Annual Audit Letter. Representatives of Grant Thornton will be in attendance at this meeting to present the Letter and to discuss its contents with members. A copy of the Annual Audit Letter is attached as Appendix 1.

3. The Audit Commission's Code of Audit Practice requires that the external auditors prepare an Annual Audit Letter (the Letter) and issue it to the Council. The purpose of the Letter is to communicate to the Council and its external stakeholders, including members of the public, the key issues arising from auditors' work, which the external auditor considers should be brought to the attention of the Council. The Letter is intended to cover the work carried out by the external auditors since the previous Letter was issued, in this case October 2012.

4. The Letter was reported to the Audit and Standards Committee on 10th December 2013. The Committee resolved that the information contained in the report and Appendices to the report, be noted.

5. The Letter has been published, placed on the Council website, and paper copies made available at a charge of £1.00, as agreed in 2000/01.

Finance

6. The report deals with a number of financial affairs of the Council. No additional resources are required as a direct consequence of the Letter.

Law

7. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made there under.

Equality Impact

8. The proposal takes account of the Council's policy in relation to equality and diversity.

Recommendation

9. It is recommended that the Cabinet:-

- Note the views of the Auditor.
- Comment on matters in the Annual Audit Letter.

John Polychronakis

……………………………

John Polychronakis
Chief Executive

……………………..

Iain Newman
Treasurer

Contact Officer: Jan Szczechowski
Telephone: 01384 814805
Email: jan.szczechowski@dudley.gov.uk

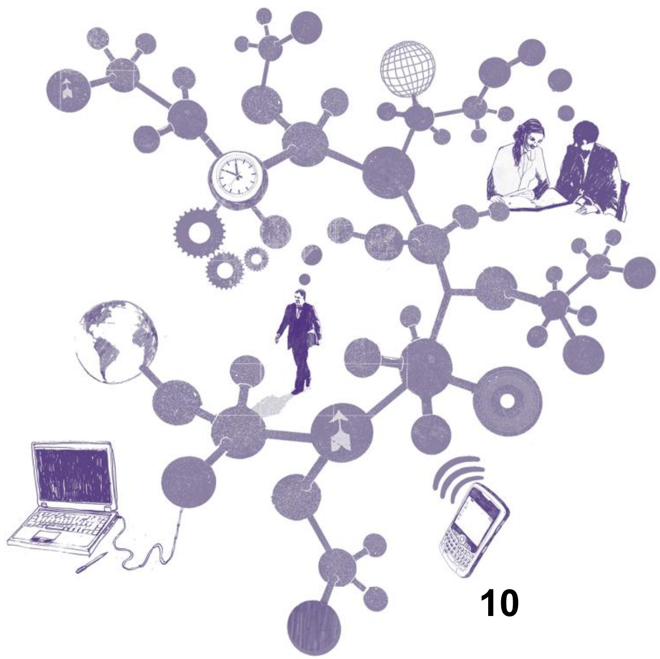
List of Background Papers

Annual Audit Letter 2012/13
Audit Findings Report 2012/13
Review of the Council's Arrangements for Securing Financial Resilience for Dudley Metropolitan Borough Council

The Annual Audit Letter for Dudley Metropolitan Borough Council

Year ended 31 March 2013

16 October 2013



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Contents

Section 1: Executive summary

This Letter will be considered by the Audit and Standards Committee on 10 December. This report reflects the findings from our work on both the financial statements and the value for money conclusion.

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Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Dudley Metropolitan Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 19 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 9 July 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission.

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Executive Summary

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17.

In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions.

In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013-14 and 2014-15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge. Financial austerity is expected to continue until at least 2017.

The increasingly tight financial situation is the most significant issue facing the Council at present. If the Council is to continue to set a balanced budget then it will have to make substantial savings. The Council has been able to absorb funding cuts to date but, if it is to deliver the further savings required in the future, it will need to keep this issue at the top of its agenda.

The Council's sickness levels have been falling in recent years but, in 2012/13, they started to rise again and are above the average for local government. The Council introduced a new Absence Management Policy in May 2013 which it expects to result in decreasing levels of sickness absence. The Council will need to monitor the effectiveness of the policy and assess whether it is resulting in decreasing sickness absence.

Financial reporting processes are robust. However, there is scope to improve the quality of financial reporting to Cabinet in respect of spend against revenue and capital budgets, other key financial data such as debtor collection rates and speed of payment of suppliers and the savings programme.

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Executive Summary

Acknowledgements

This Letter has been agreed with the Treasurer and will be presented to Audit and Standards Committee on 10 December 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

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Section 2: Audit of the accounts

An unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year was provided. No changes were made to the accounts that impacted on the Council's overall financial position

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 17 June 2013, which was in advance of the national deadline of 30 June 2013. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 24 June 2013.

Issues arising from the audit of the accounts

We did not identify any adjustments affecting the Council's reported financial position. We made a number of adjustments to improve the presentation of the financial statements. Details of the most significant of these adjustments were reported in our Audit Findings Report which we presented to the Audit and Standards Committee on 19 September 2013.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit and Standards Committee at the Council). We presented our report to the Audit and Standards Committee on 19 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 26 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

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Section 3: Value for Money

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

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Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Overall, our work highlighted:

- The Council's Medium Term Financial Strategy (MTFS) is regularly updated to reflect the changing economic climate
- The current MTFS has identified £58m of savings over the next three years. Almost two thirds of these savings are to be made by the Directorate of Adult, Community and Housing and the Directorate of Children's Services
- The Council carried out a large public consultation to inform its budget setting process, supported by detailed consultation with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equality issues
- The Council's financial control is demonstrated by its ability to achieve cost savings within the continually challenging economic climate
- Cash is being managed appropriately in terms of market conditions and counterparty and interest rate risks
- The Council has a sound risk management framework in place
- Financial reporting processes are robust. However, there is scope to improve the quality of financial reporting to Cabinet, in respect of spend against revenue and capital budgets, other key financial data such as debtor collection rates and speed of payment of suppliers and the savings programme.

Further details are provided in our Financial Resilience report issued in September 2013.

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Value for Money

Challenging economy, efficiency and effectiveness
We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Overall, our work highlighted:
- The Council achieved an underspend against revised budget of £1.697m in 2012/13, enabling a transfer to reserves
- Council tax and business rates collection rates continue to be above average for English metropolitan districts
- The Council's sickness levels rose to 10.63 days per FTE in 2012/13. This is the highest level since 2006/07. The average sickness levels for local government in 2011/12 was 8 days per FTE. The Council introduced a new Absence Management Policy in May 2013 which they expect to result in decreasing levels of sickness absence
- The Council's General Fund reserves have been increasing in recent years,. General Fund reserves were £19.4m at 31 March 2013 (up from £12.2m a year earlier) and are projected to rise to £20m by 31 March 2014
- Dudley's school balances have been increasing significantly and are higher than comparable authorities because schools have been encouraged to keep reserves in respect of equal pay claims that they may need to settle. This totalled around £6m of total school balances of £19.9m as at 31 March 2013. The Council expects these equal pay claims to be settled within the next 12 months which will result in the school balances reducing significantly by 31 March 2014.

Further details are provided in our Financial Resilience report issued in September 2013.

Overall VFM conclusion
On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

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Section 4: Certification of grant claims and returns

Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

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Appendices

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Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	178,177	178,177
Grant certification fee	41,000	TBC
Total fees	**219,177**	**TBC**

Grant certification work is currently underway and will not be completed until 30 November 2013. Therefore, we are not in a position to confirm actual fees for grant certification work at this point in time.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	9 July 2013
Audit Findings Report	19 September 2013
VfM – Financial Resilience Report	19 September 2013
Annual Audit Letter	16 October 2013

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Dudley
Metropolitan Borough Council

Agenda Item No. 6

Meeting of the Cabinet – 12th February 2014

Joint Report of the Chief Executive and Treasurer

Revenue Budget Strategy and Setting the Council Tax 2014/15

Purpose of Report

1. To recommend to Council the deployment of General Fund revenue resources, a number of statutory calculations that have to be made by the Council and, subject to the receipt of the Police and Fire precepts, the Council Tax to be levied for the period 1st April 2014 to 31st March 2015.

Background

2. At its meeting on 30th October 2013, the Cabinet approved a preliminary budget strategy as a basis for consultation. This report sets out revised proposals taking into account the provisional local government finance settlement for 2014/15, together with other changes to projected spending and resources resulting from the ongoing review of forecasts and assumptions. Changes to spending forecasts compared with the figures reported in October are set out in Appendix 1.

Consultation on Budget Proposals

3. Public consultation commenced in November and was carried out primarily via free online channels. This included using the e-bulletin system, which now has approximately 1,800 subscribers, as well as the website and social media channels. The public were asked for their views on the council services that they most valued. At the close of consultation on 24th January, a total of 2,488 responses had been received. These are summarised at Appendix 2.

4. The public consultation was primarily directed to people aged 18 and over. The Council has received an e-petition calling for the views of Dudley's young people to be taken into account and for funding of youth services not to be cut. As of 3rd February, the petition had 41 signatures.

5. Detailed consultation has also been undertaken with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equality issues. Where relevant the results of the consultation have been taken into account in preparing Equality Impact Assessments. In addition wider comments were received as part of the Adult Social Care budget engagement calling on the Council to challenge the Government's continued reduction in funding for the Local Authority and to consider approaches to minimise that impact. Concerns were also expressed about the Council's ability to support the demand for Adult Social Care arising from increasing demographic pressures with a reducing budget and the process of how it would identify when that demand could not be met.

6. The consultation in respect of Sure Start children's centres in Dudley commenced on 12th November 2013 and continued until 10th January 2014. The Council received 1,528 responses to the questionnaire, and 4,118 petition names, 2 brainstorming sheets, 61 letters, 79 testimonials, 9 photos, 2 parents' views and comments, 12 media cuttings and 1 DVD.

   The results of the consultation process have been taken into account and the Council has re-considered its proposals for the future delivery of the children's centres offer. The model proposes that:

   - All centres remain open;
   - The children's centres should be clustered into 5 clusters across the borough;
   - The Council should work with partners to maximise the use of the children's centre buildings.

   The model will be delivered within the Council's budget proposals.

7. Each Scrutiny Committee has considered the provisional budget proposals approved by Cabinet on 30th October.

8. Children's Services Scrutiny Committee noted the budget proposals and resolved that Cabinet be asked to consider fully the priority needs of Children and Vulnerable Adults and that they consider further the reduction by £2.3 million for Children's Centres and the impact this would have in putting children at risk. The Committee went on to consider a report of the Chair and resolved that that report should be approved as the report of the Committee on the scrutiny of Children's Centres and that:

   (a) Local Partners, during the consultation period, work together to develop alternative proposals that support the future development of integrated services in relation to early intervention. This should include proposals for 5 hubs rather than the 4 currently proposed.

   (b) Local Partners should explore opportunities for Children's Centres to become Community Hubs for health, social care and other services such as Credit Unions, Citizen's Advice Surgeries and be the meeting place of choice for community groups.

(c) Anecdotal evidence gathered during visits to Children's Centres by Committee Members highlighted the importance of Health Workers introducing families to Children's Centres and that the Committee believes that there are untapped opportunities to improve the reach of Children's Centres particularly in relation to Health Workers sign posting prospective families to Children's Centre Services and that work should be done to build on this over the next 12 months.

(d) Services provided from Children's Centres should continue to give regard to evidence based practice.

10. This matter was subsequently also considered by the Overview and Scrutiny Management Board. The Board resolved that Cabinet be recommended to consider the draft proposed model for children's centres (i.e. as set out in paragraph 6 above). The Board also resolved that Cabinet be recommended to ensure that discussions with partner organisations are continued and enlarged with a view to developing a jointly integrated service that is fit for purpose, effective, viable and sustainable for the future.

11. The Health Scrutiny Committee expressed concerns about the ramifications on services arising from the significant budget cuts which would particularly impact on vulnerable adults and children. The committee, while acknowledging and noting the report, wished for their dissatisfaction to be recorded and communicated to Cabinet.

12. The Corporate Performance Management, Efficiency and Effectiveness Scrutiny Committee, the Adult, Community and Housing Scrutiny Committee and the Urban Environment Scrutiny Committee all raised a number of questions and issues which are outlined more fully in the minutes of those committees. However, none of these committees resolved that there were any observations that they wished to make on the budget proposals.

13. A consultation meeting was held on 14th January with representatives of Non-Domestic Ratepayers to consider the provisional budget proposals approved by Cabinet on 30th October, in pursuance of the statutory duty to consult. Further detailed information (as required under the statutory duty) is being distributed, and any comments will be reported to the Council Tax setting meeting on 3rd March.

14. Unions have been consulted on the budget proposals in the context of the redundancy process.

Forecast 2013/14 Position

15. Following amendments agreed by Cabinet in October, the total service budget for 2013/14 is £248.5m. Forecast General Fund revenue spend compared with budget for each Directorate is shown in Appendix 3. The following favourable variances have now arisen:

- Earmarked reserves have been reviewed to identify any no longer required for their original purposes, which can be returned to General Balances, and £1.0m has been identified.

- As a result of the financial restructuring of Birmingham Airport, a one-off special dividend was paid to shareholders in December, of which the Council's share was £3.9m.

It is proposed that budgets be amended to reflect these variances.

16. As agreed by Cabinet in October, the Directorate of Children's Services budget for 2013/14 was increased by £3m to reflect the increasing costs of Looked After Children. Latest forecasts indicate that this may not be fully required as a result of savings elsewhere in the Directorate. However it is considered prudent not to make any further adjustments to budgets at this stage.

17. The budget for 2013/14 included a contingency of £1m to cover inflationary and other pressures in excess of those assumed when the budget was set. It is proposed that the contingency be retained. In the event that it is not required, the contingency will be set aside towards the cost of redundancies in respect of budget savings.

18. As a result of the previously approved and currently proposed amendments, the total service budget for 2013/14 would be £243.6m.

19. The latest forecast General Fund Balances position, compared to the original Approved Budget for 2013/14 is therefore as follows.

	Original Budget £m	**Latest Position £m**
Forecast balance at 31st March 2013	17.7	17.7
Effect of 2012/13 outturn	-	1.7
	17.7	**19.4**
Planned addition 2013/14	0.7	0.7
Variations approved by Cabinet in June and October	-	-0.8
Review of earmarked reserves (para 15)	-	1.0
One-off Airport Dividend (para 15)	-	3.9
Forecast balance at 31st March 2014	**18.4**	**24.2**

Budget 2014/15 and Medium Term Financial Strategy

20. In formulating the Council's Budget and Council 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 to authorities that do not increase Council Tax for 2014/15 and/or 2015/16;

(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.)

These factors need to be considered not only in terms of their impact on the 2014/15 budget, but also their impact on the medium term position, at least over 3 years.

Government Funding

21. The provisional settlement for 2014/15 (and indicative figures for 2015/16), including in particular details of Revenue Support Grant (RSG) was announced on 18th December. The opportunity was taken to respond to the Government's invitation to comment on its proposals, as summarised at Appendix 4.

22. The figures themselves were not significantly different from those indicated in the "Technical Consultation" on RSG and related matters which followed the 2013 Spending Round (SR2013) in June, and which were reported to Cabinet in October.

23. Provisional New Homes Bonus (NHB) allocations for 2014/15 were announced on 16th December, and the Council's allocation was broadly as expected. The Government has now indicated that it no longer intends to top-slice around 35% of 2015/16 NHB funding to be allocated to Local Enterprise Partnerships (LEPs).

24. For 2016/17 we do not have any detailed Government funding figures. However, based on recent Government and Opposition announcements, we have assumed a further reduction in RSG of around 25% (£13.6m) being a best estimate based on current underlying trends. This will be reviewed on an ongoing basis.

25. The Government has indicated that it will offer a grant equivalent to a 1% Council Tax increase to Councils who freeze Council Tax in 2014/15 and/or 2015/16, and that this funding will be included in the “base” position for future funding reviews.

26. The Government had previously indicated that the maximum Council Tax increase for 2014/15 and 2015/16, above which a referendum would need to be held, would be 2% for all authorities. However, when announcing the provisional settlement, the Local Government Minister stated that “we are particularly open to representations suggesting that some lower threshold be applied to all or some categories of authorities”. At the time of writing, the actual thresholds for 2014/15 had not been announced.

27. 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.

28. The 2014/15 Public Health ring-fenced grant has been confirmed as £18.974m. This represents a real increase of approximately £0.5m on the previous year. It is proposed that the Chief Executive in consultation with the Director of Public Health and Cabinet Member for Health and Wellbeing be authorised to determine allocation of the available funding for 2014/15, subject to the commitment to support Children’s Centres being proposed elsewhere in this report.

29. As part of SR2013, the Government announced the creation of a £3.8bn Integration Transformation Fund – now termed the Better Care Fund, to support the integration of health and social care, albeit including some 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). As a result of ongoing discussions with the CCG, and on the basis of latest information on the allocation of funding, our estimates of the impact on the Council’s resources have been refined and reflected in the proposals (under Directorate of Adult, Community and Housing Services) in Appendix 5. These proposals will be kept under review as local plans are developed with the CCG.

30. At the time of writing, the final Local Government Finance Settlement for 2014/15 had not been announced. It is therefore proposed that Cabinet authorises the Treasurer, in consultation with the Cabinet Member for Finance and the Opposition Spokesperson for Finance to approve any resulting minor changes to the budget proposals prior to Council on 3rd March. In the event of there being any significant changes impacting on the budget and strategy set out in this report, it may be necessary to bring those back to a special meeting of Cabinet.

Other Forecasts

31. The new Local Government Pension Scheme comes into operation from April 2014 and the contribution requirements of the 31 March 2013 triennial actuarial valuation also commence on 1 April 2014. The new scheme design has a 49ths accrual rate and is based on Career Averaged Revalued Earnings (CARE) with benefits indexed up to retirement age in line with CPI. A key change is that the retirement age is linked to State Pension Age. Based on the Council's membership profile, the new scheme is considered less expensive than the current scheme (which is a final pay scheme with a 60ths accrual and a retirement age of 65). However, the adverse effect of market conditions (primarily low interest rates which have a direct correlation to the discount rate) will more than offset this. As such, there will be a requirement for an increase in the Council's Future Service employer contributions and Past Service Deficit contributions from 1st April 2014. In appreciation of the increases faced by employers, aligned to known budgetary constraints, the Fund has provided phasing options to those employers with the strongest covenants i.e. the District Councils. Discussions with the Pension Fund are ongoing, but the financial forecasts in this report are based on an option under which both Future Service employer contributions and Past Service Deficit contributions would be stepped up over the period 2014/15 – 2016/17. In respect of the Past Service Deficit, the difference between stepped contributions and un-stepped contributions would then be added to the contributions certified by the Fund actuary for the period 2017/18 to 2019/20 (i.e. an additional £2.5m per annum). It is proposed that Cabinet notes these arrangements including the implications for the Council's budgets for 2017/18 – 2019/20 and authorises the Treasurer, in consultation with the Cabinet Member for Finance and the Opposition Spokesperson for Finance, to continue discussions with the Pension Fund and bring final proposals for approval by Full Council on 3rd March.

32. In addition to the direct impact of changes in employer pension contributions, the current National Insurance rebate for employees and employers for "contracting" out of the Additional State Pension into the Local Government Pension Scheme will end from 1st April 2016 as part of the move to the new Single Tier State Pension from that date. Although the Government has indicated the impact of this on public sector employers will be taken into account in funding allocations, it would not be prudent to assume this means the cost will be funded.

33. Following consultation on the Council Tax Reduction (CTR) scheme, the Council agreed at its meeting on 2nd December that the scheme be amended from 1st April 2014 to be based on the eligibility and calculation rules of the current scheme with a 20% cut in the resulting level of the reduction; and that a transitional arrangement of an 8.5% cut in the calculated reduction apply at least up to 31st March 2015 with full protection from any scheme changes being given to pensioners, disabled adults, disabled children, war pensioners and lone parents with a child under 5. This has been reflected in the calculation of the Council's tax base for 2014/15 and forecasts for future years, along with other estimated changes.

34. The “localisation” of Business Rates from 1st 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 previous forecasts. It is estimated that there will be a Collection Fund surplus of £0.414m in respect of Business Rate items at 31st March 2014 of which Dudley’s share of £0.203m can be utilised to support the 2014/15 revenue budget.

The Chancellor’s Autumn Statement included a number of items impacting on individual Business Rates bills. These included the capping of increases for 2014/15 at 2% (rather than in line with RPI which is the default), extension of the doubling of Small Business Rate Relief for another year, and some new reliefs particularly relating to retail premises. The Government has indicated that local authorities will be compensated in full for the impact of these changes via a specific grant, although full details have not yet been provided.

35. It is estimated that there will be a Collection Fund surplus of £1.543m in respect of Council Tax items at 31st March 2014 of which Dudley’s share of £1.356m can be utilised to support the 2014/15 revenue budget.

36. 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 up to £2m higher than reflected in previous MTFS assumptions, of which £1m can be met from reallocating the contingency budget for 2014/15 onwards.

37. The Integrated Transport Authority (ITA) is planning to set its levy for 2014/15 on 14th February. On the basis of its public consultation proposals, the ITA’s expenditure will reduce by 5% in 2014/15, and by a further 5% in 2015/16, and we have assumed that Dudley’s share of the levy will reduce accordingly. Any change to the ITA’s proposals, and ensuing implications, will be reported orally to Cabinet. It is also proposed that Cabinet authorises the Treasurer, in consultation with the Cabinet Member for Finance and the Opposition Spokesperson for Finance, to approve any subsequent changes to the budget proposals arising from the ITA’s actual levy setting prior to Council on 3rd March. In the event of there being any significant changes impacting on the budget and strategy set out in this report, it may be necessary to bring those back to a special meeting of Cabinet.

Base Budget Forecasts

38. The following key assumptions have been made, and are also referred to in the risk analysis in paragraph 57.

(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.

39. Details of Base Budget Forecasts for the next three years are set out below.

	2014/15 £m	**2015/16 £m**	**2016/17 £m**
2013/14 Base	247.6	247.6	247.6
Pay & Prices	2.8	5.6	9.0
Capital Programme and Treasury	-1.7	-1.0	-2.1
Pensions and National Insurance	1.2	2.8	6.2
Other Adjustments (*)	-0.5	0.6	1.0
Base Budget Forecast	**249.4**	**255.6**	**261.7**
% change year-on-year	+0.7%	+2.5%	+2.4%

(*) 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 36 above).

