

Meeting of the Cabinet - 13th February 2008

Joint Report of the Chief Executive and Director of Finance

Revenue Budget Strategy and Setting the Council Tax 2008/09

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 Joint Authority precepts, the Council Tax to be levied for the period 1st April 2008 to 31st March 2009.

Background

2. In formulating the Council's Budget Strategy and tax levels for 2008/09, Members will need to consider carefully:
 - (a) the levels of Government support allocated to the Council and Ministerial statements about potential "capping levels";
 - (b) spending pressures, opportunities to free up resources (including efficiency savings) and Council Plan priorities;
 - (c) the implications of spending levels in later years as part of the Council's medium term financial plan;
 - (d) the views of consultees;
 - (e) the external factors and risks inherent in the Strategy;
 - (f) the impact on Council Tax payers, and particularly balancing what needs to be spent to provide services with what it is reasonable to ask local Council Tax payers to pay.
3. At its meeting on 9th January 2008, the Cabinet approved provisional budgets for 2008/09 - 2010/11 which can be summarised as follows.

	2008/09	2009/10	2010/11
	£m	£m	£m
Base Budget Forecast	235.9	250.1	256.2
- including the costs of pay awards, price inflation, adjustments to funding and functions and other commitments			
Extra Funding for Council Plan Priorities & Pressures	8.9	11.3	11.1
- see below			
Efficiency and Other Savings	-3.2	-4.5	-5.4
- as a result of budget review process to redirect resources in line with Council Plan priorities - see below			
	241.6	256.9	261.9
Area Based Grant	(14.6)	(21.4)	(20.6)
Use of Balances	(6.0)	(4.6)	-
Budget Requirement	221.0	230.9	241.3

Changes arising since the report to the Cabinet on 9th January 2008

4. The budget forecasts and resource levels for 2008/09 identified in the previous report to Cabinet were based on a number of provisional figures and preliminary estimates, which might change prior to the final setting of the budget and Council Tax. Relevant changes which now need to be taken into account are as follows.
 - (a) Final RSG and NNDR details were announced on 24th January 2008. The main change relates to the decision by the Courts Service to charge Councils for the full cost of applications for court proceedings relating to children in care from 1st April 2008 - rather than the previous nominal fee. This is estimated to cost Dudley just over £0.2m per year, but no extra provision has been made in the RSG settlement. However, to make things worse, the "damping calculation" has the effect of protecting those Councils receiving the minimum grant increase from the effects of the increase, by increasing the damping contribution levied on other Councils and reducing their grant. The effect on Dudley is a reduction in RSG of over £0.1m per year.
 - (b) The PTA levy is now being proposed at £15.975m, being an increase for Dudley of 3.2% compared to the original 2007/08 levy. (The overall levy has increased by 3.6%, but levies on individual Councils vary as a result in changes in relative population.) The Levy will not be finally confirmed by the PTA until 11th February; any variation compared with the proposed figure will be reported orally to the meeting.
 - (c) Since the previous Cabinet report, Dudley has been selected as a pathfinder for early transfer of Supporting People Grant to Area Based Grant (ABG) from 2008/09 rather than 2009/10. This, together with some further minor adjustments to ABG allocations have been reflected in budget allocations, although there is no impact on the overall net revenue budget.
 - (d) Black Country Consortium contributions have now been confirmed for 2008/09 such that the increase of £100,000 included in the growth package is no longer required. It is proposed that the £100,000 growth be reallocated to DUE to fund Waste Disposal costs following further review of pressures in this area.
 - (e) Following review of timescales relating to the Extra Care Housing initiative, the potential efficiency gains in 2009/10 and 2010/11 have been reassessed at £75,000 and £495,000 respectively.
 - (f) Revised cashflow forecasts are likely to generate one-off Treasury savings of around £0.2m in 2008/09.
 - (g) There are no significant net variances arising from the latest monitoring of 2007/08 revenue budgets which need to be taken into account at this stage.

All the above changes, where relevant, are reflected in the revenue budget allocations and MTFs set out below. The net effect of these changes on the amount to be met from Council Tax in 2008/09 is NIL as follows:

2008/09 Impact of Changes

	£m
Court Fees (Children in Care)	0.2
RSG Damping	0.1
PTA Levy	(0.1)
Treasury	(0.2)
Total	<u>NIL</u>

5. The Revenue Budget for 2008/09 and projections for later years can now be summarised as:

	2008/09 £m	2009/10 £m	2010/11 £m
Base Budget Forecast	242.2	250.1	256.2
- including the costs of pay awards, price inflation, adjustments to funding and functions and other commitments			
Extra Funding for Council Plan Priorities & Pressures	8.9	11.3	11.1
- see below			
Efficiency and Other Savings	-3.2	-4.3	-5.3
- as a result of budget review process to redirect resources in line with Council Plan priorities - see below			
	<u>247.9</u>	<u>257.1</u>	<u>262.0</u>
Area Based Grant	(21.0)	(21.4)	(20.6)
Use of Balances	(6.0)	(4.6)	-
Budget Requirement	220.9	231.1	241.4

6. Further details of the extra funding package are as follows.

	2008/09 £'000	2009/10 £'000	2010/11 £'000	Main Council Plan Themes Supported
<u>Urban Environment</u>				
• Green Waste pressures	618	618	618	Environment
• Increased Waste Disposal Costs inc. Landfill Tax	540	690	840	Environment
• Highway and environmental improvements	300	300	300	Environment
• Dudley Town Centre regeneration	140	140	140	Regeneration
• Lighting Column replacement programme	120	120	120	Environment
• Other initiatives inc. park improvements	310	320	330	Environment
• Support for LAA targets	218	218		Regeneration
	2246	2406	2348	
<u>Children's Services</u>				
• Ongoing pressures mainly due to further increases in the number of looked after children. Includes invest to save initiatives in 2008/09 and 2009/10 which will reduce pressures from 2010/11 onwards.	3000	3000	2000	Caring
• School Improvement Partners & other initiatives.	407	407	407	Learning / Caring
	3407	3407	2407	
<u>Adult, Community and Housing</u>				
• Increased Residential and nursing fees.	300	600	900	Caring
• Increasing number of elderly clients with dementia	392	619	935	Caring
• Increasing numbers of Adults with learning difficulties	1900	3500	4000	Caring
• Neighbourhood Management Costs	100	100	100	Regeneration
• Support for LAA targets.	265	265		Regeneration
• Increased provision for DFGs and other initiatives.	300	300	300	Environment / Caring
	3257	5384	6235	
<u>Chief Executive's</u>				
• Support to DCVS		60	60	Quality Service
		60	60	
Total Proposed Growth	8910	11257	11050	

7. Following a detailed budget review process, which considered the need to redirect resources to the spending pressures and priorities set out in paragraph 6, a range of efficiency and other savings (including items provisionally agreed as part of the 2007/08 strategy) have been identified from existing budgets. Details are set out at Appendix 1 and summarised in the following table.

	2008/09	2009/10	2010/11
	£000	£000	£000
Finance, ICT & Procurement	274	799	1137
Chief Executive's	200	200	200
Law and Property	136	356	549
Urban Environment	198	723	723
Adult, Community and Housing	1600	1395	1855
Children's Services	799	828	828
	3207	4301	5292

8. The 2007 Comprehensive Spending Review set all public services a target of achieving at least 3% net cash-releasing value for money gains per annum over the period 2008/09 to 2010/11. Unlike previous years, there are no specific targets for individual local authorities. The Chief Executive and Directors are currently reviewing the Authority's approach to the efficiency agenda and will report back in due course.

