

PROPOSED REVENUE BUDGET 2005/06

1.0 PURPOSE OF REPORT

1.1 To consult the Select Committee on the proposed Revenue Budget and Council Tax for 2005/06.

2.0 BACKGROUND

2.1 At its meeting on 15th December 2004, the Cabinet considered the Government's Revenue support Grant proposals for 2004/05, and at its meeting on 5th January 2005 approved a preliminary budget strategy for further consultation, including consultation with Select Committees, in accordance with the Constitution.

2.2 In framing their responses to these budget proposals, Select Committees have been asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.

2.3 Provisional Revenue Support Grant Settlement 2003/04

2.3.1 Details of the provisional RSG Settlement for 2005/06 were announced on 2nd December 2002. Key features of the provisional settlement are:

- a £3.5 billion increase in councils' total Government grant (including specific grants) – a 6.2% increase in cash terms;
- an extra £408m in formula grant above published plans;
- all councils to receive an increase in grant in real terms; at least 4% for education/social services authorities on a like for like basis;
- no proposals to change distribution formulae;
- damping arrangements for grant will continue.

2.3.2 The table below compares the provisional figures for Dudley for 2005/06 with the comparable figures (as adjusted) for 2004/05, and provides a comparison with national figures.

	2004/05 £m	2005/06 £m	Dudley Variation %	National Variation %
Education	162.6	174.8	+7.5	+ 5.6
Social Services	76.8	82.0	+6.7	+6.0
Highways	11.2	11.3	+1.8	+2.5
Other Services	64.2	65.6	+2.2	+2.5
Capital Financing	16.8	19.6	+16.3	+19.1
Total FSS	331.6	353.3	+ 6.6	+ 5.4
RSG & NNDR	241.0	258.5	+ 7.3	+ 5.7
Required from Tax Payers for spending at FSS	90.6	94.8	+ 4.6	+ 4.8
Tax Base (Band D)	97054	97425	+ 0.4	+ 1.2
Council Tax for Spend at FSS	£934	£973	+ 4.2	+ 3.6

2.3.3 As can be seen from the above figures, Dudley's increase in the largest components of FSS (Education & Social Services), as well as overall FSS is well above the national average.

Dudley's increase in Government funding (RSG + NNDR) is also well above the national average, although this is net of the scaling back of £0.8m to fund damping arrangements.

The Education FSS figures are net of a specific floors and ceilings adjustment of £2.0m, which also restricts RSG pound for pound, so that the overall effect of damping arrangements is to reduce Dudley's RSG by around £2.8m.

2.4 The Council's Current Financial Position

2.4.1 The last Revenue Budget Monitoring information shows the following variation from approved budgets:-

	£m	
Additional Spend which could not be met from within existing budgets:-		
- Support for Black Country Study	0.1	
- CATS Running Costs	0.2	
	<hr/>	
	0.3	
Increased Interest Earnings	0.8	CR
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Transfer to General Balances	0.5	CR
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2.4.2 Although action is being taken to contain other increased spending pressures within existing approved budgets, there is the possibility that this will not be possible in all areas. In particular, Social Services is faced with pressures because of the increasing numbers and cost of Out of Borough Child placements, a higher than anticipated number of older people requiring care and an increasing number of adults with learning difficulties. Also, in DUE there was a need to spend more on green care during the growing season, and the costs of dealing with waste and kerbside recycling are greater than anticipated. It would therefore, be prudent to retain up to £1m of any available balances to cover these additional costs if they cannot be met within existing budgets.

2.4.3 In accordance with normal practice, a review of reserves and provisions has been undertaken and it has been possible to identify around £1.8m of balances no longer required for their original purposes.

2.4.4 The total level of General Balances at 31st March 2005 is currently estimated to be:

	£m
Effect of 2003/04 outturn	0.2
Add: Net Savings in 2004/05 *	0.5
Transfer from Earmarked Reserves and Provisions	1.8
Refund of PTA Levy (at least) **	0.5
Estimated General Balances at 31st March 2005	<u>3.0</u>

* Subject to additional spending pressures identified in paragraph 2.3.2.

** Subject to confirmation. Early informal indications from the Passenger Transport Authority suggest that the Council will receive a refund of £0.5m in respect of the current and last year's PTA levy.