Spending Pressures

40. 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
Adult, Community and Housing			
Increased numbers of adults with learning disabilities	346	721	1096
Increased number of clients with dementia	582	1164	1746
	928	**1885**	**2842**
Children's Services			
The demand for placements of looked after children in 2013/14 (LAC) exceeds the 2013/14 base budget by £3.0m.	3000	3000	3000
	3000	**3000**	**3000**
Urban Environment			
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
	186	**363**	**520**
Total	**4114**	**5248**	**6362**

These proposals are as reported to Cabinet in October.

Savings

41. 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 40 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 5.

	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Adult, Community and Housing	3350	13251	15357
Urban Environment	1590	5992	6092
Children's Services	3309	5537	5787
Corporate Resources	1143	5174	5628
Chief Executive's	100	688	751
Total	**9492**	**30642**	**33615**

42. Changes compared with proposals reported to Cabinet in October are detailed in Appendix 1. These include the impact of latest estimates of the Council's Better Care Funding allocation and further efficiency savings resulting from ongoing review of expenditure, including benchmarking against other authorities.

Human Resource Implications

43. As at 21st January 2014, there had been a total of 519 requests for voluntary redundancy.

44. 445 requests from the 519 could not be accepted due to the fact that the loss of these posts would compromise the needs of the service at this time and 15 requests have been withdrawn by the employee. 53 requests for voluntary redundancy have been accepted and are now being progressed with the individuals concerned, 50 of which have been authorised through the delegated process as of 31st January. Of these, 30 have pension implications.

45. There is 1 request that requires further consideration, for example where a service area with budget savings has had an excess of volunteers, requiring the establishment of selection pools to determine the most suitable employees to be accepted for voluntary redundancy.

46. It is likely that some compulsory redundancies will still be required to completely achieve the savings for 2014/15 set out in this report. As in previous years many of these we would hope to redeploy into a vacant post or redundancy bump from the list of employees expressing an interest in voluntary redundancy

47. Under the council's policy and procedures for managing restructures and employees at risk of redundancy it is stated that – "When it becomes clear that there is a need for one or more posts to become redundant, during times of major budget cuts, restructures or cessation of funding, the Council may decide, if appropriate, to consider voluntary redundancy as a way of minimising or avoiding compulsory redundancy. This decision must be approved by Cabinet by Cabinet Report or Decision Sheet signed by the Lead Member for HR in Consultation with the Assistant Director of HR & Organisational Development"**.** Whilst there has been a council wide expression of interest process for voluntary severance, due to the need to make significant budget savings, it is logical that during any major restructure involving the potential loss of posts due to compulsory redundancy that further opportunities to apply for voluntary redundancy from affected service areas is considered. Such a case is that of the Children's Centres restructuring to make budget savings following public consultation. Cabinet is therefore asked to authorise directors to offer, through HR, the opportunity of volunteering for redundancy to employees whose service is undergoing a restructure involving the saving of posts. Cabinet is also requested to agree the continued use of the delegated approvals process for any voluntary or compulsory redundancies. Using the list of employees who expressed an interest in voluntary redundancy in November 2013 redundancy bumping opportunities will be explored with any compulsory redundancies that arise.

48. Any compulsory redundancies will be managed in accordance with both the Managing Employees at risk of Redundancy and the Retraining & Redundancy policies. Consultation with employees identified as being at risk has commenced.

49. 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 any direct redundancy costs can be met from the budget contingency not required (see para 17 above) or from resources earmarked for committed capital expenditure (which in turn could be funded from prudential borrowing). For staff whose employment ceases on any date up to 31st March 2014, where there is a cost of immediate access to pension, this cost can be met from the relevant allowance built into the Council's pension fund contributions. For staff whose employment ends at a later date, any such cost will have to be met in the same way as direct redundancy costs.

Medium Term Financial Strategy

50. The Medium Term Financial Strategy (MTFS) 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. It provides a context for decisions on the 2014/15 budget and council tax.

51. The principles underlying the MTFS are set out in Appendix 6. They apply to all aspects of Council activity, including the Housing Revenue account (HRA).

52. 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
Base Budget Forecast - see para 39	249.4	255.6	261.7
Pressures - see para 40	4.1	5.2	6.4
Savings - see para 41	-9.5	-30.6	-33.6
Total Service Spend	**244.0**	**230.2**	**234.5**
Revenue Support Grant (RSG)	75.5	54.5	40.8
Retained Business Rates	45.6	48.3	50.0
Top-Up Grant	14.9	15.3	15.7
Business Rate Grant*	2.9	1.4	0.8
New Homes Bonus	3.4	4.1	4.8
New Homes Bonus Adjustment Grant	0.2	0.5	0.5
Council Tax Freeze Grant**	1.1	2.3	3.5
Collection Fund Surplus – Council Tax	1.4	-	-
Collection Fund Surplus/-Deficit – Business Rates***	0.2	-0.7	-0.7
Council Tax	94.6	95.4	95.9
Total Resources	**239.8**	**221.1**	**211.3**
Deficit funded from Balances	**4.2**	**9.1**	**23.2**
Balances brought forward	24.2	20.0	10.9
Balances carried forward (see para 54)	**20.0**	**10.9**	**n/a**

*To meet the cost of extending the doubling of Small Business Rate Relief, capping increases to 2%, etc. as set out in paragraph 34
**Included in RSG for previous years
***Forecast deficit in 2015/16 and 2016/17 as a result of technical accounting issues relating to backdated appeals

53. The table above reflects the proposal that Council Tax should be frozen for 2014/15 and that Council Tax Freeze Grant (CTFG) should be accepted. It also reflects, as a prudent basis for forecasting, a similar position in 2015/16 and 2016/17. It should be noted that no announcement has been made by the Government in respect of CTFG for 2016/17 but that, in any case, it will be necessary to review these assumptions year on year. The resource implications are considered in Appendix 7.

54. The table above shows an improvement compared to the financial forecast that was reported to Cabinet in October, mainly as a result of changes to savings proposals (summarised in Appendix 1). However, the position remains difficult with forecast deficits worsening year on year. Balances are adequate to fund these deficits for 2014/15 and 2015/16 but, based on the forecasts above, further action will be required by 2016/17 at the latest over and above the savings proposed in this report.

55. Given the scale of savings already delivered over the last three years and proposed for the next three years as well as the remaining financial challenge set out above, it is proposed that work be undertaken in the following areas:

(a) A review of services where there is an existing mature market for outsourcing, considering the scope to deliver further savings, over and above those already proposed in this report, subject to wider issues including the impact on jobs and the local economy and the length and flexibility of any contract.

(b) A review of services to Looked After Children taking account of comparisons with other local authorities and exploring any potential to achieve service improvements and savings from changes to care practices.

(c) A review of the Council's property assets with a view to consolidating the delivery of services where possible from a smaller number of buildings.

(d) Consideration of options for new or increased fees and charges for services.

(e) Prioritisation of services in light of Council Plan aims and public consultation results, recognising that as a last resort in the event that other measures are insufficient to deliver a balanced budget, it may become necessary to reduce some services to a statutory minimum level or cease to provide some services altogether.

It is proposed that the Chief Executive and Directors in consultation with the Leader, Deputy Leader and relevant Cabinet Members explore the areas set out above and report back with specific proposals to Cabinet in July.

56. As in previous years, it is essential that the Chief Executive and Directors seek to manage spending within approved budget levels and continue to review and re-allocate earmarked reserves where these are no longer required for their original purpose.

Estimates, Assumptions & Risk Analysis

57. It was noted in the previous report to Cabinet that the budget forecasts and resource levels were based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended either before the budget and Council Tax for 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 now include:

(a) Revenue Support Grant for 2015/16 is as per the indicative figures announced with the 2014/15 settlement, 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 (net of appeals etc.) will be in line with current forecasts;

(c) the cost of Council Tax Support awarded will not substantially exceed forecasts.

(d) New Homes Bonus funding for future years increases at the same underlying rate as for 2014/15.

(e) Single Status and Equal Pay costs are no more than estimated;

(f) general levels of inflation, pay and interest rates do not vary materially from current forecasts;

(g) income and expenditure relating to treasury management activity, including airport dividend income, are in line with forecasts;

(h) the impact of schools transferring to academy status can be managed within existing Directorate budgets;

(i) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;

58. An impact assessment of the significant risks which Members should consider prior to agreeing a budget and MTFS is set out in Appendix 7.

59. In mitigation, any unbudgeted costs would have to be met from further economies or reductions in planned spending or (temporarily) from balances.

Detailed 2014/15 Budget Proposals

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

Revenue Budget Allocations 2014/15

Service	**£m**
Children's Services	70.585
Adult, Community and Housing Services	102.780
Urban Environment	56.163
Corporate Resources	10.652
Chief Executive's	3.858
Total Service Budget	**244.038**

Details of each service's budgets analysed by main divisions of service are shown at Appendix 8.

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

Funding the Revenue Budget 2014/15

Source of Funding		2013/14 £m	2014/15 £m
Dudley MBC Service Budget		247.625	244.038
Less:	Formula Grant / Revenue Support Grant	(90.443)	(75.554)
	Retained Business Rates	(43.814)	(45.607)
	Business Rate Grant*	(1.427)	(2.865)
	Top-Up Grant	(14.602)	(14.886)
	New Homes Bonus (NHB)	(2.468)	(3.423)
	New Homes Bonus Adjustment Grant	(0.510)	(0.211)
	Council Tax Freeze Grant 2013/14*	(1.138)	-
	Council Tax Freeze Grant 2014/15	-	(1.146)
	Collection Fund Surplus – Council Tax	(1.142)	(1.356)
	Collection Fund Surplus – Business Rates	-	(0.203)
Contribution to / (from) General Balances		0.738	(4.158)
Dudley's Council Tax Requirement		**92.819**	**94.629**
Tax Base		82478.38	84087.69
COUNCIL TAX (Band D) FOR DUDLEY		**1125.37**	**1125.36**

*Included in RSG in 2014/15

62. It is being proposed that the Council approves the statutory calculations required by virtue of Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as set out in Appendix 9.

63. The proposed Dudley MBC Council Tax for a Band D property for 2014/15 of £1125.36 represents a freeze compared to 2013/14. A referendum will therefore not be required in respect of the Council's own element of overall Council Tax. At the point of writing this report it is not possible to say what might be the consequence of decisions on the Police and Fire and Rescue precepts.

64. The total levels of Council Tax, which will be considered by the Council at its meeting on 3rd March 2014, will include the precepts for Police and Fire and Rescue. It will, therefore, be necessary to incorporate the figures for the precepts in the Budget Report to Council.

65. The Local Government Act 2003 requires the designated Chief Finance Officer of the authority (the Treasurer) to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves. The Treasurer's report is set out in Appendix 10. The authority also has 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.

Pay Policy Statement

66. Under provisions contained in the Localism Act 2011, the Council is required to prepare an annual Pay Policy Statement setting out its policies for the financial year relating to the remuneration of chief officers; the remuneration of the lowest paid employees; and the relationship between the remuneration of chief officers and that of other employees. Supplementary guidance (statutory guidance under section 40 of the Localism Act 2011) was issued in February 2013 by the Department for Communities and Local Government. The Pay Policy Statement has to be approved by a resolution of full Council on an annual basis no later than 31st March. The Act's provisions add to the range of transparency obligations already placed upon local authorities. This includes data required to be published under the Code of Recommended Practice for Local Authorities on Data Transparency and by the Accounts and Audit (England) Regulations 2011. The proposed Pay Policy Statement 2014 is attached at Appendix 11.

Finance

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

Law

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

69. 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.

70. The Local Government Act 2003 requires the Treasurer to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.

71. 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. The limit for 2014/15, before a referendum is required, had not been announced at the time of writing.

72. It is important for Members to note that Sections 30(6) and 31A(11) of the Local Government Finance Act 1992, impose a statutory duty upon the Council to calculate its council tax requirement and to set its Council Tax for 2014/15 before the 11th March, 2014.

73. The provisions relating to pay accountability are contained in Chapter 8 (Sections 38 to 43) of the Localism Act 2011 and associated guidance. For the purposes of the Pay Policy Statement, senior management is taken to mean ‘chief officers’ as defined in Section 43 of the Localism Act 2011. The Act specifies that the functions relating to pay accountability are not executive functions. Section 101 of the Local Government Act 1972, which gives local authorities powers to arrange for the discharge of their functions by committees, officers or other local authorities, does not apply to these functions. This means that full Council must approve the document. In complying with the duties in respect of pay accountability, the Council must also have regard to any guidance issued or approved by the Secretary of State.

<u>Equality Impact</u>

74. 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.

75. 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.

76. 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.

77. 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.

78. 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.

79. Original budget proposals were presented to Cabinet on 30th October 2013. An initial assessment of these proposals was made, and where proposals were considered likely to have a significant equality impact, they underwent an equality impact assessment informed by consultation with the protected groups who may be adversely affected. All changes made to budget proposals since October are set out in Appendix 1.

80. A list of equality impact assessments is shown at Appendix 12. Copies will be provided to Cabinet Members and Opposition Spokespersons, and are also available in the Members' Room or can be obtained from Democratic Services.

81. In making decisions on budget proposals, Members need to have due regard to the Public Sector Equality Duty alongside the forecast financial position, risks and uncertainties set out in this report. Actions to mitigate the impact of savings have where necessary been taken into account in equality impact assessments.

82. 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

83. That Cabinet recommends the Council approves the following:

- The budget for 2014/15, and service allocations as set out in the report.

- That the statutory amounts required to be calculated for the Council's spending, contingencies and contributions to reserves; income and use of reserves; transfers to and from its collection fund; and council tax requirement, as referred to in Section 67(2)(b) be now calculated by the Council for the year 2014/15 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 9 of this report.

- That, having calculated the aggregate in each case of the amounts in Appendix 9, 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 2014/15.

Valuation Bands

A	B	C	D	E	F	G	H
£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
750.24	875.28	1000.32	**1125.36**	1375.44	1625.52	1875.60	2250.72

- plus the amounts to be notified for the Police, and Fire and Rescue precepts.

- The revision of 2013/14 budgets to reflect the variances set out in paragraph 15 of the report.

- That the Chief Executive in consultation with the Director of Public Health and Cabinet Member for Public Health be authorised to determine allocation of the available public health grant funding for 2014/15.

- The Medium Term Financial Strategy as set out in the report.

84. That the Treasurer be authorised, in consultation with the Cabinet Member for Finance and the Opposition Spokesperson for Finance to approve any changes to the budget proposals resulting from the Final Local Government Settlement and the setting of the ITA Levy prior to Council on 3rd March, as set out in paragraphs 30 and 37.

85. That Cabinet recommends the Council determines that a referendum relating to Council Tax increases is not required in accordance with Chapter 4ZA of Part 1 of the Local Government Finance Act 1992.

86. That the Cabinet Members, 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.

87. That the Chief Executive and Directors be reminded to exercise strict budgetary control in accordance with the Financial Management Regime and care and caution in managing the 2014/15 budget, particularly in the context of commitments into later years and the impact that any overspending in 2014/15 will have on the availability of resources to meet future budgetary demands.

88. That the Chief Executive and Directors in consultation with the Leader, Deputy Leader and relevant Cabinet Members be authorised to explore the areas set out in paragraph 55 and report back with specific proposals to Cabinet in July.

89. That Cabinet notes the arrangements for Local Government Pension Scheme employer contributions set out in paragraph 31, including the implications for the Council’s budgets for 2017/18 – 2019/20, and that it authorises the Treasurer, in consultation with the Cabinet Member for Finance and the Opposition Spokesperson for Finance, to continue discussions with the Pension Fund and bring final proposals for approval by Full Council on 3rd March.

90. That Cabinet authorises directors to offer, through HR, the opportunity of volunteering for redundancy to employees whose service is undergoing a restructure involving the saving of posts.

91. That Cabinet authorises the continued use of the delegated approvals process for any voluntary or compulsory redundancies.

92. That Cabinet recommends the Council approves the Pay Policy Statement 2014 as set out in Appendix 11.

John Polychronakis
Chief Executive

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Treasurer

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List of Background Papers
Provisional Local Government Finance Settlement papers and electronic communications.
Budget Report to 30th October 2013 Cabinet.

Appendix 1

Amendments since report to October Cabinet

Savings	**2014/ 15 £'000**	**2015/ 16 £'000**	**2016/ 17 £'000**
Total reported to October Cabinet	**8658**	**17513**	**25767**
Adult, Community and Housing			
Latest estimates of Better Care Fund income	-	4894	(2106)
Further savings from Health Integration	-	-	2106
Further efficiency savings	-	1650	1650
Urban Environment			
Further efficiency savings	100	2400	2400
Children's Services			
Acceleration of previously proposed savings	272	-	-
Further efficiency savings	-	700	700
Corporate Resources			
Acceleration of previously proposed savings	419	387	-
Further efficiency savings	43	3098	3098
Revised Total	**9492**	**30642**	**33615**

Overall Summary

	2014/15 £m	**2015/16 £m**	**2016/17 £m**
Service Spend Forecast – October	**245.4**	**243.8**	**242.4**
Review of savings (as above)	-0.8	-13.1	-7.8
Increased pension costs.	0.5	1.1	1.5
Revised ITA Levy forecasts	-0.9	-1.7	-1.7
Other adjustments	-0.2	0.1	0.1
Revised Service Spend Forecast	**244.0**	**230.2**	**234.5**

Appendix 2

Your Council Tax – The Big Question
Public Consultation Results

Your Council Tax – The Big Question Public Consultation Results 2014/15

General Returns Data

When the consultation closed on 24th January 2014 a total of 2,597 responses had been received. 109 of these responses could not be validated to be within the Borough. 31 respondents did not provide a postcode and a further 78 postcodes were incorrect or outside the Borough. These have been removed, leaving a total of 2,488 responses analysed for this report. This number of responses is well above the minimum number of 1,100 needed, in order to be statistically representative at the Borough level.

Results

Which of the at-risk services listed below do you most value?

Service	Number	Percent
Refuse collection & recycling	1789	72.4
Roads & street lighting	1472	59.5
Litter & street cleansing	1463	59.2
Services for older people	1442	58.3
Child protection & family support	1344	54.4
Disabilities & mental health for children and adults	1326	53.6
Parks & nature reserves	1102	44.6
Community safety	1061	42.9
Libraries & adult learning	1044	42.2
Supporting children's learning	1010	40.9
Leisure centres & sports development	806	32.6
Food hygiene, air quality & trading standards	778	31.5
Physical regeneration & job creation	703	28.4
Town halls, museums & our heritage	682	27.6
Youth services	671	27.1
Benefits & other welfare services	626	25.3

The street scene remains the top priority for residents, with refuse collection and clean and well lit streets. Traditional social care services are the next most important services with leisure services and heritage having less priority.

<u>Demographics</u>

Gender

A total of 2,412 people answered the question about their gender. The gender split was 48% male and 52% female, which is very close to the Borough figures of 49% and 51% respectively.

The biggest differences in opinion were:

- Females were more likely to value child protection and the support of children's learning (16 percentage points difference).
- Males placed more emphasis on litter and street cleansing than females (8 percentage points difference)

Age Groups

Age Group	Number	Survey %	Borough %
18-24	61	3	10
25-44	768	31	33
45-64	1060	44	33
65 and over	526	22	24

A total of 2,415 people answered the question about their age. The survey roughly represents the age profile of the Borough. The under 45's are under-represented and the 45 year olds and over are over-represented. This is quite common for any consultation and in line with previous budget surveys.

Differences by age were largely related to each age group's lifestyle. For instance, the main child raising age group of 25-44, valued children's social care and education, together with sport and leisure.

The 45 to 64 year old age group valued community services such as parks, nature reserves, museums and art galleries. They also expressed higher values for food hygiene and air quality, jobs and regeneration.

Those aged 65 and over, expressed higher values in services generally and in particular, services for older people, libraries, litter and community safety.

For those aged 18 to 24, responses were too small in number to be statistically reliable.

Ethnicity

A total of 2,394 people answered the question about their ethnicity. The ethnic split of this consultation was 94.9% White Groups and 5.1% all other groups. The borough figures are 90% White Groups and 10% all other groups.

Responses from groups other than White were too small to be reliably representative.

Long Term Limiting Illness (LLTI)

15% of respondents answered yes to the question about having a long term limiting illness. The Borough figure is 20%. Benefits, other welfare services and services for older people were valued more by those with an LLTI.

Appendix 3

Latest Forecast 2013/14

Directorate	**Revised Budget £m**	**Outturn £m**	**Variation £m**	
Adult, Community and Housing	103.759	103.759		
Children's Services	71.613	71.613		
Urban Environment	56.260	56.260		
Chief Executive's	3.718	3.718		
Corporate Resources	13.145	9.245	-3.900	See note 1
Total Service Costs	**248.495**	**244.595**	**-3.900**	

Note 1: Special airport dividend.

Appendix 4

Key Points in Dudley's response to Provisional 2014/15 Finance Settlement

We were disappointed that the consultation covered mainly issues of a technical and/or relatively low value nature (to which we responded as appropriate) but did not give any opportunity to comment on key issues, on which we had made representations in response to previous consultations, in particular:

- for Local Government to continue to suffer a disproportionate share of the deficit reduction is unsustainable;
- the "damping" now locked into the funding allocations, and the top-slicing of Revenue Support Grant (RSG) to fund New Homes Bonus continue to unfairly reduce funding for authorities like Dudley;
- Council Tax Freeze Grant (CTFG) will continue to disproportionately reward authorities who have set high levels of Council Tax in the past; authorities should be able to set Council Tax levels based on their own circumstances and to this end resources set aside in the proposed settlement for CTFG relating to 2014/15 and 2015/16 council tax should be added back to RSG for distribution to all authorities.

Although not covered by the consultation, in response to the Local Government Minister's statement in connection with Council Tax referendum threshold principles that "we are particularly open to representations suggesting that some lower threshold be applied to all or some categories of authorities," we commented as follows.

- We believe as a matter of principle that democratically elected authorities should be able to make their own decisions about council tax in light of all relevant facts and local circumstances. If this is not to be the case and "excessive" council taxes are to be subject to referendums, then we believe that there should be a consistent definition of excessiveness. The current system does not achieve this. With a Council Tax currently over 9% below the national average for Metropolitan Districts, a 2% threshold would require Dudley to hold a referendum to set a Council Tax of £1147.88, whilst the average Metropolitan District could set a Council Tax of £1250.11 without a referendum. This cannot be logical. If there are to be referendums and if there are to be differential referendum thresholds, then these should reflect authorities' different starting points and seek to address the anomaly highlighted above.

