

Meeting of the Cabinet – 25th October 2018

Joint Report of the Chief Executive and Chief Officer, Finance and Legal Services

Medium Term Financial Strategy

Purpose

1. To consider the latest General Fund revenue position for 2018/19 and provisional Medium Term Financial Strategy (MTFS) to 2021/22.
2. Cabinet is not being asked to make final decisions on the MTFS. The proposals in this report will be the subject of public consultation and will be considered by Scrutiny Committees before returning to Cabinet on 11th February and going to Full Council for final decisions on 25th February.

Recommendations

3. That Cabinet notes:
 - (a) The actions of the External Auditors as set out in paragraph 8.
 - (b) The forecast variances to budget in 2018/19 and progress with delivery of savings set out in paragraph 9 and Appendices A and B.
 - (c) The various issues and risks which will need to be taken into account in finalising Budget proposals for 2019/20, and the Medium Term Financial Strategy.
4. That Cabinet approves:
 - (a) The preliminary financial strategy outlined in this report as a basis for scrutiny and consultation.

5. That Cabinet recommends to Council:
 - (a) That the proposal to document the CTR scheme in such a manner that any personal allowances, premiums, disregards and non-dependent deductions are automatically linked to equivalent annually up-rated values published by central government in either Housing Benefit Legislation or the prescribed Council Tax Reduction Scheme for pensioners (including any other miscellaneous amendments to the aforementioned legislation that are relevant to our local scheme) be approved, thus allowing any approved scheme locally to be automatically carried forward to future years, without the need for annual public consultation and re-approval, until such time that further scheme changes are considered.
 - (b) The delegation for approval of voluntary and compulsory redundancies to the Cabinet Member for Procurement, Transformation and Commercialisation and the Chief Officer for Transformation and Performance up to the maximum provided for in the budget forecasts for direct redundancy costs and the capitalised cost of pension strain in respect of redundancies required to achieve the proposed savings set out in this report.

Background

6. The Council approved the General Fund budget for 2018/19 and the MTFS to 2021/22 on 26th February 2018. A report on the 2017/18 outturn was considered by Cabinet on 27th June 2018.

External Audit

7. The External Auditors (Grant Thornton) presented their Audit Findings Report to the Audit and Standards Committee on 25th July 2018. They gave an unqualified (i.e. favourable) opinion on the Financial Statements for 2017/18.
8. As regards their Value for Money opinion, they recognised an improvement in the Council's position compared to the position at the time of their previous audit. They considered that this was sufficient to remove their previous qualification (i.e. their previous adverse opinion) in respect of financial sustainability. However, in giving this opinion, they noted that risks remain in relation to the Council's financial position. They recommended improvements to the way in which the Council scrutinises delivery of savings and recommended that attention be given to growing the income base, both through careful consideration of the level of Council Tax increases and income generation opportunities.¹

¹ The External Auditors retained their previous Value for Money qualification in respect of the 2016 OFSTED inspection of Children's Services. While they noted improvements in this area, this qualification will remain in place unless and until OFSTED remove the rating of "inadequate" through a full re-inspection.

Forecast 2018/19 Position

9. The Council started the year with a low level of revenue reserves. As at 31st March 2018 unringfenced revenue reserves as a proportion of the net revenue budget were 25% (compared with the national average of 40%). The original budget for 2018/19 was set at a level that would further reduce general reserves by £7.4m. Forecast variances compared with budget are shown in Appendix A and summarised below:
- The People Directorate is forecast to spend in line with its budget by the end of the financial year. However, there are continued pressures within Children's Services offset by forecast underspending in Adult Social Care and Health and Wellbeing.
 - The People Directorate is experiencing pressure on the High Needs Block arising from a significant increase in the number of children and young people for whom an Education, Health and Care Plan (EHCP) is appropriate and who require additional support to attend school. This reflects a national trend. Every effort is being made to address this pressure through robust assessment processes for EHCPs, development of the capacity of mainstream schools to support students with additional needs, and redirection of funding from mainstream education into the High Needs Block. This pressure sits within the Dedicated Schools Grant and as such is not included in Appendix A.
 - The Place Directorate is forecast to overspend by £0.6m by the end of the financial year. There are pressures in Environmental Services and Regeneration and Enterprise, partially offset by a forecast underspend in Housing.
 - The Chief Executive's directorate is forecasting a favourable variance of £0.4m as a result of additional income from recovery of benefit overpayments and vacancies.
 - Treasury / Corporate savings of £0.2m are anticipated mainly as a result of slippage in the capital programme.
 - Funding adjustments have resulted in extra net income of £0.2m
10. The current budget for 2018/19 includes £0.5m provision for severance costs to deliver staff savings for 2019/20. This has been reviewed in the light of previous trends and the proportion of proposed savings likely to come from staffing reductions and it is considered prudent to retain this provision at this stage.
11. Progress with delivery of specific savings within the 2018/19 budget is set out in Appendix B. Performance on delivery of savings supports and is consistent with the forecast 2018/19 position outlined above and in Appendix A.