3.0 SPENDING FORECASTS AND RESOURCE LEVELS

3.1 Base Budget Forecasts

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

	2005/06 £m	2006/07 £m	2007/08 £m
2004/05 Base	330.2	330.2	330.2
Adjustments to funding etc (see para. 3.1.2)	1.5	1.5	1.5
Pay Inflation at 2.9%	7.8	15.0	22.7
Price Inflation at 2%	1.7	3.6	5.5
Capital Programme	1.7	3.6	5.6
Other Adjustments	- 0.7	- 0.4	- 0.3
Base Budget Forecasts	<u>342.2</u>	<u>353.5</u>	<u>365.2</u>
% increase year-on-year (adjusted)	+ 3.2%	+ 3.3%	+ 3.3%

3.1.2 Adjustments to funding and functions mainly include the transfer of Training Support Grant and a substantial part of Preserved Rights and Residential Allowances grants (Social Services) into RSG. Also, Magistrates Courts costs, which were previously funded in part by RSG, will be funded entirely by direct Central Government grant.

3.2 Council Plan Priorities and Legislative Pressures

3.2.1 Having reviewed existing budgets in the light of Council Plan Priorities, and taking account of additional legislative requirements and desirable developments, the following package of additional spending is proposed:-

	£'000
<u>Urban Environment</u>	
Waste Collection and Disposal	
- To fully develop the kerbside recycling scheme and meet statutory responsibilities	900
Transportation Planning and Management	
- To begin the process for decriminalisation of off-street parking in the Borough, meet the requirements of the Traffic Management Bill and improve Transportation Policy, Development and Planning	200
Planning and Regeneration	
- To support the Local Planning Development Framework and provide additional resources for Area Planning and Regeneration Action Plans and Town Centre Master Plans	250
Replacement Programme for Street Lighting Columns	
- To fund a capital programme of £1.4m	140
Programme for Treating Hazardous Trees	
- First year of a three year programme	210
Health and Safety enforcement and training	
	100
Total	1,800

	£'000
<u>Chief Executive's</u>	
CATS	
- To fully fund the additional costs of the first Walk-In Centre and telephone contact centre, in addition to funds transferred from existing budgets	400
Community Safety	
- To provide additional resources to improve and enhance the arrangements for evidence gathering in cases of anti-social behaviour	50
Emergency Planning	
- To provide for increased civil contingency planning responsibilities in line with Government allocations	223
Total	673

3.3 Social Services

3.3.1 In addition to the effects of changes in funding and provision for pay and prices, there are a number of significant pressures facing the service, particularly in the areas of Children's Services, Learning Disability, Older People and Recruitment & Retention. Accordingly it is proposed to invest a further £3.140m to meet existing pressures and to further develop the services of the Directorate. Detailed proposals are shown below.

<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
Total	<u><u>3,140</u></u>

3.4 Schools Funding

3.4.1 The increase in the Schools Block Formula Spending Share (FSS) for 2005/06 amounts to around £11.4m.

3.4.2 The Secretary of State has a reserve power to set a minimum level of budget for schools and is expecting all Local Education Authorities to "passport" increases into the Schools Block which comprises the existing delegated schools budget - the ISB - plus schools related expenditure held centrally. The Government has also indicated that the proportion of the schools budgets held centrally should not increase at a faster rate than the proportion delegated to schools.

3.4.3 It is being proposed that the whole of the £11.4m increase in Schools Block FSS identified above be passported to the schools block budget. Of this sum, around £4.6m is required to cover pay and price inflation, leaving £6.8m for real growth.

- 3.4.4 The Government has directed LEAs to ensure that all schools receive a minimum guaranteed increase in 2005/06: 4% per pupil for secondary schools and 5% per pupil for primary and nursery schools, where pupil numbers remain the same. No secondary school will receive less than 3.9% more per pupil, and no primary school will receive less than 4.9% more per pupil, regardless of changes in pupil numbers. Special arrangements will continue for special schools. The cost to Dudley of implementing this Minimum Funding Guarantee (MFG) is anticipated to be around £1.7m, subject to assessing the effect of the annual pupil number count in January.
- 3.4.5 This would leave around £5.1m to cover the cost of a number of pressures have been highlighted for 2005/06 such as Work Force Reform, additional Standards Fund allocations which require LEA match funding, options for Full Service Extended School and Early Years developments. A decision on the allocation of the £5.1m will be made after statutory consultation with the Schools Forum.
- 3.4.6 The Government has indicated that it proposes to change the basis for schools funding with effect from 2006/07, such that the Schools proportion of Revenue Support Grant will be transferred to a direct or special grant. Details are still awaited and it has not been possible to assess the impact on the 2006/07 and 2007/08 projections, which at this stage are based on existing funding arrangements.
- 3.5 The following total growth package is, therefore, proposed:-

