

**Meeting of the Cabinet – 12<sup>th</sup> 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 30<sup>th</sup> 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 24<sup>th</sup> 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 3<sup>rd</sup> 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 12<sup>th</sup> November 2013 and continued until 10<sup>th</sup> 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 30<sup>th</sup> 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 14<sup>th</sup> January with representatives of Non-Domestic Ratepayers to consider the provisional budget proposals approved by Cabinet on 30<sup>th</sup> 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 3<sup>rd</sup> 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.

	<b>Original Budget £m</b>	<b>Latest Position £m</b>
Forecast balance at 31 <sup>st</sup> March 2013	17.7	17.7
Effect of 2012/13 outturn	-	1.7
	<b>17.7</b>	<b>19.4</b>
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
<b>Forecast balance at 31<sup>st</sup> March 2014</b>	<b>18.4</b>	<b>24.2</b>

## 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 18<sup>th</sup> 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 16<sup>th</sup> 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 3<sup>rd</sup> 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 1<sup>st</sup> 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 3<sup>rd</sup> 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 1<sup>st</sup> April 2016 as part of the move to the new Single Tier State Pension from that date. Although the Government has indicated the impact of this on public sector employers will be taken into account in funding allocations, it would not be prudent to assume this means the cost will be funded.
33. Following consultation on the Council Tax Reduction (CTR) scheme, the Council agreed at its meeting on 2<sup>nd</sup> 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 31<sup>st</sup> 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 1<sup>st</sup> April 2013 transferred significant new risks to Councils. In particular:
- With 49% of Business Rates collected being retained by Dudley, any changes in rateable value as a result of new building, change of use, demolitions, or successful appeals, etc. will have a significant direct impact on the Council's income.
  - In addition to the current effect of appeals, these may also be backdated – sometimes as far as 2005 – giving rise to substantial refunds to ratepayers.

The impact of both the above is difficult to predict, and will continue to be monitored closely, although at present we do not have any reason to make any significant changes to our previous forecasts. It is estimated that there will be a Collection Fund surplus of £0.414m in respect of Business Rate items at 31<sup>st</sup> 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 31<sup>st</sup> 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 14<sup>th</sup> 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 3<sup>rd</sup> 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.

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
2013/14 Base	247.6	247.6	247.6
Pay & Prices	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
<b>Base Budget Forecast</b>	<b>249.4</b>	<b>255.6</b>	<b>261.7</b>
% 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
<b>Adult, Community and Housing</b>			
Increased numbers of adults with learning disabilities	346	721	1096
Increased number of clients with dementia	582	1164	1746
	<b>928</b>	<b>1885</b>	<b>2842</b>
<b>Children's Services</b>			
The demand for placements of looked after children in 2013/14 (LAC) exceeds the 2013/14 base budget by £3.0m.	3000	3000	3000
	<b>3000</b>	<b>3000</b>	<b>3000</b>
<b>Urban Environment</b>			
Waste that goes to landfill is subject to a Landfill Tax set nationally	130	250	350
Domestic waste entering the incinerator is subject to an inflationary contractual 'gate fee'	56	113	170
	<b>186</b>	<b>363</b>	<b>520</b>
<b>Total</b>	<b>4114</b>	<b>5248</b>	<b>6362</b>

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
<b>Total</b>	<b>9492</b>	<b>30642</b>	<b>33615</b>

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 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>Base Budget Forecast</b>	249.4	255.6	261.7
- see para 39			
<b>Pressures</b>	4.1	5.2	6.4
- see para 40			
<b>Savings</b>	-9.5	-30.6	-33.6
- see para 41			
<b>Total Service Spend</b>	<b>244.0</b>	<b>230.2</b>	<b>234.5</b>
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
<b>Total Resources</b>	<b>239.8</b>	<b>221.1</b>	<b>211.3</b>
<b>Deficit funded from Balances</b>	<b>4.2</b>	<b>9.1</b>	<b>23.2</b>
Balances brought forward	24.2	20.0	10.9
<b>Balances carried forward (see para 54)</b>	<b>20.0</b>	<b>10.9</b>	<b>n/a</b>

\*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**

<b>Service</b>	<b>£m</b>
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
<b>Total Service Budget</b>	<b>244.038</b>

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)
<b>Dudley's Council Tax Requirement</b>	<b>92.819</b>	<b>94.629</b>
Tax Base	82478.38	84087.69
<b>COUNCIL TAX (Band D) FOR DUDLEY</b>	<b>1125.37</b>	<b>1125.36</b>

\*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 3<sup>rd</sup> 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 31<sup>st</sup> 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 11<sup>th</sup> 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.

### **Equality Impact**

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 30<sup>th</sup> 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.

