

## **Revenue Budget Strategy and Setting the Council Tax 2005/06**

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### **1.0 Purpose of Report**

- 1.1. The purpose of this report is 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 Joint Authority precepts, the Council Tax to be levied for the period 1st April 2005 to 31st March 2006.

### **2.0 Background**

- 2.1. In considering the Council's Budget Strategy and tax levels for 2005/06, Members should consider carefully:
1. the resources available to the Council, in particular its RSG & NNDR allocations;
  2. the implications of spending levels in later years as part of the Council's medium term (three year) financial plan;
  3. the view of consultees;
  4. the external factors and risks inherent in the Strategy;
  5. the impact on Council Tax payers, and particularly balancing what needs to be spent to provide services with what it is reasonable to ask local Council Tax payers to pay;
  6. The report of the Director of Finance on the robustness of estimates and the adequacy of proposed reserves, as required by the Local Government Act 2003.
- 2.2. At its meeting on 5<sup>th</sup> January 2005, the Cabinet approved a provisional budget for 2005/06 which can be summarised as:

	£m	£m
<b>Base Budget Forecast</b>		
- including the costs of pay awards, price inflation, adjustments to funding and functions and other commitments		342.2
<b>Improvements to Key Front-Line Services</b>		
- including £0.9m for Waste Collection & Disposal, £0.9m for other Urban Environment developments, £0.4m for CATS and £0.3m for Community Safety & Emergency Planning	2.5	
<b>Social Services Growth</b>		
- to meet legislative pressures including National Care Standards, the implementation of the National Services Framework, and other necessary developments and service improvements	3.1	
<b>Schools Passporting</b>		
- including Minimum Per Pupil Guarantee	6.9	
<b>Total Growth</b>	12.5	12.5
<b>Prudential Borrowing</b>		
- use of new flexibilities to free-up revenue resources		-2.4
<b>Efficiency and Other Savings</b>		
- as a result of budget review process to redirect resources in line with Council Plan priorities		- 1.1
		351.2
Less: Use of Balances		- 2.0
<b>BUDGET REQUIREMENT</b>		<b>349.2</b>

- 2.3. It was noted that the budget forecasts and resource levels were based on a number of provisional figures and preliminary estimates, including:
- Provisional FSS and RSG figures;
  - Early indication of the likely level of PTA levy and any refund in the current year;
  - Preliminary estimates for general inflation and treasury management activity;
  - The effects of negotiations with the Council's waste disposal contractors and assumptions about the operation of the landfill credit trading scheme, on waste collection & disposal costs;
  - Early assessment of the Council Tax Base and Collection Fund position.
- 2.4. **Changes arising since the report to the Cabinet on 5<sup>th</sup> January 2005**
- 2.4.1. **Final Revenue Support Grant (RSG) Settlement**
- 2.4.1.1. The final RSG details were announced on 27th January 2005. Although there were no significant changes at a national level, Dudley's RSG will be £0.140m more than indicated in the provisional announcement as a result of the formulae being updated to reflect latest data.
- 2.4.2. **PTA Levy**

2.4.2.1. This is now being proposed at £14.773m, being an increase of just under 2.4% compared to the original 2004/05 levy. (The overall levy has increased by 2.5%, but levies on individual Councils vary as a result in changes in relative population.) Budgets have been amended to reflect this figure. The Levy will not be finally confirmed by the PTA until 7<sup>th</sup> February; any variation compared with the proposed figure will be reported orally to the meeting.

#### 2.4.3 Estimates for Inflation and Treasury Management Activity

2.4.3.1 No changes have occurred since the report to the Cabinet on 5<sup>th</sup> January 2005, which would indicate any need to review our assumptions in respect of the above. However, variations in either area are a risk that needs to be recognised when setting the budget, and the position will continue to be closely monitored.

#### 2.4.4 Waste Collection & Disposal

As reported on 5<sup>th</sup> January, the current estimates for waste collection and disposal, including the proposed additional allocations, are subject to the outcome of negotiations with the Council's waste disposal contractors and are also based on certain assumptions about the operation of the landfill credit trading scheme. It is not considered necessary to revise these estimates and assumptions at this stage, but the position will continue to be monitored and the implications reported to members as appropriate.

#### 2.4.5 General Balances

2.4.5.1 It was previously estimated that the total amount of General Balances available at 31st March 2005 would be about £3.0m. This included a PTA levy refund for 2004/05 of £0.5m, and other estimated net savings in 2004/05 of £0.5m. Of this £3.0m, it was proposed that £2.0m should be used to support revenue spending in 2005/06 with the balance of £1.0m (subject to final decisions on the PTA levy and refund) being retained to cover additional spending pressures in 2004/05 in Social Services and DUE which might not be able to be met within existing budgets, and to support spending in later years.

2.4.5.2 The PTA levy refund is now being proposed at either just under £0.7m or just over £0.8m depending on decisions to be made by the PTA at its meeting on 7<sup>th</sup> February. The final figure will be reported orally to the meeting.

2.4.5.3 It is still proposed that £2.0m should be used to support revenue spending in 2005/06, with any increase in the PTA refund in excess of the amount previously assumed being retained to support expenditure in future years.