	£'000
Urban Environment	1,800
Chief Executive's	673
Social Services	3,140
Education Schools	6,847
Total	12,460

3.6 Efficiency and Other Savings

- 3.6.1 As a result of a budget review process which considered the need to redirect resources in line with Council Plan priorities, the following efficiency and other savings have been identified from existing budgets.

	£'000	£'000
<u>Chief Executive's</u>		
- Reduce Subscriptions - Local Government Information Unit		15
<u>DELL</u>		
- 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	244
<u>DUE</u>		
- Reduce Borough Festival spend by 75%	75	
- Review support to Voluntary Organisations	65	140
<u>Finance</u>		
- Lower collection costs & higher income generation	35	
- Restructuring of staffing levels in Financial Services and Audit	200	235
<u>Housing</u>		
- Review support for Asylum Seekers		40
<u>Law and Property</u>		
- Improved income levels and reduced running costs		75
<u>Social Services</u>		
- 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	305
Total		1,054

3.7 Medium Term Financial Strategy

3.7.1 Decisions about spending and funding in any one year need to be made in the context of a medium term financial strategy, which should include forecasts of committed and desirable spending levels, the use of balances and other funding opportunities, the level of Government support and the impact on local taxpayers.

3.7.2 As paragraph 2.3.4 sets out, there are estimated to be £3m in General Balances at 31st March 2005, although it would be prudent to earmark up to £1m of that to cover the risk of potential overspendings in the current year. It would not be unreasonable to work on the basis that, say, up to a further £2m would be available in General Balances in the period up to March 2007 from a combination of transfers from earmarked reserves, annual underspends and one-off issues. Subject to

overspending in the current year, that would provide up to £5m in General Balances to support spending over the medium term.

3.7.3 Again, in the context of the medium term position, a review has been undertaken of the opportunity to maximise the flexibilities now available under the “prudential borrowing” regime. Historically the Council has funded approximately £5m of structural improvements to roads and buildings, directly from revenue. In order to free-up revenue resources to fund priorities and increased legislative demands, it is proposed that £2.5m of that spend should now be financed by borrowing. It should, however, be noted that there will be an additional annual borrowing cost of about £0.3m per year.

3.7.4 The following table summarises the budget proposals for 2005/06 and the following years (assuming that Social Services and Schools spending increases broadly in line with CSR 2004 projections):-

	2005/06 £m	2006/07 £m	2007/08 £m
Base Budget Forecast	342.2	353.5	365.2
Efficiency & Other Savings	(1.1)	(1.1)	(1.1)
Prudential Borrowing	(2.5)	(2.5)	(2.5)
Increased Debt Charges on Prudential Borrowing	0.1	0.3	0.6
Total Growth Proposed 2005/06	12.5	12.5	12.5
Schools Passporting * – later years	-	7.6	13.6
Social Services Pressures – later years	-	1.7	2.9
	351.2	372.0	391.2
Use of Balances	(2.0)	(2.0)	(1.0)
Budget Requirement	349.2	370.0	390.2
% Increase	+ 6.7%	+ 6.0%	+ 5.5%

(*) Note that current Government proposals are to transfer Schools funding to specific ring-fenced grant from 2006/07.

An analysis of the resulting service budget for 2005/06 of £351.2m, showing how this compares with the current year's base budget is shown at Appendix A, and the provisional allocations to each service are shown at Appendix B.

3.7.5 Based on the provisional RSG Settlement, and preliminary estimates of the 2005/06 Council Tax Base and Collection Fund Surplus, a Budget Requirement of £349.2m would imply a Council Tax increase of around 2.9% for 2005/06. This is subject to a number of issues, including the risks and external factors set out in paragraph 6.1.

3.7.6 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.

3.7.7 However, having taken into account:-

- prudent estimates of expenditure forecasts as set out above;
- 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.

3.7.8 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.

