
**Meeting of the Select Committee on Regeneration, Culture and Adult Education -
20th January 2010**

**Joint Report of the Chief Executive, Director of the Urban Environment,
Director of Adult, Community and Housing Services, Director of Corporate Resources,
and Interim Director of Finance**

Revenue Budget Strategy 2010/11

Purpose of Report

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

Background

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

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

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

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

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

The Council’s Current Financial Position

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

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

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

General Fund Balances

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

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

Provisional Formula Grant Settlement - 2010/11

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

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

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

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

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

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

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

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

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

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

Base Budget Forecasts 2010/11 – 2012/13

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

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

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

Notes:

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

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

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

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

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

Additional Spending

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

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

Children's Services

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

1550 1550 1550

Caring (DCSF
(Statutory

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

200 200 200

Caring (DCSF
(Statutory

1750 1750 1750

Adult, Community and Housing

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

500 800 1000

Caring Healthy

- Modernise Learning and Disability day services to meet high level needs

470 730 1030

Caring Healthy

- Archives Relocation*

220 496 496

Learning Wealthy

1190 2026 2526

Finance, ICT and Procurement

- Network and Corporate Desktop Infrastructure

150 150 150

Quality Support to
Service all priorities

150 150 150

Law, Property and Human Resources

- Vetting and Barring (Independent Safeguarding Authority)

75 75 75

75 75 75

Quality Support to
Service all priorities

Total Proposed Growth

3997 5908 6698

Notes: * Includes revenue costs of increased Capital Investment

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

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

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

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

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

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

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

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

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

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

Use of Balances

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

Summary

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

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

* Assuming no increase after 2010/11

** Compared with adjusted 2009/10 base

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

Estimates, Assumptions & Risk Analysis

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

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

Medium Term Financial Strategy

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

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

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

DUE:

Pressures:

Support to Economic Regeneration

35. **£100,000** growth in 20010/11 reducing to **£50,000** growth in the following years is aimed at attracting inward investment to the borough in terms of employment, commercial space and the wider cultural, housing and retail opportunities.

A new post would be created to target potential key markets looking at the growth sectors where the borough is best placed to compete and identifying the infrastructure the borough has in terms of supply chains; in addition supporting those companies which are growing and opening channels of communication with potential investors. There would be other related and ongoing activity including support to existing businesses and exploring 'one off' relocations that might include government departments, matching needs with large areas of vacant accommodation such as at the waterfront.

In addition in 2010/11 there would be a need to market Dudley Borough, possibly via a promotional CD and display material for conferences etc. in liaison with our marketing and communications team, hence the additional £50,000 growth in the first year

The initial year 1 marketing costs would not follow through to future years; however the new post would remain to provide an ongoing inward investment focus.

Savings:

Town Centre Management

36. **£52,000** would be saved by reducing from the 4 current town centre managers to 3 with a proposal for 2 managers covering two main townships each and the other concentrating on events management and co-ordination of activities. Additional sponsorship will be sought to help fund key events and the displaced manager will be redeployed.

Reducing staffing and overhead costs

37. Reductions in support staff, directorate overheads and revised staffing arrangements are targeted to save **£ 1,050,000** over the next 3 years. This will be achieved through a mixture of prudent vacancy management, voluntary redundancies and significant overhead reductions in areas such as overtime, front line sickness costs and spend on office equipment. In addition restructuring and reductions in the number of engineering posts arising from reduced capital funds will take place. Duplicated services or shared service options will also be explored.

Review of Fees, Charges and Income

38. **£494,000** would be generated over the next 3 years. The proposals do include increasing some Bereavement Service charges to help meet pressures in terms of the Councils statutory requirement to maintain closed churchyards and to fund planned improvement works at the borough's two crematoria. However the proposed increases will still mean Dudley remains the cheapest of the four Black Country Boroughs in terms of its burial and cremation fees. All other additional income proposals do not impact on the general public.