2.4.6 The above changes do not affect the provisional budget totals, which assuming the overall budget strategy is retained, are as follows.

**£m**

Total Provisional Budget approved by

Cabinet 5 <sup>th</sup> January 2005	351.2
Less: Use of Available Balances	- 2.0
<b>BUDGET REQUIREMENT</b>	<b>349.2</b>

### 3.0 Proposals

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

#### Revenue Budget Allocations 2005/06

Service	£m
Education and Lifelong Learning	197.521
Social Services	82.673
Urban Environment	48.960
Chief Executive's	9.145
Finance, ICT and Procurement	6.631
Law and Property	3.679
Housing (General Fund)	2.613
<b>Total Service Allocations</b>	<b>351.222</b>
Less: Use of General Fund Balances	- 2.000
<b>BUDGET REQUIREMENT</b>	<b>349.222</b>

Details of each service's budgets analysed by main divisions of service are shown at Appendix 1, and the broad implications of this proposed budget for each main Service Area are detailed at Appendix 2.

- 3.2. The yield for 2005/06 from the Council Tax necessary to meet the requirements of the Council has been calculated having regard to the estimated balance on the Collection Fund at 31st March 2005, set out as follows. It should be noted that the Fire and Police authorities are entitled to a share of any Collection Fund surpluses relating to Council Tax collection. However, as virtually all the surplus estimated relates to Poll Tax collection, the entitlement this year is zero.

#### Estimated Collection Fund Surplus

	£m
Poll Tax and Council Tax arrears brought forward	4.321

	<b>£m</b>
Add: Debit for 2004/05	100.575
	<hr/> 104.896
Less: Forecast collections	- 101.409
Estimated Bad Debt Provision Required	<hr/> 3.487
Compared with Current Bad Debt Provision	3.511
Provision no longer required	<hr/> 0.024
Plus: Adjustment to Surplus arising in 2003/04	- 0.003
<b>Total Estimated Available Surplus</b>	<b>0.021</b>
<b>Less: Fire and Police Authorities' Share</b>	<b>- 0.000</b>
<b>NET SURPLUS AVAILABLE TO DUDLEY</b>	<b>0.021</b>

- 3.3. The amount required from Council Tax Payers to fund the Council Budget Requirement together with the Band D Council Tax calculation is shown in the following table

#### Funding Revenue Budget Requirement 2005/06

Source of Funding	2004/05 £m	2005/06 £m
Dudley MBC Budget Requirement	327.375	349.222
Less: Revenue Support Grant	(154.101)	(157.107)
Business Rate Contribution	(85.154)	(101.562)
Collection Fund Surplus	(0.050)	(0.021)
<b>Dudley's Own Requirement from Council Tax Payers</b>	<b>88.070</b>	<b>90.532</b>
Approved Tax base	96308.59	96387.02
<b>COUNCIL TAX (Band D) FOR DUDLEY</b>	<b>£914.46</b>	<b>£939.25</b>

- 3.4. The proposed Council Tax for 2005/06 represents an increase of 2.7% compared to 2004/05.
- 3.5. The total levels of Council Tax, which will be considered by the Council at its meeting on 7th March 2005, will include the precepts for the Police and Fire and Civil Defence Authorities which are due to be agreed on 10th February and 14th February respectively. It will, therefore, be necessary to incorporate the figures for the precepts in the Budget Report to Council.
- 3.6. It is proposed that the Council approves the statutory calculations required by virtue of Section 32 to 36 of the Local Government Finance Act 1992 as set out in Appendix 3.

## 4.0 Finance

- 4.1. The total General Fund Service Allocation shown in paragraph 3.1 amounts to £351.222m, and is proposed to be funded as set out in paragraph 3.3.
- 4.2. It is too early to be precise about future funding levels. In particular, allocation of funding to individual Councils in 2006/07 and 2007/08 will be affected by data changes and other factors impacting on the FSS formulae, whilst it will remain unclear if the Government will repeat the "extra" resources provided in the 2005/06 RSG Settlement in subsequent years.

In addition, the Government's response to the findings of the "Lyons Inquiry" into Local Government Finance which is intended to:

- make recommendations for the reform of council tax, taking into account the revaluation, in 2007, of domestic property;
- assess the case for giving local authorities more flexibility to raise additional revenue (meaning more money would be raised locally, and less centrally);
- analyse the options for shifting the balance of funding, including local income tax, reform of business rates and other possible local taxes and charges; and
- consider the implications for the financing of possible elected regional assemblies;

and is anticipated to be completed by the end of 2005, might clearly have significant implications for the Council's future finances.

4.3. However, having taken into account:

- prudent estimates of expenditure forecasts;
- forecast resources from Central Government, based on the 2004 Comprehensive Spending Review (CSR) figures, given the constraints detailed in the previous paragraph;
- the potential to generate further balances;

there is likely to be a shortfall in resources compared to spending requirements in future years if Council Tax increases are to be limited to around the level of general inflation.

4.4 It will be necessary, therefore, to continue to:-

- (a) review spending and resource forecasts on an ongoing basis;
- (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
- (c) seek further efficiency and other savings, although the scope for this is becoming more and more limited;
- (d) take action to replenish General Balances;
- (e) review risks and uncertainties and any other relevant factors. Details of the main risks involved are set out in Appendix 5.