Estimates, Assumptions & Risk Analysis

9. 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 2008/09 is set, during the course of that year, or indeed over the term of the MTFS. There have been no reasons to adjust the draft budget for 2008/09 in respect of (a) to (h) below, but these issues will need to be kept under regular review throughout the period of the MTFS.
- (a) Single Status costs are no more than estimated, and the costs of all Equal Pay Back Pay, including that relating to Schools, can be capitalised.
 - (b) LABGI income is forthcoming as assumed.
 - (c) general levels of inflation, including energy cost inflation, and interest rates do not vary materially from current forecasts;
 - (d) there will be no other unplanned expenditure - or shortfalls in income - which cannot be met from reserves;
 - (e) income from fees, charges and other sources, including airport Company dividends, are maintained in accordance with current projections;
 - (f) demographic pressures, particularly as they affect services to adults and children, are no greater than currently assumed and estimated;
 - (g) the volume of waste arisings, and the costs of disposal, are no greater than currently assumed and estimated;

- (h) PTA spending levels, and hence the levy, in 2009/10 and 2010/11 are not adversely affected by the ongoing implications of a decision by the Department of Transport Adjudicator in relation to the reimbursement of concessionary fares to operators - about which Centro are in the process of a Judicial Review.
- 10. An impact assessment of the significant risks which Members should consider prior to agreeing a budget and MTFS are set out in Annex D of the proposed MTFS.
- 11. In mitigation, any unbudgeted costs would have to be met from economies or reductions in planned spending in the year or from balances. If it is necessary to make additional calls on general balances in 2008/09, this will reduce the amount available to support spending in later years and therefore increase the potential shortfall in resources referred to in paragraph 21 of the MTFS.
- 12. 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.

Medium Term Financial Strategy

- 13. A Medium Term Financial Strategy (MTFS) provides a strategic context for the Council's budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council's overall priorities and objectives. It sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties, and the level of Council Tax.
- 14. The proposed MTFS covering the 4 year period 2007/08 - 2010/11 is set out in detail as Attachment A. This is a comprehensive document and therefore repeats some of the information in this report.

Detailed 2008/09 Budget Proposals

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

Revenue Budget Allocations 2008/09

Service	£m
Children's Services	64.136
Adult, Community and Housing Services	98.783
Urban Environment	54.803
Chief Executive's	11.137
Finance, ICT and Procurement	17.457
Law and Property	1.535
Total Service Allocations	247.851
Less: Area Based Grant	-20.980
Use of General Fund Balances	-6.000
BUDGET REQUIREMENT	220.871

Details of each service's budgets analysed by main divisions of service are shown at Appendix 2.

16. The yield for 2008/09 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 2008, 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, although for 2008/09 nothing will be payable, as the whole of the small surplus relates to Poll Tax.

Estimated Collection Fund Surplus

	£m
Poll Tax and Council Tax arrears brought forward	5.180
Add: Debit for 2007/08	112.257
	<hr/> 117.437
Less: Forecast collections	-113.768
Estimated Bad Debt Provision Required	<hr/> 3.669
Compared with current Bad Debt Provision	3.670
Provision no longer required	<hr/> 0.001
Plus: Adjustment to Surplus arising in 2006/07	-
Total Estimated Available Surplus	0.001
Less: Fire and Police Authorities' Share	-
NET SURPLUS AVAILABLE TO DUDLEY	0.001

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

Funding the Revenue Budget Requirement 2008/09

Source of Funding	2007/08 £m	2008/09 £m
Dudley MBC Budget Requirement	204.280	220.871
Less: Revenue Support Grant	(15.278)	(14.401)
Business Rate Contribution	(91.036)	(103.454)
Collection Fund Surplus	(0.020)	(0.001)
Dudley's Own Requirement from Council Tax Payers	97.946	103.015
Approved Tax base	97049.71	97370.45
COUNCIL TAX (Band D) FOR DUDLEY	£1009.23	£1057.97

18. It is being proposed that the Council approves the statutory calculations required by virtue of Section 32 to 36 of the Local Government Finance Act 1992 as set out in Appendix 3.
19. The proposed Dudley MBC Council Tax for a Band D property for 2008/09 of £1057.97 represents an increase of just over 4.8% compared to 2007/08. Details of the cash increase for each band, together with weekly equivalents, are shown in Appendix 4.
20. The total levels of Council Tax, which will be considered by the Council at its meeting on 3rd March 2008, will include the precepts for the Police and Fire and Civil Defence Authorities which are due to be agreed on 14th February and 11th February respectively. It will, therefore, be necessary to incorporate the figures for the precepts in the Budget Report to Council.
21. 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 5. The authority will also have a statutory obligation to review its budget during the year, with particular regard to any deterioration in its financial position and the taking of any necessary corrective action.
- Consultation on Budget Proposals
22. Details of public consultation already undertaken were reported to the Cabinet at its meeting on 9th January.
23. A statutory consultation meeting is due to be held on 12th 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 3rd March.

24. Each Select Committee has considered the provisional budget proposals approved at the meeting of the Cabinet on 9th January. There were no resolutions made that directly affect these budget proposals. However, the Select Committee on Children's Services resolved that Cabinet be advised of the points made for the retention of the current expenditure on the EMAS, namely:
- That the implications of making savings from the EMAS budget should be considered before a decision is made.
 - The support of EMAS was necessary to provide an opportunity for black minority ethnic children to reach the academic standards of other children, given particularly that Pakistani and African Caribbean boys continue to make substantially less progress than the overall population.
 - That a diminution of funding would be contrary to the community cohesion strategy approved by Cabinet in December, 2007.
 - That the cut in budget provision proposed was very small in the context of the Children's Services and Council's overall budgets.
 - That EMAS had always delivered significant value for money.
 - That to reduce expenditure of the service would be contrary to race relations legislation.
 - That, before making the savings, the Council should question whether it was acting fairly in relation to the black ethnic minority community
 - That the service delivered by EMAS had always been to a high standard and had enabled pupils to achieve academically in excess of what was likely to have been possible had the service not been available.

Finance

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

Law

26. 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.
27. 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.
28. 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.
29. The Local Government Finance Act 1992 gives the Secretary of State power to determine that an authority's Budget Requirement is excessive. This may result in "designation" (possibly leading to recalculation of the Budget Requirement and Rebilling) or "nomination" which either pre-sets a Budget Requirement limit for a future year or a notional budget for the current year against which future years' Budget requirements will be measured for capping purposes.

30. The Minister for Local Government indicated when announcing the provisional RSG Settlement:

“We expect the average council tax increase in England to be substantially below 5%. We will not hesitate to use our capping powers as necessary to protect council tax payers from excessive increases.”

A further letter to Local Authority Leaders states:

“No decisions have been taken on capping principles for 2008/09. It would, however, be unwise for any authority to assume that capping principles set in previous years will be repeated.”

and

“In previous years Ministers have written a reminder about the risks of capping to individual authorities which, on the basis of public information, appear to be heading for high council tax increases. I do not intend to do that this year. The decisions are yours and the Government has set out very clearly the context in which you must make those decisions.”

31. 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 and to set its Council Tax for 2008/09 before the 11th March, 2008.

Equality Impact

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

Recommendations

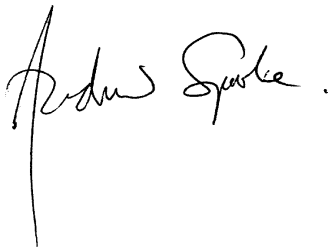
34. That the Cabinet recommends the Council to approve the following:
- The budget requirement for 2008/09, and service allocations as set out in the report.
 - That the statutory amounts required to be calculated for the Council's spending; income and use of reserves; budget requirement and; transfers to and from its collection fund as referred to in Section 67(2)(b) be now calculated by the Council for the year 2008/09 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 3 of this report.
 - 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 2008/09:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
705.31	822.86	940.42	1057.97	1293.07	1528.18	1763.28	2115.94

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

35. 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.
36. 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 2008/09 budget, particularly in the context of commitments into later years and the impact that overspending in 2008/09 will have on the availability of general balances to support spending in 2009/10 and 2010/11.
37. That the Medium Term Financial Strategy (MTFS) set out as Attachment B be approved.