Proposed Savings

Adult, Community and Housing	2014/15	2015/16	2016/17
	£'000	£'000	£'000
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	1871	1871
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 the length of stay. This would result in a transfer of resources within the health and social care system to Social Care from Health.	1267	8337	8337
Health Integration – Working together with the Clinical Commissioning Group for Dudley we will introduce new ways in which people access care and support including the integration of Health and Social Care teams. This will deliver efficiency savings both in respect of staffing costs but also in respect of the costs of services provided and accessed by people in the community.	0	0	2106
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

Adult, Community and Housing	2014/15	2015/16	2016/17
	£'000	**£'000**	**£'000**
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	250	250
Libraries Archives and Adult Learning – Planned efficiencies across management and infrastructure costs whilst maintaining local provision.	272	272	272
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
Queens cross day centre - This proposal would see the council looking for a different delivery model for the centre and a different remit for the centre its self	0	100	100
Unicorn day centre – this is a day centre for people with profound Learning Disabilities. This option would see a different delivery model being identified for the centre.	0	300	300
Employment plus – this is a service that looks for employment opportunities for people with disabilities. The saving would be achieved through providing the service through a different delivery model and identifying efficiencies through the current use of resources	0	200	200
Total	**3,350**	**13251**	**15357**

Urban Environment	2014/ 15	2015/ 16	2016/ 17
	£'000	**£'000**	**£'000**
Service related savings			
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
Office staff related savings			
Staff related savings across all Divisions of the Directorate	317	3275	3275
Income generation			
Increase car parking charges	225	225	225
Other efficiency and contractual savings			
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
Redesign of Pest Control service	0	100	100
Review of rechargeable Green Care workloads	0	200	200
Total	**1,590**	**5,992**	**6,092**

Children’s Services	2014/15	2015/16	2016/17
	£’000	£’000	£’000
Directorate Accommodation savings and the relinquishing of property leases.	237	237	237
Education Services 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
Education Services 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
Quality and Partnership Reduce voluntary and community sector commissioning budget.	10	60	60
Education Services 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.	50	250	250
Quality and Partnership Savings will be achieved by releasing a 1fte vacant post and reducing the commissioned service for early Intervention mental health work.	110	110	110
Asset Management Asset Management Services will increase their traded service income targets and /or make staffing reductions.	40	90	90
Children’s Centres A consultation on the future delivery of the Children's Centre service in Dudley has been undertaken. The original proposal was to close 7 centres and reorganise the remaining centres into 4 clusters. Following consultation, a revised model of delivery has been developed retaining all 20 children’s centres in 5 clusters together with a restructure of family support and partner contributions from the Dedicated Schools Grant.	1,310	1,760	1,760
Children’s Centres Review the scope for closer integration between children’s centres and the health visitor service focussing on improving health and wellbeing outcomes for children and families. This will involve a contribution from Public Health Grant to sustain the service in the short term pending the delivery of savings from integration during 2015/16.	190	540	540

Children's Services	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Education Services 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
Education Services A service review of Early Years activities has released 2.5fte vacant posts to save £0.110m. The remaining £0.050m will be saved from either additional traded service income and/or a redesign of the Early Years service delivery with potential staff reduction.	120	160	160
Education Services The saving will be achieved by the release of 4.7fte vacant Education Improvement Advisor (EIA) posts together with a review of traded service income and a potential further staff reduction.	185	426	461
Directorate The Directorate will review and redesign its service provision from April 2014. This will include the release of 10 fte vacant posts saving £0.300m; service restructures saving £0.060m will result in some staff reduction; additional income targets of £0.100m; and other efficiencies of £0.300m.	207	704	759
Quality and Partnership 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
Education Services 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.	20	70	70
Total	**3,309**	**5,537**	**5,787**

Corporate Resources	2014/15	2015/16	2016/17
	£000	£000	£000
ICT - service redesign, management savings, rationalisation of equipment and licenses and contract renegotiation following the consolidation of corporate and directorate ICT teams and reflecting the council's accommodation strategy and reducing workforce.	391	1,307	1,307
Accountancy - service redesign and management savings, focussing on strategic financial management and reducing non-core and transactional activity.	222	722	722
100% Removal of Risk Management Funding	195	195	195
Other management and staff savings in the Treasurer's Division.	97	152	152
Staff and management savings from Law & Governance Division	155	330	365
Increase Management & Valuation / conveyancing / lease income	0	5	25
Directorate Management Restructure	0	0	100
Customer Services - service redesign focussing mainly on self service / automation, reducing non-statutory activity, a payments review and management & staff savings	54	643	900
HR & OD - Management and staff savings	29	897	939
Office accommodation Savings	0	423	423
Staff, energy and further efficiency savings within a consolidated property function	0	500	500
Total	**1,143**	**5,174**	**5,628**

Chief Executive's	2014/15	2015/16	2016/17
	£'000	£'000	£'000
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
Total	**100**	**688**	**751**

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.

10. The Budget Review will accord with the Council's statutory duties including consideration of the public sector equality duty in Section 149 of the Equality Act 2010. The detailed review process to be used will be subject to annual revision as necessary.

Reserves and Balances Policy

11. In consultation with the Treasurer, Directorates may establish earmarked reserves from within their cash-limited budgets to properly reflect ongoing financial commitments, 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. All earmarked reserves will be periodically reviewed. Any reserves no longer required for their original purpose will be transferred to General Balances.

14. A Corporate “Reserve of Last Resort” will also be maintained to cover unforeseen events that cannot be met from within cash-limited budgets, earmarked reserves, or uncommitted General Balances.

15. General Balances will be managed to enable spending pressures and resources to be balanced over the medium term.

16. In accordance with legislative requirements, the Treasurer 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.

Budget Realignment - Pressures

24. As part of the annual budget review, proposals will also be considered for additional expenditure to meet spending pressures arising from:
- Legislative change;
- Demographic change;
- Customer needs;
- Performance standards / Government targets;
- Fall-out of specific grants, or other reductions in income.

Each pressure will be 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.

25. 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.

26. A package will be agreed in the light of overall resource availability.

27. 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.

Budget Realignment - Value for Money Efficiency Review

28. All services will be subject to regular reviews to ensure the best use is being made of resources across the Council. This will include a detailed justification of resources required after determining service objectives; establishing the level of service needed to meet those objectives; and ground-up costing. Where relevant, evidence from other authorities will be used to inform the reviews.

Budget Realignment - Other Savings

29. 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.

30. As a result of the above, proposals will be brought forward for savings in light of the Council's overall financial position. In particular, options will be considered which might result from:
- Additional income from fees and charges;
- Additional external funding;
- Review of low priority spending.

Each saving will be considered in the light of:

- A risk assessment relating to achievability;
- A risk assessment relating to service and equality impacts that take into consideration the public sector equality duty under the Equality Act 2010. Members will effectively assess potential impacts on protected groups, consider how to mitigate them and demonstrate how communities and groups have been consulted with as part of the decision making process.
- Any one-off costs involved in achieving the saving.

31. Once approved, the implementation of any budget reductions will be monitored as part of normal budget and output monitoring processes.

Capital Programme

32. 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.

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

34. 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

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

36. 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

37. 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.

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

External Funding and Partnerships

39. 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.

40. With regard to specific grants, the anticipated level of funding (where known) over the medium term is taken into account when reviewing budgets as part of the MTFS - particularly where new/ increased grant funding can contribute to meeting budget pressures, or where the fallout of existing grant may create a budget pressure in itself if the need for the underlying expenditure is ongoing.

41. With regard to partnerships, the Council will use its Partnership Evaluation Tool to ensure that its many partnerships continue to be appropriate means of delivering its aims and objectives in a value for money manner. For the key partnerships operating throughout the Council, the joint plans agreed with partners and other stakeholders will include detailed financial elements - including each partner's medium term financial (or other resource) commitment. These will be consistent with the Council's budget and MTFS.

42. 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.

43. For all external sources of funding or partnership support, an exit strategy will be put in place.

Consultation

44. The Community Strategy and Council Plan which determine the priorities for the MTFS, Capital Programme and annual revenue budget are subject to extensive consultation with the general public and other stakeholders and partners.

45. In addition, public consultation will be undertaken as appropriate during the budget process.

46. Detailed consultation will be undertaken with groups and organisations identified as being potentially affected by the specific savings proposals, with a particular emphasis on equalities issues. In making decisions Members will have due regard to the public sector equality duty under the Equality Act 2010.

47. In accordance with the Council's Constitution, the Scrutiny Committees are consulted on the Cabinet's budget proposals and any related specific issues relevant to their Council Plan and service responsibilities. In framing their responses, the Scrutiny Committees are asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.

48. The Council is required by law to consult with representatives of Business Ratepayers each year before the final budget and Council Tax are agreed.

Appendix 7

Risk Assessment

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

Risk	**Impact**
Single Status and Equal Pay Back Pay	Figures included in spending forecasts are based on best estimates at this time, but are subject to the outcome of outstanding appeals and claims.
General inflation and staff pay awards higher than budgeted	The Council is expecting pay awards for local government to be settled at very low levels in the next few years. We are making sufficient provision to cover a 1% annual increase in pay. The budget provision for prices assumes that competitive contract management and tendering will continue to minimise the impact of price rises on Council budgets. We are therefore proposing a provision of around 2% per annum. A 1% increase in inflation would cost (excluding Schools) around £1.2m extra per year in respect of pay and £1.5m in respect of prices.
Interest rates higher / lower than expected	A 1% change either way in short term interest rates would not have a material impact as the majority of borrowing is at long term fixed rates, and estimates of interest earnings are prudent.
Change in Employer's Superannuation Contributions	The employer's superannuation contributions are set for the three years up to and including 2016/17. Contributions in subsequent years are sensitive to demographic changes, market conditions and pension regulations. Contributions for 2017/18 - 2019/20 will include £2.5m per annum addition to the contributions certified by the fund actuary as a result of the 2016 actuarial valuation.
Income levels not achieved	A 1% loss of income (excluding grants & interest) would cost the Council around £0.3m per year.
Other unplanned events, or assumptions not in line with forecasts	Unforeseen costs or costs greater than estimated - including those arising from demographic pressures.
Revenue Support Grant, lower than assumed	We have assumed Revenue Support Grant for 2015/16 is as per the indicative figures announced with the 2014/15 settlement and for 2016/17 we have assumed further reductions in light of Government and Opposition indications of ongoing national deficit reduction. A 1% shortfall compared with 2014/15 would reduce annual resources by £0.8m.

Better Care Fund	The Council's access to this funding will depend on ongoing discussions with the CCG and the delivery of agreed outcomes. Each 1% shortfall in such funding would reduce annual resources by £0.1m.
New Homes Bonus lower than assumed	We have assumed New Homes Bonus funding for future years increases at the same underlying rate as for 2014/15. Failure to increase would reduce annual resources by £0.7m cumulatively.
Business Rate income lower than assumed	We have assumed this (net of the impact of appeals) to be in line with the current levels. A 1% shortfall would reduce annual resources by £0.5m.
Localisation of Council Tax Support	The budget reflects the Council's decision to amend the scheme from 1st April 2014. While the target is full recovery of the income generated by this decision, the budget prudently assumes a 50% recovery rate, which will be reviewed in future years in light of actual performance. We have otherwise assumed the underlying cost of support will continue in line with current levels. The impact of a 1% variation in total cost would amount to around £0.2m.
Council Tax Freeze / Increase	Current forecasts are on the prudent basis that Council Tax Freeze Grant (CTFG) will continue to be available for each year of the MTFS on the same basis as for 2014/15 and that it will be accepted in each year. If instead the Council were to increase Council Tax by 2% in 2015/16, this would generate around an extra £1.0m (net) annually from that year onwards. Likewise if the Council were to increase Council Tax by 2% in 2016/17, this would also generate around an extra £1.0m (net) annually from that year onwards.

2. Any unbudgeted costs, or shortfalls in income, would have to be met from reductions in planned spending in the year or from balances.

3. In addition to General Fund Balances, there are £2m Working Balances to meet unforeseen events and it is considered that many of the remaining earmarked reserves could be used in the short term to cover unforeseen budget pressures. These may need to be replenished in future years.

Appendix 8

Analysis of Provisional 2014/15 Budget by Division of Service

	£'000
Children's Services	
Schools	15,010
Youth Service	2,594
Children & Families Social Services	46,235
Other Children's Services	6,746
	70,585
Adult, Community and Housing Services	
Care & Support for Older People	36,337
Care & Support for People with a Physical or Sensory Disability	9,638
Care & Support for People with a Learning Disability	36,000
Care & Support for People with Mental Health Needs	6,311
Libraries, etc.	5,514
Other Adult and Community Services, etc.	1,186
Private Sector Housing	7,111
Homelessness & Welfare	683
	102,780
Urban Environment	
Environmental Health & Consumer Protection	3,157
Street Cleansing	2,917
Waste Collection & Disposal	16,385
Cemeteries & Crematoria	-938
Traffic Management & Road Safety	1,488
Flood Defence & Land Drainage	339
Highways Maintenance (inc. depreciation)	17,945
Other Engineering & Transportation Services	-732
Planning, Building and Development Control	2,050
Economic Regeneration	1,743
Environmental Initiatives	370
Culture and Heritage	2,464
Recreation & Sport and Open Spaces	8,975
	56,163

Corporate Resources	
Tax Collection & Benefits	3,210
Transport Authority Levy	15,743
Flood Defence Levy	101
Other Corporate Resources	1,737
Corporate & Democratic Core	1,479
Treasury etc.	-11,618
	10,652
Chief Executive’s	
Elections & Electoral Registration	804
Economic & Community Development	201
Community Safety	541
Corporate & Other Costs	2,135
Public Health	177
	3,858
TOTAL	**244,038**

Appendix 9

Details of Calculations to be Determined by the Council

1. That the following amounts be now calculated by the Council for the year 2014/15 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992:

(a) £692.322000m being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act. *(The Council's spending, contingencies, contributions to reserves, and specified transfers from the general fund to the collection fund.)*

(b) £597.693000m being the aggregate of the amounts which the Council estimates for the items set out in Sections 31A (3) of the Act. *(The Council's income, use of reserves, and specified transfers from the collection fund to the general fund.)*

(c) £94.629000m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its council tax requirement for the year.

(d) £1125.3609 being the amount at (c) above divided by the Council Tax base 84087.69, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its council tax for the year.

(e) Dudley Council Tax for each Valuation Band

A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
750.24	875.28	1000.32	**1125.36**	1375.44	1625.52	1875.60	2250.72

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

Appendix 10

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

1. The Council's External Auditor issued an unqualified opinion on the Council's 2012/13 Statement of Accounts, and commented in the most recent Review of the Council's Arrangements for Securing Financial Resilience that the Council's "financial reporting processes are robust" and "the Council's financial control is demonstrated by its ability to achieve cost savings within the continually changing economic climate".

2. Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Authority (the Treasurer) to report to it on the following matters:

   (a) the robustness of the estimates 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.

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 financial risk management in operation which seeks to identify the significant risks to which the Council is subject, and which is used to inform the level of reserves which it is considered appropriate to hold at both a corporate and directorate level.

5. The estimated level of unearmarked balances at 31st March 2014 is £24.2m. The budget proposals for 2014/15 include a contribution of £4.2m from balances. The following table summarises the total level of estimated General Fund earmarked reserves at 31st March 2014.

	Forecast Balance 31.3.14 £m
Working Balances	2.0
Insurance Fund	4.4
Other Corporate	0.5
Total Corporate Reserves	**6.9**
DGfL & Paragon equalisation	11.7
School Balances	23.6
Directorate Reserves	7.3
Total Earmarked Reserves	**49.5**

6. Working Balances are specifically held to cover unforeseen expenditure or shortfalls in income of an exceptional nature, and are not anticipated to be utilised under normal circumstances.

The Insurance Fund will continue to be maintained at a level consistent with the insurable risks borne by the Council and the level of outstanding claims at any time, and will fluctuate accordingly.

The DGfL and Paragon equalisation reserves represent Government revenue support for these PFI schemes received in advance, and will be expended over the remaining life of the projects.

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

The total level of earmarked reserves at 31st March 2015 is estimated to be about £40m.

7. 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.

Iain Newman
Treasurer

Dudley Metropolitan Borough Council

Pay Policy Statement 2014

Introduction and Purpose

The purpose of this policy statement is to clarify the Council's strategic stance on pay in order to provide direction for members and officers making detailed decisions on pay, and to provide the citizens of Dudley with a clear statement of the principles underpinning decisions on the use of public funds.

The purpose of the pay policy is to encourage staff with the appropriate skills to seek to work for the Council, and to reward them appropriately for the tasks they undertake in order to maintain their motivation and retain their services.

Under Section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit".

This pay policy statement (the "statement") sets out the Council's approach to pay policy in accordance with the requirements of Sections 38 to 43 of the Localism Act 2011 and associated guidance. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (this excludes staff employed on Teachers' terms and conditions of employment which are set nationally, and non-Teaching staff working in Schools where the Council is not the employer) by identifying:

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior staff i.e. 'chief officers', as defined by the relevant legislation;
- the remuneration of the lowest-paid employees;
- the relationship between the remuneration of chief officers and that of other employees;
- the persons or bodies responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full council.

An annual pay policy statement is produced for each financial year, in accordance with the relevant legislation prevailing at that time, for approval by a resolution of the full council.

Legislative Framework

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations. With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its own pay structures for employees covered by the National Joint Council for Local Government Services Since 1997 and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

Pay Structure

The large majority of the non-teaching based workforce are employed on the National Joint Council (NJC) for Local Government Services Since 1997, terms and conditions of employment. Based on the application of the Local Government Single Status Job Evaluation Scheme, the Council uses the NJC nationally negotiated pay spine as the basis for its local grading structure (see table 1). Table 2 shows the distribution of staff across the NJC local grading structure. The national pay spine was increased by 1% effective 1 April 2013; this was the first increase since April 2009. There have been no increases to the pay rates for the Chief Executive or Chief Officers/Directors/Assistant Directors since April 2008. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine.

The remaining employees are employed on other nationally defined rates. This includes those subject to the National agreements reached by the Soulbury Committee for certain education-related jobs and Young People's/Community Service Managers (52 employees); the Joint Negotiating Committee (JNC) Craft for Local Authority Craft and Associated Employees (270 employees), and JNC Youth and Community Workers (107 employees).

In addition, where services have transferred into the Council from other organisations, the employees have remained on their existing terms and conditions of employment, in accordance with employment legislation, eg 93 Public Health employees transferred from the NHS on 1 April 2013, and remain on the applicable NHS pay scales. Other groups included in this category are those who transferred from the Learning and Skills Council (LSC) (6 employees), Connexions and Prospects (30 employees), and Action for Children (77 employees).

Staff employed on Teachers' terms and conditions of employment, and those employed in Schools where the Council is not the employer, are not included in this statement.

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector. Market forces payments when used will be temporary and subject to review.

Senior Management Remuneration

For the purposes of this statement, senior management means 'chief officers' as defined within Section 43 of the Localism Act 2011. In Dudley Council this is interpreted as posts at Assistant Director level and above. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2014.

The Chief Executive is employed under the terms and conditions of the Joint Negotiating Committee for Chief Executives, and all other Directors and Assistant Directors are employed under the terms and conditions of the Joint Negotiating Committee for Chief Officers (with the exception of posts in Public Health).

The following lists the 24 senior officer posts that make up 0.23% of the 10,466 people employed by the Council (which excludes staff employed on Teachers' terms and conditions of employment which are set nationally, and non-Teaching staff working in Schools where the Council is not the employer).

The list includes roles which are a statutory requirement in accordance with the Local Government and Housing Act 1989 ("the Act").

(a) Chief Executive
(the head of paid service designated under section 4(1) of "the Act")
The current salary of the post is £157,000. This includes payment for returning officer duties in connection with local elections.

(b) Directors
The salaries of posts designated as Directors are as follows:

- Director of Adult, Community and Housing Services - £104,604
(a statutory chief officer mentioned in section 2(6) of "the Act")

- Director of Children's Services - £104,604
(a statutory chief officer mentioned in section 2(6) of "the Act")

- Director of Corporate Resources - £104,604
  (the monitoring officer designated under section 5(1) of “the Act”)

- Director of the Urban Environment - £104,604

- Director of Public Health (non clinical) - £100,395

(c) Treasurer and Assistant Directors
The salaries of these posts are as follows:

- Treasurer – £78,547 to £88,700 (3 point incremental range with progression by yearly increments)
  (Section 151 Officer – a statutory chief officer mentioned in section 2(6) of “the Act”)

- Assistant Director of Corporate Resources (Human Resources and Organisational Development) - £78,547

- Assistant Director – Chief Executive’s Directorate - £70,049

- Assistant Directors of Corporate Resources (2 posts) - £70,049

- Assistant Directors of Adult, Community and Housing Services (4 posts) – £70,049

- Assistant Directors of Children’s Services (3 posts) - £70,049

- Assistant Directors of the Urban Environment (4 posts) - £70,049

- Currently recruiting for 2 x Consultants in Public Health / Consultant in Public Health Medicine – basic salary range £65,992 – £101,451. In addition, there are national monetary Clinical Excellence Awards which may apply. These posts report direct to the Director of Public Health, in the Chief Executive’s Directorate. NHS terms and conditions of employment apply.

Recruitment of Chief Officers/Directors

The Council’s policy and procedures with regard to recruitment of chief officers is set out within the Officer Employment Procedure Rules as contained in Part 4 of the Council’s Constitution. When recruiting to all posts the Council will take full and proper account of its own Equality and Diversity, Recruitment and Redeployment Policies, including any particular requirements for those who have transferred in to the Council, eg Public Health. The determination of the remuneration to be offered to any newly appointed chief officer/director will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it may consider the use of temporary market forces supplements in accordance with its relevant policies.

The Constitution states that any salary packages for new appointments that exceed £100,000 should be the subject of a recommendation by the Appointments Committee to full council.

Where the Council remains unable to recruit chief officers under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive chief officer/director post, the Council may, where necessary, consider and utilise engaging individuals under 'contracts for services'. These will be sourced through a relevant procurement process, and in accordance with HMRC rules, ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any chief officers/directors engaged under such arrangements.