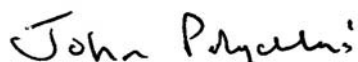
### Valuation Bands

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
750.24	875.28	1000.32	<b>1125.36</b>	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 3<sup>rd</sup> 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 3<sup>rd</sup> 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**

.....  
**Iain Newman**  
**Treasurer**

Contact Officers:

Jan Szczechowski  
Telephone: 01384 814805  
Email: [jan.szczechowski@dudley.gov.uk](mailto:jan.szczechowski@dudley.gov.uk)

John Everson  
Telephone: 01384 814806  
Email: [john.everson@dudley.gov.uk](mailto:john.everson@dudley.gov.uk)

**List of Background Papers**

Provisional Local Government Finance Settlement papers and electronic communications.

Budget Report to 30<sup>th</sup> October 2013 Cabinet.

## Amendments since report to October Cabinet

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

## Overall Summary

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Service Spend Forecast – October</b>	<b>245.4</b>	<b>243.8</b>	<b>242.4</b>
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
<b>Revised Service Spend Forecast</b>	<b>244.0</b>	<b>230.2</b>	<b>234.5</b>

## 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 24<sup>th</sup> 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.

#### Demographics

##### 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**

<b>Age Group</b>	<b>Number</b>	<b>Survey %</b>	<b>Borough %</b>
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.



## 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
<b>Total Service Costs</b>	<b>248.495</b>	<b>244.595</b>	<b>-3.900</b>

See note 1

Note 1: Special airport dividend.

### 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

<b>Adult, Community and Housing</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Learning Disability - Review the levels of residential care and care packages for people including supported housing. This will be achieved following a re modelling of how we deliver services to people with a Learning Disability which will see more people supported in community based settings and through the delivery of Direct Payments.	496	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

<b>Adult, Community and Housing</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<b>Total</b>	<b>3,350</b>	<b>13251</b>	<b>15357</b>

<b>Urban Environment</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Service related savings</b>			
Reduction in the Road reconstruction and resurfacing programme	120	581	581
Reduction in the Footway reconstruction programme and public right of way maintenance	100	100	100
Reduction in routine Street Lighting, signs and bollards maintenance	0	50	50
Reduction in Street Cleansing linked to increased community led litter picking	0	71	71
Reduction in Gully Drain Emptying with a greater focus on problem 'hot spots'	0	52	52
Reduction in the Grounds Maintenance of parks, open spaces, verges and other amenities including grass cutting, shrubs, hard surfaces & pitch marking and the pruning of trees	5	270	270
Shortening the collection period for Green Waste to between April and the end of October	100	100	100
<b>Office staff related savings</b>			
Staff related savings across all Divisions of the Directorate	317	3275	3275
<b>Income generation</b>			
Increase car parking charges	225	225	225
<b>Other efficiency and contractual savings</b>			
Selling the spare capacity of the Incinerator at Lister Road Depot	313	313	313
Introduction of Wheelie Bins for domestic waste as part of wider waste minimisation strategy	100	100	100
Gym equipment contract negotiated savings	40	80	80
New technology within Street Lights will reduce light pollution and save significant energy costs	0	205	205
Broadfield House - explore the potential for an Asset Transfer to a third party	170	170	170
Utilise route optimisation software in Council vehicles	100	100	100
Switch off selected Street Lighting from midnight	0	0	100
Redesign of Pest Control service	0	100	100
Review of rechargeable Green Care workloads	0	200	200
<b>Total</b>	<b>1,590</b>	<b>5,992</b>	<b>6,092</b>

<b>Children's Services</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Directorate</b> Accommodation savings and the relinquishing of property leases.	237	237	237
<b>Education Services</b> Redesign the Information Advice and Guidance support to targeted groups of vulnerable young people. The achievement of efficiencies and the use of different delivery models of support will reduce the impact to the service user but a reduction in staffing will be required to achieve the savings together with the release of 2 fte vacant posts.	550	650	650
<b>Education Services</b> Significantly reduce and redesign universal Youth Service activity offered to 11-19/25 year olds in the Borough. Resulting in the closure of up to 3 centres and a reduction in staffing including 2.6 fte vacancies. The service will also develop income opportunities including trading to schools, utilising buildings and activity programmes.	180	380	380
<b>Quality and Partnership</b> Reduce voluntary and community sector commissioning budget.	10	60	60
<b>Education Services</b> The Special Education Needs (SEN) home to school transport budget for pupils will be reduced through efficiencies and some redesign of the service provision to pupils and looked after children.	50	250	250
<b>Quality and Partnership</b> Savings will be achieved by releasing a 1fte vacant post and reducing the commissioned service for early Intervention mental health work.	110	110	110
<b>Asset Management</b> Asset Management Services will increase their traded service income targets and /or make staffing reductions.	40	90	90
<b>Children's Centres</b> 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
<b>Children's Centres</b> 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

<b>Children's Services</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Education Services</b> Options will be explored for Dudley Performing Arts (DPA) service to become 100% financially sustainable by 2016/17, through traded service income, grants, partner contributions and trust status.	0	0	160
<b>Education Services</b> A service review of Early Years activities has released 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
<b>Education Services</b> 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
<b>Directorate</b> 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
<b>Quality and Partnership</b> Reduce the commissioning budget for short breaks for children with disabilities and redesign and reduce service provision internally resulting in possible staff reduction.	100	100	100
<b>Education Services</b> The national policy changes to Special Education Needs (SEN) should allow for a service redesign to achieve £0.070m of efficiencies by reducing staff by 2015/16.	20	70	70
<b>Total</b>	<b>3,309</b>	<b>5,537</b>	<b>5,787</b>

<b>Corporate Resources</b>	<b>2014/ 15</b>	<b>2015/ 16</b>	<b>2016/ 17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
ICT - 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
<b>Total</b>	<b>1,143</b>	<b>5,174</b>	<b>5,628</b>

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



## 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.

## Risk Assessment

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

<b>Risk</b>	<b>Impact</b>
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 1 <sup>st</sup> 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.