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

3.8.1 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).

3.8.2 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).

3.8.3 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.

3.8.4 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.

- 3.8.5 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.
- 3.8.6 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.
- 3.8.7 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.
- 3.8.8 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).
- 3.8.9 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.
- 3.8.10 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.

4.0 PUBLIC CONSULTATION

- 4.1 The Council intends to undertake a public consultation exercise on spending priorities and Council Tax increase options at a public meeting on 21st January 2005.

5.0 PROPOSALS

5.1 That the Select Committee:

- (a) Notes the Government's proposals for Revenue Support Grant in 2005/06.
- (b) Considers the Cabinet's Budget proposals for 2005/06.
- (c) Identifies both spending and funding implications (including the impact upon Council Tax) of any observations the Select Committee wishes to make.

6.0 FINANCE

6.1 The base budget forecasts and resource levels identified in this report are based on a number of provisional figures and preliminary estimates and indications. A full analysis of the risks for the 2005/06 budget will be included in the final budget reports. At this stage, the following risks need to be taken into account in the consideration of the budget strategy:

- RSG and FSS figures are provisional and will not be finalised until the end of January 2005.
- The actual levels of the PTA levy and any refund in the current year still need to be formally determined.
- General inflation and interest rates may vary over the period.
- Unplanned factors may result in higher/lower cost pressures.
- It may be necessary to revise assumptions about the levels of prevailing interests rates and price inflation if better information becomes available before the budget is finally approved.
- 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 may be necessary to revise these estimates and assumptions before the budget is finalised.

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

7.0 LAW

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

8.0 EQUAL OPPORTUNITIES

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

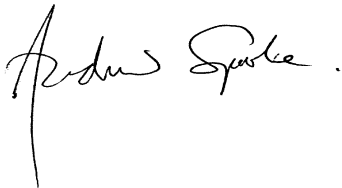
9.0 RECOMMENDATION

9.1 That the proposals in Section 5 be considered.

10.0 BACKGROUND PAPERS

10.1 Provisional RSG Settlement papers and electronic communications.

10.2



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Appendix A

Service	2004/05 Base Budget (*) £m	Changes in Funding / Functions £m	Inflation, Capital Programme Etc. £m	Prudential Borrowing £m	Budget Increase Proposals £m	Budget Reduction Proposals £m	2005/06 Proposed Budget £m
Education and Lifelong Learning	185.5		5.4		6.8	- 0.2	197.5
Social Services	75.8	1.9	2.1		3.2	- 0.3	82.7
Urban Environment	48.2		1.1	- 2.0	1.8	- 0.1	49.0
Finance, ICT and Procurement	5.8	- 0.4	1.4	0.1		- 0.3	6.6
Chief Executive's	8.2		0.2		0.7		9.1
Law & Property	4.1		0.2	- 0.5		- 0.1	3.7
Housing General Fund	2.6		0.1			- 0.1	2.6
Total	330.2	1.5	10.5	- 2.4	12.5	- 1.1	351.2

(*) Adjusted to reflect transfers of services between directorates and accounting changes, mainly resulting from the recalculation of Asset Rents charged to services using the statutory formulae.

ANALYSIS OF PROVISIONAL BUDGET BY DIVISION OF SERVICE

	£000
Education & Lifelong Learning	
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
	<u>197,521</u>
Social Services	
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
	<u>82,673</u>
Directorate of the Urban Environment	
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
	<u>48,960</u>

	£000
Chief Executive's	
Elections & Electoral Registration	489
Economic & Community Development	1,167
Community Safety	678
Corporate & Other Costs	6,811
	<u>9,145</u>
Finance	
Tax Collection & Benefits	3,373
Transport Authority Levy	14,791
Other Levies	51
Investment Income	- 1,826
Asset Management Revenue Account, etc	- 11,326
Corporate & Other Costs	1,586
	<u>6,649</u>
Law and Property	
Licensing, Registration & Courts	571
Structural Repairs & Maintenance of Council Properties	1,782
Democratic Costs	1,432
Other Legal & Property Services	- 106
	<u>3,679</u>
Housing (General Fund)	
Private Sector Housing Renewal	1,585
Homelessness & Welfare	218
Contribution to Housing Revenue Account for Community Expenditure	297
Other Private Sector Housing	513
	<u>2,613</u>
TOTAL	351,240