At this time there are no market forces supplements paid to any senior managers listed above.

Additions to Salary of Chief Officers/Directors

The Council does not apply any bonuses or performance related pay to its chief officers/directors.

In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfillment of duties:

- Fees are paid for deputy returning officer duties in accordance with the rates approved by the Council's Cabinet and increased in line with national pay awards. Employees who act as deputy returning officers at local elections are currently paid a fee of £66.15 per ward.

- A mileage allowance is paid to all employees using their own vehicle for work purposes. The casual user rate of 46.9p per mile (or, where applicable, the NHS mileage rate of 37.4 p, 47.3p or 58.3p dependent upon engine capacity) is payable and none of the chief officers/directors are designated as lump sum reimbursement car users at 1st April, 2014.

- The Council may consider granting an honorarium (of an amount dependent upon the circumstances of each case) to Senior Officers, Directors and Assistant Directors who perform duties outside the scope of their role over an extended period. These cases will be decided by the Appointments Committee. Such a temporary arrangement would be in the interest of efficient administration of a service(s) and would normally produce a short term financial saving.

- Clinicians within Public Health have the opportunity to apply for Clinical Excellence Awards. Any such allowances are met by the national body, Public Health England.

Payments on Termination

The Council's approach to statutory and discretionary payments on termination of employment of staff, prior to reaching normal retirement age, is set out within policies on managing employees at risk of redundancy, the discretionary severance payments scheme and any policies adopted in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 or as amended, and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 or as amended. For employees who transferred from the NHS, the NHS Agenda for Change Staff Handbook and NHS Pension Regulations apply.

Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

The Constitution states that any severance packages for employees leaving the Council that exceed £100,000 should be the subject of a recommendation by the Appointments Committee to full Council.

Publication

Upon approval by the full council, this statement will published on the Council's website. Reference is made to the Council's Constitution, which is also available on the Council's website. In addition, for posts where the full time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts will include a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

Lowest Paid Employees

As referred to above, there are a number of national pay scales covering different groups of employees.

The lowest paid persons employed under a contract of employment with the Council are employed on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's NJC grading structure. With effect from 1st April 2013, this is £12,435 per annum and is one point higher than the National pay spine minimum. The Council employs Apprentices who are not included within the definition of 'lowest paid employees' as they are employed under the terms and conditions and pay rates applicable to the relevant apprenticeship scheme. The relationship between the rate of pay for the lowest paid and chief officers/directors is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act 2011 recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton review was asked by the Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.

The 2013 pay levels within the Council defined the multiple (rounded to the nearest whole number):

- between the lowest paid full time equivalent employee and the Chief Executive as 1:13
- between the lowest paid employee and average chief officer as 1:6
- between the median (average) full time equivalent earnings and the Chief Executive as 1:9
- between the median (average) full time equivalent earnings and average chief officer as 1:4

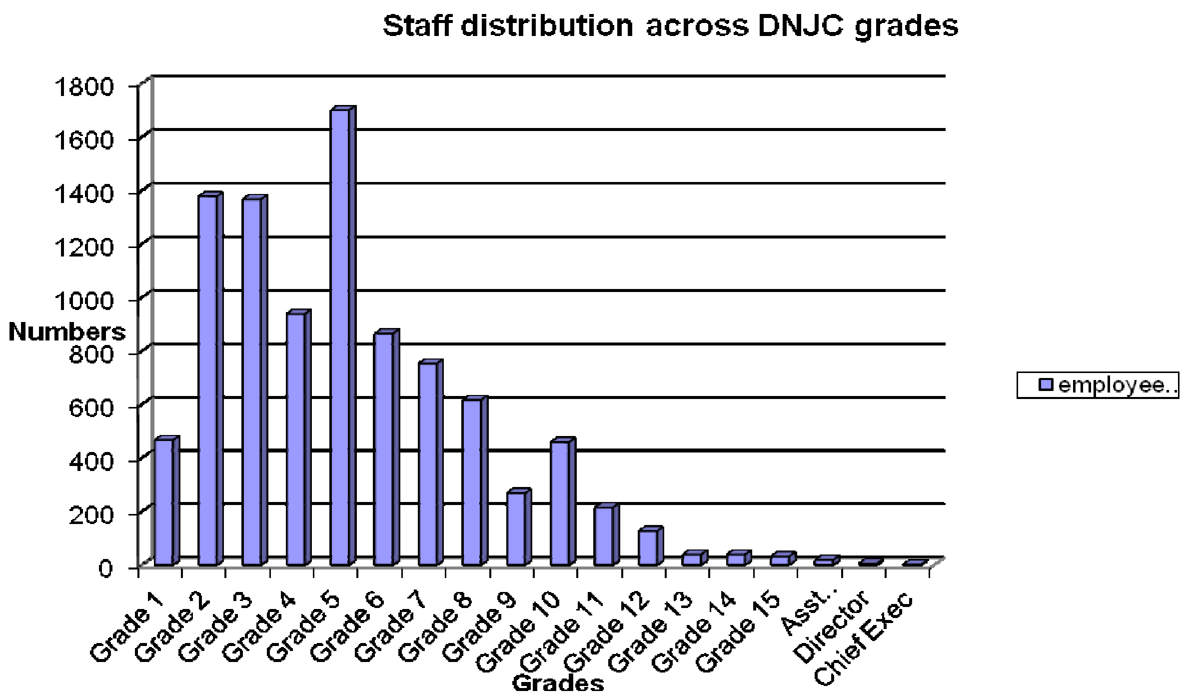
As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. The Council participates in the Local Government Earnings Survey, which provides pay bill and average pay rate information for all local government employees (excluding Teachers) in England and Wales. This gives the Council access to a wide range of data and reports, which can be used for comparison against other Local Authorities. Local pay and reward data is also available for local government employers in the West Midlands.

Accountability and Decision Making

In accordance with the Council's Constitution, the full council, the relevant Committee, elected members or officers with delegated authority are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council. These are contained in Part 4, Officer Employment Procedure Rules, of the Constitution. The full terms of reference of the Appointments Committee are set out in Part 3.

Main Salary Grades, for the Dudley MBC NJC pay scales, with effect from 1 April 2013:

Grade	Pay range minimum	Pay range maximum	National Pay spine Points
Grade 1	£12,435	£12,614	5 – 6
Grade 2	£12,915	£13,725	7 – 9
Grade 3	£14,013	£15,598	10 – 13
Grade 4	£15,882	£16,998	14 – 17
Grade 5	£17,333	£19,317	18 – 21
Grade 6	£19,817	£21,734	22 – 25
Grade 7	£22,443	£24,892	26 – 29
Grade 8	£25,727	£28,127	30 – 33
Grade 9	£28,922	£31,160	34 - 37
Grade 10	£32,072	£34,894	38 - 41
Grade 11	£35,784	£38,422	42 - 45
Grade 12	£39,351	£42,032	46 - 49
Grade 13	£42,808	£45,982	50 - 53
Grade 14	£47,184	£50,358	54 - 57
Grade 15	£52,233	£57,896	58 - 61



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Appendix 12

Schedule of Equality Impact Assessments

Adult, Community and Housing
Older people - Reduction in purchasing of residential care places
Older people – Re-provision of residential reablement services
Older people - Transfer of home care hours to the private and independent sector
Learning Disability - Review of existing packages of care
Mental Health services - Review of existing packages of care
Adult social care - Health integration
Libraries, Archives and Adult Learning - Reductions in management and infrastructure costs within Library service

Children's Services
Information, Advice and Guidance (Connexions Service)
Youth Service
Children's Centres
Short Breaks for Families of Children with Disabilities
Home School Transport
Asset Management Services

Urban Environment
Reduced programme of full or part footway reconstruction
Reduction in budget for Sports Development

Agenda Item No. 7

Cabinet – 12th February 2014

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

Deployment of resources: Housing Revenue Account and Public Sector Housing Capital

Purpose of Report

1. The purpose of this report is:

- To set a rent increase for council homes.
- To review rents for garages, garage plots and access agreements.
- To set charges for sundry services.
- To set the Housing Revenue Account (HRA) budget for 2014/15 in the light of the latest government announcements on housing finance and our latest spending and resource assumptions.
- To set a capital expenditure budget for the improvement and programmed maintenance of the Council's housing stock for 2014/15 to 2018/19.
- To approve the Medium Term Financial Strategy and 30 Year Business Plan for the HRA.

Background

2. The HRA is a "ring-fenced" revenue account and deals with landlord functions associated with public sector housing[1]. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.

Rent increase

3. The self-financing system introduced in April 2012 for Housing assumed that rent increases would be in line with government guidance, including convergence with other registered social landlords' rents by 2015/16. However, there is no longer a requirement for us to follow this guidance, and therefore it is proposed that the next increase be on 7th April 2014 and be a flat-rate increase of 1.5%, equivalent to an average of £1.22 per week. We have considered this carefully in the light of future affordability and the continuing

[1] The Housing General Fund deals with private sector issues, such as general housing advice, and is included in another report on this agenda. The separation of expenditure and income between the HRA and the General Fund complies with government guidance.

financial viability of the HRA. The range of actual proposed rent increases is as follows:

RANGE OF RENT INCREASES

Range of weekly rent increase	Proportion of properties affected
£1.00 or less	8.56%
£1.01 to £1.25	45.95%
£1.26 to £1.50	43.83%
£1.51 to £2.17	1.66%

4. Officers met with the Board of the Dudley Federation of Tenants' and Residents' Associations (DFTRA) on 18 November 2013 to discuss proposals for the next rent increase. The Board accepted the basis for the 1.5% proposed increase, but emphasised the importance of directing rental income to maintaining and improving council properties.

5. In addition to the rents discussed above, we currently apply service charges in certain properties in respect of items such as furniture and overnight support. It is proposed that service charges for furniture be increased by 3.2% in line with inflation and that service charges for overnight support in certain sheltered schemes be maintained at their current levels as a review of the service is taking place in 2014/15.

6. We also apply service charges to 344 properties in sheltered housing schemes in respect of heating and lighting. These charges vary according to the scheme and the size of the properties and may be offset against the winter fuel payment received by tenants, plus any cold weather payments. Housing Benefit will also cover these charges where applicable. In previous years, inflationary increases in these charges has not kept pace with the level of increase in fuel prices, and Cabinet agreed in February 2009 to implement a 25% increase with further increases in future years to achieve a gradual return to cost recovery. Utility prices have, however, continued to rise at a faster rate than general inflation, and it is now proposed that charges be increased by 12% in 9 of the 11 schemes, from a current average weekly charge of £13.11 to a new average weekly charge of £14.43. At two schemes (The Gables and Netherton Lodge), actual charges are lower and therefore will not be increased for 2014/15. The overall average increase is 10%.

7. The Council currently provides, within its general housing stock, a number of units of furnished accommodation for which a charge of £24.26 per week is made. It also provides six units of accommodation for homeless people in Lye for which management charges and service charges are applied (a two-bedroom flat and five one-bedroom flats). There are three houses for which garden maintenance charges are made. It is proposed that all of these charges be increased by 3.2% in line with inflation.

8. The Council offers laundry tokens for sale for the use of tenants at five high rise blocks (two in Brierley Hill and three in Dudley). It is proposed that charges are increased from £2.10 to £2.20 per token.

9. It is proposed that pitch licences at Oak Lane be increased by 1.5%, in line with the increase proposed for general rents and that weekly charging for water also be increased by 1.5% to £6.25 per week.

10. The Council currently charges an administration fee of £2 per week to its leaseholders, to cover the costs of managing the properties. It is proposed that there is no increase in the overall level of the fee as this currently covers the cost of the service.

11. The Council currently charges private residents who are in receipt of Telecare services £13.00 per month, and also charges Housing Association tenants varying amounts for this service. It is proposed to maintain these charges at current levels from 1 April 2014. Income generated will be used to increase investment in and development of the service.

<u>Garage rents, garage plots and access agreements</u>

12. It was agreed by Cabinet in February 2008 that inflationary increases for garages, garages plots and access agreements be made every three years, with the next increase to take effect from 2014/15.

13. Annual rents for garage plots and access agreements were last increased from April 2011. It is therefore proposed to increase these rents with effect from 1st April 2014 by 11.8% to take into account inflation over the previous three years.

14. Garages have been categorised as Red, Amber or Green, based on their condition, with rent increases being considered every three years. This approach was agreed by Cabinet following consultation with Area Housing Panels. The last general inflationary increase of garage rents took place in April 2011. It is proposed that rents be increased from 7th April 2014 by 40p to 50p per week, depending on category and area, as shown in the table below.

	Red	Amber	Green
Current weekly rent	£2.27	£3.80 to £5.00 *	£3.80 to £5.25 *
Proposed weekly rent	£2.27	£4.20 to £5.00 *	£4.20 to £5.25 *
Increase	0	40p to 50p *	40p to 50p *
* depending on area			

15. It is proposed that, in view of the small weekly sums involved and the administrative cost of implementing rent increases, general inflationary increases for garages, garages plots and access agreements continue to be considered every three years, with the next increase due from April 2017.

Proposed HRA budget 2014/15

16. The proposed HRA budget for 2014/15 (together with a proposed revised budget for 2013/14) is attached as **Appendix 1**. This budget is based on recent trends and our latest assessment of government policy on housing finance.

The key elements of the self-financing system that now operates in relation to local authority housing are:

- Abolition of the HRA Subsidy system and retention of all rental income.
- A one-off allocation of housing debt based on an affordability calculation.
- A cap on new borrowing above a set maximum level.
- Transfer of investment, borrowing and inflation risks to housing authorities.
- Continued compliance with central government rent policy.

17. The current budget for 2013/14 (approved by Cabinet in June 2013) shows a surplus on the HRA of £0.888m at 31st March 2014. The proposed revised budget for 2013/14 shows a surplus at the same date of £3.839m. Variances arise mainly from

- Reduced rental income owing to higher than anticipated right to buy sales and voids;
- The full additional bad debt provision set aside for 2013/14 to deal with the impact of welfare reform has not been required, owing to delays in the Government's programme, in particular the slower roll-out of Universal Credit;
- Savings in housing management owing to vacant posts and underspends on running costs;
- Reserves set aside but not yet required - for example for welfare reform owing to delays in the Government's programme;
- Additional income earned from aerials on high rise flats.

Savings will be rolled forward into 2014/15 to invest further in maintaining and managing the housing stock. Reserves will be required in 2014/15 and subsequent years.

18. The proposed HRA budget for 2014/15 takes account of the proposed average rent increase of £1.22 on the 7th April 2014 (paragraph 3).

19. The proposed HRA budget for 2014/15 includes a budget for housing management of £18.0m. This covers the day to day management of properties including income collection, tenancy enforcement, support for vulnerable tenants and lettings and void management. A number of reserves identified in the previous financial year will be carried forward into 2014/15, for example, those relating to the Government's welfare reform programme.

20. The proposed HRA budget for 2014/15 includes a budget for repairs and maintenance of £24.1m. This reflects:

- Maintaining the current responsive repairs service standard;

- Undertaking all required cyclical statutory responsibilities such as annual servicing of gas appliances, warden call equipment and alarms and periodic testing of water hygiene, lift servicing and inspections.
- Maintaining the current level of cyclical maintenance such as painting of communal areas.

21. The proposed HRA budget for 2014/15 includes a budget for interest payments of £18.0m. This covers the payments that are due on the debt taken on as part of the self-financing settlement. It is not currently planned to increase borrowing, as debt is at the maximum allowable under the HRA debt cap.

Public sector housing capital budget 2014/15 to 2018/19

22. We must have a long-term rolling programme of investment to maintain the condition of council owned homes, to improve living standards and provide affordable homes for residents.. A stock validation survey undertaken during 2013 will inform the development of a long-term investment plan. A proposed £206m public sector capital budget for 2014/15 to 2018/19 and a revised budget for 2013/14 are attached as **Appendix 2.** Explanations of the budgets are attached as **Appendix 3**.

23. The proposed £206m rolling five year capital investment programme is a £38m increase in investment over current approved plans. This investment follows the general principles approved in the current programme and reflects the priorities of the Council Plan and the views of members and residents who participated in the Take Control and Get Involved Conference in September 2012. Investment continues to target the following priorities:
    - Continuing investment to keep homes in good order by addressing investment in key building components such as roofs, electrics, kitchens and bathrooms;
    - Improving energy efficiency to contribute towards reducing fuel poverty for residents using the capital programme to match-fund potential external resources such as Energy Company Obligations (ECO) which also address carbon saving climate change initiatives;
    - Investing in empty homes to ensure that as many of the Council's homes as possible are available for occupation;
    - Providing new social housing homes within the borough;
    - Providing investment at affordable levels for communal facilities such as high rise lift replacement, community safety and environmental programmes;
    - Maintaining investment in social care programmes such as providing Adaptations for persons with disabilities.

24. Whilst the detail of the proposed programmes is included within **Appendix 3,** notable projects over the five year period from 2014/15 to 2018/19 are as follows:
    - Continued investment in Adaptations for persons with disabilities with £14m over the next five years maintaining waiting times at

current levels and providing over 2,000 major adaptations (level access showers, stairlifts, vertical lifts and ramps) and around 6,500 minor adaptations such as handrails and grab rails;

- £21.4m investment over 5 years (£11m more than previously planned) improving the efficiency of central heating and providing more affordable heating in 5,500 homes, helping to reduce fuel poverty.
- £8.7m investment in electrical installations, including over £6m on replacing lifts, communal lighting to high rise accommodation and providing upgraded door entry systems to flatted developments. Investment is also maintained for upgrading electrics and rewiring homes;
- £32m over 5 years replacing windows and external doors with modern, energy efficient units, with all homes being fully double glazed by the end of the 5 year programme;
- £15.7m on replacement roofs;
- £4.9m on community safety and environmental improvements to estates;
- A £14.6m programme will deliver around 5,000 internal improvements such as kitchens and bathrooms over 5 years;
- Undertaking £58.7m of improvements in empty properties to ensure that they can be re-let;
- £13.4m will provide over 100 new council homes, £6m more than currently approved. Two schemes for 17 homes (14 for persons with learning disabilities) are already being progressed at the Walk, Sedgley and Norfolk Rd, Wollaston, and feasibility studies are under way for a number of other potential sites. £758,000 is also proposed to undertake necessary roof and structural improvements over 3 years at the Leys depot, Brierley Hill.
- A review is currently being undertaken of the borough's sheltered accommodation and whilst individual scheme proposals are yet to be developed, a financial provision of £1.1m is proposed over the next 2 years to start to address the outcomes from the review.

25. Approval is sought to continue discussions with Energy Service Providers and similar organisations and to bid for, enter into negotiations and / or seek tenders as appropriate to progress carbon saving and / or power generating schemes to improve fuel poverty across the borough. Resources will be sought under the Energy Company Obligations (ECO) flowing from the Energy Act 2011, which takes over from existing energy service provider obligations under CERT (Carbon Emission Reduction Target) and CESP (Community Energy Saving Programme). ECO is intended to continue to provide funding for energy saving measures where households most need additional support, particularly in deprived areas, but also in hard to treat (or insulate) houses such as solid wall properties across the borough. A £4m scheme incorporating £3.2m of insulation and energy related measures is already planned supported by around £1.5m of ECO funding providing external wall insulation to almost 400 homes across the borough.

26. It is proposed that any additional resources obtained under paragraph 25 be added to the Capital Programme accordingly and the Directors of Corporate Resources and Adult Community and Housing Services be approved to enter into any such grant or funding agreements necessary to deliver the schemes.

27. To ensure effective utilisation of all resources that become available, Cabinet is requested to authorise the Director of Adult, Community and Housing Services, in consultation with the Cabinet Member for Housing, to manage the five year programme so as to use all the resources that become available and commit expenditure to that amount and to report progress and actions to the Cabinet. In doing this, Cabinet is requested to confirm that all capital receipts arising from the sale of HRA assets (other than those specifically committed to support private sector housing grants) should continue to be used for the improvement of council homes.

28. To facilitate implementation of the programme, the Cabinet is requested to authorise the Director of Adult, Community and Housing Services to prepare specifications and undertake procurement in accordance with Standing Orders and Financial Regulations. Cabinet is also asked to agree that the Director of Adult, Community and Housing Services be authorised to enter into and award contracts on their behalf.

Medium Term Financial Strategy / Thirty Year Business Plan for Landlord Housing

29. With the abolition of the HRA Subsidy system and the introduction of self-financing for housing authorities, the Council now has an increased level of autonomy and flexibility regarding housing finance. The HRA budget is no longer dependent on annual Government settlements, although the rent increase will still be determined annually. It is therefore possible to set indicative budgets for a longer period and to develop a longer-term financial and business strategy.

30. Although the HRA enjoys some increased flexibility, the HRA ring-fence remains in force, and the Council is also expected to have regard to the Government's national rent policy. Under the self-financing settlement, Dudley has taken on a significant increase in housing debt, which must be serviced. The medium term financial strategy and thirty-year business plan is provided at Appendix 4, which sets out the context of the HRA for the next five years and summarises the overarching financial strategy and risks that will apply to the HRA over the longer term.

Finance

31. Section 76 of the Local Government and Housing Act 1989 places a duty on the Council to ensure that no action will be taken to cause a deficit to arise on the HRA at 31st March 2015. There is also a duty placed on the Council to review the financial prospects of the HRA from time to time. Reviews carried out can confirm that the HRA will be in surplus at the 31st March 2015 and therefore complies with the requirements of the Act.

Law

32. HRA finances are governed by Section 74-78B and 85-88 in Part IV of the Local Government and Housing Act 1989. Sections 167-175 in Part VII of the Localism Act 2011 abolish the HRA Subsidy system (Sections 79-84 in Part IV of the Local Government and Housing Act 1989) and introduce self-financing.

Equality Impact

33. Section 149 of the Equalities Act 2010 requires public authorities, including the Council, to

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

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

This is a financial report concerned with forecasting of income and application of resources. Some areas of proposed expenditure (e.g. capital expenditure on adaptations) are intended to promote independence and improve quality of life for protected groups.