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List of Background Papers

Final RSG Settlement papers and electronic communications.
Budget Report to 9th January Cabinet.

EFFICIENCY AND OTHER SAVINGS

	2008/09 £'000	2009/10 £'000	2010/11 £'000
<u>Finance</u>			
• Revised Staffing Arrangements	199	213	266
• Efficiency Savings from Homeworking		50	125
• Effect of Revised Zoo Governance Arrangements		250	250
• Review of DC+ Operations		200	400
• Other savings and efficiencies inc. Benefits Shop Relocation*	75	86	96
	274	799	1137
<u>Chief Executive's</u>			
• Revised PCSO Funding Arrangements	150	150	150
• Other Savings and Efficiencies*	50	50	50
	200	200	200
<u>Law and Property</u>			
• Increased Delegations – Efficiency Savings	30	72	92
• Revised Staffing Arrangements	25	67	109
• Increased Income	6	27	63
• Property Related Savings inc. Rates	60	85	105
• Other Savings and Efficiencies*	15	105	180
	136	356	549
<u>DUE</u>			
• Review of Leisure Facilities.		297	297
• Revised Staffing Arrangements*	148	376	376
• Other Savings and Efficiencies	50	50	50
	198	723	723
<u>Adult, Community and Housing</u>			
• Revised Meals on Wheels Provision	250	350	400
• Further development of Extra Care Housing provision	75	75	495
• Update Community Care charging policy.	200	200	200
• Transfer to Supporting People grant funding	150	150	150
• Reconfigure Equipment & Occupational Therapy service.	150	250	250
• Other Savings and Efficiencies.	775	370	360
	1600	1395	1855
<u>Children's Services</u>			
• Further Review of EMAS, including direct funding by schools	306	306	306
• Cease Interest on School Balances.	240	240	240
• Management and Administration.	100	100	100
• Other Savings and Efficiencies	153	182	182
	799	828	828
TOTAL	3207	4301	5292

* Note: figures include additional savings arising from last year's budget decisions.

Analysis of Provisional 2008/09 Budget by Division of Service

	£000
Children's Services	
Schools (Asset Depreciation & Strategy costs etc. not funded by DSG)	23,022
Youth Service	6,793
Children & Families Social Services	32,681
Other Children's Services	1,640
	<u>64,136</u>
Adult, Community and Housing Services	
Care & Support for Older People	44,038
Care & Support for People with a Physical or Sensory Disability	7,976
Care & Support for People with a Learning Disability	22,820
Care & Support for People with Mental Health Needs	5,755
Libraries, etc.	5,484
Other Adult and Community Services, etc.	2,647
Private Sector Housing	9,350
Homelessness & Welfare	401
Contribution to Housing Revenue Account for Community Expenditure	312
	<u>98,783</u>
Urban Environment	
Environmental Health & Consumer Protection	4,138
Street Cleansing	2,318
Waste Collection & Disposal	15,706
Cemeteries & Crematoria	-381
Traffic Management & Road Safety	2,119
Flood Defence & Land Drainage	189
Highways Maintenance (inc. capital charges, etc.)	13,868
Other Engineering & Transportation Services	-159
Planning, Building and Development Control	2,863
Economic Regeneration	1,838
Environmental Initiatives	465
Culture and Heritage	2,270
Recreation & Sport and Open Spaces	9,569
	<u>54,803</u>

	£000
Chief Executive's	
Elections & Electoral Registration	739
Economic & Community Development	1,662
Community Safety	1,505
Corporate & Other Costs	7,231
	<u>11,137</u>
Finance, ICT and Procurement	
Tax Collection & Benefits	3,522
Transport Authority Levy	15,975
Flood Defence Levy	101
Treasury, etc.	-2,836
Corporate & Other Costs	695
	<u>17,457</u>
Law and Property	
Licensing, Registration & Courts	571
Democratic Costs	1,355
Other Legal & Property Services	-391
	<u>1,535</u>
TOTAL	247,851

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

Details of Calculations to be Determined by the Council

1. That the following amounts be now calculated by the Council for the year 2008/09 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
 - (a) £645.385000m 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) £424.514000m 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) £220.871000m 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) £117.856160m 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) £1057.9682 being the amount at (c) above less the amount at (d) above i.e. £103.014840m all divided by the Council Tax base of 97370.45, 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 Band

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
705.31	822.86	940.42	1057.97	1293.07	1528.18	1763.28	2115.94

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 2007/08 – 2008/09 (Dudley Only)

Tax Band	No. of Properties	Council Tax 2007/08 £	Council Tax 2008/09 £	Annual Cash Increase £	Weekly Equivalent £
A	40,000	672.82	705.31	32.49	0.62
B	36,100	784.96	822.86	37.90	0.73
C	28,100	897.10	940.42	43.32	0.83
D	15,300	1009.23	1057.97	48.74	0.94
E	6,200	1233.51	1293.07	59.56	1.15
F	2,200	1457.78	1528.18	70.40	1.35
G	1,000	1682.06	1763.28	81.22	1.56
H	100	2018.47	2115.94	97.47	1.87
Total	<hr/> 129,000 <hr/>				

**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. 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.
3. 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 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 at 31st March 2008.

	Forecast Balance 31.3.08 £m
Working Capital	2.0
LPSA Reward	1.4
LABGI	2.7
Insurance Fund	9.8
Other Corporate	0.1
Total Corporate Reserves	16.0
DGfL & Paragon equalisation	5.8
School Balances	10.9
Directorate Reserves	1.3
Total Earmarked Reserves	34.0

4. 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.

The LPSA Reward reserve represents the balance of anticipated reward monies and is anticipated to be mainly spent in 2008/09.

The LABGI Reserve reflects forecast funding to be received in 2007/08 assumed to be available to support the revenue budget in 2008/09 and 2009/10.

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.

Balances 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 reserves at 31st March 2009 is estimated to be about £27m.

5. 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.

A handwritten signature in black ink, appearing to read 'M. Williams', with a horizontal line underneath.

Mike Williams
Director of Finance

Dudley MBC

Medium Term Financial Strategy

**2007/08 -
2010/11**

Purpose of Medium Term Financial Strategy

1. The Medium Term Financial Strategy (MTFS):
 - Provides a strategic context for the Council's budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council's overall priorities and objectives;
 - Sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties, and the level of Council Tax.
2. The principles underlying the MTFS are set out in Appendix A. They apply to all aspects of Council activity, including the Housing Revenue account (HRA). Details of how these principles have been applied to the HRA in developing its strategy for meeting the Government's Decent Homes target are set out in the relevant HRA budget setting reports.
3. The operational principles of financial management are set out in the Council's Constitution - under the headings of the Financial Management Regime (FMR), Contract Standing Orders; Financial Regulations and Associated Codes of Practice. Together with the MTFS, these documents comprise the strategic and day to day framework for the operation of the Council's finances.
4. The MTFS and principles underlying it will be reviewed each year as part of the annual budget process.
5. The MTFS set out below for the General Fund revenue budget covers 4 years, including the current year.

Financial Background

6. The Council's External Auditor issued an unqualified opinion on the Council's 2006/07 Statement of Accounts, and commented in the most recent Annual Audit Letter that "The Council's financial position continues to be well managed."
7. A small working group of Members of the controlling group met several times during the summer and autumn to formulate, in consultation with Directors, prioritised spending pressures and savings proposals for 2008/09 - 2010/11 to be submitted to the Cabinet.
8. Spending pressures and desirable service developments likely to arise over the next 3 years were considered which would result from:
 - Legislative pressures;
 - Demographic pressures;
 - Customer Driven;
 - Performance Standards / Government Targets;
 - Fall-out of Specific Grants.

Each pressure was fully costed and considered in the light of:

- Its impact on Council priorities;
- A risk assessment of not funding the pressure;
- The possibility of funding from external or capital resources.

9. Likewise, savings options were considered which might result from:

- Efficiencies from Value for Money comparison work;
- Other cash efficiency savings;
- Additional income from fees and charges;
- Additional external funding;
- Review of low priority spending.

