

Meeting of the Select Committee on Culture and Recreation – 12th January 2006

Joint Report of the Director of the Urban Environment and the Director of Finance

Revenue Budget Strategy 2006/07

Purpose of Report

1. To consult the Select Committee on the proposed Revenue Budget and Council Tax for 2006/07.

Background

2. At its meeting on 14th December 2005, the Cabinet considered the Government's Revenue support Grant proposals for 2006/07, and at its meeting on 10th January 2006 is being asked to approve a preliminary budget strategy for further consultation, including consultation with Select Committees, in accordance with the Constitution.
3. 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.

The Council's Current Financial Position

4. The latest Revenue Budget Monitoring information shows the following variation from approved budgets:

	£m
Additional cost of Children's Out-of-Borough Placements and Fostering costs	2.600
To be funded by:	
Allocations from Budgets for Older People and Social Services Business Support	1.200 CR
Education and Lifelong Learning Directorate Reserves and in-year reductions in spending	0.750 CR
	<hr/> 0.650
Dudley Council Plus staffing costs net yet covered by transfers from Directorate budgets	0.800
Net additional cost of refund of Mental Health Act charges	0.200
	<hr/> 1.650
Increased interest earnings	1.000 CR
	<hr/> 0.650
Net additional cost to be met from General Balances	<u>0.650</u>

5. In addition, Leisure Centres are unlikely to meet their financial targets in the current year because of reduced income and increasing running costs but action is being taken to contain the increased costs within the total DUE resource base. This needs to be carefully monitored.
6. In accordance with normal practice, a review of reserves and provisions has been undertaken and it has been possible to identify around £1.3m of reserves no longer required for their original purposes.
7. The total level of General Balances at 31st March 2006 is, therefore, currently estimated to be:

	£m
Balance Brought Forward 1 st April 2005	3.857
Budgeted use 2005/06	-2.000
Effect of net 2005/06 overspend (as above)	-0.650
Review of Reserves & Provisions	1.300
Estimated General Balances at 31st March 2006	2.507

Provisional Revenue Support Grant (RSG) Settlement 2006/07 and 2007/08

8. Details of the Provisional RSG Settlement were reported to the Cabinet at its meeting on 14th December 2005. The figures for Dudley can be summarised as:

	2006/07	2007/08
Revenue Support Grant / Business Rates	£101.9m	£106.3m
Year on Year Increase	+ 2.8% *	+ 4.6%*

* Adjusted for transfers of funding, including:

- transfer of the Schools proportion of Revenue Support Grant to a specific Dedicated Schools Grant (DSG) (see paragraphs 9 - 11 below);
- transfer of remaining Residential Allowance and a small part of Preserved Rights grants (Social Services) into RSG.

9. From 2006/07 the Schools proportion of Revenue Support Grant has been transferred to a specific Dedicated Schools Grant (DSG) effectively replacing "passporting" as a means of setting a minimum level of expenditure on schools & schools related expenditure held centrally. In addition, the previous specific grant for teachers' threshold pay increases has been consolidated into the DSG, while a number of Standards Fund grants which previously required matchfunding have been converted to 100% funding by transferring resources from general RSG/DSG allocations.
10. It is still the responsibility of Councils to allocate the DSG to individual schools, and to determine how much should be retained centrally for schools-related functions, up to a defined limit, and in consultation with the Schools Forum. 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. Councils may also choose to top-up the DSG from their own resources if they wish.

11. On a like-for-like basis, the provisional increases in DSG in 2006/07 and 2007/08 are 5.7% and 5.8% respectively. Further details of schools budgets will be included in the next Budget report to the Cabinet on 8th February 2006, following consultation with the Schools Forum.
12. As part of his statement to the Home of Commons when announcing the provisional RSG settlement, the Local Government Minister made the following comments in relation to “capping”:

“We have provided a stable and predictable funding basis for local services. We expect Local Government to respond positively as far as council tax is concerned. Therefore we expect to see average council tax increases in each of the next two years of less than 5% Local Government should be under no illusions, if there are excessive increases, we will take capping action – as we have done over the last two years.”