4.5 The Dudley MBC Council Tax for a Band D property in 2005/06 is recommended to be set at £939.25. This is an increase of 2.7%. Details of the cash increase for each band, together with weekly equivalents, are shown in Appendix 4.

4.6 The Local Government Finance Act 1992 (Sections 32 to 36) require the Council to make a number of calculations as part of the process of setting the Council Tax. These

calculations are set out in Appendix 3.

4.7 The Local Government Act 2003 requires the Director of Finance to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves. The Director of Finance's report is set out in Appendix 6. The authority will also have a statutory obligation to review its budget during the year, with particular regard to any deterioration in its financial position and the taking of any necessary corrective action.

#### 4.8 Consultation on Budget Proposals

4.8.1 A statutory consultation meeting was due to be held on 8th February with representatives of Non-Domestic Ratepayers. Any issues will be reported orally to the Cabinet. Relevant issues arising from any written responses subsequently received will be reported to the Council at its meeting on 1st March 2004.

4.8.2 A Public Consultation meeting was held on 14th January in the Dudley Concert Hall and a brief questionnaire circulated. Whilst the majority of respondents indicated that they felt the priorities for spending and the balance between spending and Council Tax were about right, the attendance was disappointingly low.

4.8.3 Each Select Committee has considered the provisional budget proposals approved at the meeting of the Cabinet on 5<sup>th</sup> January. Particular issues raised were as follows:

4.8.3.1 The Select Committee on Economic Regeneration resolved:

- that concerns expressed by Members in relation to transport being given a higher priority be referred to the Cabinet.

4.8.3.2 The Select Committee on Culture & Recreation resolved to endorse members' concerns:

- over the proposal to move the booking of events in Halls to CATS;
- that greater detail needed to be provided on the proposal to reduce the Borough Festival budget by 75%;
- that the lack of detail contained in the consultation report about the impact of cuts in particular to the Borough Festival budget and grants to voluntary organisations budgets prevented effective scrutiny.

## 5.0 **Equal Opportunities**

5.1. The proposals in this report take into account the Council's policy on Equal Opportunities as far as is possible within existing and future resource levels.

## 6.0 **Law**

- 6.1. The Council's budget setting process is governed by the Local Government Finance Acts, 1988 and 1992, and the Local Government and Housing Act, 1989, and the Local Government Act 2003.
- 6.2. 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.
- 6.3. It is important for Members to note that Sections 30(6) and 32(10) of the Local Government Finance Act 1992, impose a statutory duty upon the Council to calculate its budget requirement for 2005/06 and to set its Council Tax for 2005/06 before the 11th March, 2005.

## 7.0 Recommendations

- 7.1. That the Cabinet recommends the Council to approve the following:
  1. The budget requirement for 2005/06, and service allocations as set out in section 3.1 of the report.
  2. That the statutory amounts required to be calculated for the Council's spending; income and use of reserves; budget requirement and; transfers to and from its collection fund as referred to in Section 67(2)(b) be now calculated by the Council for the year 2005/06 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 3 of this report.
  3. That, having calculated the aggregate in each case of the amounts in Appendix 3, 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 2005/06:

### Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
626.17	730.53	834.89	939.25	1147.97	1356.70	1565.42	1878.50

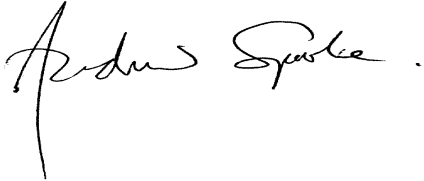
- plus the amounts to be notified for the Police, and Fire and Civil Defence Authority precepts.

- 7.2. That the Council reminds the Chief Executive and Directors to exercise strict budgetary control in accordance with the Financial Management Regime and care and caution in managing the 2005/06 budget, particularly in the context of commitments into later years.
- 7.3. That the Chief Executive and Directors be authorised to take all necessary steps to implement the proposals contained in this report, in accordance with the Council's Financial Management Regime.


## 8.0 Background Papers



- 8.1 Final RSG Settlement papers and electronic communications.  
Budget and Budget Monitoring reports, and working papers.



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**CHIEF EXECUTIVE**  
**Andrew Sparke**  
**Internal Extension 5200**



.....  
**DIRECTOR OF FINANCE**  
**Mike Williams**  
**Internal Extension 4800**

## ANALYSIS OF PROVISIONAL BUDGET BY DIVISION OF SERVICE

	<b>£000</b>
<b>Education &amp; Lifelong Learning</b>	
Primary and Nursery Schools	91,834
Secondary Schools	81,336
Special Schools	11,712
Pre-School Education	2,194
Adult & Community Education	2,667
Youth Service	2,786
Libraries, etc.	4,424
Other Education & Lifelong Learning Services	568
	<b>197,521</b>
<b>Social Services</b>	
Children & Families	20,329
Older People	36,833
People with a Physical or Sensory Disability	5,803
People with a Learning Disability	14,578
People with Mental Health Needs	3,390
Other Adult and Strategic Services, etc.	1,740
	<b>82,673</b>
<b>Directorate of the Urban Environment</b>	
Environmental Health & Consumer Protection	3,029
Street Cleansing	1,780
Waste Collection & Disposal	12,242
Cemeteries & Crematoria	- 412
Traffic Management & Road Safety	2,411
Flood Defence & Land Drainage	116
Highways Maintenance (inc. capital charges, etc.)	16,311
Other Engineering & Transportation Services	94
Planning, Building and Development Control	1,894
Economic Regeneration	1,472
Environmental Initiatives	440
Culture and Heritage	2,037
Recreation and Sport and Open Spaces	7,546
	<b>48,960</b>

