
Meeting of the Select Committee on Health and Adult Social Care - 28th January 2010

**Joint Report of the Director of Adult, Community and Housing Services
and Interim Director of Finance**

Revenue Budget Strategy 2010/11

Purpose of Report

1. To consult the Select Committee on the proposed Revenue Budget Strategy for 2010/11 and Medium Term Financial Strategy 2010/11 – 2012/13.

Background

2. At its meeting on 13th January 2010, the Cabinet proposed a preliminary budget strategy for further consultation, including consultation with Select Committees, in accordance with the Constitution. In framing their responses to these budget proposals, Select Committees have been asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.
3. In formulating the Council's Budget Strategy and tax levels for 2010/11, Members will need to consider carefully:
 - (a) the levels of Government support allocated to the Council and Ministerial statements about potential "capping levels" and the tightening of public spending;
 - (b) spending pressures, opportunities to free up resources (including efficiency savings) and Council Plan priorities;
 - (c) the implications of spending levels in later years as part of the Council's medium term financial plan;
 - (d) the views of consultees;
 - (e) the external factors and risks inherent in the Strategy;
 - (f) the impact on Council Tax payers, and particularly balancing what needs to be spent to provide services with what it is reasonable to ask local Council Tax payers to pay.
4. When the Revenue Budget and Council Tax for 2009/10 was approved, the Council endorsed a Medium Term Financial Strategy (MTFS) which recognised the following basic assumptions:
 - (i) Pressures on services were likely to continue;

- (ii) Inflationary pressures would continue to affect the level of future pay awards and spending levels, and were likely to be more volatile than in previous years;
- (iii) The Monetary Policy Committee would continue to use interest rates to manage the economy, and actual levels of interest rates were difficult to forecast accurately, particularly in the then current circumstances;
- (iv) The continued use of balances to support ongoing spending was not sustainable in the medium to long term;

and that although increases in the projected Budget Requirement in 2010/11 and 2011/12 were within current capping criteria, the implied levels of annual council tax increase might be considered unreasonably high and, depending on prevailing economic and other conditions at the time, might not be politically acceptable. Any further increased spending pressures and/or significant adverse variations from key budget and forecast assumptions would, of course, either increase the level of savings required or further increase the pressure on council tax levels.

5. In order to ensure that the Council could properly manage its financial affairs over the medium term, and ensure resources would be available to deal with new spending pressures and other unforeseen eventualities, the strategy would therefore be to:
 - (a) manage spending in the remainder of 2008/09 and in 2009/10 within approved budget levels;
 - (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
 - (c) seek further efficiency and other savings;
 - (d) maximise opportunities for additional external funding;
 - (e) take action to replenish General Balances;
 - (f) regularly review risks and uncertainties and other relevant factors.
6. A number of risks and uncertainties were identified when the Council approved the 2009/10 Budget Strategy and MTFS, some of which have had a significant impact on the management of the Council finances in the current year. The impact of the recession has had major implications for the current year and will potentially continue to have implications in the medium term:
 - there have been increasing demands upon some of our services e.g. benefit claims;
 - inflation & interest rates have fallen to low levels which have and may continue to have an impact upon pay awards, interest earnings and running costs;
 - income levels in some areas are likely to be lower;
 - businesses and individuals are finding it harder to meet their business rate and council tax bills.

Pressures, particularly affecting Children's Services continue to feature as a key factor in demands upon Council finances.

The Council's Current Financial Position

7. The budget for 2009/10 was set on the then prudent assumption of a pay award of 2.25%. The pay award for 2009/10 has now been agreed at 1% (or 1.25% for employees up to Scale Point 10). Budgets have been adjusted to reflect this agreement, improving the forecast outturn position on the General Fund by £1.7m.
8. As reported to Cabinet in September and December, there have also been favourable variances mainly resulting from:

	£m
<hr/>	
Finance, ICT and Procurement	
Forecast improved income, Benefits Subsidy and vacancies	0.2CR
Urban Environment	
Savings in utility costs and VAT refunds, offset mainly by reduction of car parking and building control and planning income.	0.1CR
<hr/>	
Total	<u>0.3CR</u>

9. However, as reported to Cabinet in December, there has been a continued increase in referral and assessment and complexity of needs, along with a rising number and costs of Looked After Children, pressures from the courts, conduct of child protection conferences and statutory reviews. Children's Services within Dudley has identified £800,000 of immediate budget reductions and profiled its medium and longer term projections to make savings in areas other than those meeting the direct needs of this new pressure, but even after these actions there is a forecast net overspend of £0.9m in the current year. Cabinet agreed to earmark General Balances to fund this projected overspending if ultimately required.
10. In addition to the above, pressures continue in a number of areas, which directors are currently seeking to manage within their total approved resources:
- pressures on home care for the elderly and from new placements of people with learning disabilities;
 - pressures in the Directorate of Law and Property from a reduction in income from searches due to the economic downturn and the fact that personal search companies are now only obliged to pay a small statutory fee to the Council.