Each saving was considered in the light of:

- A risk assessment relating to achievability;
- A risk assessment relating to service impact;
- Any one-off costs involved in achieving the saving.

The Proposed Budget and MTFS

2007/08

10. A report to the September meeting of Cabinet showed a number of variations from the original approved budget, of which the following were the most significant:

	£m
Children's Services	3.0
Due to further increases in the number of looked after children, particularly those places out of borough and fostered, together with increased home to school transport costs, including budgeted savings which have not been achieved.	
Chief Executive's	0.3
As a result of additional pressures in Community Safety, loss of funded streams for Marketing and Communications and additional costs of Comprehensive Performance Assessment process. Action has been taken to reduce the ongoing impact of the increased costs, but is unlikely to take effect in the current financial year.	
Adult, Community and Housing Services	(0.2)
Mainly efficiencies in the management of the Asylum Seekers contract.	
Finance, ICT and Procurement	(1.0)
Better than forecast interest earnings mainly resulting from favourable cash flows.	
Total Net Overspending	2.1

11. Cabinet agreed that the relevant Directorate budgets be amended in respect of the above variances, and that £0.5m be provided to support training for employment in the borough in line with stretch targets in the Local Area Agreement (LAA), giving a total overall budget increase of around £2.6m.

12. The overall budget position for 2007/08 can therefore be summarised as follows.

	£m
Original total service budget	208.567
Approved variances (as above)	2.575
Revised total service budget	<u>211.142</u>
Less: Use of Balances	<u>(6.862)</u>
Budget Requirement (unchanged)	<u>204.280</u>

13. There are no further significant net variances arising from the latest monitoring of 2007/08 revenue budgets which need to be taken into account at this stage. The effect of the 2007/08 estimated outturn on the Council's General Balances is, therefore:

	£m
Balance Brought Forward 1 st April 2007	11.5
(Revised) Budgeted use 2007/08	<u>-6.9</u>
Estimated General Balances at 31st March 2008	<u>4.6</u>

2008/09 - 2010/11

14. Following a thorough review of earmarked reserves, the following amounts will be transferred to General Balances at 31st March 2008 and would, therefore, be available to support spending in 2008/09 and later years:

	£m	£m
Estimated General Balances at 31.3.08 (as above)		4.6
- Insurance Reserve	2.0	
- Directorate Reserves	1.0	3.0
Total Estimated General Balances available at 31st March 2008		<u>7.6</u>

15. It would not be unreasonable to expect future reviews of reserves to generate up to a further £3m of General Balances over the period of the MTFs, making around £10.6m available to support revenue budgets.

16. The following table summarises the current budget proposals for 2008/09 - 2010/11 including the proposed use of General Balance of £10.6m to support spending, as detailed in the relevant Budget & Council Tax setting reports.

	2008/09 £m	2009/10 £m	2010/11 £m
Base Budget Forecast	242.2	250.1	256.2
Council Plan Priorities & Pressures	8.9	11.3	11.1
Efficiency & Other Savings	-3.2	-4.3	-5.3
Service Spend	247.9	257.1	262.0
Area Based Grant	(21.0)	(21.4)	(20.6)
Use of Balances	(6.0)	(4.6)	-
Budget Requirement	220.9	231.1	241.4
Percentage increase	5.0%	4.7%	4.5%

17. The broad implications of this proposed budget for each main Service Area are detailed at Annex C.
19. The MTFs is based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended over the term of the MTFs. Changes to the assumptions may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources. These assumptions include:
- (a) Single Status costs are no more than estimated, and the costs of all Equal Pay Back Pay, including that relating to Schools, can be capitalised.
 - (b) LABGI income is forthcoming as assumed.
 - (c) general levels of inflation, including energy cost inflation, and interest rates do not vary materially from current forecasts;
 - (d) there will be no other unplanned expenditure - or shortfalls in income - which cannot be met from reserves;
 - (e) income from fees, charges and other sources, including airport Company dividends, are maintained in accordance with current projections;
 - (f) demographic pressures, particularly as they affect services to adults and children, are no greater than currently assumed and estimated;
 - (g) the volume of waste arisings, and the costs of disposal, are no greater than currently assumed and estimated;
 - (h) PTA spending levels, and hence the levy, in 2009/10 and 2010/11 are not adversely affected by the ongoing implications of a decision by the Department of Transport Adjudicator in relation to the reimbursement of concessionary fares to operators - about which Centro are in the process of a Judicial Review.

A summary risk assessment is set out at Annex D.

20. 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 on services are likely to continue;
- (ii) Inflationary pressures will continue to affect the level of future pay awards and spending levels;
- (iii) The MPC will continue to use interest rates to control inflation, and actual levels of interest rates are difficult to forecast accurately;
- (iv) The continued use of balances to support ongoing spending is not sustainable in the medium to long term.

21. With regard to 2009/10 and 2010/11, having taken into account:

- expenditure forecasts as set out above;
- the risks and uncertainties set out above;
- the notified levels of Government support;
- the potential to generate further balances;

it will be necessary to generate further efficiency and other savings, in addition to those already identified, to ensure Council Tax increases are within capping limits and at politically acceptable levels. Any further increased spending pressures will, of course, either increase the level of savings required or further increase the charge on local tax payers.

22. In order to ensure that the Council can properly manage its financial affairs over the medium term, the strategy must therefore be to continue to:

- (a) ensure spending in the remainder of 2007/08 and in 2008/09 is managed within approved budget levels;
- (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
- (c) seek further efficiency and other savings;
- (d) maximise opportunities for additional external funding;
- (e) take action to replenish General Balances;
- (f) review risks and uncertainties and any other relevant factors.

Partnerships

23. The MTFS set out above reflect the Council's revenue commitments in respect of the following financially significant partnerships.

	2008/09 Contn. £m	2009/10 Contn. £m	2010/11 Contn. £m
Safe & Sound (Crime Reduction Partnership) - partnership with Police, PCT, Voluntary and Private Sector responsible for Community Safety issues.	0.5	0.5	0.5
Black Country Consortium - partnership of the 4 Black Country Councils to co-ordinate sub-regional strategies and areas of common working.	0.3	0.3	0.3
Substance Misuse - partnership with PCT to provide rehabilitation services for adults with misuse needs.	0.1	0.1	0.1
Community Equipment Store - partnership with PCT to provided aids for intermediate care and rehabilitation.	0.9	1.0	1.0
Ridge Hill Learning Disability - partnership with PCT to improve quality of life for people with severe learning disabilities.	0.5	0.6	0.6
Community Learning Disability Team & Special Needs Register - partnership with PCT to provide assessment, care, management & commissioning for clients with learning disabilities.	0.9	1.0	1.1
Children's Placements Pooled Budgets - partnership with PCT to commission placements for children with severe disabilities who require an Out of Borough or Voluntary / Independent sector placement.	1.2	1.2	1.2
Health Promoting Schools - partnership with PCT to promote healthy living to children.	0.2	0.2	0.2

24. The Council will use its Partnership Evaluation Tool to ensure that these and other partnerships continue to be appropriate means of delivering its aims and objectives in a value for money manner.

Links with other Strategies

25. The MTFS is consistent with the Council's other Plans and Strategies, which in turn reflect the resources likely to be available over the MTFS period. In particular:

Community Strategy and Council Plan

26. As described above, all proposals to increase or reduce spending have been specifically considered in the light of their impact on *Council Plan* priorities, the Council Plan's key themes having been devised to meet the aspirations of the *Community Strategy 2005-2020*. The Council Plan detailed targets will be updated in due course to reflect the resources allocated to services as part of the MTFS.

Human Resources

27. The Council's *Human Resources (People Management) Strategy* reflects a number of key challenges identified in the MTFS, including:
- implementation of the national Single Status agreement and development of a new pay and reward strategy for the council;
 - procurement of services and becoming an enabler of provision through managed services rather than a direct provider;
 - delivery of efficiency gains.