	<b>£000</b>
<b>Chief Executive's</b>	
Elections & Electoral Registration	489
Economic & Community Development	1,167
Community Safety	678
Corporate & Other Costs	6,811
	<u><b>9,145</b></u>
<b>Finance</b>	
Tax Collection & Benefits	3,373
Transport Authority Levy	14,773
Other Levies	51
Investment Income	- 1,826
Asset Management Revenue Account, etc	- 11,326
Corporate & Other Costs	1,586
	<u><b>6,631</b></u>
<b>Law and Property</b>	
Licensing, Registration & Courts	571
Structural Repairs & Maintenance of Council Properties	1,782
Democratic Costs	1,432
Other Legal & Property Services	- 106
	<u><b>3,679</b></u>
<b>Housing (General Fund)</b>	
Private Sector Housing Renewal	1,585
Homelessness & Welfare	218
Contribution to Housing Revenue Account for Community Expenditure	297
Other Private Sector Housing	513
	<u><b>2,613</b></u>
<b>TOTAL</b>	<b>351,222</b>

Note: Above figures adjusted where necessary to reflect latest estimates.

## IMPLICATIONS OF PROPOSED BUDGET FOR MAIN SERVICE AREAS

### Economic Regeneration

1. The proposed revenue budget for Economic Regeneration for 2005/6 is £1.472m. This does not fully reflect the level of activity within the Regeneration Division as much of its spending, both capital and revenue, is supported by external funding and is therefore not shown in the net revenue budget.
2. The Division is responsible for Engineering and Traffic & Transportation services. An additional £200,000 is being proposed in 2005/06 to begin the process of decriminalisation of off-street parking, meet the requirements of the 2004 Traffic Management Act and improve Transportation Policy, Development and Planning. The activities will be undertaken by the Economic Regeneration & Environmental Management Divisions within DUE.
3. The Economic Regeneration division has continued to participate in a wide range of regional and sub-regional bodies, including those associated with Visitor Economy (Tourism) activities and the development of the Black Country Study, thereby ensuring that the Council is properly represented in these areas. The concentration on achieving the Council's objectives of developing the Borough's 4 principal town centres & other urban centres continues. To assist with the delivery of the requirements of the revised Unitary Development Plan and Regional Planning Guidance, the preparation of Development and Investment Frameworks are underway for Brierley Hill High Street and Stourbridge Town Centre. The framework for Dudley has been completed; that for Halesowen will be started in 2005/6.
4. Revised national planning policy is set to change the way that planning policy documents are prepared, requiring the preparation of holistic Local Development Frameworks, which in turn will require a greater level of community engagement than previously required. This will in turn have an impact on time, staff and cost resources. An extra £200,000 is proposed in 2005/6 for the Economic Regeneration & Development & Environmental Protection Divisions to meet these new statutory requirements
5. Demands on resources will continue, not only to support the delivery of the above plans, but also to assist with the delivery of projects and initiatives that will follow their completion. An extra £50,000 is proposed to support the developments planned for the Borough's town centres. Resources will also need to be identified to continue to build the capacity of the Council to access funds & fulfil the aspirations set out in the Community & Council Plans, for example on supporting the Brierley Hill Regeneration Partnership, Metro, in delivering the Brierley Hill parallel route following the award made in the Local Transport Plan; on determination of planning applications, and on supporting the developments at Castle Hill, Flood Street, Stourbridge Tesco and the Cornbow Centre in Halesowen.
6. Future Skills Dudley (FSD) provides a range of services for local unemployed people and businesses, which aims to place people into work through training and support and underpin the successes of existing companies. To fund these activities FSD has secured external resources to support training and employment programmes throughout the next 3-4 years.

## Good Health

1. The budget proposed for Social Services in 05/06 reflects the Council's commitment to improving the resource base of the Directorate to enable the delivery of key improvements and modernisation of services as well as meeting the pressures of increasing demand. In addition to the cost of living rises, the £3.14 m growth package (see below) and the transfer in full of specific grants into base budget will amongst other things see spending on Children and Family services at above FSS levels.