## Analysis of Provisional 2014/15 Budget by Division of Service

	<b>£'000</b>
<b>Children's Services</b>	
Schools	15,010
Youth Service	2,594
Children & Families Social Services	46,235
Other Children's Services	6,746
	<u><b>70,585</b></u>
<b>Adult, Community and Housing Services</b>	
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
	<u><b>102,780</b></u>
<b>Urban Environment</b>	
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
	<u><b>56,163</b></u>



**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
	<u><u>10,652</u></u>

**Chief Executive's**

Elections & Electoral Registration	804
Economic & Community Development	201
Community Safety	541
Corporate & Other Costs	2,135
Public Health	177
	<u><u>3,858</u></u>

<b>TOTAL</b>	<b>244,038</b>
--------------	----------------

### 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

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
750.24	875.28	1000.32	<b>1125.36</b>	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.

**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 31<sup>st</sup> 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.

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

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 31<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 be 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 1<sup>st</sup> 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.

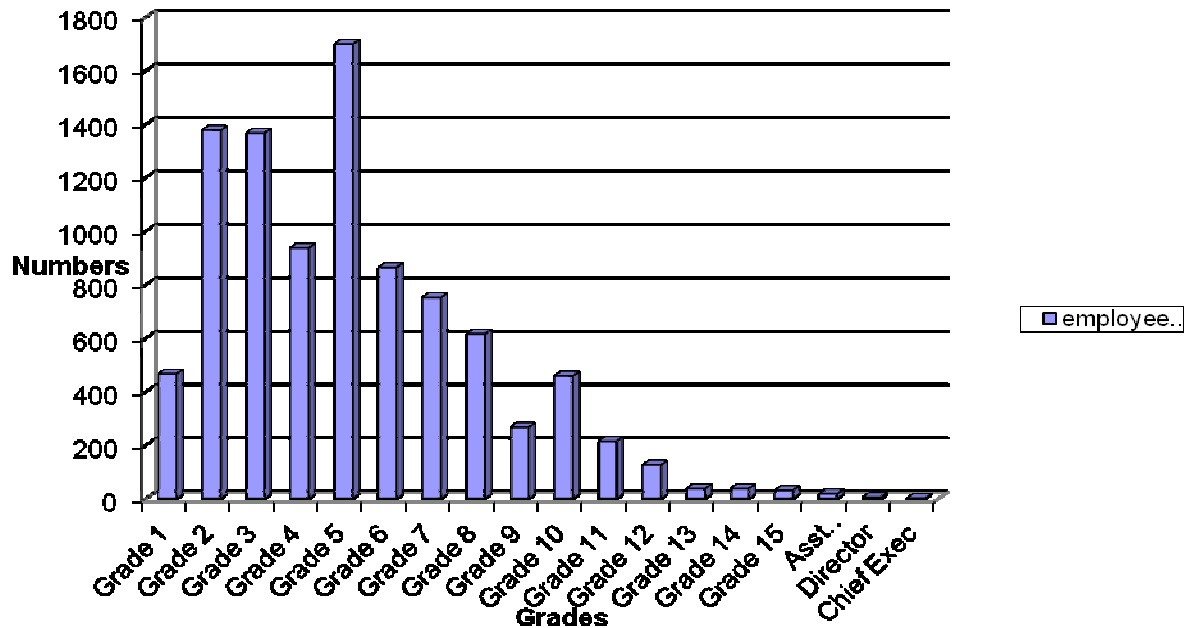
## **Accountability and Decision Making**

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:**

<b>Grade</b>	<b>Pay range minimum</b>	<b>Pay range maximum</b>	<b>National Pay spine Points</b>
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

### Staff distribution across DNJC grades



**Contact Officers:**

Teresa Reilly  
 Assistant Director of HR & Organisational Development  
 Telephone: 01384 815330  
 Email: [Teresa.reilly@dudley.gov.uk](mailto:Teresa.reilly@dudley.gov.uk)

Julia Langmead  
 Principal HR Officer  
 Telephone: 01384 817020  
 Email: [Julia.langmead@dudley.gov.uk](mailto:Julia.langmead@dudley.gov.uk)

Cath Ludwig  
 Finance Manager  
 Telephone: 01384 815075  
 Email: [Catherine.ludwig@dudley.gov.uk](mailto:Catherine.ludwig@dudley.gov.uk)

## 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