Chief Executive's:

Savings:

Savings on Marketing and Communications activities

39. Reduce marketing and communications costs through the non filling of staff vacancies, reducing the numbers of publications, and greater use of electronic channels. Saving **£100,000** in 2010/11, rising to **£112,000** in 2012/13.

Maximising external grant income accessed by the Council

40. Reduce revenue commitment to Community Safety and Dudley Community Partnership by redirecting external grants from Central Government. Saving **£95,000** per year.

Reducing Council contribution to Third Sector

41. Phased reductions in contributions to third sector. It is intended to work with the third sector organisations supported through Chief Executive's to maximise alternative income from other external sources, and/or achieve compensatory efficiency savings. Saving **£10,000** in 2010/11, rising to **£135,000** in 2012/13.

Reduction in central policy and administration costs

42. Achieve efficiency savings in the administration costs of the Chief Executive's Directorate, with expected savings arising from the centralisation of administration services and increased income from external sources. Saving **£91,000** in 2010/11, rising to **£185,000** in 2012/13.

DACHS:

Pressures:

Archives relocation

43. This is a continuation of the scheme approved as part of the 2009/10 budget review and will see a purpose built Archive facility constructed on the site of the Black Country Museum. Revenue funding of **£220,000** in year 2010/11 rising to **£496,000** in 2012/13 will be required to fund prudential borrowing costs.

Savings:

Efficiency savings following service review

44. This proposal is the expected efficiency savings to be delivered across Libraries and Adult Learning and from the Housing General Fund. It includes savings from modernisation and benchmarking in Libraries and Adult Learning together with the deletion of one head of service post, maximising grant funding and income from the Housing General Fund. Savings in 2010/11 will amount to **£160,000** rising to **£217,000** in 2012/13 .

Finance, ICT & Procurement:

Pressures:

Network and Corporate Desktop infrastructure provision

45. The Council has to continuously to update its core infrastructure, particularly its communications network to offices and Council buildings across the Borough in order to meet demands on the wide area network. We also need to modernise our desktop machines as they become obsolete and to provide central server and system upgrades to ensure we have supported products. **£150,000** per year is to be invested to enable phased implementation.

Savings:

Other savings and efficiencies

46. This is a combination of items. The Directorate is already seeing higher ongoing income from collection costs; benefit subsidy, and Purchasing rebates in the current year and is confident that this can now be built into base budgets. Value for money reviews being undertaken by a now dedicated resource within Audit Services is not only self funding but providing returns greater than costs (e.g. review of VAT). **£95,000** rising to **£140,000** net of further investment into VfM reviews is expected over the medium term.

Restructuring within the Directorate

47. This is an efficiency review and includes a number of service areas across the Directorate from the senior management team down to individual services and reflects:
- the new Corporate Resources Directorate will see savings at the top of the office with one less Director and a review of the senior management team to effect efficiency savings;
 - benefits of new technology, homeworking and office automation, absorption of work within existing resources. These business process reviews utilising recent investment in technology (e.g. document management and Agresso) will enable streamlining of working methods. Homeworking in Benefits is already bringing improved performance and better work life balance for those staff involved;
 - review of processes and service requirements for example, better contract management, reduced overtime;
 - centralisation of administrative functions rationalise and streamlining services largely within back office functions e.g. ICT administrative functions, review of overall staffing levels, and ICT support requirements due to greater capacity within other Directorates

These proposals will generate savings rising from **£674,000** to **£1,147,000** over 3 years .

ICT Operational budgets

48. **£265,000** rising to **£310,000**. Review of ICT operational budgets, including vehicle fleet usage (achievable through better use of technology including remote support capabilities); review of need for current level of development budget and revised accommodation needs.