Information & Communication Technology (ICT)

28. Further development of the Council's ICT capabilities as identified in the *ICT Strategy* will play a key role in delivering better and more efficient services within the resource constraints of the MTFS. The resources allocated to ICT within the MTFS in turn reflect the need for such development, with efficiencies resulting from improved performance of the ICT Services Division being utilised to increase capacity to deliver an increasing range of ICT enabled services.

Procurement

29. The Council's *Procurement Strategy* is a key tool in ensuring the MTFS can be delivered, particularly in ensuring Value for Money is obtained in all procurement decisions. This Strategy also reflects the increasing importance of working in partnership with other organisations (whether commercial or voluntary etc.) to deliver the Council's objectives.

Capital Strategy and Asset Management

30. Good management of the Council's assets, in accordance with the *Corporate Property Policy* will continue to make an ongoing contribution to the provision of Value for Money services. The MTFS reflects the allocation of the necessary revenue resources to Asset Management to ensure that the objectives of the Corporate Property Policy are achieved.

In addition, the MTFS reflects the debt charges on Capital expenditure which will enhance and improve the Council's asset base via the *Capital Strategy* and the detailed *Capital Programme* - which themselves are aligned with the Corporate Property Policy.

Underlying Principles of the Medium Term Financial Strategy

General

1. The Council's financial planning and budgeting will be undertaken on a medium-term basis (at least 3 years).
2. The starting point for each year's budget and the MTFS will be the previous year's "base budget", plus appropriate provision for anticipated:
 - Pay & price inflation;
 - Capital Programme implications (debt charges and running costs / savings);
 - Changes in functions and funding arrangements;
 - Fallout of specific grants and other income;
 - New specific grants;
 - Treasury activities impact (investment & borrowing rates);
 - Other necessary adjustments.
3. The Council's final budget and MTFS will be determined according to the Council's priorities, as set out in the Community Strategy, Council Plan, and Service Strategies, ensuring that funding is allocated according to the corporate vision, aims, and objectives.
4. Detailed Directorate budgets will flow from the MTFS, with provision for pay and price inflation, etc. allocated to directorates, together with the financial impact of specific growth and savings items.
5. Directorate Business Plans will reflect the resources allocated to Directorates as part of the MTFS and set out how services will be delivered and improved within these constraints.
6. The Council's budget will be linked to performance to enable the effectiveness of the allocation of resources to be fully assessed.
7. Directors are responsible for delivering planned service outputs within cash-limited budgets.
8. The financial implications of the Council's partnership working will be reflected in the MTFS.
9. An annual Budget Review process will be undertaken by Directors and Members in accordance with an agreed plan and timetable with the objective of setting the following year's Budget and Council Tax and reviewing the MTFS. The detailed review process to be used will be subject to annual revision as necessary.
10. A diagram showing how the Budget fits into the annual planning cycle is shown at Annex B.

Reserves and Balances Policy

11. In consultation with the Director of Finance, Directorates may establish earmarked reserves from within their cash-limited budgets to fund future service developments (in line with Council priorities) or expenditure of an uneven nature (e.g. renewal of equipment).
12. Services operated on a trading basis (internal or external) may also establish reserves to balance profits and losses over the medium term.
13. As part of each year's budget review process, all earmarked reserves will be reviewed. Any reserves no longer required for their original purpose will be transferred to General Balances.
14. A Corporate "Reserve of Last Resort" will also be maintained to cover unforeseen events that cannot be met from within cash-limited budgets, earmarked reserves, or uncommitted General Balances.
15. General Balances will be managed to enable spending pressures and resources to be balanced over the medium term.
16. In accordance with legislative requirements, the Director of Finance will report to the Council (when considering the budget for the following financial year) on the adequacy of the proposed levels of reserves.

Risk Assessment and Management

17. A comprehensive financial risk assessment will be undertaken for all parts of the revenue and capital budgets, including any lessons learned from previous experience. The significant risks will be reported to Members for consideration when setting the budget and Council Tax, and when approving Capital projects as appropriate. These risks will also be taken into account when determining appropriate levels of reserves as set out above.
18. A specific risk assessment will also be undertaken for any proposals to increase or reduce expenditure.
19. Financial and other risks will be actively managed as part of the Council's established policies and procedures.
20. Directorates are required in the first instance to manage financial risks and accommodate unforeseen expenditure and/or income shortfalls from within their cash limited budgets or from their earmarked reserves - only seeking allocations from General Balances where this is proven to be impossible.

Income

21. Each Directorate will undertake an annual review of all fees and charges - and of spending areas where charges are possible, but are not currently made.
22. Any cost subsidy (i.e. less than full cost recovery) must be justified in terms of its contribution to the Council's strategic aims.

23. Directorates will also monitor on an ongoing basis all opportunities to generate extra income to meet new service pressures or fund existing expenditure, thereby reducing pressures on bottom line budgets and Council Tax.

Value for Money - Efficiency Review

24. All services will be subject to regular efficiency reviews to ensure the best use is being made of resources across the Council.
25. The 2007 Comprehensive Spending Review set all public services a target of achieving at least 3% net cash-releasing value for money gains per annum over the period 2008/09 to 2010/11. Unlike previous years, there are no specific targets for individual local authorities. The Chief Executive and Directors are currently reviewing the Authority's approach to the efficiency agenda and will report back in due course.

Budget Realignment - Other Savings

26. 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.
27. As a result of the above, proposals will be brought forward for resources to be redirected to higher priority services over the medium term in the light of the Council's overall financial position. A risk assessment will be made of the potential impact of all such proposals (in terms of service outputs, and achievability), and considered by members prior to approval.
28. Once approved, the implementation of any budget reductions will be monitored as part of normal budget and output monitoring processes.

Budget Realignment - Pressures and Growth

29. As part of the annual budget review, proposals will also be considered for additional expenditure to meet spending pressures and service development in line with the Council's priorities.
30. 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.
31. A growth package will be agreed in the light of overall resource availability.
32. The impact of agreed budget increases on service outputs will be monitored as part of the Council's overall performance monitoring processes to ensure that the intended outputs have been achieved.

Capital Programme

33. 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.
34. All known revenue costs arising out of capital spend will be included in the revenue budget.
35. 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

36. All borrowing and/or investment activity will be carried out in accordance with the approved Treasury Policy and Treasury Strategy and, and within the Prudential Indicators set annually by the Council.
37. 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