<u>Children and Families</u>	£'000
- Extending the children's advocacy service; additional investment in fee-paid and remand fostering and to meet children's transport requirements; the creation of a pilot for a neighbourhood care scheme; additional social work and administrative support staff; ICT developments for integrated children's service; investment to meet demand for out-of-borough placements and family support	1,175
<u>Older People</u>	
- Meeting National Care Standards for residential and nursing homes and additional investment for intensive home care	1,230
<u>Other Adult groups</u>	
- Protecting services arising from Performance Fund fall out; Meeting National Services Framework (NSF) for Mental Health; Providing a Valuing People accommodation team and increased investment for supported living	565
<u>Other</u>	
- Recruitment of more Social Workers & better staff retention and implementation of electronic data / information and records management	170
<b>Total</b>	<b><u><u>3,140</u></u></b>

2. In relation to improvements and modernisation following the inspection of children's services in 2004 we are extending the children's Advocacy service and promoting an integrated children' service through ICT developments as indicated above. This will help position the council as it responds to the requirements of the Children's Services inspection action plan and the Children Act 2004.
3. In addition, to meet the NSF for Mental health Services, further investment is required to enable the council to effectively contribute to the development of integrated Mental Health services. In particular this will assist the development of the new Assertive Outreach Team which will allow people with complex mental health needs to be cared for within the community.
4. In the context of current demand it is also important to ensure that our supply of care services meets the Government's standards. To this end we are investing further in Residential and Nursing Homes together with intensive homecare services

4. As a result of the budget review process which considered the need to redirect resources in line with Council Plan priorities, a total of £305,000 of savings have been identified, the details of which are as follows.

Transfer support for existing projects to Carers Grant	100
Rationalise bathing and nail cutting services	44
Effect of reprovision of Audnam SEC and Coseley EPU	95
Revised threshold for house cleaning services and reprovision of services by alternative means	66
<b>Total</b>	<b>305</b>

## Environment

1. £36.011 million of revenue funding is proposed to be allocated to support Environmental issues during 2005/06. This budget will support Highways Maintenance, Traffic Management, Waste Collection and Disposal, Environmental Health and Customer Protection, Street Cleansing, Flood Defence and Environmental Initiatives. Resources to support Cemeteries and Crematoria and Parking Services are funded from income.
2. Frontline Environmental Services have now been successfully reorganised within the Environmental Management Division. Continual improvements in line with Council Plan priorities remains the major objective. New initiatives and service developments will continue to be implemented throughout 2005/06.
3. Additional funding has been allocated for Waste Care which will allow it to complete the roll out of the fortnightly recycling collection scheme and also enhance the green waste collections. In addition, the extra resources will ensure that proper measures are taken to deal with the disposal of waste tyres, gas cylinders and TV sets.
4. Following a number of incidents across the country where people have been killed by falling trees, the Health & Safety Executive has now made it clear that local authorities need to produce a proactive tree inspection policy covering all council owned trees to ensure that tree safety issues are identified and acted upon within a reasonable timescale. Proactive tree inspections have already identified a considerable amount of remedial work which is required as a matter of urgency. In order to meet the cost of this work, additional funding of £0.210m is proposed.
5. Revenue funding of £0.140m is proposed to meet the annual debt charges on borrowing to fund capital expenditure of £1.4m on the replacement of dangerous street lighting columns. Necessary work consists of complete replacement of the lighting column or, in the case of most concrete street lights, removal of the element that gives rise to the most concern (the bracket and top of shaft) and its replacement with a steel unit that will greatly extend its life. This is the first stage of the overall programme of work that will be required to eliminate the problem, installing new units that will have a design life of more than forty years and will also greatly improve the light output of the installation by using up-to-date equipment. This will also have benefits in reducing crime and anti-social behaviour as has been demonstrated in previous smaller replacement schemes.

6. An additional £200,000 is being proposed to begin the process of decriminalisation of off-street parking, meet the requirements of the 2004 Traffic Management Act and improve Transportation Policy, Development and Planning. The activities will be undertaken by the Economic Regeneration & Environmental Management Divisions within DUE.
7. The Traffic Management Act 2004 (TMA) came into operation from the end of October 2004. The commencement order requires the Council to appoint a Traffic Manager, a named person who is responsible for tackling traffic congestion and reducing disruption by proactive management, better co-ordination of works and other activities, more efficient powers and sanctions over utilities street works and wider enforcement powers for traffic contraventions. The proposed additional funding will provide for this post, additional resource across Environmental Management and Traffic Control and an enhancement to existing IT systems, required to effectively manage the new requirements of the Act which will be introduced over the next 12 months. If the Council fails to comply with the Act, the Government can appoint a traffic director to undertake this work and remove all of the Council's existing traffic management and New Road and Street Works Act (NRSWA) duties. The cost of the Traffic Director and his/her staff would fall on the authority.
8. The Housing General Fund budget for 2005/06 is proposed at £2.613m representing in the main the net cost of housing strategy, private sector housing, homelessness and the administration of renovation grants. Efficiency savings amounting to £40,000 resulting from a review of support to Asylum Seekers are being proposed.