General Fund Balances

11. The latest position, compared to the original Approved Budget for 2009/10, is as follows:

	Original Budget £m		Latest Position £m	
Balance at 31 st March 2009	4.6	CR	4.6	CR
Effect of 2008/9 outturn	—		0.7	CR
	4.6	CR	5.3	CR
Less: originally estimated use 2009/10	4.6	DR	4.6	DR
Adjustment to budget for pay award 2009/10			1.7	CR
Other favourable variances (as above)			0.3	CR
Earmarked to fund Children's Services overspending if required			0.9	DR
Review of Earmarked Reserves	1.0	CR	1.0	CR
Forecast balance at 31st March 2010	1.0	CR	2.8	CR

Provisional Formula Grant Settlement - 2010/11

12. Details of the Provisional Formula Grant Settlement for 2010/11 were announced by the Government on 26th November. The 3% increase for Dudley is as originally indicated two years ago as part of the 3-year settlement. Damping continues to restrict Dudley's Formula Grant to almost £5m per year less than what it would otherwise be.
13. The Ministerial Statement accompanying the provisional Formula Grant Settlement made the following comments in relation to capping:

"I am pleased that the average band D council tax increase this year was 3.0% - the Government expects to see it fall further next year while authorities protect and improve front line services.

We expect the average Band D council tax increase in England to fall to a 16 year low in 2010-11. We remain prepared to take capping action against excessive increases set by individual authorities and requiring them to rebill for a lower council tax if necessary."

14. The Government has launched a consultation, in parallel with the Local Government Finance settlement 2010/11, on proposals which would require Councils to provide free personal care at home to clients with the highest needs. This would be implemented from the 1st October 2010 and the proposals state that for the first full year of operation (2011/12) £670m would be made available nationally; £420m from central resources (grant) and £250m from Local Government efficiency savings, although, the consultation does not address the way that free personal care funding will be distributed in the next spending review period. This will be discussed with Councils separately.

The consultation period runs from the 25th November 2009 and ends on the 23rd February 2010 and its results will not be known in time for this year's budget setting.

We do not yet know whether the grant would be sufficient to cover the expected loss of client income and additional demand for services that the proposal may create in Dudley. Therefore at this time it is not possible to assess what, if any, budget provision may be required. Further work is necessary on calculating the loss of income resulting from Fair Access to Care assessments and how we quantify potential future demand. It may therefore become necessary for the Council to find provision for additional costs in the course of the next or subsequent financial years once that work has been completed.

15. As set out in previous reports to Cabinet of the Director of Children's Services, the 16-19 education commissioning functions of the Learning and Skills Council (LSC) will transfer to local authorities on 1st April 2010. As part of this change, 8 members of staff will transfer from the LSC to Dudley. Salary and associated costs of these staff will be met from a Special Purpose Grant, details of which remain to be published. Local authorities will also take on responsibility for payments of participation funding to colleges, schools and other providers (with the exception of Young Offenders' Institutions) from the same time. Guidance on these payment arrangements and on the funding to support them is expected shortly. We will report back to Cabinet as soon as possible on budgetary and any other implications to the Council.
16. The annual financial statements of local authorities are currently produced in line with UK Generally Accepted Accounting Practices (UKGAAP). From 2010/11, in order to bring global consistency and comparability, and follow best practice in the private sector, they will be produced in line with International Financial Reporting Standards (IFRS). While this will largely be a technical exercise, a number of the changes (particularly in the accounting for leases and holiday pay) have potential real effects on the way in which expenditure is charged and income is credited to the Council's revenue accounts. The Government is consulting on changes to the Capital Financing regulations with the intention of effectively overriding IFRS so that there is no real cost or gain to Council Tax payers' funds. The proposed budget set out in this report has been constructed on the basis that those changes to the regulations come into effect, and there are no other unforeseen consequences of IFRS.
17. The majority of specific grant allocations, including Area Based Grant (ABG), for 2010/11 have also been confirmed broadly in line with the indicative figures given previously. These allocations are reflected in the forecasts set out below.
18. The Chancellor's 2009 Pre-Budget Report on 9th December announced new efficiencies and reforms across the public sector including:

- £11 billion of savings by 2012-13 through smarter government for example through rationalising Arms Length Bodies, greater use of online systems for providing advice and information to the public, cutting consultancy spend by 50 per cent, and better management of government assets;
- £5 billion of savings by 2012-13 from targeting and prioritising spending including by reforming the Criminal Justice System and legal aid, reducing lower priority provision within the adult skills budget, phasing out temporary employment programmes, and reducing the cost and scope of the NHS IT Programme;
- a 1% cap on public sector pay settlements in 2011-12 and 2012-13, delivering £3.4 billion of savings a year by 2012-13; and
- reforms to public service pensions to save £1 billion a year from 2012-13 onwards.

The impact upon local authority budgets is unclear, but there has to be a presumption that some of the tightening of public spending proposals referred to above may reduce the Council's available resources in the medium term.

The fact that there has been no announcement about a further 3 year Comprehensive Spending Review (CSR) regime makes it extremely difficult to budget for the medium term in a state of such uncertainty. However it is reasonable to assume that formula grant will be constrained. The assumption that formula grant is frozen at 2010/11 levels is, we believe, prudent given the limited information we currently have.

Base Budget Forecasts 2010/11 – 2012/13

19. Preparing the detailed Base Budget forecasts for 2010/11 and later years has continued to be difficult given the potential impact of the recession on service demands and cash flow and the uncertain effects of the current economic situation on future interest and inflation rates and pay awards. The following key assumptions have been made (and are also referred to in the risk analysis in paragraph 31):
 - (a) General inflation will remain low in 2010/11 and for the whole MTFS period;
 - (b) Pay awards for the whole MTFS period are anticipated to be lower than in recent years;
 - (c) Interest rates may pick up, but will continue to have a relatively low impact in the medium term;
 - (d) Whilst the final costs of Single Status and Equal Pay Back Pay (EPBP) still remain uncertain, new pay and grading structures should be introduced during 2010/11. Some provision has been included in the Base Budget forecasts and reserves previously set aside. It has been assumed that any costs relating to schools will be funded from school resources;
 - (e) The potential impact of the recession on service demands can be managed within proposed budgets.

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

	2010/11	2011/12	2012/13
	£m	£m	£m
2009/10 Adjusted Base (see notes 1 & 2)	252.9	252.9	252.9
Pay & Prices for 2010/11 onwards inc. contingency (see note 3)	2.3	5.2	8.7
Capital Programme	1.0	1.5	2.4
Local Area Agreement (LAA) Reward Grant (see note 4)	(1.5)		
Other Adjustments (see note 5)	1.6	3.0	3.9
Base Budget Forecasts	256.3	262.6	267.9
% increase year-on-year	+ 1.3%	+ 2.5%	+ 2.0%

Notes:

(1) Gross of Area Based Grant and use of Balances.

(2) In addition to the lower than expected staff pay settlement in the current year already referred to, it has also been estimated on current trends that general price inflation will be around 1% rather than the 2% budgeted for.

(3) The Council is expecting pay awards for local government may be frozen or settled at very low levels in the next few years consistent with Government announcements about public sector pay in the Chancellor's pre-budget speech. Whilst we are making no specific budgetary provision for pay awards, the Council will honour national agreed settlements. The budget provision for prices assumes that inflation will remain low and that competitive contract management and tendering during the recession should help minimise the impact of price rises on Council budgets. We are therefore proposing a provision of around 1% next year rising by 0.5% per annum until 2012/13. However, when the recession ends there is a real risk that inflationary pressures may escalate very quickly and we are going into a period with no certainty as to the level of government financial support. Therefore, to ensure a prudent approach to budget setting is adopted, a contingency provision of £1m per year cumulatively has also been built into our assumptions in the event inflationary costs exceed expectations, or funding is further restricted during this extremely uncertain period.

(4) This relates to an element of one-off Local Area Agreement reward grant that it is proposed should be allocated to the Council in recognition of its direct investment in achieving economic development targets and as assumed in previous years in the Medium Term Financial Strategy. It is proposed that the remainder of grant received be allocated 50% to Dudley Community Partnership and 50% to its constituent theme partnerships in line with the themes and targets to which it relates and for the furtherance of partnership objectives.