Public Consultation

13. As part of the ongoing consultation process to inform Budget and Council Tax proposals, the Council undertook a further public consultation exercise during September and October, using the Citizens Panel and the Internet. Details of the responses are shown at Appendix D. There were a total of just over 1300 responses and the results can be summarised as:
- (a) just over half of respondents thought spending on Council services should stay the same or be reduced;
 - (b) just over half thought that the Council Tax increase should be no more than inflation, even if that meant large spending reductions.

Base Budget Forecasts 2006/07 and 2007/08

14. Details of Base Budget Forecasts for the next two years are set out below.

	2006/07	2007/08
	£m	£m
2005/06 Base	351.2	351.2
Adjustments to funding etc *	-162.0	-162.0
Pay Inflation at (generally) 2.95%	4.0	8.2
Price Inflation at (generally) 2%	2.2	4.3
Capital Programme	1.6	2.9
Other Adjustments	- 1.3	- 1.2
Base Budget Forecasts	195.7	203.4
% increase year-on-year (adjusted)	+ 3.4%	+ 3.9%

* Effects of transfer of Schools Funding to DSG, and Residential Allowance & Preserved Rights grants to RSG.

Additional Spending

15. Having reviewed existing budgets in the light of Council Plan Priorities, and taking account of additional legislative requirements, desirable developments and service pressures, the following package of additional spending over the next two years is proposed:

	2006/07	2007/08
	£'000	£'000
<u>Urban Environment</u>		
Improving the environment and street scene: increased street cleansing and litter removal; roads maintenance and improved signage; measure to reduce traffic congestion.	350	770
Improvements to Parks: Recruitment of park keepers and improved maintenance.	150	200
Public Protection: Increased enforcement action.	85	100
Regeneration: Additional resources for planning activities, town centre events, measures to increase tourism and improved opportunities for external funding.	415	565
Culture: Better access to Council facilities and improved staff terms and conditions etc. in Leisure Centres.	-	365
	<hr/> 1,000	<hr/> 2,000
<u>Children's Services</u>		
Increasing numbers of looked after children, including out of borough placements (net of recharges to DSG)	1,800	1,800*
<u>Adult Services</u>		
Increasing numbers of adults with learning disabilities	1,300	2,200*
Total Proposed Growth	<hr/> 4,100	<hr/> 6,000

* Subject to further review in due course.

Efficiency and Other Savings

16. Following a detailed budget review process, which considered the need to redirect resources to spending priorities and minimise council tax increases in line with the results of the public consultation exercise, a range of efficiency and other savings have been identified from existing budgets. Details are set out at Appendix C and summarised in the following table:

	2006/07	2007/08
	£m	£m
Finance	401	548
Chief Executive's	177	177
Law and Property	100	200
DUE	55	55
Social Services and Housing	581	581
Education and Lifelong Learning	893	1,043
	2,207	2,604

A number of the savings identified will also contribute to the Council's "Gershon" efficiency targets. Other Gershon efficiencies, which will not directly result in cash savings, are currently being identified, and will be reported to Cabinet in February as part of the Council's overall Annual Efficiency Statement (AES) for 2006/07.

Estimates and Assumptions

17. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended during the course of the year and which may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources. These include:
- (a) a reduction in the number of looked after children who are placed outside the borough, and the development of alternative approaches for their social care and education;
 - (b) an assumption that the increase in the level of fees for residential and nursing accommodation for older people will be broadly in line with inflation;
 - (c) the increasing demand for more intensive home care packages and the management of home care waiting lists can be met from within existing budget levels;
 - (d) the total costs of Dudley Council Plus can be contained within existing budget levels and resources transferred from Directorates as and when service lines are transferred;
 - (e) Leisure Centre income and usage targets are met and expenditure is contained within approved budget levels.

Medium Term Financial Strategy

18. 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.