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

External Funding and Partnerships

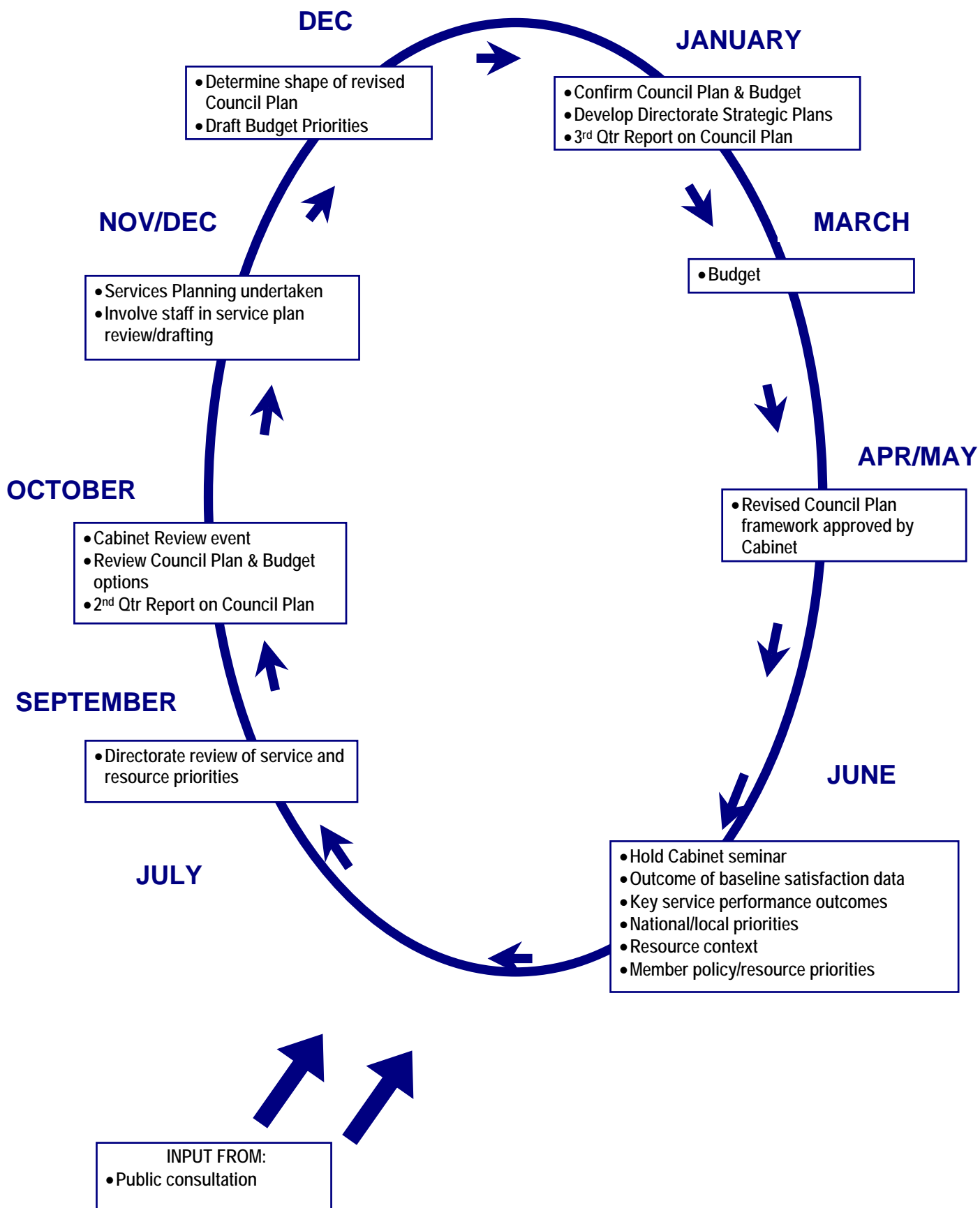
40. In addition to income from fees and charges discussed above, the Council will maximise external funding in the form of specific grants from the Government and other sources towards expenditure which will enable its aims and objectives to be achieved.
41. With regard to specific grants, the anticipated level of funding (where known) over the medium term is taken into account when reviewing budgets as part of the MTFP - particularly where new/ increased grant funding can contribute to meeting budget pressures, or where the fallout of existing grant may create a budget pressure in itself if the need for the underlying expenditure is ongoing.

42. 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.
43. 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.
44. For all time-limited sources of funding or partnership support, an exit strategy will be put in place.

Consultation

45. 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.
46. In addition, public consultation will be undertaken as appropriate during the budget process using the Citizens' Panel and/or other options such as public meetings and the Internet in accordance with the Council's Consultation strategy. The Citizens' Panel consultations are undertaken in collaboration with some of our major partners, and the results shared with them so that any necessary action can be considered by the most appropriate party.
47. In accordance with the Council's Constitution, the Select Committees are consulted on the Cabinet's budget proposals and any related specific issues relevant to their Council Plan and service responsibilities in the January cycle. In framing their responses, the Select Committees are asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.
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.

Corporate Planning Cycle - Overview



Implications of Proposed Budget for Main Service Areas

Community Safety and Community Services

1. The Community Safety budget continues to support the Council's obligation and duty under section 17 of the Crime & Disorder Act 1998, which requires the Council to consider the implications for Crime and Disorder in the borough of every decision it makes. In effect, no such decision should have the effect of worsening the safety of local people, and, wherever possible should improve their safety. It further supports the successfully merged Crime & Disorder Reduction Partnership (CDRP) and the Drug & Alcohol Action Team (DAAT) under the auspices of the new Safe and Sound Partnership
2. The Community Safety budget is directed largely by the priorities expressed within the Borough's Community Safety Strategy. The core priorities within the Strategy are included within the Borough Local Area Agreement, including a number of areas with stretched targets as part of the follow up to the successful LPSA round 1. The Borough continues to be the safest place in the West Midlands and has sustained a reduction in the overall level of reported crime throughout the last three years.
3. Further developments to be introduced during 2008/09 include implementing the 'Respect Action Plan' reported to the Cabinet during 2007. In addition during 2007/08 the Authority was nominated as the accountable body for the Black Country Preventing Violent Extremism Pathfinder initiative, with a government allocation of almost £200,000. This programme is anticipated to be extended into 2008/09, although formal confirmation from Government on the actual level of the initiative is still awaited.
4. From June 2008 the Council, in conjunction with the Dudley Community Partnership, will be implementing the New Generation Local Area Agreement (LAA). This involves a number of the existing stretched targets drawn from the Community Safety Strategy and will see the pooling of a number of national funding programmes including the 'Building Safer Communities Fund' that have been applied in the past for community safety measures. Furthermore the Neighbourhood Renewal Fund allocation to the Borough, which has been used to fund Community Safety initiatives such as the locks and bolts scheme will cease from March 2008. Nationally it has been superseded by the Working Neighbourhoods Fund. Dudley has been identified as a transitional authority under this programme eligible for £1.1m in 08/09 and £440k for 09/10. In order to sustain programmes such as locks and bolts, further funding from such partnership funds will be required.
5. Since 2004/05, the Council has provided funding for a number of Police Community Support Officers who are now managed and deployed as part of West Midlands Police Neighbourhood Policing Initiative. The decision to provide council funding predates the allocation of Central Government funding to the Police Authority for Neighbourhood Policing, which can now be used to fund these posts. The future deployment of PCSOs in the Borough will be subject to operational requirements. This funding change produces total savings to the Council of about £200,000, of which £50,000 can be reinvested in Community Safety activities.

Neighbourhood Management

6. The Government has announced the ending of the Neighbourhood Renewal Fund (NRF) worth £1.8m to Dudley in 2007/08 and have provided some transitional funding through the new Working Neighbourhoods Fund for the next 2 years only of £1.1m in 2008/09 and £0.4m in 2009/10. The Council will need to review how it will deliver neighbourhood support in due course.
7. For some time, the future direction of Neighbourhood Management has been an issue, given the likelihood of no continuing NRF provision from April 2008, and the wider need to determine how best to deliver a neighbourhood focussed approach. Through the Dudley Community Partnership and Government Office West Midlands, a specialist Neighbourhood Renewal Adviser - Lesley Silverlock - was contracted to lead a review of Neighbourhood Management, to examine the current operation, and in the light of best practice nationally to advise on possible future options for the service. Lesley Silverlock presented his final report and recommendation to the Dudley Community Partnership in June. The Council support the broad thrust of the recommendations of the Review, within the context that no other partners were making a financial contribution to Neighbourhood Management, and that the loss of significant external funding necessitating changes. However in order to ensure that all areas of the Borough receive some level of support from revised neighbourhood management, the proposal is to enhance the level of provision originally contained within the Silverlock Review. This proposal will require the Council to increase its financial support to Neighbourhood Management by around £100,000 per year for the next three years in line with the City Strategy programme and to transfer management responsibility to the Directorate for Adults, Housing and Community Services. This commitment however, is made with the intention that as additional sources of funding have become available to the partnership, such as the newly announced Working Neighbourhoods Fund, the Council may seek to secure some of the costs of the revised Neighbourhood Management initiative from those new funding streams.
8. Efficiencies and other savings for 2008/09 include the following item:

Finance, ICT & Procurement - Dudley Council Plus

The budget proposals for 2009/10 and 2010/11 reflect the conclusions of the review into the operation of Dudley Council plus by PA consulting suggesting that new management and control arrangements could begin to bring the budget back into line by allowing a combination of operational efficiencies and restructuring to reduce staffing levels over the next 3 years. Details are still being worked up as part of the transfer of responsibility to the Finance Directorate, but the report suggests it should be possible to reduce costs by £200,000 in each of those 2 years.