(5) The main items contained within "Other Adjustments" that have increased our spending forecast are increases in Employers' Superannuation and National Insurance costs; the ending of support we have received from Local Authority Business Growth Incentive (LABGI) funding in past years, and further provision in 2012/13 to cover the possible costs of providing for single status (particularly the revenue effects of capitalising equal pay claims). It also includes a number of other smaller items, together with the positive effects of capital borrowing repayments.

Additional Spending

21. Having reviewed existing budgets in the light of Council Plan and Local Area Agreement (LAA) Priorities, and taking account of additional legislative requirements, desirable developments and service pressures, the following package of additional spending to target key service areas for investment over the next three years (including items provisionally agreed as part of the 2009/10 strategy) is proposed:

	2010/11 £'000	2011/12 £'000	2012/13 £'000	Main Council Plan Theme Supported	Main LAA Priority Supported (**)
<u>Urban Environment</u>					
•Waste Management – inc. environmental regulations for incineration waste; replacement of recycling vehicles; landfill tax pressures & rationalised collection methods	450	1100	1240	Environment	Environment
•Street Lighting* - continued programme of column replacement and mercury lamp replacement	25	440	560	Environment	Environment
•Resurfacing and Potholes	200	200	200	Environment	Environment
•Grounds Maintenance – inc. Japanese knotweed and closed churchyards	25	85	115	Environment	Environment
•Economic Regeneration*	100	50	50	Regeneration	Wealthy
•Stray Dog Control	32	32	32	Environment	Environment
	832	1907	2197		

Children's Services

- Children's Social Care – mainly increases in no. of Looked after Children inc external residential placements; fostering; school transport; supervised contact and district field workers

1550	1550	1550	Caring	(DCSF (Statutory
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- Laming Review outcomes inc. social work training & recruitment; quality assurance; integrated systems; safeguarding; serious case reviews & court fees

200	200	200	Caring	(DCSF (Statutory
1750	1750	1750		

Adult, Community and Housing

- Increasing no. of Mental Health clients and Older People with dementia

500	800	1000	Caring	Healthy
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- Modernise Learning and Disability day services to meet high level needs

470	730	1030	Caring	Healthy
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- Archives Relocation*

220	496	496	Learning	Wealthy
1190	2026	2526		

Finance, ICT and Procurement

- Network and Corporate Desktop Infrastructure

150	150	150	Quality	Support to
150	150	150	Service	all priorities

Law, Property and Human Resources

- Vetting and Barring (Independent Safeguarding Authority)

75	75	75	Quality	Support to
75	75	75	Service	all priorities

Total Proposed Growth

3997	5908	6698
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Notes: * Includes revenue costs of increased Capital Investment

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

22. Following a detailed budget review process, which considered the need to redirect resources to the spending pressures and priorities set out in paragraph 21, a range of efficiency and other savings (including items provisionally agreed as part of the 2009/10 strategy) have been identified from existing budgets. Details are set out at Appendix B and summarised in the following table:

	2010/11	2011/12	2012/13
	£m	£m	£m
Finance, ICT & Procurement	1034	1303	1597
Chief Executive's	296	355	527
Law, Property and Human Resources	633	917	1098
Urban Environment	1108	1355	1596
Adult, Community and Housing	2952	4816	5512
Children's Services	1354	3284	4037
	7377	12030	14367

The level of savings proposed is significant on the assumption that Government funding and public spending over the medium term will be tighter.

23. Where savings and efficiencies relate to employee costs they will, as far as possible, be made through not filling vacancies, deleting posts and redeployment. However, given the scale of the savings for 2010/11, our analysis shows that voluntary redundancies may be required in a number of areas. Subject to approval of this draft budget, the process to seek those redundancies will be coordinated by Corporate Human Resources and the relevant Heads of Service in accordance with the relevant laws and regulations and in consultation with the trades unions. Redundancy costs are dependent on the age and length of service of the individuals being made redundant and therefore cannot be precisely calculated at this stage. However, it is anticipated that they can be met from balances in the current year.
24. Central Government has set targets of 3% per annum for Value for Money (VfM) efficiency gains for the years 2008-09 and 2009-10 and 4% per annum for 2010-11. Applying this to Dudley equates to cumulative efficiency gains of £8.8m, £17.9m and £29.3m respectively. All such efficiencies must be cashable, i.e. must result in cash savings that may be redirected to other services or used to reduce Council Tax.