## **Community Safety**

1. The Community Safety budget continues to support the Council's obligation and duty under section 17 of the Crime & Disorder Act 1998, which requires the Council to consider the implications for Crime and Disorder in the borough of every decision it makes. In effect, no such decision should have the effect of worsening the safety of local people, and, wherever possible should improve their safety. It further supports the newly implemented merger of the Crime & Disorder Reduction Partnership (CDRP) and the Drug & Alcohol Action Team (DAAT).
2. The proposed extra allocation of £50,000 to the Community Safety budget for 2005/06 will be focused upon enhancing the response to Anti-Social Behaviour (ASB) including the drive to increase the availability of professional support to assist victims of ASB. For example, the provision of professional witness support can aid the collation of evidence and support the legal process in the securing of Anti Social Behaviour Orders (ASBOs).
3. The Community Safety budget 05/06 will be critical in supporting the delivery of the targets that will be identified within the forthcoming Community Safety Strategy 2005/2008, as well as three of the current Local Public Service Agreement (LPSA) targets. Alongside this the recently announced Home Office Prolific & Priority Offenders Initiative has been implemented via the Community Safety Team.

4. The CDRP/DAAT merger resulted in a Strategic Board supported by two implementation groups, one each for Substance Misuse and Crime Reduction. Attached to each group are the recently appointed Substance Misuse and Crime Reduction Commissioning Managers. Further to this the Community Safety/DAAT Manager has been appointed. Partnership funding has supported these appointments, demonstrating the close working relationships between partner agencies in the Borough in tackling crime and substance misuse issues. In addition, two analyst posts have been filled, again one for Substance Misuse and one for Crime Reduction. These posts are funded by the Communities Against Drugs element of the Building Safer Communities fund together with the Council.
5. Time limited grants from the Home Office such as the Building Safer Communities fund continue to support varying initiatives, including the ongoing support of the Business Crime Partnership and the provision of three prison-link workers within the "Cage" (subdivision of the Dudley Drug project). A major contribution from this fund has enabled the provision of one of the two new community support vehicles that will allow the Police Community Support Officers (PCSOs) mobility to respond across the borough.
6. The Substance Misuse group has its own historical budget, consisting of National Treatment Agency pooled treatment budget, Primary Care Trust funding and Probation partnership funding - all specifically for Substance Misuse.
7. As a result of the £100,000 uplift in the 2004/05 budget, 8 PCSOs have been appointed. This will raise the establishment of PCSOs across the Borough to 26 and provide key visibility on the streets and address issues around reassurance and the fear of crime as well as their core business dealing with Anti-Social behaviour.
8. From 2005/06, the ring-fenced Civil Defence grant is being replaced by an increase in general non-ring-fenced grant funding to cover:
  - the costs of fulfilling legal duties under the Civil Contingencies Act;
  - the costs of implementing specific planning or capability requirements imposed in guidance by central government including, in particular:
    - Planning for Chemical, Biological, Radiological & Nuclear incidents and the decontamination of buildings;
    - Infectious disease planning;
    - Planning for animal health diseases (specifically Foot & Mouth disease, rabies and other exotic animal diseases).
  - the costs of wider "pressures" that may require local authorities to spend more on emergency planning (e.g. increased terrorist threat, increased public expectations and climate change).
9. Through the Civil Contingencies Act, the Government has given local authorities a clear set of roles and responsibilities. It is intended that civil protection will be fully integrated into mainstream auditing processes, and individual local authorities' performance will be measured through the Comprehensive Performance Assessment process.
10. Dudley's share of these resources is £223,000 which is proposed to be earmarked in full to fund these costs, and would be allocated to specific projects and initiatives in due course following consideration of its most effective deployment.



## Lifelong Learning

1. The total budget for the Education and Lifelong Learning Directorate is estimated to increase by £11.4m, as set out in the following table:

	Schools Block	LEA Block	Youth & Community Block	Libraries	Asset Rents	Total DELL Budget
	£m	£m	£m	£m	£m	£m
2004/05 Base (Adjusted)	151.0	12.3	5.5	4.2	12.5	185.5
Pay & Prices etc.	4.6	0.5	0.2	0.1		5.4
	155.6	12.8	5.7	4.3	12.5	190.9
Minimum Funding Guarantee	1.7					1.7
Schools Block FSS	5.1					5.1
Passporting Savings		- 0.2				- 0.2
2005/06 Proposed Budget	162.4	12.6	5.7	4.3	12.5	197.5
Total increase	11.4	0.4	0.2	0.4	-	12.1

- 3.8.2 The Government is expecting all Local Education Authorities to “passport” increased in Schools Block Funding and the proposed budget does that.
- 3.8.3 Having provided for the costs of pay awards and other known commitments, the Minimum Funding Guarantee (MFG), there will be a real term growth of about £5.1m in Schools Block Spending.
- 3.8.4 As Members are aware, it has been necessary to vary the Schools Funding Formula to reflect the MFG. Details of individual Schools Budgets, which are subject to finalising pupil headcount figures, will be presented to the next meeting of this Committee for consideration. But the effects of the changes to the formula, and the real term growth in total budgets means that School budgets will all increase at least in line with the government's formula for the Minimum Funding Guarantee. Based on estimated pupil numbers, primary schools funding per pupil increases range from 4.9% to 7.9% with an average of 5.3%; secondary schools funding per pupil ranges from 3.9% to 4.7% with an average of 4.1%. Schools with rising rolls have the smallest increases per pupil, and those with falling rolls the highest.
- 3.8.5 As a result of the budget review process which considered the need to redirect resources in line with Council Plan priorities, a total of £244,000 of savings have been identified, the details of which are as follows.