19. As paragraph 7 sets out, there are estimated to be £2.5m in General Balances at 31st March 2006. It would not be unreasonable to work on the basis that, say, up to a further £1m would be available in General Balances in the period up to March 2007 from a combination of transfers from earmarked reserves, further efficiency savings and one-off issues. Subject to overspending in the current year, that would provide a further £1m in General Balances to support spending over the medium term.
20. The following table summarises the budget proposals for 2006/07 and 2007/08:

	2006/07	2007/08
	£m	£m
Base Budget Forecast (as above)	195.7	203.4
Efficiency & Other Savings	-2.2	-2.6
Council Plan Priorities & Pressures	4.1	6.0
	197.6	206.8
Use of Balances	(2.5)	(1.0)
Budget Requirement	195.1	205.8
% Increase (adjusted)	+ 4.2%	+ 5.5%

An analysis of the resulting service budget for 2006/07 of £197.6m, showing how this compares with the current year's base budget is shown at Appendix A, and the provisional allocations by Division of Service is shown at Appendix B.

21. Based on the provisional RSG Settlement, and preliminary estimates of the 2006/07 Council Tax Base and Collection Fund Surplus, a Budget Requirement of £195.1m would imply a Council Tax increase of around 3% for 2006/07. This is subject to a number of issues, including the risks and external factors set out in paragraph 27.
22. With regard to 2007/08, having taken into account:
- prudent estimates of expenditure forecasts as set out above;
 - resources from Central Government;
 - the potential to generate further balances;

there is likely to be a shortfall in resources compared to the spending projections in the above table, if Council Tax increases are to be limited to around the level of general inflation.

23. 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) seek opportunities for additional external funding;
 - (e) take action to replenish General Balances;
 - (f) review risks and uncertainties and any other relevant factors.

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

24. The proposed 2006/07 Revenue Budget for Culture and Recreation Activities is £10.762m, including an additional £150,000 for improvements to parks.

This will support the "Improvements to Parks" agenda which is currently being delivered as part of the Liveability Project and will provide resource to recruit additional park keeping staff and maintenance improvements, as a response to the wishes of Friends of Parks Groups and the general public. An additional £50,000 will be available in 2007/08 to recruit further park keeping staff.

As part of the Council's medium term financial strategy, additional resources are proposed in 2007/08 to meet the financing costs of £0.5m capital investment to improve access to Council leisure facilities and other buildings used by the Culture and Community Division. Additional resources are also earmarked to consolidate and equalise pay terms and conditions for Leisure Centre staff and for increased staff training and development.

Funding previously allocated to operate Brierley Hill Leisure Centre will be reinvested to support the Council's Leisure Centre Strategy, improving remaining Leisure Centre facilities and a range of other health-related sport and recreation facilities in the Brierley Hill area.

As paragraph 5 says, Leisure Centres are unlikely to meet their financial targets in the current year because of reduced income and increased running costs. As paragraph 17(e) says, it has been assumed in preparing the 2006/07 Budget that Leisure Centre income and usage targets will be met and expenditure is contained within approved budget levels. This will need to be carefully monitored.

Consultation

25. Details of public consultation already undertaken are set out in paragraph 13 above.
26. 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.

Risk Analysis

27. 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 2006/07 budget will be included in the final budget reports. At this stage, as well as the issues set out in paragraph 17, the following risks need to be taken into account in the consideration of the budget strategy:
- RSG figures are provisional and will not be finalised until the end of January 2006.
 - The actual levels of the PTA levy 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 interest rates and price inflation if better information becomes available before the budget is finally approved.

Finance

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

Law

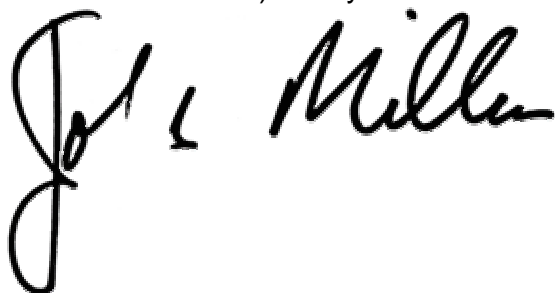
29. The Council's budget setting process is governed by the Local Government Finance Acts 1988 and 1992 and the Local Government Act 2003.
30. Local Government Act 2003 requires the Director of Finance to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves and this will be included in the final budget report.