In 2008/09, partly by being able to utilise carried forward "surplus" Gershon cashable efficiencies from the previous 3 year Comprehensive Spending Review, the Council achieved VfM gains of £11.8m (a surplus of £3.0m). Review of efficiencies is ongoing in the current year and the proposals in this report include an additional £6m that can be declared as efficiencies from 2010-11. We will report in due course on our actual cumulative performance up to the current year and our forecast cumulative performance for 2010-11.

25. In addition to the above savings, it is proposed that the flexibilities made available by the Local Government Finance Act 2003 to enable the Council to reduce the council tax discounts given in respect of unoccupied properties be used as follows:

- That for furnished but unoccupied properties (except where the liable person resides at another property which is job related), e.g. second homes, the council tax discount be reduced from 50% of the applicable charge to 25% with effect from 1st April 2010.
- That for properties which have been empty (i.e. unfurnished and unoccupied) for a continuous period exceeding six months, the council tax discount be reduced from 50% of the applicable charge to zero with effect from 1st April 2011. Properties will continue to be fully exempt for the first six months they are empty.

Both proposals will help to incentivise the bringing back into use of some of the Borough's housing stock in line with the Council's Empty Homes Strategy, which should in turn help the local economy. For properties which have been empty for more than six months, and which may potentially be more difficult to let or sell, delaying implementation until 2011 will give property owners time to adjust to the new arrangements and to bring properties back into use before the change is made

The proposals will generate extra council tax income over the medium term, although this will eventually be partly reflected in the "resource" element of the Council's Formula Grant calculation. As notice will be required of the change prior to the April 2010 implementation date for furnished but unoccupied premises, it is proposed that the decision to effect both of these changes is made at the Cabinet meeting in February, separately from the main budget proposals.

Use of Balances

26. There is a need to build up reserves going into the medium term to deal with the growing uncertainties and pressures facing public spending and to deal with any costs arising from planned service reviews. The table in paragraph 11 assumes that if current year pressures do not worsen, but that we have to release earmarked balances to meet Children's Services pressures, we will have available around £2.8m (which includes £1m that has been freed up as a result of an in year review of balances in hand). It is proposed at this stage that this sum be retained to meet spending pressures and risks going forward and the implications of required staffing reductions (see paragraph 23) and that a tight regime of control and review of balances continues to operate throughout the medium term to free up reserves wherever possible. The MTFs assumes that if government funding is not severely curtailed and if spending can be kept in line with projections, then the budget strategy should begin to replenish balances over the next 3 years.

Summary

27. The following table summarises the budget proposals for 2010/11 to 2012/13:

	2010/11	2011/12	2012/13
	£m	£m	£m
Base Budget Forecast	256.3	262.6	267.9
Council Plan Priorities & Pressures	4.0	5.9	6.7
Efficiency & Other Savings	-7.4	-12.0	-14.4
Service Spend	252.9	256.5	260.2
Area Based Grant (inc. Supporting People)*	-20.9	-20.9	-20.9
Net Budget	232.0	235.6	239.3
	+0.1%**	+1.6%	+ 1.6%

* Assuming no increase after 2010/11

** Compared with adjusted 2009/10 base

28. An analysis of the resulting service expenditure for 2010/11 of £252.9m, showing how this compares with the current year's adjusted base budget is shown at Appendix A and an Analysis of Provisional 2008/09 Budget by Division of Service is shown at Appendix C.
29. Having regard to the provisional Formula Grant Settlement, the preliminary estimates of the 2010/11 Council Tax Base and Collection Fund Surplus, inflation and looking ahead to the following two years, the controlling group is considering a Council Tax increase of under 2% for 2010/11 which should not require the planned use of any reserves. This is subject to a number of issues, including the risks and external factors set out in paragraph 31.
30. It should be noted that at this stage, the budget forecasts and resource levels set out in this report for 2010/11 are based on a number of provisional figures and preliminary estimates, which may change prior to the final setting of the budget and Council Tax, namely:
- (i) Formula Grant figures are provisional and will not be finalised until the end of January 2010.
 - (ii) The actual levels of the PTA levy still need to be formally determined.

Estimates, Assumptions & Risk Analysis

31. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended either before the budget and Council Tax for 2010/11 is set, during the course of that year, or indeed over the term of the MTFS. These may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources, and include:
- (a) Formula Grant is frozen at 2010/11 levels for the remainder of the MTFS period;

- (b) Single Status and Equal Pay costs are no more than estimated;
- (c) general levels of inflation, pay and interest rates do not vary materially from current forecasts;
- (d) there will be no other unplanned expenditure - or shortfalls in income - which cannot be met from reserves;
- (e) income from fees, charges and other sources are maintained in accordance with current projections;
- (f) demographic pressures, particularly as they affect services to adults and children, are no greater than currently assumed and estimated;
- (g) the effects of the recession on service demands and cash flow can be managed within proposed budget levels and there is no significant impact on the Council Tax Base;
- (h) Government "capping levels" are kept within assumed levels.