Review of Council Tax discount on empty properties

49. The Council is keen to bring back into use some 1800 domestic properties throughout the Borough which are currently unoccupied and considers that the current 50% council tax discount is not helping to encourage property owners/landlords to release unoccupied properties which could, if occupied, help stimulate the local economy during the recession. It is proposing, therefore, to remove the discount altogether on long-term unoccupied properties from April 2011 to give property owners time to adjust to the new arrangements (for more than 6 months) and to reduce to 25% on furnished properties. This would also bring in much needed council tax income to help keep council tax increases down and to contribute towards key services.

Law, Property and Human Resources:

Pressures:

Introduce ISA registration

50. **£75,000** per year for administration of new legislation requiring ISA registration for all staff working with vulnerable people.

Savings:

Rationalise Constitutional issues

51. Reduce advertising, room hire and catering costs – saving **£15,000** in 2010/11, rising to **£25,000** in 2012/13.

Changes to Licensing income & enforcement

52. Achieve income from fees and partnership training activities. Refocus enforcement activity. Saving **£56,000** in 2010/11, rising to **£76,000** in 2012/13.

Savings from creation of Corporate Property division.

53. This division was created in January 2009 and the following planned savings have now been identified as achievable: rental savings on surplus operational property & end of leases on industrial estates; reprioritisation of non statutory low risk works & reduce R&M budget by 1%, achieve income from outstanding rent reviews, restructuring of services to achieve surveyor and administrative savings. Saving **£220,000** in 2010/11, rising to **£439,000** in 2012/13.

Realise efficiencies from unification of HR function

54. Creation of this division in April 2009 has identified achievable savings over the 3 years in: reduction of the recruitment advertising budget through the use of internet advertising & improvements to the online application process; removing duplications in learning & development provision; improvements in IT to enable reduction in administration of recruitment processes & more self service for staff & managers. Saving **£267,000** in 2010/11, rising to **£393,000** in 2012/13.

Rationalise Registration & Citizenship Service

55. Implement changes to fees to cover administrative costs and increase fees for celebratory services. Saving **£55,000** in 2010/11, rising to **£110,000** in 2012/13.

Achieve savings in overhead costs and administrative efficiencies

56. General reduction in overhead & administrative support costs. Saving **£20,000** in 2010/11, rising to **£55,000** in 2012/13.

Consultation

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

Finance

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

Law

61. The Council's budget setting process is governed by the Local Government Finance Acts 1988 and 1992 and the Local Government Act 2003.
62. 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.
63. 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.

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

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

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

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

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

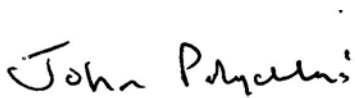
The Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 reflect the ability of billing authorities to increase the tax base by making a determination to reduce or remove discounts under section 11A of the 1992 Act.

Equality Impact

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

Recommendations

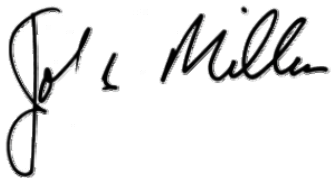
68. That, subject to approval by the Cabinet at its meeting on 13th January 2010, the Select Committee:
- (a) considers the Cabinet's Revenue Budget Strategy proposals for 2010/11 and Medium Term Financial Strategy for 2010/11 – 2012/13;
 - (b) identifies both spending and funding implications (including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



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John Polychronakis
Chief Executive



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Linda Sanders
Director of Adult, Community and Housing
Services



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John Millar
Director of the Urban Environment



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Philip Tart
Director of Corporate Resources



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Bill Baker
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List of Background Papers

Provisional Formula Grant Settlement (DCLG website)

Appendix A

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

(*) Adjusted to reflect:

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

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

Appendix B

EFFICIENCY AND OTHER SAVINGS

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

Analysis of Provisional 2010/11 Budget by Division of Service

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

£000

Chief Executive's

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

Finance, ICT and Procurement

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

Law and Property

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

| | |
|--------------|----------------|
| TOTAL | 252,919 |
|--------------|----------------|