Equality Impact

31. These proposals comply with the Council's policy on Equal Opportunities, as far as it is possible within existing and future resource levels.

Recommendations

32. That, subject to the approval by the Cabinet at its meeting on 10th January 2006, the Select Committee:
- (a) considers the Cabinet's Budget proposals for 2006/07.
- (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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List of Background Papers
Provisional RSG Settlement
papers and electronic
communications.

Appendix A

Service	2005/06 Base Budget (*)	Changes in Funding / Functions	Inflation, Capital Programme Etc.	Budget Increase Proposals	Budget Reduction Proposals	2006/07 Proposed Budget
	£m	£m	£m	£m	£m	£m
Education and Lifelong Learning	200.9	-163.0	0.7		-0.9	37.7
Social Services	83.3	1.0	2.8	3.1	-0.4	89.8
Urban Environment	49.8		1.5	1.0	-0.1	52.2
Finance, ICT and Procurement	3.1		0.6		-0.4	3.3
Chief Executive's	9.6		0.5		-0.2	9.9
Law & Property	1.9		0.4		-0.1	2.2
Housing General Fund	2.6				-0.1	2.5
Total	351.2	-162.0	6.5	4.1	-2.2	197.6

(*) Adjusted to reflect the recalculation of Asset Rents charged to services using the statutory formulae, and other accounting changes.

ANALYSIS OF PROVISIONAL 2006/07 BUDGET BY DIVISION OF SERVICE

	£000
Education & Lifelong Learning	
Schools (Asset Rents & Strategy costs etc. not funded by DSG)	27,157
Adult & Community Education	3,121
Youth Service	2,304
Libraries, etc.	4,622
Other Education & Lifelong Learning Services	524
	37,728
Social Services	
Children & Families	23,143
Older People	38,753
People with a Physical or Sensory Disability	5,835
People with a Learning Disability	17,394
People with Mental Health Needs	4,030
Other Adult and Strategic Services, etc.	636
	89,791
Directorate of the Urban Environment	
Environmental Health & Consumer Protection	3,230
Street Cleansing	2,021
Waste Collection & Disposal	12,607
Cemeteries & Crematoria	-403
Traffic Management & Road Safety	2,655
Flood Defence & Land Drainage	175
Highways Maintenance (inc. capital charges, etc.)	16,514
Other Engineering & Transportation Services	208
Planning, Building and Development Control	2,218
Economic Regeneration	1,771
Environmental Initiatives	442
Culture and Heritage	2,259
Recreation & Sport and Open Spaces	8,503
	52,200
Chief Executive's	
Elections & Electoral Registration	529
Economic & Community Development	1,279
Community Safety	819
Corporate & Other Costs	7,266
	9,893

	£000
Finance	
Tax Collection & Benefits	3,539
Transport Authority Levy	15,142
Flood Defence Levy	103
Investment Income	-1,974
Asset Management Revenue Account, etc	-14,723
Corporate & Other Costs	1,174
	<u>3,261</u>
Law and Property	
Licensing, Registration & Courts	565
Democratic Costs	1,497
Other Legal & Property Services	169
	<u>2,231</u>
Housing (General Fund)	
Private Sector Housing	2013
Homelessness & Welfare	216
Contribution to Housing Revenue Account for Community Expenditure	303
	<u>2,532</u>
TOTAL	197,636

EFFICIENCY AND OTHER SAVINGS

	2006/07	2007/08
	£'000	£'000
<u>Finance</u>		
Financial Services restructuring	180	217
Savings on ICT running costs etc	65	115
Efficiency savings – e-business	-	60
Savings on financial systems	141	141
Other minor changes	15	15
	401	548
<u>Chief Executive's</u>		
Review of Neighbourhood Management Programme and revised funding arrangements	177	177
<u>Law and Property</u>		
Additional Fees and Charges income	35	35
Revised R & M programme	50	150
Other Changes	15	15
	100	200
<u>DUE</u>		
Effect of Management Restructuring	55	55
<u>Social Services and Housing General Fund</u>		
Efficiency savings from remodelling	200	200
Continuing economies in Business Services	200	200
Additional Housing Grants	56	56
Additional Income from Charges	50	50
Revised arrangement for use of equipment	50	50
Other running costs	25	25
	581	581
<u>Education and Lifelong Learning</u>		
Efficiency savings from remodelling	185	185
Funding for Extended Schools now met from DSG	560	560
Revised planning, procurement and management of Home to School and Children's Social Care Transport arrangements	67	217
Revised funding arrangements for School Reviews	71	71
Other	10	10
	893	1,043
TOTALS	2,207	2,604