Medium Term Financial Strategy

32. Decisions about spending, funding and council tax levels in any one year need to be made in the context of the Medium Term Financial Strategy (MTFS), recognising that medium term projections need to be reviewed and revised on a regular basis. The proposed financial strategy assumes both inflation and pay awards over the next three years remain low and that spending pressures can be contained within approved budgets. In addition, the level of Formula Grant is assumed to be frozen at the 2010/11 position going forward pending clarification by the government of future public spending levels; once detailed figures are clearer a further review of spending may be necessary.
33. Although increases in the projected Budget Requirement in 2011/12 and 2012/13 are we believe within possible capping criteria, the implied levels of annual increase may, in due course, be considered unreasonably high and, depending on prevailing economic and other conditions at the time, may not be politically acceptable. Any further increased spending pressures and/or significant adverse variations from key budget and forecast assumptions which cannot be met from balances will, of course, either increase the level of savings required or further increase the pressure on council tax levels. The Council has to balance a low Council Tax increase next year against the possibility that spending pressures and reduced government funding may push future years forecasts into deficit.
34. In order to ensure that the Council can properly manage its financial affairs over the medium term, and ensure resources are available to deal with new spending pressures and other unforeseen eventualities, the strategy must therefore be to:
 - (a) manage spending in the remainder of 2009/10 and in 2010/11 within approved budget levels;
 - (b) review spending priorities and the allocation of resources in line with Council Plan priorities;

- (c) seek further efficiency and other savings;
- (d) maximise opportunities for additional external funding;
- (e) take action to replenish General Balances;
- (f) regularly review risks and uncertainties and any other relevant factors.

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

35. The next three years will again present challenges for Adult Social Care in meeting demographic challenges and the expectations of both Central Government and the residents of the Borough. The Directorate will have to address a number of identified pressures for which additional net funding has been identified.

Pressures:

Increasing number of Mental Health clients and Older People with dementia

36. This proposal identifies resources of **£500,000** in 2010/11 rising to £1m in 2012/13 to meet the demographic and service pressures for older people and clients with Mental Health needs. The additional resources, as well as meeting the needs of a larger proportion of the population, also includes recognition of the higher costs of these specialist services and includes an amount in recognition of this.

Modernisation of Learning Disability Day services and additional investment to meet high levels needs

37. This proposal continues the investment into Learning Disability services to meet high level need. In addition it includes a number of initiatives to modernise services as well as changing commissioning practices to achieve better value for money. It will see additional net investment of **£470,000** in 2010/11 rising to **£1.030m** in 2012/13.

Savings:

38. The cost pressures identified will be funded from a range of initiatives which support modernisation of services and maximising efficiency savings. The following initiatives have been taken:

Reduction in administrative and management support and increase in staffing turnover

39. The streamlining of existing administrative and management processes with increased use of ICT and appropriate staffing adjustments, together with an additional turnover percentage of 2% on non front line staffing budgets, taking the turnover percentage on these budgets to 5% which will be achieved through vacancy management for one year only. Overall these packages will deliver savings of **£866,000** in 2010/11; this will reduce to **£820,000** in 2012/13.

Older People's services redesign

40. This proposal identifies savings of **£1.046m** rising to **£2.770m** resulting from planned changes in service provision in order to support modernisation and become a provider of specialist services only. This represents the next proposed stages of the Extra Care Housing initiative and includes re-provision of residential homes to coincide with Housing Association and Local Authority investment in Extra Care Housing. Specialisation by Local Authority Home Care services in reablement and dementia care will be developed alongside the transfer of hours to the independent home care providers.

Alignment of service delivery to meet the eligibility needs of clients with critical and substantial needs

41. The widespread use of assistive technology will be crucial in supporting more people to continue to living independently and will play an important part in meeting those needs more cost effectively. The Directorates Fair Access to Care Services criteria would move to substantial and critical from moderate in keeping with other West Midland Authorities. Efficiency savings of **£405,000** rising to **£780,000** are planned as a result of changes to the Fair Access to Care Services criteria with the care needs of those eligible clients being met in more cost effective ways as part of the personalisation agenda over the next 3 years

Review of Supporting People and voluntary sector contracts

42. Review of contracts to target Supporting People and other Grant funding to areas of greatest need. This will generate savings of **£355,000** in 2010/11 rising to **£705,000** in 2012/13.