Amend home-to-school transport policy	110
Increased school meals income and fees for Astley Burf	40
Review of Tourist Information Centre	45
Review support to Voluntary Organisations	49
<b>Total</b>	<b>244</b>

## Culture and Recreation

1. £9.583 million of revenue funding is proposed to be allocated to Culture and Recreation activities during 2005/06.
2. One of the principal impacts of the proposals is in respect of the 75% reduction in the Borough Festival budget which will see a change in focus away from large scale events run solely by the Council to more support for local community based events and events run in partnership with others, such as the Summer XS concert. The method of budget allocation will receive further consideration.
3. In addition there are proposals to reduce the amount of grant aid to voluntary organisations. The full details of this are still to be worked up but as an example the Hawbush farm which currently receives a grant has now closed.
4. Elsewhere in the service the implementation of the Leisure Centres Strategy is a key target requiring capital investment in facilities and the retention of existing revenue budgets as a means of financing improvements and developing other opportunities for participation in sport. Reserves have been ring fenced for this purpose. Similarly the implementation of the Liveability Programme has been identified as a priority by the Council and decisions on the mechanisms for the allocation of the capital resources contained within the programme will be required in the coming financial year along with the implementation of initial elements of that programme.

## Details of Calculations to be Determined by the Council

1. That the following amounts be now calculated by the Council for the year 2005/06 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
  - (a) £528.564000m being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act (*The Council's Spending*)
  - (b) £179.342000m being the aggregate of the amounts which the Council estimates for the items set out in Sections 32(3)(a) to (c) of the Act (*The Council's income and use of reserves*)
  - (c) £349.222000m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year (*The Council's budget requirement*)
  - (d) £258.690373m being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates or revenue support grant [increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with Section 97(3) of the Local Government Finance Act 1988] or [reduced by the amount of the sums which the Council estimates will be transferred in the year from its General Fund to its Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1988] and [increased by the amount of any relevant sum which the Council estimates will be transferred from its collection fund to its general fund pursuant to the directions under section 98(4) of the Local Government Finance Act 1988] or [reduced by the amount of any relevant sum which the Council estimates will be transferred from its general fund to its collection fund pursuant to the directions under section 98(5) of the Local Government Finance Act 1988].
  - (e) £939.2512 being the amount at (c) above less the amount at (d) above i.e. £90.531627m all divided by the Council Tax base of 96387.02, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year (*The Council's basic amount of tax*)

(f) Dudley' Council Tax for each Valuation Bands

<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>
626.17	730.53	834.89	939.25	1147.97	1356.70	1565.42	1878.50

being the rounded amounts given by multiplying the amount at (e) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different bands.

## WEEKLY EQUIVALENT COUNCIL TAX INCREASES 2004/05 – 2005/06 (DUDLEY ONLY)

<b>Tax Band</b>	<b>No. of Properties</b>	<b>Council Tax 2004/05 £</b>	<b>Council Tax 2005/06 £</b>	<b>Annual Cash Increase £</b>	<b>Weekly Equivalent £</b>
<b>A</b>	39,400	609.64	626.17	16.53	0.32
<b>B</b>	35,600	711.25	730.53	19.28	0.37
<b>C</b>	27,700	812.85	834.89	22.04	0.42
<b>D</b>	15,200	914.46	939.25	24.79	0.48
<b>E</b>	6,100	1117.67	1147.97	30.30	0.58
<b>F</b>	2,200	1320.88	1356.70	35.82	0.69
<b>G</b>	900	1524.10	1565.42	41.32	0.79
<b>H</b>	100	1828.92	1878.50	49.58	0.95
<b>Total</b>	<hr/> 127,200 <hr/>				

RISK ASSESSMENT & MEDIUM TERM FINANCIAL STRATEGY

- 1.0 In setting a budget for 2005/06, Members need to have consideration for the risks involved, including those relating to the medium term financial position. The following section considers the risks which Members must consider prior to agreeing a budget strategy. These risks become more difficult to assess within the timescales of a medium term plan.

<b>Risk</b>	<b>Impact</b>
<ul style="list-style-type: none"> <li>General inflation higher than budgeted</li> </ul>	A 1% increase would cost the Council approx. £1.5m. We have assumed inflation will average at around 2% and the Treasury's current forecast (GDP Deflator) is for 2.53% next year rising to 2.7% by 2007/08. (See 1.1)
<ul style="list-style-type: none"> <li>Pay awards higher than budgeted</li> </ul>	A 1% increase would cost the Council approx. £2.5m. Staff pay has already been agreed as part of a 2 year deal and will not need to be reconsidered until 2006/07. Teachers' pay is met from within 'passporting' to schools budgets (See 1.1).
<ul style="list-style-type: none"> <li>Income levels not achieved</li> </ul>	A 1% loss of income (exc. grants & interest) would cost the Council approx. £0.5m (See 1.1).
<ul style="list-style-type: none"> <li>Interest rates higher / lower than expected</li> </ul>	A 1% change in interest rates would not materially impact as the majority of loans are at fixed rates, and short term investments are kept at minimum levels consistent with the Council's cashflow needs. We are assuming interest rates remain at current levels. (See 1.1).
<ul style="list-style-type: none"> <li>Unforeseen costs or costs greater than estimated</li> </ul>	Any unbudgeted costs would have to be met from economies or reductions in planned spending in the year or from Balances. (See 1.1).
<ul style="list-style-type: none"> <li>Medium term spending plans may not be sustainable</li> </ul>	Whilst not formally setting a budget for 3 years, the Council takes a 3 year view of spending and resources. Use of Balances and Prudential Borrowing to cover ongoing spending is not a viable long term strategy and action will be required in future years to replace the use of Balances. (See 1.2)
<ul style="list-style-type: none"> <li>Capping</li> </ul>	It is impossible to know in advance of setting any future budget what the capping criteria will be, as they are not pre-set and have varied in previous years. The Council can, at best, take a view as to whether its future spending plans are potentially excessive year-on-year. The Secretary of State has indicated that for next year, Council Tax rises should be less than 5%.