Recommendations

34. It is recommended that Cabinet:

a) approve a rent increase for HRA dwellings on 7th April 2014 with an average increase of £1.22 (1.5%) and a maximum increase of £2.17 (paragraph 3);
b) approve an increase of 3.2% in service charges (paragraph 5 and 7);
c) approve an increase of 12% in heating and lighting charges for sheltered housing from an average weekly charge of £13.11 to an average weekly charge of £14.43 other than at The Gables and Netherton Lodge where charges will remain at their current rates (paragraph 6);
d) approve an increase from £2.10 to £2.20 for laundry tokens (paragraph 8);
e) approve the increase of 1.5% to the current charge for pitch licences at Oak Lane as outlined in paragraph 9
f) approve an increase of 1.5% in water charges at Oak Lane to £6.25 per week (paragraph 9);

g) approve maintaining the leaseholders' administration fee at current levels as outlined in paragraph 10;
h) approve maintaining charges for private Telecare clients at current levels as outlined in paragraph 11;
i) approve an increase of 11.8% for garage plot rent and access agreements, and the dates proposed for future increases (paragraphs 13 and 15);
j) approve an increase in garage rents as detailed in paragraph 14 and the dates proposed for future increases (paragraph 15);
k) recommend that Council approve the revised HRA budget for 2013/14 and the HRA budget for 2014/15 outlined in Appendix 1;
l) recommend that Council approve the public sector housing revised capital budget for 2013/14 and the capital budget for 2014/15 to 2018/19 attached as Appendix 2;
m) recommend that Council authorise the Director of Adult, Community and Housing Services and the Director of Corporate Resources to bid for and enter into funding arrangements for additional resources to supplement investment in the public sector housing stock as outlined in paragraphs 25 and 26;
n) recommend that Council authorise the Director of Adult, Community and Housing Services, in consultation with the Cabinet Member for Housing, to manage and allocate resources to the capital programme as outlined in paragraph 27;
o) recommend that Council confirm that all capital receipts arising from the sale of HRA assets (other than those specifically committed to support private sector housing) should continue to be used for the improvement of council homes (paragraph 27);
p) authorise the Director of Adult, Community and Housing Services to procure and enter into contracts for the delivery of the capital programme, as outlined in paragraph 28;
q) receive the HRA medium term financial strategy and thirty year business plan attached as Appendix 4.

…………………………………………..	…………………………………………..
Andrea Pope-Smith	**Iain Newman**
Director of Adult, Community and Housing Services	**Treasurer**

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Appendix 1

Proposed HRA Budget

	2013/14 current budget June 2013 £000	2013/14 proposed revised budget £000	2014/15 proposed original budget £000
Income			
Dwelling rents	-88,573	-89,296	-88,948
Non-dwelling rents	-696	-688	-738
Charges for services and facilities	-204	-243	-243
Contributions towards expenditure	-734	-1,071	-100
Interest on balances	-23	-33	-11
Total income	**-90,230**	**-91,331**	**-90,040**
Expenditure			
Responsive and cyclical repairs	24,491	23,661	24,073
Management	16,924	14,974	17,978
Negative Subsidy	0	0	0
Transfer to Major Repairs Reserve	21,812	21,893	22,279
Purchase of Properties	0	1,045	0
Interest payable	18,471	18,354	17,998
Revenue contribution to capital expenditure	13,960	13,960	9,712
Other expenditure	1,419	1,340	1,316
Total expenditure	**97,077**	**95,227**	**93,356**
Surplus/deficit for the year	**6,847**	**3,896**	**3,316**
Surplus brought forward	**-7,735**	**-7,735**	**-3,839**
Surplus carried forward	**-888**	**-3,839**	**-523**

Appendix 2

Proposed capital programme 2013/14 to 2018/19

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Adaptations	2,712	2,706	2,754	2,794	2,825	2,887
Central heating	3,124	4,049	4,745	4,133	4,179	4,272
Community Safety and Environmental Improvements	281	343	580	1,131	1,144	1,702
Electrical Installations	1,610	1,659	1,688	1,713	1,732	1,898
External Improvement Programme	8,989	9,241	9,405	9,543	9,648	9,864
Insulation	391	4,350	631	640	362	370
Minor Works	4,031	3,519	2,677	2,716	2,746	2,807
Internal Improvement Programme	3,472	2,407	2,992	3,036	3,069	3,138
New Council Housing	270	2,013	2,766	3,533	5,048	0
Tenants Association	61	81	82	84	85	86
Accommodation and Property	125	324	217	217	0	0
Sheltered Accommodation	0	270	814	0	0	0
Void Property Improvements	13,687	12,133	11,804	11,433	11,559	11,812
Grand Total	**38,753**	**43,095**	**41,155**	**40,973**	**42,397**	**38,836**

Resources

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Borrowing	0	0	0	0	0	0
Major repairs reserve	22,198	22,279	22,558	22,847	23,139	23,428
Revenue contribution to capital	13,960	9,712	10,893	11,797	12,914	9,353
Usable capital receipts	2,890	10,088	8,200	6,838	6,866	6,590
Less usable capital receipts transferred to support private sector housing capital	-472	-484	-496	-509	-522	-535
Other	177	1,500	0	0	0	0
Grand Total	**38,753**	**43,095**	**41,155**	**40,973**	**42,397**	**38,836**

Appendix 3

Detail of the proposed provisional five year housing capital programme 2014/15 to 2018/19

Adaptations

The programme continues to deliver improvements and adaptations to the Council owned homes of persons with disabilities, following referral from occupational therapists.

At current levels of referrals the budget would maintain existing waiting times and would provide around 425 larger adaptations (level access showers, stair lifts, vertical lifts ramps and a limited numbers of extensions and conversions) in each year. In addition the budget will provide for around 1,300 minor adaptations per annum for grab rails, handrails and the like.

The budget for adaptations to void properties is maintained at around £100,000 per annum and will also assist in reducing waiting times and make best use of adapting suitable available properties.

Total budget: £14m over the 5 years 2014/15 to 2018/19

Central Heating

Improving energy efficiency and reducing fuel poverty is a major priority for the Council, with the added benefit of also reducing carbon emissions and addressing climate change. The Central Heating programme delivers new and improved central heating systems to Council owned homes, providing modern efficient heating to unheated homes and replacing inefficient and costly systems to ensure heating is made as affordable as possible for tenants.

Budgetary provision has been made to provide heating for all tenants in unheated homes who wish to receive heating, and for installing heating in all unheated properties when they become empty. There are around 500 unheated homes in the borough despite encouraging residents in unheated homes to have central heating installed, and it is estimated that, due to continued tenant refusal, around 125 homes will remain unheated at the end of the five year programme.

The electric night storage heating replacement programme will continue replacing electric night storage heating with modern, efficient gas heating. Over the next two years Council resources will replace around 600 storage heating systems where homes already have a gas supply. Around 4,000 homes over the 5 years will also have a replacement boiler or system upgrade in a programme that will address the older more inefficient boilers and also install additional radiators to partially heated homes as part of this boiler and heating system upgrade programme. It will also deal with an estimated 600 gas boilers and systems that cannot be repaired when they break down.
Total budget: £21.4m over the 5 years 2014/15 to 2018/19

Community Safety & Environmental Improvements Programme

This programme continues the work commenced in previous years dealing with local environmental schemes and community safety schemes for improvements and refurbishment of Housing (HRA) assets.

The programme will continue to address local community and environment projects with around £250,000 investment each year. Provision is also made to address improvements to communal entrances in flatted developments following major improvements such as lift and communal lighting works. A further provision of £2m is made from 2016/17 to start to address wider estate based improvements.

Total budget: £4.9m over the 5 years 2014/15 to 2018/19

Electrical Installations

The budget will continue to address electrical works in domestic dwellings and communal areas.

The programme of periodic electrical inspections will continue with necessary electrical works being undertaken to ensure that electrical installations do not fail the Decent Homes Standard. A budget of around £250,000 per year is considered sufficient and is proposed to address necessary electrical works, although the majority of homes, including empty properties, will only require partial electrical rewires and upgrades.

The programme will also continue the rewiring of communal areas in high rise flats and emergency wiring in low rise flats (over 3 storey), with £2m investment over the five years.

Provision is also made to continue the programme of major upgrades and improvements to lifts in high rise flatted developments with over £3.5m of expenditure over the 5 years.

£1m budgetary provision is made over 5 years for a programme of door entry replacement and improvements in low rise flats

The remainder of the programme budget also targets investment in the planned replacement of specialist electrical systems that are beyond economic repair such as necessary improvements to fire alarm systems, lightning conductors; and ensuring warden call equipment purchased remains compatible with new Telecare technology to allow the provision of the essential Homecall service for vulnerable residents of the community.

Total budget: £8.7m over the 5 years 2014/15 to 2018/19

External Improvement Programme

The programme continues to address necessary improvements and planned maintenance to the external façade of Council owned homes, predominantly replacement windows and re-roofing.

Over the five years the budget will fund a £26.5m programme replacing an estimated 13,000 windows each year with modern double glazed windows, and £5.5m replacing external doors that are in significant need of replacement.

Over £3m each year is proposed to be invested in re-roofing homes to ensure that they remain sound and watertight. This work is either replacement of roof coverings such as tiles or slates and/or replacement and/or upgrade of the structural timbers as necessary. The budget will also continue work on a planned programme to replace flat roof coverings on flatted developments with modern energy efficient materials. The budget will also be used for planned improvement works associated with roofing such as fascias and soffits.

Total budget: £47.7m over the 5 years 2014/15 to 2018/19

Insulation & Energy Efficiency

The programme provides resources for measures of draught stripping, increased levels of loft insulation and other targeted carbon emission and energy efficiency programmes. Works will improve the SAP (Standard Assessment Procedure) rating of the housing stock (which measures how energy efficient the housing stock is) and improve fuel poverty by reducing energy bills.

This programme will be used where possible to match fund any Energy Service Providers' funding obligations received by Dudley under ECO (Energy Company Obligations). This delivers carbon saving schemes such as external wall insulation similar to the Community Energy Savings Programme (CESP) schemes already delivered. The match funding contribution is likely to deal with associated enabling and ancillary works not funded by energy companies such as canopies, gates and fencing where and if required.

A £4m scheme will commence in 2014, delivering external wall insulation and double glazing to up to 400 homes, with significant funding estimated at around £1.7m provided under ECO.

Over £1.5m has also been made to address external re-rendering with insulated materials from 2015/16 onwards.

Total budget: £6.4m over the 5 years 2013/14 to 2017/18 plus any additional energy related resources received from Energy Service Providers.

Internal Improvement Programme

This programme is proposed to continue internal improvements such as kitchen and bathroom replacements and plastering and replacement floors. The five year programme will mainly target maintaining the decent homes standard in kitchens and bathrooms and will therefore prioritise those properties where the kitchen and bathrooms fall into non-decency due to their age and where they are also in poor condition. Each year around 1,000 internal improvements will be carried out.

Total budget: £14.6m over the 5 years 2014/15 to 2018/19

Minor Works

This budget is used to deal with urgent repairs and health and safety issues that arise throughout the year.

Works already identified include dealing with:

- Repairs to common areas such as paving and paths;
- Dwelling related structural, subsidence and demolition works;
- Works that are required as a result of high rise structural inspections and periodic surveys to flatted developments (structural repairs, balconies);
- Works arising from Fire Risk Assessments to flatted developments;
- Refuse chute replacement to flatted developments.

Total budget: £14.5m over the 5 years 2014/15 to 2018/19

New Council Housing

£13.4m is proposed to deliver over 100 new council homes over the 4 year period to 2017/18.

Two schemes for 17 homes (14 for persons with learning disabilities) are already being progressed at the Walk, Sedgley and Norfolk Rd, Wollaston, part funded by a successful bid made to the Homes and Communities Agency (HCA)

Feasibility studies are under way for a number of other potential sites.

Total budget: £13.4m over 4 years 2014/15 to 2017/18

Tenants' Association

The budget is allocated in each of the five years to schemes identified by Tenants' and Residents' Associations, and prioritised by the Dudley Federation of Tenants' and Residents' Associations. Budgets are maintained at current levels which based on previous years is expected to fund around 40 projects each year.

Total budget: £418,000 over the 5 years 2014/15 to 2018/19

Void Property Improvements

This budget is used to fund improvement works to empty properties where the work is of a capital nature to ensure that they are re-let in a reasonable state of repair and have modern facilities for kitchens and bathrooms in accordance with the Decent Homes Standard.

£58.7m over 5 years will fund necessary improvements to homes when they become empty, dealing with asbestos, rewiring, kitchens, bathrooms, plastering and major re-plumbing.

Total budget: £58.7m over the 5 years 2014/15 to 2018/19

Accommodation and Property

£758,000 is proposed to undertake necessary roof and structural improvements over 3 years at the Leys depot, Brierley Hill.

Total budget: £758,000 over the 3 years 2014/15 to 2016/17

Sheltered Accommodation

A review is currently being undertaken of the borough's 11 sheltered accommodation schemes and whilst individual scheme proposals are yet to be developed a provision of around £1.1m is proposed over the next 2 years to start to address the outcomes from the review.

Total budget: £1.1m over the 2 years 2014/15 to 2015/16

Appendix 4

Medium Term Financial Strategy for Landlord Housing (MTFS(LH)) and Thirty Year Business Planning Strategy for Landlord Housing

Purpose

1. The Medium Term Financial Strategy for Landlord Housing (MTFS(LH)) has set out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties. It relates specifically to the Housing Revenue Account (HRA) and the capital programme for improvement of the Council's own housing stock.

2. The MTFS(LH) should be read in conjunction with the Council's overall Medium Term Financial Strategy (MTFS). The underlying principles set out in the overall document apply equally to the MTFS(LH).

3. In the context of the introduction of Self-Financing for public sector housing, the abolition of the HRA subsidy system, the increased autonomy and flexibility that housing authorities will have to manage their stock and, in Dudley's case, the increased debt taken on, a Thirty Year Business Plan is being developed. This will take into account issues including investment need, treasury management strategy, financial projections and tenants' engagement.

Background

4. The previous financial strategy for landlord housing focussed on the period up to 2010/11 and was determined through the Housing Stock Options Appraisal. This was a year-long consultation process involving a range of stakeholders and culminated in a decision by the Council in April 2005. The key elements of this financial strategy were:

   - delivery of the Government's Decent Homes Standard by 2010 and maintenance of that standard in later years;
   - support to the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;
   - identifying ongoing savings and efficiency gains, through the use of partnerships where appropriate;
   - the prudent management of reserves and other balances;
   - compliance with government policy on rent restructuring;
   - honouring the outcome of the Housing Stock Options Appraisal and the view of the majority of tenants and other stakeholders that the housing stock should remain under direct council control.

5. This strategy showed that, on the basis of financial trends and government policy known at the time, it would be possible to deliver the Decent Homes Standard and other priorities for council housing by 2010, and this was achieved on time.

6. The new financial strategy for landlord housing takes into account the delivery of the Decent Homes Standard and the new opportunities and challenges arising from the introduction of the self-financing system. This is the subject of an ongoing consultation process that includes tenants and residents. The key elements of this new financial strategy, which will cover a rolling five year period, are:

- maintain the Decent Homes Standard;
- Improve the energy efficiency of the housing stock and address fuel poverty;
- invest in housing stock and minimise the number of void properties;
- review the suitability of the housing stock and explore the feasibility of new build to increase stock and / or replace properties that are in poor condition or that do not meet modern requirements;
- support the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;
- identify ongoing savings and efficiency gains, through the use of partnerships where appropriate;
- continue to undertake prudent management of reserves and other balances;
- have regard to government rent policy for social housing.

The proposed budget 2014/15 and the MTFS(LH)

7. The Decent Homes Standard was delivered by the end of 2010. Resources remain to be required to maintain this standard, and deal with properties where the age of the fittings mean that a replacement is required, and non-decent properties as they become void. The rolling five-year capital programme includes resources to maintain the Decent Homes Standard.

8. A new stock condition survey was commissioned and undertaken during late 2013 to validate and support existing stock investment information. The detailed output of this is being evaluated, but has initially identified a five year investment need to 2018/19 of circa £200m and a 30 year capital investment of circa £750m. In addition there is an estimated demand for around £600m over 30 years required to address ongoing responsive repairs, statutory servicing (e.g. gas appliances) and cyclical maintenance. Further work is planned to be undertaken to develop more detailed 5 and 30 year financial plans that will also consider the financial implications and need delivering other wider housing issues in addition to basic stock ‘bricks and mortar‘ investment such as new build housing, conversions, adapting properties for vulnerable persons and persons with disabilities and estate based improvements to ensure sustainable communities are maintained together with other contingent major repairs. This is planned to be undertaken during 2014/15.

9. This forecast has been based on recent financial trends and our current assessment of the Government’s housing finance policy and, like any forecast, should be regarded with caution (risks to the forecast are considered later). In view of our commitment to stock retention and maintenance of the Decent

Homes Standard, it is proposed that we continue when necessary to give consideration to the following:

- ongoing review of spending and resource forecasts;
- further efficiency and other savings, including those achievable from use of partnerships;
- addition to and replacement of the housing stock via new build programmes;
- the level of housing debt;
- service charges[2].

10. The volume of responsive repairs has generally decreased since the back-log of routine repairs was eliminated over the past few years. The increase in capital investment over the last few years together with efficiencies in the way repairs and capital works are delivered have resulted in significant cost savings.

11. A proposed rolling five-year capital programme has been developed as a continuation of the existing programme to maintain current standards and improvements following the achievement of the Decent Homes standard.

12. Resources have been identified to start a new build programme, with £13.4m identified up to 2017/18 which is the point at which the Council is required to have delivered Right to Buy replacement at current government requirements. This is currently forecast to be £3.3m expenditure by March 2016 and a further £5m by March 2017. If government rules continue as they are currently (which it is likely that they will for this year at least) then assuming similar levels of sales the Council would need a further £5m of new build by end March 2018.

13. The table below summarises the 30 year financial business plan (based on the PriceWaterhouse Coopers self-financing 30 year model and detailed in the HRA Estimates 2014-15 detailed 30 year financial plan). This is updated annually and will take into account changes in policy. It reflects our current approach of stock retention, maintenance of the Decent Homes Standard, investment in the maintenance and improvement of our stock, and regard to national rent policy.

[2] Government subsidy calculations assume charges over and above the rent for special services to flats and for supported housing – the HRA is financially disadvantaged as a result of not applying these charges.

	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30
	£m	£m	£m	£m	£m	£m
Income						
Dwelling rents	-461,132	-512,517	-579,865	-656,065	-742,277	-839,818
Other	-6,439	-5,874	-6,298	-6,766	-7,283	-7,854
Total Income	-467,571	-518,390	-586,163	-662,831	-749,560	-847,672
Expenditure						
Management and maintenance (net of retained surpluses	204,198	231,067	256,336	282,484	311,454	343,081
Depreciation and transfer to Major Repairs Reserve	112,715	121,920	134,610	148,620	164,089	181,167
Revenue Contributions to Capital / Debt Repayment	60,321	75,452	105,266	141,774	184,065	233,472
Interest Payments	90,336	89,952	89,952	89,952	89,952	89,952
Total Expenditure	467,571	518,391	586,163	662,830	749,559	847,672
Balance	0	0	0	0	0	0

<u>Risks to the financial forecast</u>

11. The main risks to the financial forecast are considered below:

Risk	Impact
Inflation higher than forecast	While increased inflation has an impact on costs, in the case of the HRA, it also affects resources, through the rent increase applied. If cost inflation is lower than general inflation as used to determine the rent increase, this will have a positive budgetary impact. However, if cost inflation is higher than general inflation as used to determine the rent increase, this will have a negative budgetary impact.
Income levels not achieved	<u>Rent loss from void properties</u> We have seen over recent years an increase in void properties owing mainly to greater tenant mobility and this has resulted in an increased rent loss of up to 3% of total rent available, although this is now starting to reduce as the impact of recent investment in void property works is beginning to have an effect. We are however seeing an increase in the number of hard-to-let properties, for instance two-

	bedroom high rise flats and some three-bedroom houses. We have allowed in our forecasts for a rent loss of 2.7% of total rent available. The cost for each 1% void loss is around £1m per annum. . <u>Rent loss from non-payment of arrears</u> As part of the Government's proposed welfare reforms, it is proposed that many tenants will from 2013-14 onwards start to receive Universal Credit direct and will therefore be responsible for paying their own rent. Currently, tenants in receipt of benefit have their rent paid as a transfer from Benefits. This is likely to lead to an increase in arrears and potentially in bad debts. Around 2,700 tenants of working age in receipt of benefits were also affected by benefit restrictions from April 2013 as they were deemed to be under-occupying their property. We estimate that around £2m rent, which was previously paid directly via Benefits, will now be collectable from tenants as a result of the new underoccupancy rules. We have seen an increase in arrears during 2013/14, and are currently projecting that arrears for current tenants will be in the region of £1.7m, compared to £1.2m in the previous year. The impact of Universal Credit on rent collection rates is difficult to assess at this stage, but initial estimates from the pilot projects suggest that the collection rate may fall from the current 98% to 80% - 90%. The management cost of collecting rents is also expected to rise as more payments are made direct by tenants rather than via transfer from the Benefits system. There have been a number of delays to the Universal Credit programme, with only a small number of claimants, none of whom currently

	have housing needs, having been transferred to the new system. At the moment the timescales for transfer of more claimants, including those with housing needs, remains uncertain, as does the government's approach to the ICT systems that will be adopted when Universal Credit is rolled out more widely than the current pilot schemes.
Change in rent policy	In previous years, we have followed the national rent formula, which allows for a rent increase of September RPI plus 0.5%, plus a further increase to achieve "convergence" i.e. bringing council house rents in line with other social landlord rents. A rent increase of less than the national formula – as we are proposing for this year - means that our annual resources for management, maintenance, interest payments and improvement / new build works will be lower than originally forecast. We have carefully considered the impact of the lower rent increase both on the 2014/15 and on future years' budgets and are confident that this s affordable in the context of our longer term financial planning. This will also benefit our tenants, particularly those who are working and not eligible for full housing benefit. The government has also recently consulted on proposed changes to the national formula, involving a maximum increase of September CPI plus 1%, the ending of "convergence" from 2014/15 i.e. one year early, and more flexibility for social landlords around charging market rents for more affluent tenants. It is expected that the move from RPI plus 0.5% to CPI plus 1% will be broadly neutral. The ending of "convergence" early would have resulted in a loss of around £1m in rental income in 2015/16. However, the decision to increase rents in 2014/15 by only 1.5% effectively supersedes this, and as noted above we have carefully considered the longer-term affordability of our proposed rent increase.