Regeneration, Culture and Adult Education

1. Dudley Town Centre Regeneration £140,000 pa
The Council is on the brink of a major renaissance of Dudley Town Centre, involving two major public agencies – AWM, the Regional Development Agency and English Partnerships (which will merge with the Housing Corporation to become the new Homes and Communities Agency next year). This growth money is essential to create a company structure to lever in significant funding from these two bodies as well as an overall investment by the private sector of over £300m and to facilitate the redevelopment works ultimately necessary. Investment in Dudley Town centre is critical to reverse and prevent further decline and to achieve improved facilities.

2. Town Centres £25,000 pa
Continuing the decision taken in the 2007/08 budget to put extra resources towards staging town centre events such as St Georges Day
3. Planning £125,000 pa
The introduction of the new planning system via the Planning and Compulsory Purchase Act 2004 has required investment to enable the Council to produce the Local Development Framework (new version of UDP) on an ongoing basis. The development documents produced will ensure that statutory policies are in place which are robust and support "The Place Shaping" responsibilities of the Local Authority and set the foundations for successful regeneration in the Borough. An additional £100,000 will contribute to delivery of this work, including providing some capacity to deliver the Joint Care Strategy for the Black Country and Area Action Plans across the Borough. Also the extra funding agreed as part of last year's budget to part contribution of funds to be allocated to Dudley Council Plus for initial front line planning enquiries.
4. Economic Regeneration Feasibility Funds £10,000 in 2008/09 rising to £30,000 in 2010/11
The use of these relatively small amounts of funding have enabled the Authority to instigate projects which have brought about significant benefits including the leverage of funding that would otherwise not be available. The total amount levered amounts to many millions.
5. Support for LAA targets (DACHS)
This resource is a continuation of funding for activity which is enhancing the training and employment opportunities for adults with disabilities being delivered through the first Local Area Agreement programme which ends in 2009/10. This will allow more adults with a Learning Disability, those with Mental Health problems and with a Physical disability to find paid work.
6. Support for LAA targets (DUE)
This resource is a continuation of funding for activity which is enhancing the training and employment opportunities for working aged adults in priority areas/groups to enable movement into sustained employment through the first Local Area Agreement programme which ends in 2009/10.
7. Chief Exec's
£60,000 will be made available from 2009/10 to the Dudley Council for Voluntary Service (previously funded from DCVS own balances now depleted) in support of development workers who offer support and advice to running and setting up community groups eg giving advice on charity law, setting up trusts, constitutions and committees, financial accounts, staff management, managing volunteers etc.

Efficiencies and other savings for 2008/09 comprise the following items:

8. Chief Exec's
Credit Union - Implementation of the proposal originally agreed in 2007/08 and deferred to enable efficiency savings of £50,000 pa resulting from a move to "self-funding" of the Credit Union.

9. Law & Property

The Director of Law and Property currently has delegated authority to make decisions on behalf of the Council in a number of specific land & property related matters and it is proposed to extend these delegations to speed up the decision making process and cut down administration costs to save £30,000 in 2008/09 rising to £92,000 by 2010/11.

Revised staffing arrangements in mechanical engineering, building and property surveying will save £25,000 next year rising to £109,000 in 2010/11, this will be achieved by reviewing workloads, redirecting some functions and removing a vacant post.

£60,000 in 2009/10 increasing to £105,000 by 2010/11 in efficiency savings will be made in property related areas, for example, a reduced property portfolio will save the Council Business Rate payments and lower cost estimates for setting up the Asset management Plan will be achieved.

Further improvements in income levels can be achieved in licensing and a miscellany of other savings and efficiencies.

10. Finance

In addition to Dudley Council Plus efficiencies, the Finance Directorate is planning to deliver £274,000 in savings next year rising to £737,000 by 2010/11, this can mainly be achieved by reviewing staffing arrangements including increased provision for turnover; introducing Homeworking in Benefit Services; anticipating the potential for revised Zoo governance arrangements from the redevelopment of Castle Hill and a number of other miscellaneous items (incl relocating the Benefit Shop).

11. Review of Leisure facilities

Over the next 12 months the Council will undertake a detailed review of all leisure facilities with the aim of achieving around £300,000 savings per annum in the years following the completion of the review.

12. DUE - Divisional Reorganisation (Regeneration) £64,000 in 2008/09 and £112,000 from 2009/10

This is the continuing effect of the decision taken in last year's budget to restructure the Regeneration Division

13. DUE - Other savings £50,000 pa

Includes reduced use of printers and ICT equipment within the Directorate and a contribution from Future Skills Dudley towards salary costs of management involvement in core Local Authority service provision.

Children's Services

1. An additional £3m in 2008/09 will enable the Directorate both to meet the ongoing budget pressures identified for children's social care and to invest further in preventative work, in order to realise £1m savings by 2010/11. The pressures include external residential placements, fostering allowances, leaving care grants, payments for looked after children and payments to prevent children becoming looked after.

2. The Education Act 2006 places a statutory duty on authorities to provide a programme of SIPs (School Improvement Partners) in schools by 1st April 2008. Funding of £0.375m is required to meet the costs of this new obligation from 2008/09; grant funding of £0.129m is available from the DCSF and the remainder will be funded by the Council.
3. Increasing demands in relation to IT within the Directorate will cost £0.095m.
4. Additional budget pressures also relate to payments to individuals who have no recourse to public funds and resources to aid the development of parenting skills.
5. Expenditure on the Ethnic Minority Achievement Service will be reduced by £0.3m in 2008/09. The Service will be reduced to a core entitlement with schools continuing to make provision supported by specific funding.
6. A restructure of the Directorate will result in savings of £0.1m.
7. The payment of interest in respect of schools internal balances will cease from 2008/09. This will create a saving of £0.25m.
8. Economy and efficiency measures will be implemented across the Directorate, including utilising alternative sources of funding to the value £0.150m.

Environment

1. **Green Waste pressures £618,000 pa**
The loss of a local outlet will mean all green waste will have to be bulk hauled to more distant sites in Staffordshire and Shropshire. The quantity collected is also expected to increase next year. The combination of these two factors will mean greater transport costs, and also additional disposal fees. A larger depot green waste storage facility will also be needed to in 2008.
2. **Waste Disposal Costs inc Landfill Tax £440,000 in 2008/09 increasing to £740,000 by 2010/11**
 - **Civic Amenity Site Birmingham Street £95,000 pa**
The additional costs identified have arisen from the competitive tender re-letting of the site management contract from July 2007. Areas of increased costs are the additional waste separation and storage needed to meet new legislative requirements such as the WEEE Directive for electrical and electronic wastes. In addition there are related handling and transportation costs that have had to be addressed.
 - **Waste to Energy Plant(Incinerator) –Pollution Legislation £100,000 pa**
Since the contract began there have been continuing cost increases, due to the cost of compliance, generally as a result of the enactment of EC Incineration Directives resulting in required improvements to emissions controls, and monitoring, as transposed into UK Law, and achieved through emissions regulations determined and controlled through the Environment Agency. The conditions of the contract require that any increases brought about by changes in legislation to be met by the Council.

- Waste to Energy Plant -increased materials £95,000 pa
The introduction of more stringent environmental emissions standards has meant not only additional costs for new monitoring equipment and emissions improvements, but also increased use of consumable materials. This includes additional materials like lime, urea to reduce acidic gases and oxides.
- Landfill Tax £150,000 in 2009/10 rising to £450,000 by 2010/11
The Landfill Tax is levied on municipal waste disposed to landfill sites. The tax on bio-degradable waste is increasing by £8 per tonne year on year. The Council is within the ten lowest users of landfill amongst local authorities nationally with only 15% of waste delivered to landfill sites in 2006/7. The scope for reduction is limited and the increased tax is a statutory requirement.