Budget 2006/07 Questionnaire Results (2004/05 in brackets)

Q1. Overall, do you think spending on services should:

Be increased 47% (35)	Stay the same 43% (54)	Be reduced 10% (12)
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Q2. Now, looking at the main services the Council provides, please indicate for each one whether you think spending should increase, stay the same, or be reduced. (Rankings obtained by comparing balance of "increase" and "reduce" responses; 2004/05 rankings adjusted to reflect more categories.)

	Spend should increase	Spend should stay the same	Spend should be reduced	Ranking
Schools	54% (55)	41% (42)	4% (3)	7 (5)
Support to Schools	53% (n/a)	42% (n/a)	5% (n/a)	8 (n/a)
Youth Service and Community Centres	48% (31)	46% (61)	6% (9)	11 (11)
Adult Education	22% (11)	69% (72)	9% (17)	16 (16)
Libraries	19% (13)	76% (79)	4% (8)	15 (15)
Refuse Collection, Disposal & Recycling	44% (31)	56% (67)	0% (2)	9 (9)
Street Cleaning & Litter Removal	55% (48)	45% (50)	0% (2)	4 (7)
Maintenance of Roads & Footpaths	70% (62)	29% (36)	1% (2)	2 (2)
Reducing Traffic Congestion	56% (n/a)	37% (n/a)	6% (n/a)	6 (n/a)
Arts & Entertainment	9% (4)	67% (56)	24% (40)	18 (18)
Museums & Heritage	8% (6)	74% (64)	18% (30)	17 (17)
Parks & Open Spaces	37% (26)	59% (67)	3% (7)	12 (12)
Sports Facilities & Leisure Centres	36% (21)	58% (65)	6% (15)	13 (14)
Helping Create New Jobs & Businesses	50% (36)	41% (53)	9% (10)	10 (10)
Care & Support for Children & Families	39% (28)	52% (60)	9% (12)	14 (13)
Care & Support for Older People	61% (56)	38% (42)	1% (2)	3 (3)
Care & Support for People with Mental Health Problems, Learning or Physical Disabilities	54% (n/a)	44% (n/a)	2% (n/a)	5 (n/a)
Crime Prevention & Public Safety	76% (74)	22% (25)	1% (2)	1 (1)

Q3. Bearing in mind your answers to questions 1 and 2, which of the following statements best reflects your views on next year's Council Tax:

- a. Overall spending on services should be maintained or increased even if this means an increase in Council Tax well above the rate of inflation.
16% (16)
- b. Spending on important services should be maintained at the expense of other services, even if this means a Council tax increase above the rate of inflation. **31% (29)**
- c. The Council Tax increase should be no more than the rate of inflation, even if this means significant reductions in spending on services.
54% (54)

Q4. Are there any other issues we should take into account when considering next year's budget and Council Tax?

Responses relating to specific service issues have been circulated to Cabinet Members and Directors for consideration. Copies are available in the Members' Library.

Q5. To help us analyse the responses to this questionnaire, it would be helpful if you could you tell us:

Your age: 18-24 **3% (3)** 25-44 **32 (30)**
 45-64 **44% (46)** 65+ **20% (22)**

Where you live: Dudley **20% (23)** Brierley Hill **21% (24)**
 Halesowen **21% (20)** Stourbridge **24% (18)**
 Sedgley/Coseley/Gornal **14% (15)**
 Don't live in Dudley Borough **0% (0)**

Is your Council Tax bill reduced by Benefit? Yes **17% (17)** No **83% (83)**

Note: For all questions, nil responses have been excluded from analysis. Totals may not sum to 100% due to roundings.