Physical disability and mental health staffing reviews

43. This proposal covers savings of **£120,000** in 2010/11 rising to **£220,000** in 2012/13 across Physical Disabilities and Mental Health following reviews of staffing levels required to support service provision within each of the clients groups. Savings in Mental Health will be achieved as a result of joint working with the PCT and within Physical Disabilities as a result of rationalisation.

Consultation

44. The citizens panel has for many years been used as the main forum for consultation with a limited additional contribution from internet users. However, the citizens panel is no longer functioning and a different process is now being undertaken which randomly samples from addresses held on our management information database (GMIS). The consultation questions are the same as in previous years to ensure a trend analysis can be undertaken and the results should be available for consideration at the February Cabinet meeting.
45. In accordance with the Council's Constitution, the Select Committees will be asked to consider the issues set out in this report and any related specific issues relevant to their Council Plan and service responsibilities in the January cycle. In framing their responses, the Select Committees should be asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.

46. The Council is required by law to consult with representatives of Business Ratepayers before the final budget and Council Tax are agreed, and this will be scheduled to take place in February before the Cabinet recommends a final budget.

Finance

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

Law

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

49. The Local Government Act 2003 requires the Director of Finance to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves and this will be included in the final budget report.

50. The Local Government Finance Act 1992 gives the Secretary of State power to determine that an authority's Budget Requirement is excessive. This may result in "designation" (possibly leading to recalculation of the Budget Requirement and Rebilling) or "nomination" which either pre-sets a Budget Requirement limit for a future year or a notional budget for the current year against which future years' Budget requirements will be measured for capping purposes.

51. As set out in paragraph 13, the Ministerial Statement accompanying the provisional Formula Grant Settlement made the following comments in relation to capping:

"I am pleased that the average band D council tax increase this year was 3.0% - the Government expects to see it fall further next year while authorities protect and improve front line services.

We expect the average Band D council tax increase in England to fall to a 16 year low in 2010-11. We remain prepared to take capping action against excessive increases set by individual authorities and requiring them to rebill for a lower council tax if necessary."

52. Regulations laid under Section 11A of the Local Government Finance Act 1992, as inserted by section 75 of the Local Government Act 2003, give billing authorities the power to reduce council tax discounts given in respect of unoccupied dwellings in all or part of their area as follows:

- For dwellings that are furnished but unoccupied, reduce the current 50% discount to a minimum of 10%.
- For dwellings that are empty (i.e. unfurnished and unoccupied), reduce the current 50% discount or completely remove it.

The Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 reflect the ability of billing authorities to increase the tax base by making a determination to reduce or remove discounts under section 11A of the 1992 Act.

Equality Impact

- 53. These proposals comply with the Council’s policy on Equality and Diversity, as far as it is possible within existing and future resource levels.
- 54. With regard to Children and Young People:
 - The proposed budget for the Directorate of Children’s Services (including the additional spending detailed) will be spent wholly on maintaining and improving services for children and young people. The expenditure of other Directorates’ budgets will also have a significant impact on this group.
 - There has been no specific involvement of children and young people in developing the proposals in this report.

Recommendations

- 55. That, subject to approval by the Cabinet at its meeting on 13th January 2010, the Select Committee:
 - (a) considers the Cabinet’s Revenue Budget Strategy proposals for 2010/11 and Medium Term Financial Strategy for 2010/11 – 2012/13;
 - (b) identifies both spending and funding implications (including the impact upon Council Tax) of any observations the Select Committee wishes to make.



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Director of Adult, Community and Housing Services



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Bill Baker
Interim Director of Finance

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List of Background Papers

Provisional Formula Grant Settlement (DCLG website)

Appendix A

Service	2009/10 Adjusted Base Budget (*) £m	Inflation, Capital Programme, etc. £m	Budget Increase Proposals £m	Budget Reduction Proposals £m	2010/11 Proposed Budget £m
Children's	66.5	0.2	1.8	-1.4	67.1
Adult, Community & Housing	101.7	0.6	1.2	-2.9	100.6
Urban Environment	55.6	0.5	0.8	-1.1	55.8
Finance, ICT and Procurement	15.1	3.5	0.1	-1.0	17.7
Chief Executive's	11.8	-1.5	-	-0.3	10.0
Law, Property and Human Resources	2.2	0.1	0.1	-0.7	1.7
Total Service Spend	252.9	3.4	4.0	-7.4	252.9

(*) Adjusted to reflect:

- lower than anticipated inflation (cr£3.0m);
- transfers of services between directorates, and other accounting changes (no net effect overall).