3. **Other Waste Collection & Disposal £125,000 pa**

This provides for various increasing costs generally in relation to Waste Collection & Disposal.

4. **Highways and Environmental Improvements £300,000 pa**

- **Highways Package £200,000 pa**

To enable the Council to improve the overall condition of retaining walls in the borough, to further enhance and improve programmed frequencies of gully cleaning, to target the removal of weed growth on Council highways and to ensure that grass banks in the borough are maintained in accordance with new health and safety legislation.

- **Road Resurfacing £100,000 pa**

This is the increased effect of last year's decision to add extra resources to the £100,000 in 2007/8 of a further £100,000 in 2009/10 and ongoing to enable additional Borough roads to be resurfaced or repaired.

5. **Lighting Column Replacement Programme £120,000 pa**

Capital financing costs of £120,000 in relation to total capital expenditure of £1.2 million to replace the boroughs most dangerous street lighting columns. The funding continues to provide for a phased replacement programme of the boroughs ageing street lighting infrastructure following capital funding of 1.4 million in 2006/7.

6. **Parks Package £125,000 pa**

To support the ongoing maintenance of new features in the boroughs parks and open spaces as a result of liveability funding and new landscape design schemes and extending the decision taken in last year's budget to provide for a new Friends Officer to work closely with parks friends groups.

7. **Disabled Facilities Grants (DACHS)**

This funding will be used to allow an increased capital investment of £2m for the provision of Disabled Facilities Grants.

8. Efficiencies and other savings for 2008/09 comprise the following items:

DUE-Revised Staffing arrangements £84,000 in 2008/09 rising to £264,000 in 2010/11

- Land Quality Assistant and technician £42,000 pa
For a number of years the income generated from providing environmental information on Contaminated Land has been decreasing. The income supported two posts with which to deliver the service. The service is no longer viable and the Environmental Information Service will cease from 2008/9 with the resultant loss of two posts and associated redeployment.
- School Crossing Patrols Restructure £12,000 pa
Absorption of management post will provide annual savings.
- Divisional Reorganisation (Engineering) £150,000 pa from 2009/10
The IDeA are currently undertaking a detailed analysis of projected staffing needs in relation to future years reduced capital and other engineering works. Savings shown are initial estimates only.
- Restructure Pest Control £30,000 in 2008/09 ; £60,000 from 2009/10
Review to be undertaken for direct service provision to be externalised and management function transferred internally.

Health and Adult Social Care

1. The next 3 years will again present challenges for Adult Social Care in meeting the expectations of both Central Government and the residents of the Borough. In addition to meeting the impact of changes in funding and the provision for pay and prices, a number of significant pressures have been identified for which additional net funding has been allocated in each of the next 3 years.
2. Independent Sector Residential/Nursing Home Costs
These additional resources of £0.3m in each of the next 3 years are necessary to ensure the continued effectiveness and sustainability of the sector and to assist in maintaining and improving current standards.
3. Increase in Aged Population and Rates of Dementia
The increase in the elderly population for the over 80's is expected to rise significantly over the next three years. One in six people within this age group have dementia and, therefore, will be likely to require Social Care Services. This increase in funding in each of the next 3 years will ensure that appropriate services will be available as the demand increases.
4. Learning Disability
Learning Disability services are generally expensive because of the nature of the needs they seek to meet. The additional funding identified for each of the next 3 years will pay for the care costs of on average 12 clients per year in either residential or supported living together with the full year effect of those placed in 2007/08.

5. Mental Health Act

Additional resources are necessary to ensure that the requirements of the Mental Health Act 2007 as previously considered by the committee, can be addressed. In particular this additional investment will be used to support advocacy and new assessment processes.

6. Disabled Facilities Grants

This funding will be used to allow an increased capital investment of £2m for the provision of disabled facility grants.

7. Efficiencies and other savings for 2008/09 comprise the following items:

Cost pressures identified previously are being addressed through efficiency savings, modernisation of services and redirections of existing resources to front-line care. The following initiatives have been taken to generate resources for redirection.

- The removal of the subsidy for meals currently received by meals on wheels clients will generate gains of £0.250m in 2008/09 with additional savings in subsequent years. This policy is combined with private sector provision being promoted within the borough thus increasing client choice.
- The Extra Care Housing Initiative will enable us to better care for the elderly in accommodation, which provides them with a better quality of life. The phased closure of two additional residential homes during the next three years, alongside the opening of a number of extra care housing schemes will generate efficiency gains of £0.075m in 2008/09 rising to £0.495m in 2010/11.
- Increased levels of income of £0.200m are expected in the 2008/09 year as a result of a continued phasing out of protection on assessed charges for clients receiving care at home.
- The use of £0.150m in 2008/09 of supporting people grant to fund older people receiving care at home will free up resources to meet other budget pressures.
- As a result of some service reconfiguration to meet the needs of clients with the greatest dependency, together with increased contributions from the PCT will see gains of £0.150m being achieved in 2008/09 rising to £0.250m by 2001/11.
- Following the merging of functions of the former Housing and Social Services Directorates and modernisation of day services cost savings of £0.150m in 2008/09 rising to £0.250m in 2010/11 can be achieved. A one off savings target of £0.398m has been included for 2008/09 only which will be achieved through additional turnover being built into non front line staff budgets and also the funding from capital of some staff costs related to work supporting the implementation of disabled facilities grants.
- The transfer of home care provision from Local Authority provided care into the independent sector will generate efficiency savings with no loss of contact hours for the clients and help meet increased resources required in each of the next 3 years in readiness to support the likely redistribution of care hours between provider agencies, in order to drive up cost effective quality standards.

Risk Assessment

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

Risk	Impact
<ul style="list-style-type: none"> • Single Status 	Figures included in spending forecasts are based on best estimates at this time, but the impact may be significantly different once details emerge and negotiations commence. It has been assumed that all Equal Pay Back Pay costs can be capitalised.
<ul style="list-style-type: none"> • LABGI 	Final allocations from the LABGI scheme are not yet known and have been further delayed due to legal challenge by some Councils. There is no guarantee of any income other than that already received.
<ul style="list-style-type: none"> • General inflation higher than budgeted 	We have assumed general price inflation will average at around 2% over the MTFs period. A higher allowance has been made for certain utility costs reflecting current market trends. A further 1% increase would cost (excluding Schools) around £1.0m extra per year
<ul style="list-style-type: none"> • Staff pay awards higher than budgeted 	We have assumed staff pay awards of 2.5% for each year. A further 1% increase would cost (excluding Schools) around £1.4m extra per year.
<ul style="list-style-type: none"> • Interest rates higher / lower than expected 	The draft budget assumes some reduction in interest rates from current levels during 2008/09. A 1% change either way in interest rates would not have a material impact as the majority of borrowing is at fixed rates, and estimates of interest earnings are cautiously prudent.
<ul style="list-style-type: none"> • Income levels not achieved 	A 1% loss of income (excluding grants & interest) would cost the Council around £0.4m per year.
<ul style="list-style-type: none"> • Other unplanned events, or assumptions not in line with forecasts 	Unforeseen costs or costs greater than estimated.
<ul style="list-style-type: none"> • Medium term spending plans may not be sustainable 	Use of Balances to cover ongoing spending is not a viable long term strategy. Action will be required in future years to replace the use of Balances by bringing spending and resources into line.
<ul style="list-style-type: none"> • Capping 	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 2008/09, the average Council Tax increase is expected to be "substantially below 5%".

2. Any unbudgeted costs, or shortfalls in income, would have to be met from economies or reductions in planned spending in the year or from balances. If it is necessary to make additional calls on general balances in 2008/09, this will reduce the amount available to support spending in later years and therefore increase the potential shortfall in resources referred to in the MTFS.
3. 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.