	Recent government guidance on the proposed changes to social rent policy make it clear that while housing associations are expected to comply with the policy, housing authorities are expected to have regard to it.
Interest rates higher than forecast	Our debt on housing properties is around £467m following the introduction of self-financing. Hence, interest rate risk is much more significant than it was under the subsidy system. Risk will be mitigated by borrowing at fixed rates and spreading repayment dates to minimise refinancing risk.
Reduction in property values in the borough	Any reduction in property values will reduce the value of usable capital receipts.
Reduction in land sales and capital receipts	We have seen as a result of the general economic situation a diminution in the value received for sale of housing land. We also expect that with a new council house building programme we are likely to be disposing of fewer housing sites. A specific risk applies in relation to £700k of the anticipated receipt for North Priory which is payable as Kickstart grant by the Homes and Communities Agency (HCA) to our developer partners on the successful completion of Phase 1 of the project. This will then be passed on to the Council. We are actively monitoring our developer partners’ progress in claiming this grant.
Reinvigoration of Right to Buy	The Government has increased the cap on Right to Buy (RTB) discount from £26,000 to £75,000 per property, and in future years this will increase by inflation annually. The maximum discount for houses will also be increased during 2014/15 from 60% to 70%. The changes have already resulted in increased sales during the last quarter of 2012/13 and in 2013/14. However, because the value of the maximum discount has increased and there has been a reduction in the average value of the properties sold, increased sales will not necessarily result in a proportionally greater value of capital receipt income.

	New regulations have replaced the capital receipts pooling arrangements and require councils to build replacement homes for all extra homes sold under Right to Buy. 2014/15 is the last year of the current arrangements, under which councils are required to contribute a share of Right to Buy capital receipts to the Treasury. As yet, we have had no guidance on proposed arrangements from 2015/16 onwards. There is a risk to future new build investment, should funding arrangements change to our disadvantage.
Suitability of stock	Some of our stock is old and nor particularly suited to modern styles of living. In addition, changes to the benefit system mean that some of our properties are less attractive than they were previously (e.g. two-bed high rise flats or three-bed maisonettes). We are already experiencing difficulty in letting such properties, which will lead to a loss in rental income and also potentially an increase in security costs and an increase in anti-social behaviour.
Availability of borrowing	The HRA is currently at the government's borrowing cap, so all capital expenditure on housing stock must be funded from annual revenue (mainly dwelling rent income) or capital receipts from house or land sales. Our strategy is to invest our annual rental income into maintaining and improving our stock, and building new homes as resources permit. In the short to medium term we are not planning to repay any debt, as our priority is improving and extending our stock. However, this restricts the size of any redevelopment / new build scheme as we are not able under current rules to borrow on the strength of future rental income. The government has announced that it will allow housing authorities to exceed their borrowing cap in order to undertake new housing developments. At this stage, we are awaiting detailed guidance before making any decisions on whether or not to pursue this option. Additional borrowing is likely to be agreed following a bidding process, working with Local Enterprise Partnerships, and the total increase in borrowing is likely to be around

	£300m.
Unforeseen costs or costs greater than estimated	Any unbudgeted costs would have to be met from economies or reductions in planned spending in the year in which they arise or from any balances available in that year. Calculations indicate that any costs to the HRA arising from Single Status can be met within proposed budgets. We anticipate that any Equal Pay settlement costs would be capitalised through a government dispensation.

Prudential indicators

12. The Local Government Act 2003 introduced a system of "prudential borrowing" which allows councils to set their own borrowing limits subject to criteria of prudence and affordability. These criteria are set out in more detail in the CIPFA Prudential Code which specifically requires us to set a number of prudential indicators. The full range of prudential indicators are to be set as part of another report on this agenda. Those indicators that relate to HRA capital expenditure are set out below:

	Latest budget 2013/14	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17
Ratio of financing costs to net revenue stream: HRA	20.1%	20.0%	19.3%	18.8%
Estimated incremental impact of capital investment decisions on HRA weekly rents	N/A	N/A	N/A	N/A
Capital expenditure: HRA	£38.8m	£43.1m	£41.2m	£41.0m
Capital Financing Requirement: HRA	£467.1m	£467.1m	£467.1m	£467.1m

13. The ratio of financing costs to net revenue stream shows the costs of servicing housing debt as a percentage of total HRA income. This is a measure of the affordability of debt.

14. The forecast debt charges resulting from anticipated borrowing are fully reflected in the Housing Revenue Account budget at Appendix 1 of the report. There are currently no proposals to undertake new borrowing as this is not possible within the limits imposed on the HRA CFR as part of self-financing.

15. The HRA Capital Financing Requirement is a measure of the share of the Council's overall portfolio of debt and investments that results from public sector housing capital expenditure. The limit on the HRA CFR imposed on implementation of self-financing is £467.1m.

Partnerships

16. Housing Services is continuing to deliver on its partnership working and currently has a number of such arrangements, for example:

- Funding partnerships with energy service providers to increase resources under the Government's ECO (Energy Company Obligations) - which replaced CESP from spring 2013 - to deliver energy efficient whole house measures to combat climate change and CO2 emissions in Council Homes.
- Strategic partnerships that are being delivered in accordance with the principles of Sir John Egan's report 'Rethinking Construction'. Through innovative payment mechanisms, incentivising good performance and modern methods of collaborative working, partnerships are delivering improved services at a measurably lower cost and have allowed valuable and limited resources to be re-invested in the housing stock (eg gas servicing, maintenance and repairs).
- A strategic partner is also planned to assist in the delivery of new build homes .

17. Procurement consortia and other partnership arrangements will also continue to be used where appropriate, forming partnerships with established bodies to deliver procurement efficiencies.

Agenda Item No. 8

Meeting Of the Cabinet – 12th February 2014

Joint Report of the Chief Executive and Treasurer

Capital Programme Monitoring

Purpose of Report

1. To report progress with the implementation of the Capital Programme.

2. To propose amendments to the Capital Programme.

3. To propose the "Prudential Indicators" as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.

4. To propose the Council's Minimum Revenue Provision (MRP) Policy for 2014/15.

Background

5. The table below summarises the *current* 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

	2013/14 £'000	2014/15 £'000	2015/16 £'000
Public Sector Housing	39,985	32,979	31,399
Other Adult, Community & Housing	8,989	2,647	550
Urban Environment	28,180	23,894	10,302
Children's Services	10,255	20,194	80
Corporate Resources	2,378	2,196	1,428
Total spend	**89,787**	**81,910**	**43,759**
Revenue	17658	11600	7938
Major Repairs Reserve (Housing)	22118	22273	22625
Capital receipts	6675	15301	8318
Grants and contributions (inc. Lottery)	19212	16872	1963
Capital Financing Requirement*	24124	15864	2915
Total funding	**89,787**	**81,910**	**43,759**

*This will be funded internally from the Council's cashflow resources as far as possible, rather than from external debt.

Note that the capital programme for future years is in particular subject to government grant allocations, some of which have not yet been announced. There is a report on the proposed Public Sector Housing capital programme elsewhere on this agenda.

6. In accordance with the requirements of the Council's Financial Regulations, details of progress with the 2013/14 Programme are given in Appendix A. It is proposed that the current position be noted, and that budgets be amended to reflect the reported variances. An update on progress with the Council's most significant capital schemes is shown in Appendix B.

Adult, Community and Housing

Disabled Facilities Grants 2014/15 Allocation

7. The Council has been notified of its Disabled Facilities Grant funding allocation for 2014/15 of £2.033m which will, along with the availability of other Housing capital resources, provide a total budget of £2.517m. This will fund around 185 grants depending on the nature & cost of the works involved, allowing waiting times to be reduced. It is proposed that the allocation be noted and the associated expenditure included in the Capital Programme.

Tiled House Lane Residential Care Home

8. In September 2013, Cabinet approved a budget of £600,000 for the refurbishment of the Care Home, of which £500,000 was to be funded from resources received by the Council from the PCT prior to its winding up. It is now proposed that these costs be funded instead from unallocated Adult Social Care capital grant funding which is already included in the Capital Programme, and that the Capital Programme be amended accordingly.

Adult Personal Social Services Community Capacity Grant

9. In February 2013, Cabinet noted the Council's allocations of Adult Personal Social Services capital funding for 2013/14 and 2014/15, intended to support development in the three key areas of personalisation, reform and efficiency, and agreed that the associated spend on relevant Adult Personal Social Services projects be included in the Capital Programme.

Libraries play an important role in the provision of information and advice which is central to our delivery of the personalisation agenda. It is therefore proposed that it be noted that the programme to be funded from these resources this year includes £17,000 of expenditure on fire safety compliance work at Halesowen Library, and also that the Director of Adult Community and Housing Services be authorised to allocate such funding for similar purposes, as appropriate within the overall objectives of the grant allocations.

Urban Environment

MoT Testing Facility

10. In June 2012, Cabinet approved a project to upgrade and equip premises at Enterprise Trading Estate, Brierley Hill to provide a MOT Testing Service to be offered in conjunction with the routine taxi inspection, effectively creating a Taxi "One Stop Shop" in an attempt to minimise the amount of time taxis are off the road.

Alternative premises have now been identified at Hurst Business Park, Narrowboat Way as the facility is more suitable for office accommodation, staff, training and the fitment of Vehicle and Operator Services Agency (VOSA) approved equipment. This facility requires less adaptation to bring it into use. The specialist equipment required can be installed and ready for use on 1st May 2014.

It is proposed that the revised project be approved.

Pay and Display Machine Renewal

11. The condition of the existing Pay & Display machines is deteriorating, and parts are becoming obsolete. Many of the existing machines were installed when Pay and Display was implemented in 1993 and have performed well beyond their anticipated life expectancy. The intention is to replace all 52 machines including the pedestals and software at a cost of approximately £300,000 funded from revenue repairs and maintenance budget contributions over 5 years.

It is proposed that the project be approved and included in the Capital Programme.

12. Better Bus Area Fund

In 2012 the Council along with project partners, Westfield Shopping Towns and local bus operators, supported the successful submission of a bid by Centro to the Better Bus Area Fund (BBAF). The bid to improve accessibility to public transport for the Brierley Hill Area secured £5,000,000 of Government grant and was match funded by the project partners.

Originally it had been anticipated that the highway elements of the project would be delivered by Westfield Shopping Towns. However, following their withdrawal from the project and in order to meet timescales for the BBAF grant it is now proposed that the Council lead delivery of the remaining highway elements. This involves construction of a new signal controlled pedestrian crossing on the A4036 Pedmore Road, subject to planning permission, and additional road space and signal controls to facilitate bus priority measures at the junction of the Boulevard with Mill St, Brierley Hill.

The estimated cost of the works is £1,200,000 which can be funded by £1,100,000 of Government grant supported by £100,000 from the Councils Integrated Transport Block allocations for 2014/15.

It is proposed that the scheme be approved and included in the Capital Programme.

Children's Services

Schools Capital Allocations – Basic Need 2015/16 and 2016/17

13. The Council has been notified of its Basic Need allocations for 2015/16 and 2016/17 of £90,000 and £94,000 respectively – to support the provision of new pupil places where required. The funding will be allocated to specific projects in due course.

It is proposed that these allocations be noted and the associated expenditure included in the Capital Programme.

Schools Capital Allocations – Maintenance 2014/15

14. The Council has been notified of its Capital Maintenance allocation for 2015/16 of £3,721,000. This will be allocated on the basis of priorities determined through asset management data including health and safety issues, building condition surveys and access needs.

It is proposed that this allocation be noted and the associated expenditure included in the Capital Programme.

Schools Capital Allocations – Devolved Capital 2014/15

15. The Council has been notified of its Devolved Capital allocation for 2015/16 of £784,000. This will be allocated to schools based on a DfE formula. Schools will be expected to determine capital projects in accordance with priorities set out in their schools' asset management plans and in conjunction with the Buildings & Estates Team.

It is proposed that this allocation be noted and the associated expenditure included in the Capital Programme.

Universal Infant Free School Meals Capital allocation

16. The Council has been allocated £855,000 towards the capital requirements resulting from the entitlement of a free school meal for every pupil at key stage 1 from September 2014. The funding will be allocated to specific projects in due course.

It is proposed that this allocation be noted and the associated expenditure included in the Capital Programme.

Post Completion Review of Capital Projects

17. The Post Completion Review required by Contract standing orders have now been undertaken for the following scheme, with a copies of the proforma summarising the review attached at Appendix C.

Children's Services
Hillcrest School TCF project

It is proposed that this be noted.

The CIPFA Prudential Code for Capital Finance in Local Authorities

18. The Local Government Act 2003 introduced a system of "prudential borrowing" which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.

19. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix D.

Minimum Revenue Provision (MRP) Policy Statement

20. Before the start of each financial year each authority must agree its policy on making Minimum Revenue Provision (MRP) for repayment of non-HRA borrowing incurred to fund Capital expenditure, in respect of that financial year. (There is no requirement to make MRP in respect of HRA borrowing.)

21. In line with the current policy, it is proposed that the Council agrees the following MRP Policy for 2014/15 as follows. This is unchanged from the 2013/14 Policy.

- For unsupported borrowing to fund capital expenditure incurred from 1st April 2008 onwards, MRP be calculated on the basis of equal instalments or annuity as appropriate over the initial estimated life of the assets - the "Asset Life" method. And in respect of "PFI" schemes and other Finance Leases etc., MRP be calculated on a basis equivalent to the principal element of the unitary/lease payments. This would also apply to such expenditure incurred before 1st April 2008 but only subsequently included on the Balance Sheet as a result of changes to accounting arrangements. *(This means that such borrowing and other credit arrangements will be repaid over the life of the assets for which it was incurred, matching the costs with the benefits received.)*

- For all supported borrowing, and unsupported borrowing to fund capital expenditure incurred before 1st April 2008, MRP be calculated on the basis of the previous regulations - the "Regulatory Method". *(This means that supported borrowing will mainly be repaid to match the support received from the Government, and that unsupported borrowing will be repaid as was anticipated when it was incurred, avoiding any change to the net impact on annual revenue budgets.)*

<u>Finance</u>

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

<u>Law</u>

23. The Council's budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

<u>Equality Impact</u>

24. These proposals comply with the Council's policy on Equality and Diversity.

25. With regard to Children and Young People:

- The Capital Programme for Children's Services will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
- Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.

- There has been no direct involvement of children and young people in developing the proposals in this report.

Recommendations

26. That the result of the Post Completion Review of relevant capital projects, as set out in Appendix C be noted.

27. That the Council be recommended:

- That current progress with the 2013/14 Capital Programme, as set out in Appendix A be noted, and that budgets be amended to reflect the reported variance.

- That the Disabled Facilities Grant allocation for 2014/15 be noted and the associated expenditure funded from this and other available Housing capital resources be included in the Capital Programme, as set out in paragraph 7.

- That the revised funding for the Tiled House Lane Residentail Home project be approved, and the Capital Programme amended accordingly, as set out in paragraph 8.

- That it be noted that the programme to be funded from Adult Personal Social Services Capacity Grant this year includes £17,000 of expenditure on fire safety compliance work at Halesowen Library, and also that the Director of Adult Community and Housing Services be authorised to allocate such funding for similar purposes, as appropriate within the overall objectives of the grant allocations, as set out in paragraph 9.

- That the revised project for provision of an MOT Testing Facility be approved, as set out in paragraph 10.

- That the project to renew all Pay and Display machines be approved and included in the Capital Programme, as set out in paragraph 11.

- That the Better Bus Area project be approved and included in the Capital Programme, as set out in paragraph 12.

- That the Schools Basic Need allocations for 2015/16 and 2016/17 be noted and the associated expenditure included in the Capital Programme, as set out in paragraph 13.

- That the Schools Capital Maintenance allocation for 2015/16 be noted and the associated expenditure included in the Capital Programme, as set out in paragraph 14.

- That the Schools Devolved Capital allocation for 2015/16 be noted and the associated expenditure included in the Capital Programme, as set out in paragraph 15.

- That the Universal Infant Free School Meals allocation be noted and the associated expenditure included in the Capital Programme, as set out in paragraph 16.

- That the Prudential Indicators as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix D, be agreed.

- That the Minimum Revenue Provision (MRP) Policy for 2013/14 be approved as set out in paragraph 21.

John Polychronakis	**Iain Newman**
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List of Background Papers
Relevant resource allocation notifications.
CIPFA Prudential Code for Capital Finance in Local Authorities.

Appendix A

2013/14 Capital Programme Progress to Date

Service	Budget £'000	Spend to 31st December £'000	Forecast £'000	Variance £'000	Reasons for Variance
Public Sector Housing	39,985	23,094	38,753	-1,232	See note 1
Other Adult, Community & Housing	8,989	5,176	8,989		
Urban Environment	28,180	17,239	28,180		
Children's Services	10,255	4,462	10,255		
Corporate Resources	2,378	1,682	2,378		
TOTAL	**89,787**	**51,653**	**88,555**	**-1,232**	

1. Reduction in amount of overall total Minor Works expenditure which is of a capital nature.

Appendix B

Progress with Major Capital Schemes

Adult, Community and Housing

<u>New Council Housing</u>
The Council has been successful in securing match funding from the Homes and Communities Agency (HCA) from the Care and Specialised Support Housing Fund and work has commenced on design and planning for the 14 two bedroom apartments for people with learning disabilities and who are on the autistic spectrum at the former depots at Norfolk Road, Wollaston and The Walk, Sedgley, and 3 two bedroom three person houses also at The Walk. Work is continuing on feasibility studies for other potential new build across the borough although no firm proposals have been developed yet. Spend this year is planned to be only design and planning fees, with construction on site planned to commence later in 2014. Schemes are expected to be delivered within budget.

<u>Dementia Gateways</u>
In September 2012, Cabinet approved a budget of £1.610m to create new dementia gateways. Work has been successfully completed on the dementia gateway at Brettell Lane, Brierley Hill. The second dementia gateway scheme at Brett Young in Halesowen is due to commence on site in February 2014 with completion in August 2014. Based on current estimates, a further £150,000 is required, which can be met from unallocated Mental Health capital grant funding already included in the Capital Programme.

<u>Archive and Local History Centre</u>
The new borough Archive and Local History Centre is now completed. The building is operational and the Archive and Local History Service opened to the public on 14th January 2014. Following completion on site, final costs of the scheme are now being established and we anticipate the work will be on budget.

<u>Tiled House Lane Residential Home Modernisation</u>
Refurbishment works to carry out improvements to Tiled House Lane Residential Home have commenced and are expected to be completed, within budget, in May 2014.

Urban Environment

<u>Street Lighting</u>
Street lighting improvement works are in progress and the Street Lighting Central Management System (CMS) is now fully commissioned and operational. Just over 7,600 of the Council's 32,000 street lights can now be controlled via the CMS system remotely to help save energy; 3,400 of these have been converted to new lanterns. Spend is forecast to be within budget.

<u>Recycling</u>
The grant funded recycling vehicles are now operational and approximately two thirds of the boxes and bags have been deployed to households in line with Phases 1 and 2 of the rollout. Phase 3 rollout is expected to complete the recycling capital expenditure Spend is forecast to be within budget.

<u>Wheeled Bins</u>
Phases 1 and 2 wheeled bin deliveries have now been rolled out with Phase 3 bins expected to be delivered by February 2014. Spend is forecast to be within budget.

Priory Park Improvements
Awaiting some final snagging issues to be resolved by the main contractor, but capital project is virtually complete. Claims for capital funding from Heritage Lottery are almost complete. Revenue spend is progressing well with a large number of new volunteers involved in the improvements. Spend is forecast to be within budget.

Mary Stevens Park
Heritage Lottery Fund has given permission to start project. All conditions have been met. The Project Manager started work in December, and is due to start the process of regular project meetings to monitor progress. The design team will be recruited by March, and the procurement process has begun. Spend is forecast to be within budget.

Castle Hill
New Access Road: Phase 1a was completed during October 2012. Phase 1b (link road and roundabout) was completed April 2013.

Phase 2 onwards: This comprises the secondary route, recreational route, car parking and Visitor Hub. Planning permission was granted on 12th March 2013. The design team are currently working on detailed designs on a phased basis. Works commenced onsite for the initial phase of the secondary route on 23rd September 2013. Works is to commence on lower level car parks later in the year with completion due early in the New Year. Further works to commence early 2014, with final completion currently projected for December 2014. Spend is forecast to be within budget.

Dudley Marketplace and Town Centre
The Dudley Marketplace project is currently underway with the first construction phase in Castle Street commencing on 20th January 2014. The Market Place phase will follow in the next financial year. Spend is forecast to be within budget.

Children's Services

DGfL3
Dudley Grid for Learning 3 includes a programme of ICT equipment upgrade and renewal across financial years 2013/14 & 2014/15. Consultation with schools to ascertain their priorities for the 'refresh' programme is underway and options have been presented to schools at events in December. Initial equipment procurement has commenced in response to schools and service needs. The programme and associated expenditure is therefore on schedule to bring improvement to schools ICT as planned.

Corbyn Road - base for joint Children's Safeguarding Unit and frontline social work teams
Tenders have now been returned, and work started on 20th January 2014 with a planned completion date of 27th June 2014. Expected outturn cost is within budget.

Pens Meadow Special School – Additional Places
A costed feasibility study has been produced and the next stage is for more detailed surveys to be undertaken to ascertain more up to date costs for refurbishment. Corporate Estates have been commissioned by the Directorate of Children's Services to negotiate a lease of the building on behalf of the Council. Construction & Design have been commissioned to provide full design services for the project.

Corporate Resources

<u>Transforming our Workplace (ToW)</u>
The project is now less than 6 months to completion. There has been some overspend on the refurbishment of core offices but this has been offset by underspend on other ToW budget lines such as fewer staff moves. Additionally, Non-Domestic Rate credits have been received for vacant offices during refurbishment periods. Work to offices at 3/5 St James's Road was originally due to complete before Christmas but has been delayed; predominantly due to slow work on site over November and December. However, furniture and ICT has been installed and the programme remains on target to relocate staff in early February. Alterations to offices at Mary Stevens Park Stourbridge are in progress ahead of the relocation of around 250 Children's Services staff commencing at the end of March. Work to the Council House complex and 8 Parsons Street is scheduled to commence in February 2014. The release of 12 surplus office sites has commenced with Castle Court, 5-7 The Broadway now on the market. The other 11 sites will be vacated in 2014. The whole programme of work is currently running to budget and is scheduled to complete accordingly to plan in July 2014.