N.B. Throughout this report, references to Directorates and related services reflect the structures in place during the budget review process.

Appendix B

EFFICIENCY AND OTHER SAVINGS

	2010/11 £'000	2011/12 £'000	2012/13 £'000
<u>Finance, ICT and Procurement</u>			
• Restructuring of Directorate services	674	886	1147
• ICT operational budgets	265	300	310
• Other savings and efficiencies	95	117	140
	1034	1303	1597
<u>Chief Executive's</u>			
• Contributions to Third Sector	10	20	135
• Marketing and Communications – printing, graphics, publications	100	112	112
• Maximising External Income (Community Safety and Dudley Community Partnership) by redirecting external grants	95	95	95
• Central Policy and Administration	91	128	185
	296	355	527
<u>Law, Property and Human Resources</u>			
• Rationalise constitutional issues	15	15	25
• Licensing Income and Enforcement	56	56	76
• Creation of Corporate Property Division	220	339	439
• Unification of Human Resources	267	362	393
• Rationalise Registration and Citizenship Service	55	90	110
• Efficiencies – Overheads and Administration	20	55	55
	633	917	1098
<u>Urban Environment</u>			
• Reduce staffing and overheads	816	894	1050
• Review fees and charges	240	409	494
• Town Centre Management rationalisation	52	52	52
	1108	1355	1596
<u>Adult, Community and Housing</u>			
• Reduction in admin and management support and increase in staff turnover	866	706	820
• Older People service redesign	1046	2289	2770
• Review of Supporting People and Voluntary Sector contracts	355	550	705
• Meeting needs of clients with critical and substantial needs	405	780	780
• Physical Disability and Mental Health review	120	220	220
• Other Efficiencies	160	271	217
	2952	4816	5512
<u>Children's Services</u>			
• Administration, management and support	636	1417	1509
• Children with Families – inc. discretionary activity	189	786	966
• Educational Play and Learning – inc. discretionary activity	153	460	941
• Quality and Improvement – inc. discretionary corporate / directorate activity and use of Area Based Grant	140	215	215
• Transforming Futures – inc. refocusing and realignment of overall integrated Youth provision	236	406	406
	1354	3284	4037
TOTAL	7377	12030	14367

Analysis of Provisional 2010/11 Budget by Division of Service

	£000
Children's Services	
Schools (Depreciation charges & Strategy costs etc. not funded by DSG)	23,758
Youth Service	6,442
Children & Families Social Services	1,751
Other Children's Services	35,104
	<u>67,055</u>
Adult, Community and Housing Services	
Care & Support for Older People	41,840
Care & Support for People with a Physical or Sensory Disability	9,054
Care & Support for People with a Learning Disability	24,675
Care & Support for People with Mental Health Needs	6,247
Libraries, etc.	5,515
Other Adult and Community Services, inc. Neighbourhood Management	1,872
Private Sector Housing	10,617
Homelessness & Welfare	435
Contribution to Housing Revenue Account for Community Expenditure	318
	<u>100,573</u>
Urban Environment	
Environmental Health & Consumer Protection	3,698
Street Cleansing	2,580
Waste Collection & Disposal	16,310
Cemeteries & Crematoria	-702
Traffic Management & Road Safety	2,007
Flood Defence & Land Drainage	195
Highways Maintenance (inc. capital charges, etc.)	14,500
Other Engineering & Transportation Services	-382
Planning, Building and Development Control	2,424
Economic Regeneration	2,680
Environmental Initiatives	516
Culture and Heritage	2,384
Recreation & Sport and Open Spaces	9,574
	<u>55,784</u>

£000

Chief Executive's

Elections & Electoral Registration	739
Economic & Community Development	557
Community Safety	1,492
Corporate & Other Costs	7,216
	<u>10,004</u>

Finance, ICT and Procurement

Tax Collection & Benefits	3,522
Transport Authority Levy	16,551
Flood Defence Levy	105
Treasury, etc.	-4,473
Corporate & Other Costs	2,060
	<u>17,765</u>

Law and Property

Licensing, Registration & Courts	431
Democratic Costs	1,418
Other Legal & Property Services	-111
	<u>1,738</u>

TOTAL	252,919
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