- 1.1 The Council is planning to use Prudential Borrowing of £2.5m and £2m of available balances to reduce its budget requirement in 2005/06. As set out in Appendix 6, there are £2m in working balances to meet unforeseen events and it is considered that many of the remaining balances, if required, could be used in the short term to cover unforeseen budget pressures. These would, however, have to be replenished in future years.
- 1.2 The extent to which medium term spending plans are sustainable depends upon many factors, including: the effect of inflation; the Council's capacity to deliver economies and efficiencies; the Government's commitment to funding pressures through grant and keeping council tax increases low; pressures to spend on services. Each of these factors is in itself a difficult variable to accurately predict.

However, there are some basic assumptions we can make, and these are:

- (i) Pressures upon services are likely to continue;
  - (ii) Inflation is unlikely to fall much below existing levels and may rise;
  - (iii) Interest rates are likely to remain relatively low for the short-term;
  - (iii) The Council will continue to have to identify efficiency savings as part of the Gershon' proposals;
  - (iv) The continued use of balances and prudential borrowing to support ongoing spending is limited.
- 1.3 Consequently the medium term view would suggest that the Council will need to review spending levels over the medium term to reduce its dependency upon balances and prudential borrowing if Council Tax increases are to be limited to around the rate of inflation.

## REPORT OF THE DIRECTOR OF FINANCE AS REQUIRED BY SECTION 25 OF THE LOCAL GOVERNMENT ACT 2003

1. Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Authority (the Director of Finance) to report to it on the following matters:
  - (a) the robustness of the estimate for the purposes of the statutory budget calculation;
  - (b) the adequacy of the proposed financial reserves;
 and the Authority must then have regard to that report when making decisions about the statutory budget calculations.
2. Although it is now a statutory requirement to report on these issues, the accuracy and robustness of estimates and the adequacy of reserves (and provisions) have, of course, been a key factor in formulating budgets in previous years and were therefore inherent in the Director of Finance's recommendations in previous years.
3. The estimates which comprise the budget proposed in this report have been completed by my staff and staff in Directorates, on the basis of known commitments, a prudent allowance for pay awards and price increases during the year and an appropriate assessment of the potential risks and uncertainties. We have also had regard to the availability of external funding, particularly specific Government Grants and partnership funding and income levels from fees and charges. The proposals for additional spending are based on specific initiatives or projects, or provide a cash-limited allocation for a particular activity. The proposals for efficiency and other savings result from a detailed review of existing spending, and represent a realistic estimate of what can be saved if the action proposed is implemented.
4. There is a financial risk management process in operation which seeks to identify the significant risks to which the Council is subject, and which is used to inform the level of reserves and provisions which it is considered appropriate to hold at both a corporate and directorate level. The following table summarises the total level of estimated General Fund earmarked reserves and provisions at 31st March 2005.

	<b>Forecast Balance 31.3.05 £m</b>
Working Capital	2.0
Capital Funding Reserve	8.6
Insurance Fund	8.3
<b>Total Corporate Reserves</b>	<b>18.9</b>
School Balances	2.4
Directorate Reserves & Provisions	9.5
<b>Total Reserves &amp; Provisions</b>	<b>30.8</b>



5. The Working Capital reserve is specifically held to cover unforeseen expenditure or shortfalls in income of an exceptional nature, and is not anticipated to be utilised under normal circumstances.

It is anticipated that the Capital Funding Reserve which comprises sums previously earmarked to fund capital expenditure will be fully expended in 2005/06.

The Insurance Fund will continue to be maintained at a level consistent with the insurable risks borne by the Council and the level of outstanding claims at any time, and will fluctuate accordingly. Balances held by Schools will vary as they are managed by schools in accordance with the Fair Funding scheme, whilst Directorate Reserves and Provisions held for specific purposes will continue to be managed in accordance with the Financial Management Regime.

The total level of reserves and provisions at 31st March 2006 is estimated to be about £21m.

6. I am therefore able to confirm that in my professional opinion:
- (a) the estimates made for the purposes of the calculation of the Council's budget requirement under Section 32 of the Local Government Finance Act 1992, contained in this report, are robust;
  - (b) the financial reserves that will remain available to the Council as a result of agreeing the proposals contained in this report are adequate.



Mike Williams  
Director of Finance