Appendix C

Post Completion Review of Capital Schemes

Title of Scheme: Hillcrest School and Community College Expansion
Date of Cabinet approval: *9th September 2009* (i.e. inclusion in Capital Programme)
Original Budget: *£5,851,000 (£5,551,000 Targeted Capital Funding bid as approved by Cabinet on the above date, plus £300,000 Devolved Capital funding)* **Planned Completion date:** *23rd March 2012*
Outturn Cost (still provisional): *£6,050,000* **Actual completion date:** *18th September 2012*
Variation from Budget: *£199,000* **Delay:** Twenty Six weeks
Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet): The provisional outturn cost includes for work carried out that was not included within the original scheme. This work includes fire alarm work to the main building, forming a new reception area and removing an existing mobile, and has been funded from other available resources It is not anticipated that the outturn cost will vary significantly, however until the making good defects period has elapsed the Final Certificate cannot be issued. The delay was as a result of carrying out the works to the fire alarm and new reception during the summer hoilday period after the classroom block extension was completed in May.
Original Objectives of Scheme (please indicate when and to whom these were reported): The project was included within the Capital Programme following a successful bid (bid approved by Cabinet on 19th March 2008) for Targeted Capital Funding to expand the school's facilities in order to increase the number of pupil places. It would include a new dining refectory, new classrooms, office and administration space and associated car parking and external works. The number of places offered to pupils would increase from 900 to 1050 as a result of this expansion. The completed project has enabled 210 places to be offered to new pupils in September 2010, September 2011 and September 2012 meaning that the school offered 1020 places in September 2013 which will rise to the planned 1050 in September 2014.
Have these Objectives been met? (If "No" please provide explanation): Yes.

Signed by: Pauline Sharratt........................ (Acting Director) Date: 31st January 2014

Appendix D

CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* ("the Code"), which is required to be complied with as "proper practice" by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-5) are essentially concerned with the prudence and affordability of the Council's capital expenditure and borrowing plans in the light of resource constraints. The remaining indicators (6-7) are primarily concerned with day-to-day borrowing and treasury management activity.

The proposed figures for each indicator have been developed in the light of the Council's overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

Service Objectives;
Stewardship of Assets;
Value for Money;
Prudence and Sustainability;
Affordability;
Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council's budget setting, management and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council's Capital Strategy.

Appropriate procedures have been established for proper management, monitoring and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2013/14, 2014/15 and 2015/16 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts.

1. Estimated and Actual Capital Expenditure

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.

Subject to the other proposals in this report being agreed, together with those contained in reports elsewhere on the agenda, the proposed indicators are as follows.

	2012/13 £m Actual	2013/14 £m Revised Estimate	2014/15 £m Revised Estimate	2015/16 £m Revised Estimate	2016/17 £m Estimate
Non - HRA	31.1	50.0	57.6	12.5	7.2
HRA	41.3	38.8	43.1	41.2	41.0
Total	**72.4**	**88.8**	**100.7**	**53.6**	**48.2**

2. Estimated and Actual Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2012/13 £m Actual	2013/14 £m Revised Estimate	2014/15 £m Revised Estimate	2015/16 £m Revised Estimate	2016/17 £m Estimate
Non - HRA	292.5	301.7	303.3	291.9	283.5
HRA	464.1	464.1	464.1	464.1	464.1
Total	**756.6**	**765.8**	**767.4**	**756.0**	**747.6**

The limit on the HRA CFR imposed on implementation of self-financing is £464.1m.

3. Gross Debt and the Capital Financing Requirement.

In order to ensure that in the medium term, debt can be incurred only for capital purposes, this indicator requires that gross external debt does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

It is anticipated that this requirement will be met for the years 2013/14 to 2016/17.

4. Estimate of the Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of their impact on levels of Council Tax and Housing Rents.

The forecast debt charges resulting from anticipated overall borrowing are fully reflected in the figures set out in the Budget Strategy and Public Sector Housing reports elsewhere on this agenda. There are no proposals to undertake new borrowing for General Fund capital expenditure. New borrowing for Public Sector Housing capital expenditure would not be possible within the limits imposed on the HRA CFR as part of self-financing; The impact on Council Tax and Rents is therefore as follows.

	2014/15	**2015/16**	**2016/17**
	£	**£**	**£**
Increase in Annual Band D Council Tax	0	0	0
Increase in Weekly Housing Rent	0	0	0

5. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**
	%	**%**	**%**	**%**	**%**
	Actual	**Revised Estimate**	**Revised Estimate**	**Revised Estimate**	**Estimate**
Non - HRA	9.7	8.9	9.0	10.0	9.8
HRA	44.8	44.3	44.8	43.5	42.9

The increase in the HRA indicator from 2012/13 onwards, compared with previous years' figures, reflects the extra debt taken on as part of HRA self-financing and the inclusion of depreciation within capital financing costs in accordance with updated Code requirements.

6. The Authorised Limit, Operational Boundary, and Actual External Debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per. section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to day monitoring, and has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and “other long term liabilities” such as leases and other capital financing arrangements which would result in the related assets appearing on the Council’s Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

	2012/13	**2013/14 Revised**	**2014/15 Revised**	**2015/16 Revised**	**2016/17**
	£m	**£m**	**£m**	**£m**	**£m**
Authorised limit for external debt:					
Borrowing	n/a	926	919	898	877
Other long term liabilities	n/a	38	39	40	41
Total	**n/a**	**964**	**958**	**938**	**917**
Operational boundary:					
Borrowing	n/a	811	817	855	855
other long term liabilities	n/a	37	39	40	41
Total	**n/a**	**848**	**856**	**895**	**896**
Actual External Debt:					
Borrowing	737.0	n/a	n/a	n/a	n/a
Other long term liabilities	33.9	n/a	n/a	n/a	n/a
Total	**770.9**	**n/a**	**n/a**	**n/a**	**n/a**

7. Adoption of the CIPFA *Code of Practice for Treasury Management in the Public Services*

This indicator is a fundamental requirement of the system in so far as it relates to treasury management activity. The Council has adopted the Code of Practice.

Dudley Metropolitan Borough Council

Agenda Item No. 9

Meeting of the Cabinet - 12th February 2014

Report of the Directors of the Urban Environment and Corporate Resources

Dudley Business Investment Zone

Purpose of Report

1. To seek approval to the creation of a Dudley Business Investment Zone at the Waterfont area of Brierley Hill.

Background

2. Following exclusion of the South Black Country elements from the approved Black Country Enterprise Zone (as part of the Government's national Enterprise Zone initiative), Cabinet approved (on 14th March 2012) the principle of a designated zone at the Waterfront in Brierley Hill where a business rate incentive would be used to stimulate investment, growth and jobs. Cabinet also authorised the Directors of the Urban Environment and Corporate Resources, in consultation with the appropriate property owners, to undertake further work in relation to this initiative and to report back to Cabinet with a detailed management and operational plan (attached as appendix 3).

3. Whilst Cabinet approved the principle, subject to further feasibility, of approaching the initiative in three phases (Waterfront, Waterfront II and Harts Hill) it was agreed that initial work would focus upon the existing office park at The Waterfront (the location plan is attached as Appendix 1). A plan of the three phases is attached as Appendix 2.

4. Brierley Hill is designated as the Black Country's strategic centre in the Black Country Core Strategy (BCCS). The BCCS also provides the planning framework for an additional 1million sq ft of office space within the area, with the scope to create over 6,000 new jobs.

5. At the Waterfront, there is some 650,000 sq ft of high quality office accommodation, of which approximately 200,000 sq ft is currently vacant.

6. From April 2013, the business rates retention scheme enables local authorities to retain a proportion of locally collected business rates to help fund the services they provide. The Dudley Business Investment Zone will be an important scheme in promoting the long term development of the Borough's business rate base.

Scheme Overview

7. The Dudley Business Investment Zone would operate on the basis of a two year business rate free period, subject to State Aid limits, for new occupants of vacant space in the designated area.

8. The cost of the business rate incentive would be shared equally by the Public Sector (Central Government 25%, the Council 24.5%, West Midlands Fire Authority 0.5%) and the property owners (50%).

9. The lifetime of the scheme is proposed to be five years, commencing 1st April 2014 and ending on 31st March 2019. Therefore, to get the full two-year benefit of the scheme, businesses would have to take occupation of premises in the designated area by 31st March 2017.

10. The Council reserves the right to review the period of duration or operation of the scheme, and this can be changed by the Council at any time if it so decides.

Management Framework

11. To maximise the overall contribution of the scheme and to minimise financial cost and other risks to the Council, a draft management framework has been developed (Appendix 3).

12. It is proposed that the Dudley Business Investment Zone would be managed by the Council via a Management Board, the composition of which is to be determined.

Operating Model

13. An options appraisal for delivering the scheme has been undertaken. Legal advice has confirmed that the proposed operating model is compliant with appropriate legislation.

Financial Model

14. The financial implications of the scheme are set out below. The model utilises information on rateable values and expected business rate revenues generated by the Council as at 1st December 2013. All of the analysis has been undertaken using 2013 prices. That is, no allowance is made for the effects of inflation over the lifetime of the scheme.

15. The model is based on acceleration in the letting of office floorspace after the first year, with the net effect that the 200,000 sq ft of floorspace, available at the commencement of the scheme, is let in four years. Whilst it is difficult to be precise about the rate of occupation, it is considered that this estimate represents a 'worst case' scenario for the Council in terms of financial liability.

16. Under this scenario the assumptions are that the estimated gross cost of the incentive over the lifetime of the scheme - once the implications of the State Aids limit is factored in - would be £1.123 million, of which the Council's share would be £0.275 million (24.5%). At peak, the maximum annual value of the scheme is expected to be £0.315 million in Year 4 (2017/18), implying costs of £0.077 million for the Council.

17. The maximum discount available to any occupier would be subject to the de minimis exemptions allowed under EU State Aid rules. The maximum discount that can be provided is approximately £165,500 over 3 years.[1] However, in the case of the proposed scheme, the maximum proposed discount is set at £55,165 per year over a

[1] Based on the *de minimis* threshold of €200,000 and an exchange rate of €1.2085:£1.00, as at 3rd December 2013

two year period (i.e. £110,330 in total), which is the average annual de minimis rate applied over two financial years only.

18. It will be the Council's responsibility to ensure that there is no breach of the State Aid Regulations.

19. The model is very sensitive to this assumption in paragraph 17. The estimated costs of the scheme are based on a central case of 50% of the new occupiers being subject to the State Aids maximum threshold. If none of the occupiers were subject to the State Aids maximum threshold, then the cost to the Council would be £0.483m rather than £0.275m.

Proportion of Occupiers subject to State Aids maximum threshold	Cost to Council of incentives £m (2014/15-2018/19)
0%	0.483
25%	0.379
50% (central case)	0.275
75%	0.173

20. The risk set out in paragraph 19 will be managed in two ways:

- The scheme would be closed early to new entrants if potential costs to the Council threatened to exceed available financial resources; and

- The scheme will be managed to give priority to larger lettings.

Through the above mitigating actions, the risk to the Council is reduced to a minor risk in the risk assessment for the project.

21. The key results of the financial plan from the perspective of Dudley Council are as follows:

- The gross cost to the Council of providing the business rate incentives at The Waterfront is estimated at £0.275m (based upon the 50% letting subject to the State Aids maximum).

- Post 2019, the strategy is based on the potential for longer term growth of net business rate revenue resulting from the development of the planned future phases for the area. This would allow for the collection of business rates on approximately 1.4 million sq ft of premises in total rather than the current 650,000 sq ft, as a result of expansion of the existing campus.

22. If significant amounts of floorspace in the area are lost to other, non-employment yielding land uses (such as through the conversion of some or all of the building for residential purposes) then the results presented in the financial model will be re-calculated to take on board the potential loss of business rates revenues and/or economic benefits.

Economic Benefits

23. There are two key potential economic development outcomes for a successful scheme. These are:

- The opportunity to maximise the job hosting potential of currently available floorspace at The Waterfront; and

- The opportunity to maximise the value of economic output (Gross Value Added)[2]

24. The gross employment yielding potential of the 200,000 sq ft of floorspace currently vacant at The Waterfront is estimated to be approximately 1,400 jobs.

25. The knock-on benefits of these jobs, in terms of stimulus to other businesses through supply chain impacts and expenditure by workers, are estimated to amount to a further 200 gross indirect jobs in the local economy.

26. The overall cumulative impact in terms of gross employment (direct plus indirect) is estimated to be approximately 1,600 in the wider local economy, when the eligible floorspace is fully occupied.

27. In terms of net additional employment, it is expected that 1,160 jobs could be generated for Dudley MBC residents.

28. The net addition to the value of the local economy by the same year is expected to be £68.8 million per annum (in 2012 prices).

29. Another key benefit of the scheme is that, by increasing occupation levels at the Waterfront, the viability of the next phase of office development in the area (up to a further 750,000 sq ft) is increased and meaningful discussions with potential development consortia can commence.

Consultation

30. There have been ongoing discussions with DMBC Officers and the two major Waterfront property owners during the development of the scheme.

31. An initial written consultation exercise was undertaken with the ten minority property owners in December 2012, from which four responses were received, all in support of the scheme.

32. Detailed consultation on scheme proposals took place with Waterfront property owners and property agents between November and December 2013. Overall, the response to the presentation of proposals was very positive and owners welcomed the fact that the Council is suggesting measures and committing resources to help to overcome the decline in occupation of The Waterfront.

Complementary Investment Strategy

33. Work will be undertaken to identify potential regeneration initiatives for The Waterfront that will compliment the scheme, aiming to encourage more businesses to locate at the site and take up vacant premises and broaden the range of uses in The Waterfront in response to changed market conditions consistent with the evolution of the Brierley Hill area as a mixed commercial and residential centre.

[2] Gross Value Added is a measure of the value of economic output in the economy, and is conventionally used across the EU to measure the value of economic activity in sub-national areas (regions, sub-regions, etc.) or the value of production of particular industries.

Permitted Development Rights

34. On 6 September 2012 the Government announced, as part of a package of measures to support economic growth, that permitted development rights would be introduced to better enable change of use from commercial to residential purposes. The changes came into force on 30th May 2013.

35. The new rights are for a time-limited period of three years, and the Government will consider towards the end of that period whether they should be extended indefinitely. The change has been accompanied by a tightly drawn prior approval process which will cover significant transport and highway impacts, and development in areas of high flood risk, land contamination and safety hazard zones.

36. Alongside the new permitted development rights, the Government announced that local authorities would be given an opportunity to seek an exemption for specific parts of their locality. DMBC applied for an exemption for designated high quality employment areas and the Waterfront area. This application, in common with the majority of others around the country, was unsuccessful.

37. Whilst the Council would not necessarily resist applications for change of use in rational locations, or self contained areas, the permittance of sporadic conversions could prejudice the letting of adjacent office space.

38. Article 4 of the Permitted Development Order (as amended in 2010) allows a Local Planning Authority (LPA) to apply a Direction to withdraw the permitted rights granted by the Order, where it is satisfied it is expedient that development should not be carried out, unless permission is granted for it by application.

39. Ensuring that the change of use or any demolition of the building(s) requires planning permission does not necessarily prevent such development taking place but it will allow the LPA some control to fully consider the wider implications of the works, and ensure that the views of others, with an interest in this matter, are able to be fully taken into account before a decision is taken.

40. It is therefore proposed that, should the Council consider that there are exceptional circumstances to do so, DMBC apply an Article 4 Direction to control demolition and change of use of The Waterfront (except for the Point North building which will be subject to controls over demolition only due to the recent planning approval for residential conversion).

41. A report on the above will be taken to the Development Control Committee on 17th February 2014.

Finance

42. Local authorities have been given new powers to award further discretionary reliefs under the Localism Act. The government will pick up 50% of the cost of this relief and therefore the net cost to Dudley, (based upon the assumption of 50% of new occupiers will be subject to state aid limits) is estimated to be £0.275m.

43. The cost to the West Midlands Fire Authority of awarding this discretionary relief is estimated to be £5,600 (based upon the assumptions in this report).

44. As stated in paragraph 13, the financial model is sensitive to the assumption that 50% of occupiers will be subject to state aid limits. In the worst case scenario where none of the occupiers will be subject to state aid limits, then the cost to the Council is estimated to be £0.483m. However, the mitigating actions set out in paragraph 20 significantly reduce this risk.

45. The overall cost may also vary if rateable values in the Business Investment Zone decline or recover more than the assumptions used at the time of writing this report.

46. The cost to property owners participating in the scheme is estimated to be £0.562m based upon the assumptions used.

47. The scheme will close on 31st March 2019. Business rate discounts offered to tenants before 31st March 2017 will apply for the normal two year maximum period. After 31st March 2017, the business rate discount will be applied on a reducing basis up to 31st March 2019.

Law

48. Pursuant to Section 1 of the Localism Act 2011, the Council has the general power of competence to do anything that individuals generally may do.

49. Section 69 of the Localism Act 2011 amends section 47 of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer.

50. A Direction is made under Article 4(1) of The Town and Country Planning (General Permitted Development) Order. Before making an Article 4(1) direction, the Council as local planning authority must consider it expedient that development should not be carried out without a planning application first being made and approved. (An article 4(1) direction can relate to specific or general development).

51. The law is clear that permitted development rights should only be withdrawn in exceptional circumstances. However, an Article 4 direction does not constitute an absolute prohibition of development; it simply requires that an express application for planning permission is to be made and then considered on its merits.

Equality Impact

52. This work has been conducted in full accordance with the Council's equality and diversity policies and should in no way have any prejudicial impact on different racial groups, disabled people, both genders and/or other relevant groups.

Recommendation

53. It is recommended that Cabinet:-

- Authorise the Council to create a Dudley Business Investment Zone at the Waterfront area of Brierley Hill from the start of the 2014/15 financial year.

- Delegate composition of the Management Board to the Cabinet Member for Regeneration.

- Authorise the Directors of the Urban Environment and Corporate Resources, in consultation with the Cabinet Members for Regeneration and Finance, to

  - Negotiate and enter into the required legal agreements for the Dudley Business Investment Zone.

  - Create appropriate delegations for the financial administration of the Dudley Business Investment Zone.

  - Update and amend the draft management framework.

  - Amend the Council's discretionary rate relief policy to allow the reduction in business rates for businesses within the designated area for the Dudley Business Investment Zone, as detailed above.

……………………………………
JOHN MILLAR
Director of THE Urban Environment

…………………………………………..
PHILIP TART
Director of Corporate Resources

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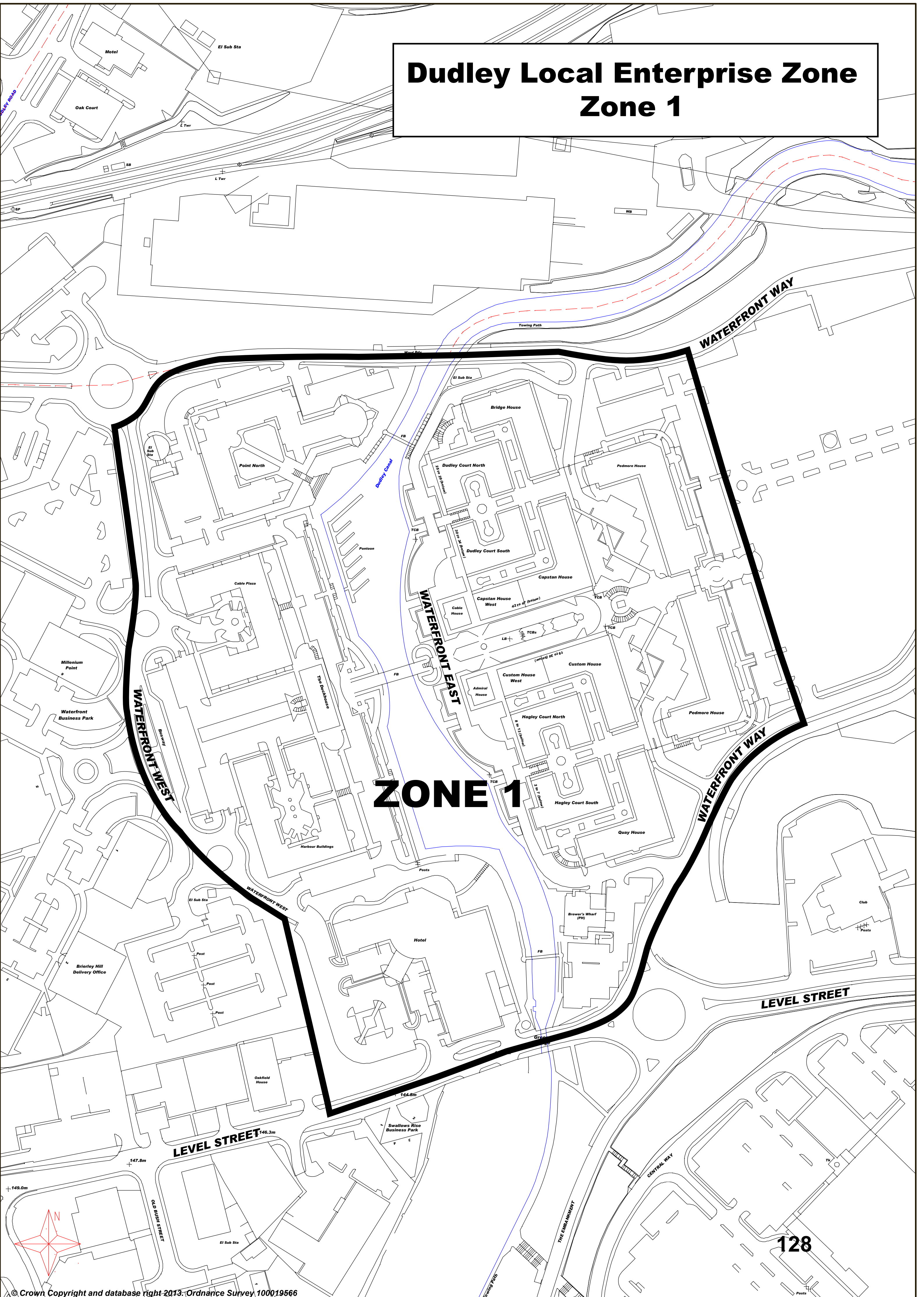
List of Background Papers

Black Country Local Enterprise Partnership - Submission to DCLG for a Black Country Enterprise Zone - August 2011

Cabinet Report - Proposed Dudley Local Enterprise Zone - 14th March 2012

Dudley Local Enterprise Zone
Zone 1



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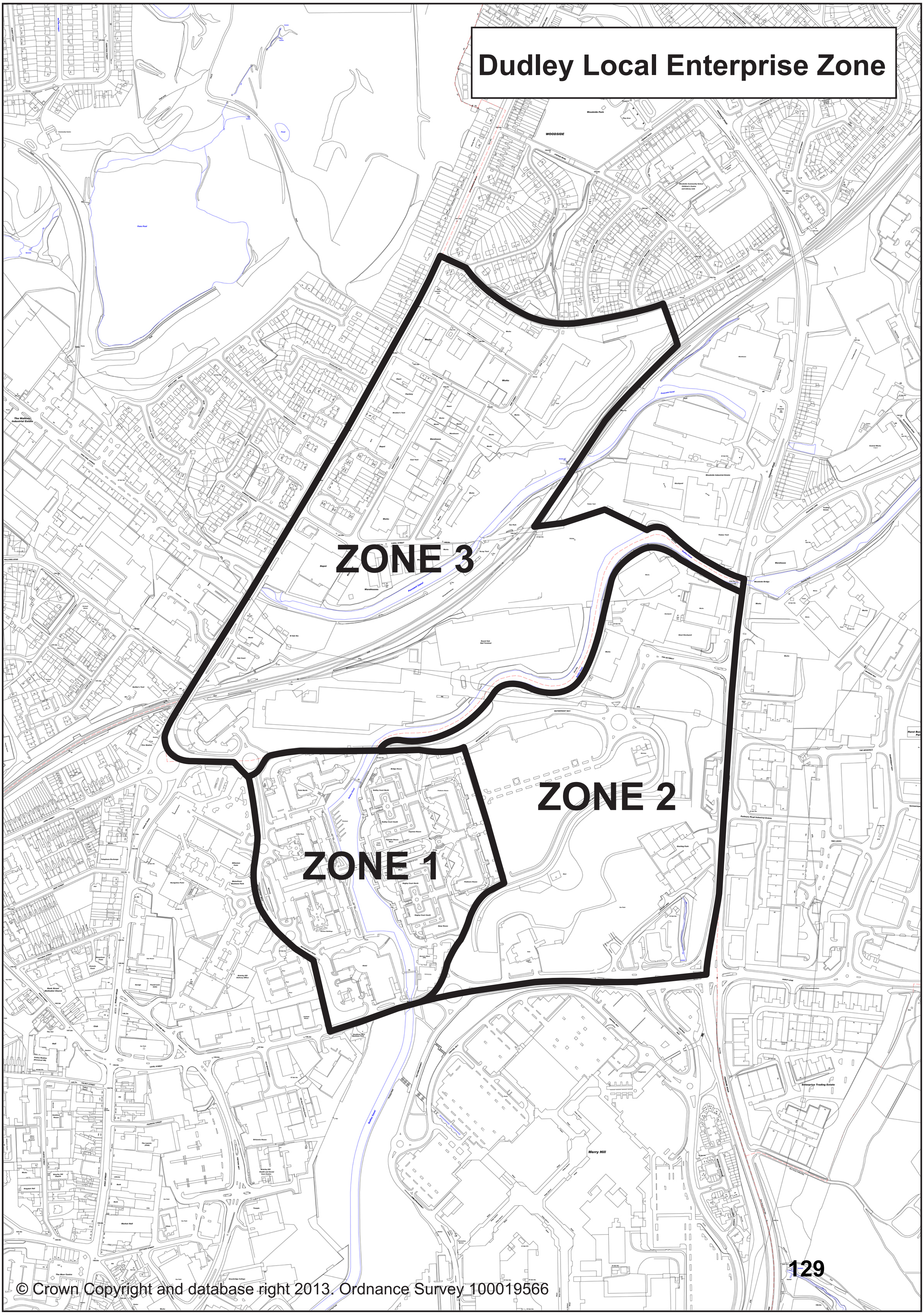

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Appendix 3
DRAFT
Dudley Business Investment Zone
Management Framework

1. Scheme Overview

The scheme will operate on the following basis:

1.1 100% business rate discount, up to State Aid limits, available for new occupiers[1] that commence occupation in properties within the designated Zone, for a maximum period of 2 years after the occupancy begins.

1.2 The lifetime of the scheme is 5 years, commencing 1st April 2014 to 31st March 2019. The Council reserves the right to review the period of duration of the scheme.

1.3 The cost of the business rate incentive is to be shared equally by the Council and the Participants[2].

2. Qualification Criteria

2.1 The scheme is open to all prospective occupiers locating in properties within the designated Zone, as specified on the Zone map (Zone 1). Businesses already located in Dudley Borough and proposing to relocate to a property/properties in the designated Zone must provide a business case to demonstrate additional jobs growth and that any move is not solely for the purpose of business rates avoidance.

3. Terms & Conditions

3.1 The scheme will be managed by the Council and its key partners via a Management Board (see Section 5).

3.2 The scheme will focus on vacant properties/floorspace within the designated area. In terms of the boundary of the area of eligibility, a clear line of demarcation will be prepared and published upon scheme commencement so that it is clear to all parties which properties - and, if relevant, space within properties - are potentially eligible to receive business rate discounts, and which are not. No discounts will be offered for floorspace that is occupied at the time of the scheme designation. There will be six monthly reviews within this boundary with Participants to identify any additional vacant properties/floorspace and, where this is identified, a decision will be taken on inclusion within the scheme, based on affordability.

3.3 The Council reserves the right to amend the boundaries of the designated area at any time. The Council will retain discretionary control over the inclusion of space which becomes vacant during the life of the initiative.

3.4 Within the designated area, the business rate discount will only be available where a legal agreement is in place between Dudley MBC and the Participant. The legal agreement will set out the roles and responsibilities of each party.

[1] Occupier means any entity that is in rateable occupation or otherwise liable to pay business rates in respect of any heriditament within the property.
[2] The Participant is the registered proprietor of the freehold or long leasehold interest in the property which is situated in the Zone.

3.5 So that the business rate discount provides a real incentive to would-be occupiers, the Participants agree not to increase rental levels and service charges for the 2-year duration of the scheme for individual occupiers.

3.6 The offer of the scheme discount to a prospective occupier will be made on a first and final offer basis, with no appeals allowed.

3.7 Existing occupiers at The Waterfront who intend to expand their operations on the site may be eligible for the discount but only on any extra floorspace they occupy over and above the area occupied at the time the Zone was declared. That is, if they vacate floorspace elsewhere at The Waterfront and move into space within the designated Zone, they will only receive a discount based on the additional floorspace that will be occupied, calculated on the average rateable value per square metre of the property as a whole. Any decision on offering incentives to existing occupiers who move in this way is at the discretion of the Council.

3.8 The scheme will close on 31st March 2019. Business rate discounts offered to tenants before 31st March 2017 will apply for the normal two year maximum period. After 31st March 2017, the business rate discount will be applied on a reducing basis up to 31st March 2019.

3.9 The business rate discount only applies to floorspace included within the scheme that is occupied during the period of eligibility. The scheme will operate on the basis of a minimum 5-year lease agreement. If a qualifying occupier vacates the premises within the two year period but still holds the lease, the discount eligibility will become void from the date of vacation, and the qualifying occupier will be liable to pay empty rates as usual, after the exemption period. If a qualifying occupier vacates the premises within the two year period and no longer holds the lease, the Participant will be liable to pay the empty rates, after the exemption period.

4. State Aid De Minimis Regulation

4.1 The maximum discount available to any occupier would be subject to the de minimis exemptions allowed under EU State Aid rules. The maximum potential discount could be approximately £165,500 over 3 years (based on the de minimis threshold of €200,000 and an exchange rate of €1.2085:£1.00, as at 3rd December 2013). However, the maximum discount available under the proposed scheme is assumed to be £55,165 p.a. over two years (i.e. £110,300 in total), which is the average annual de minimis rate applied over two financial years.

4.2 It will be the Council’s responsibility to ensure that there is no breach of the State Aid Regulations.

4.3 There is a requirement to inform the recipient that the aid being given is De Minimis and to keep records of aid given for at least 10 years.

4.4 It is recommended that, before granting the discount, a letter is sent which specifies that the business may be entitled to receive De Minimis aid and makes express reference to the De Minimis Regulation. This letter should ask the recipient business for information on other awards of aid provided under the De Minimis Regulations received in the current and previous two fiscal years. The administrator is required to obtain a declaration from the recipient that receiving the aid will not lead to them exceeding their De Minimis threshold. The onus is on the recipient of aid to demonstrate that they can receive the discretionary business rate discount within the De Minimis threshold.

5. Management Board

5.1 The scheme will be managed by the Council and its key partners via a Management Board, which will be chaired by a Senior Elected Member and will comprise representatives of the property owners on the site, local Chamber of Commerce and Department for Business Innovation and Skills and appropriate DMBC officer support.

Dudley Metropolitan Borough Council

Agenda Item no. 10

Cabinet – 12th February 2014

Report of the Director of the Urban Environment

Adoption of the Members and Officers Code of Conduct – Planning Matters

Purpose of Report

1. To seek Cabinet recommendation of approval to Council of the amended Members and Officers Code of Conduct Planning Matters.

Background

2. The Council introduced its written Constitution in May 2002. Section 37 of the Local Government Act 2000 requires the Council to keep the Constitution up to date. This is reflected in Article 15, which requires the Monitoring Officer to monitor and review the operation of the Constitution in order to ensure that the aims and principle are given full effect. Full Council is responsible for approving changes to the Constitution after consultation with the Cabinet.

3. The Constitution is an important vehicle by which the Council promotes its overall democratic governance arrangements. An annual review of the Constitution was undertaken in November 2012 and again in October 2013. All previously approved amendments have been fully implemented. Amendments are routinely made to update legal provisions and reflect ongoing operational issues.

4. This report takes account of ongoing changes in the national and local context and it is recognised that further amendments to the Constitution may be necessary during 2013/14 and beyond.

5. At the meeting of Cabinet on 30th October 2013 it was reported that the Members and Officers Code of Conduct Planning Matters, as set out in Part 6 of the Constitution, was undergoing a detailed review to update the guide to reflect recent changes resulting from the Localism Act and to bring it in line with best practice nationally. The opportunity has also been taken to make changes to clarify and refine certain procedures as a result of practical issues encountered over the last year. The review is now completed and has taken into account the changes to the Members and Officers Code of Conduct Planning Matters, at part 6 within the constitution the rules on the declaration of interests and various other aspects associated with the development control process. The matter was reported to Development Control Committee for information on 6th January 2014.

6. The main development control changes include:-

- Changes to public speaking to allow a maximum of two Ward Members to speak (one in support and one in objection).

- Clarity in respect to attendance at informal and formal site visits and where a formal visit is not attended by a member removal of the ability to vote when the matter is finally considered.
- Clarity on declarations of interests following the Localism Act (2011) changes.

7. A copy of the amended Members and Officers Code of Conduct Planning Matters is available to view on the Committee Information Management System.

<u>Finance</u>

8. There are no financial implications arising from this report. Any costs arising from compliance with the Constitution are met from existing budgets.

<u>Law</u>

9. Section 37 of the Local Government Act 2000 requires the Council to keep its Constitution up to date.

10. Section 25 of the Localism Act, 2011 introduces provisions for dealing with allegations of bias or pre-determination or matters that otherwise raise an issue about the validity of a decision, whether the decision-maker(s) had or appeared to have a closed mind (to any extent) when making the decision.

<u>Equality Impact</u>

11. This report complies with the Council's policies on equality and diversity and there are no particular implications for children and young people.

<u>Recommendation</u>

12. It is recommended :-

(1) That Cabinet Members recommend to Council the proposed amendments made to the Members and Officers Code of Conduct - Planning Matters.

……………………………………………..

J. B. Millar
Director of the Urban Environment

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List of Background Papers:

A. The Members and Officers Code of Conduct – Planning Matters.

Agenda Item No. 11

Meeting of the Cabinet – 12 February 2014

Report of the Director of Urban Environment

High Street Innovation Fund & Empty Shops Grant

Purpose of Report

1. To seek the approval of the Cabinet for the expenditure of the High Street Innovation fund & the remainder of the Empty Shops Grant

Background

2. Along with many traditional Town Centres across the country, the Borough's centres have for a number of years faced an increasing number of challenges to their vitality and role. The common cited reasons for this often mask a more complex set of circumstances including ongoing structural change within the retail sector, changing patterns in consumer demand, the growth in online retailing and, in recent years the surrounding economic climate.

3. The Council has over the last decade made a number of interventions to seek to improve the fortunes of its Principal and Local Centres and these include:

   3.1 The preparation of Area Action Plans and Regeneration Strategies in order to guide and support appropriate and sustainable investment and development.

   3.2 The creation of the arms length company, New Heritage Regeneration Limited, to coordinate borough wide development, initially in Dudley and Brierley Hill Town Centres in partnership with the Council

   3.3 The securing of significant amounts of external funding from Advantage West Midlands, the Heritage Lottery Fund, the European Regional Development Fund, English Heritage and Section 106 receipts towards land acquisition, development and environmental projects

   3.4 The creation and/or support of Partnership groups such as the former Brierley Hill Regeneration Partnership, Dudley and Brierley Hill Town Centre Partnerships and Local Centre Partnerships

   3.5 The delivery of a Town Centre events programme

Empty Shops Grant

4. In April 2009, in response to the worsening economic climate, particularly on the nation's High Streets, the Department for Communities and Local Government (DCLG) produced advice for local authorities and town centre partnerships called "Looking after our Town Centres". This advice attempted to provide practical help for town centres and high streets and it;

- Set out the benefits of looking after town centres, showing how strong partnerships and positive management can help keep them attractive and vibrant places

- highlighted the range of powers, guidance and tools that can help town centres and showed some examples of the creative approaches that partnerships are already taking in response to the downturn

- explained the steps that the Government is taking to help local authorities and their partners take positive action, particularly in enabling temporary use of vacant shops

5. One of those initiatives was providing funding for bringing empty shops back into temporary if not permanent use. This funding was announced in August 2009. A total of £3m was made available in England and allocated to the 57 most deprived authorities based on the index of Multiple Deprivation. Each qualifying Local Authority, of which Dudley is one, received £52,623, with no time limit for its expenditure

6. Whereas the Council has a relative free hand to use the Empty Shops Grant on any projects it thinks appropriate to bring empty shops back into use, subject to any planning (listed buildings or conservation areas) building control restrictions or licensing laws, DCLG guidance suggests that could be used on such projects as :

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- Using vacant shop windows to post information about their local area

- Applying removable designs to windows to brighten areas and detract from the vacant front

- Using vacant shops for use as galleries, museums, or as community services centres.

7. On the 10th February 2010 Cabinet approved the allocation of the Empty Shops Grant on the basis of £10,000 to each of the principal town centres (Dudley, Brierley Hill, Stourbridge and Halesowen and £790 to each of the Borough's 16 centres with the request that the relevant Area Committees be requested to match this funding from their Capital allocation for each of the centres in their area. This funding was subsequently augmented by £4,730 of Area Committee capital funding which remains available for spend.

8. A number of successful projects have been carried out in Dudley and Brierley Hill Town Centres, based on the installation of window vinyls in empty units promoting regeneration activity and the centres' heritage, and on interim uses for arts and cultural projects

9. Spend of the remaining Empty Shops Grant has however proven challenging. Gaining agreement of property owners to engage in the programme has proven to be very difficult for a variety of reasons, and any work to properties without the full agreement of the occupier could place the Council at liability of legal action for damage.

High Street Innovation Fund

10. On the 30 March 2012 the Council was awarded £100,000 from the Department of Communities and Local Government (DCLG) from a £10m funding package titled the High Street Innovation Fund.

11. Following lobbying by the Council, an extra £10,000 was secured from DCLG in 2012 as part of a package of funds given to Local Authorities who had submitted unsuccessful bids for the Mary Portas Pilot initiative

12. The Government has promoted the fund as an opportunity to support innovative local approaches to managing and revitalising high streets, using the wide range of tools available to local partners – such as business rate discounts, planning and meanwhile uses – to tackle the challenge of empty properties, make the most of the unique experience high streets offer, support local enterprise, and adapt the high street to take on new roles. Examples cited by DCLG of how empty shops might be brought back into use include:

- Support for business rate discounts for new start-up businesses taking on empty properties.

- Supporting community uses of empty properties..

- The consideration by local authorities and other landlords to consider 'meanwhile use' as a way of reinvigorating the high street. This aims to re-animate vacant spaces by allowing local people and community groups to experiment with new projects and enterprises, thereby relieving the burden for landlords of an empty property, and supporting high streets by stimulating new footfall and users in the town centre.

- Supporting local skills improvements/social enterprises by developing an apprenticeship scheme to train young people in shop-fitting and refurbishment.

13. Given the difficulties encountered to date referred to Paragraph 9 in spending Empty Shops Grant, and the desire to allow all areas in the Borough to benefit from both sources of funding it is proposed to open up both grants to applications to be made via Community Forums

14. It is proposed that eligibility for funding be restricted to projects:

- within defined Principal or Local Centres in the Borough
- that are not required by virtue of a planning condition, enforcement action or other statutory requirement

- which will not incur ongoing revenue costs for the Council

15. It is proposed that suitable projects could include;

- Proposals to improve the appearance or condition of empty shops
- Proposals to improve vacant or unsightly land
- Proposals to improve 'grot spots'
- Match funding to support funding bids for the above
- Activities and events to support centres economic vitality

Finance

16. A total of £**167,361** is available from the Empty Shops Grant, Area Committee delegated Capital Budget and High Street Innovation Fund

Law

17. Pursuant to Section 1 of the Localism Act 2011, the Council has the general power of competence to do anything that individuals generally may do

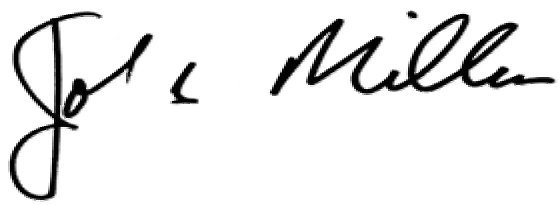
Recommendation

18. It is recommended that the Cabinet

- approve the allocation of the Empty Shops Grant and High Street Innovation Fund on the basis outlined in paragraphs 14 to 16

- authorise the Director of the Urban Environment in consultation with the Cabinet Member for Economic Regeneration to prepare eligibility criteria for the allocation of Empty Shops Grant and High Street Innovation Fund and issue grants to eligible applicants up to the limit of the DCLG grant allocations

- That the Director of Corporate Resources be authorised to determine applications for funding from the High Street Innovation Fund and the remainder of the Empty Shops Grant, based on recommendations from Community Forums, in the same manner as the existing Community Forums Area Grants process.



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List of Background Papers

Meeting of the Cabinet – 10th February 2010; Report of the Director of the Urban Environment; Empty Shops Grant

Agenda Item No. 12

Cabinet Report – Wednesday 12th February 2014

Report of the Director of Adult, Community & Housing Services

Providing Social Housing for Local People – Statutory Guidance on Social Housing Allocations for Local Authorities in England

Purpose of Report

1. To summarise the statutory guidance on Social Housing allocations for Local Authorities in England.

2. To make recommendation to ensure that sufficient regard is given to the statutory guidance.

Background

3. The Department for Communities and Local Government issued new statutory guidance in December 2013. The legal framework for allocations is set out in statute. The status of statutory guidance is that it supports the legislation and an authority must 'have regard to it' in framing policy.

4. The statutory guidance can be summarised as follows:-

   a. There should be a minimum residency period of at least two years as a qualification criteria to access the Council housing waiting list.

   b. This provision can be across authority boundaries to be able to accept each others' residents. The aim being to promote labour mobility in a wider geographical area.

   c. To consider the adoption of additional qualification criteria where a strong local connection can be demonstrated. Examples given are family connection and employment. Members are asked to note this area of 'mobility' is intended to be dealt with under separate legislation 'Right to Move' which is anticipated to be issued in the Spring 2014 following a period of consultation.

   d. Armed forces applicants and their families must not be excluded.

   e. There must be provision for other exemptions. Examples given include people moving to escape violence, homeless families and care leavers who have been housed outside of the area.

f. Specific arrangements may be made to encourage and facilitate downsizing and the allocation of hard to let properties.

g. Prioritising local connection, where the examples given refer to rural lettings and where a group of authorities adopt a wider residency qualification to give greater opportunity to those who live, work or have close family in one authority.

h. To promote how Social Housing is allocated, the purpose being to strengthen public confidence in the fairness of the scheme.

5. Under the remit of the Localism Act 2011, Local Authorities had been given greater freedom to determine their own rules for housing allocations. As a consequence consultation has already been undertaken. This was carried out at the Tenants Conference (22nd September 2012), online surveys, the Housing Working Group and the Environment Scrutiny Committee in March 2013.

Finance

6. The costs have yet to be determined but in addition to staff resources there would be need for IT changes to current systems. Funding would be found from existing budgets.

Legal

7. This guidance by the Secretary of State for Communities and Local Government under Section 169 of the Housing Act 1996, Local Housing Authorities are required to have regard to it in exercising their functions under Part 6 of the Housing Act 1996. The guidance is in addition to the Guidance for Local Housing Authorities in England on Allocation of Accommodation issued in June 2012.

Equality Impact

8. The Guidance is clear in stating that whatever qualification criteria for social housing allocations authorities adopt, they will need to have regard to their duties under the Equality Act 2010. An Equality Impact Assessment has been completed, and any Impacts will be monitored following implementation. There will be a lead in time to implementation of the residency qualification, during which we will put in place appropriate services for those excluded, together with monitoring and reporting arrangements. Our Choice Based Lettings Scheme already has in place a Vulnerable Persons Strategy, which would be extended to provide for any vulnerable persons who may be excluded by the residency qualification.

Recommendations

9. Cabinet agree to include a residency requirement as part of the qualification criteria requiring the applicant (or member of the applicant's household) to have lived in the Dudley Borough, subject to exemptions, for a period of two years. This should be implemented initially for a period of twelve months to enable full evaluation and assess the overall impact.

10. Authority is delegated to the Cabinet Member for Housing and Community Safety and Director of Adult, Community & Housing Services to consider the guidance and ensure that the allocations policy is in line with the requirements of this statutory guidance.

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Director of Adult, Community & Housing Services

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List of Background Papers

Department for Communities & Local Government, Providing Social Housing for Local People, Statutory Guidance on Social Housing Allocations for Local Authorities in England. (copies of which can be found in the Members room).