General Fund Balances

12. The latest forecast General Fund Balances position, compared to the original Approved Budget for 2018/19 is therefore as follows:

	Original Budget £m	Latest Position £m
Forecast balance at 31 st March 2018	25.0	25.0
2017/18 outturn (as reported to Cabinet in June)		+1.6
Balance at 31st March 2018	25.0	26.6
Planned use 2018/19 approved by Council in February	-7.4	-7.4
Forecast 2018/19 outturn (para 9 and Appendix A)		+0.2
Forecast balance at 31st March 2019	17.6	19.4

13. While this is an improvement on the original budget, it shows a low level of reserves in the light of the financial challenges that the Council faces. Directorates will make every effort – through spending restraint, generation of additional income and review of earmarked reserves – to improve on the position set out above.

Medium Term Financial Strategy to 2021/22

14. In updating the Council's Medium Term Financial Strategy, Members will need to consider carefully:
- (a) the levels of Government support allocated to the Council;
 - (b) spending pressures, opportunities to free up resources (including 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.
 - (g) the potential impacts on people with protected characteristics as defined in the Equality Act 2010. Members will need to have due regard to the public sector equality duty under the Equality Act 2010. (Further details are set out in the Equality Impact section below.)

Government Funding

15. The 2016/17 Local Government Finance Settlement included indicative figures up to 2019/20, together with an offer to enter into agreement with individual councils to give a guaranteed minimum level of funding² up to 2019/20 subject to having an efficiency plan for the period. The Government subsequently accepted our expression of interest in such a guarantee, which is reflected in the forecasts below.
16. During 2017/18 MHCLG identified an error in their calculation of Section 31 Business Rates grant arising from the introduction of the 100% Business Rate retention pilot. Correction of this error has resulted in a reduction in grant income of around £0.5m in 2019/20 compared with previous forecasts.
17. The Government is undertaking a Fair Funding review of the entire system of local government finance to operate from 2020/21 onwards. At this point there have been no specific announcements about how this will work or about the underlying level of funding that Dudley will receive under any new system. We have prudently assumed that the new arrangements will bring to an end to the technical benefits that Dudley receives from being part of the 100% Business Rate retention pilot. In all other respects, we have rolled forward our forecast on the basis that the underlying impact of any new system is neutral. This is noted as a significant area of uncertainty (with the potential to be either negative or positive) and will be kept under close review.

Council Tax

18. Latest forecasts indicate:
 - a break even Collection Fund position for the current year, resulting mainly from fewer than anticipated new home completions and an increase in single person discounts, offset by a reduction in Council Tax Reduction (CTR) claimant numbers;
 - no overall net change in future income, as a result of an anticipated ongoing reduction in CTR claimant numbers offsetting the impact of new home completions continuing to be fewer than previously forecast.

The position will continue to be monitored closely and any updated forecasts reported to Cabinet in February

19. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill, when passed, will enable the Council to increase the “Empty Homes Premium”, thereby increasing the council tax payable on properties that have been empty for more than two years as follows:
 - from 1st April 2019 for properties which have been empty for between two and five years a premium of up to 100%, resulting in a 200% council tax charge;
 - from 1st April 2020 for properties which have been empty for between five and ten years a premium of up to 200%, resulting in a 300% council tax charge;
 - from 1st April 2021 for properties which have been empty for ten years or more a premium of up to 300%, resulting in a 400% council tax charge.

² Underlying values of Revenue Support Grant and Top-Up Grant, recognising necessary amendments to reflect changes such as business rate uplifts and revaluation, or moves to 100% business rate retention including local pilots.

The implications for Dudley will be considered, and proposals will be brought forward in due course, subject to the Bill being enacted.

20. No changes are proposed to the Council Tax Reduction (CTR) scheme for 2019/20. It is proposed to continue to document the scheme in such a manner that any personal allowances, premiums, disregards and non-dependent deductions are automatically linked to equivalent annually up-rated values published by central government in either Housing Benefit Legislation or the prescribed Council Tax Reduction Scheme for pensioners (including any other miscellaneous amendments to the aforementioned legislation that are relevant to our local scheme). The Council may wish to consider further scheme changes next year or in subsequent years. By documenting the scheme in the proposed way, it will not need further public consultation or re-approval until such time that further scheme changes are considered.
21. The Government has consulted on technical issues relating to the 2019/20 settlement. These include proposed Council Tax referendum principles for 2019/20 in line with those set in 2018/19 – i.e. a core limit of less than 3% plus an Adult Social Care (ASC) precept increase of up to 2% (provided that precept increases do not exceed 6% between 2017/18 and 2019/20). As Dudley has already used 4.5% of the 6% ASC flexibility, this would mean a limit for 2019/20 of less than 3% core plus 1.5% ASC, i.e. less than 4.5% in total. It should be noted that these are the proposed general principles and are subject to the monitoring of individual authorities and their use of the ASC precept.

Business Rates

22. The original budget for 2018/19 was set against the background of ongoing uncertainty concerning the impact of the 2017 revaluation on our business rate and grant income. We face considerable uncertainty arising from:
 - The impact of appeals following the revaluation and the introduction of the new “Check, Challenge, Appeal” process - we are continuing, as are other councils who face the same uncertainty, to make financial provision in line with national government assumptions about the ultimate impact of appeals.
 - The extensive re-profiling of high value retail space in the Borough and delays in notification from the Valuation Office Agency about the impact on rates payable.
23. Latest forecasts indicate:
 - a Collection Fund deficit at 31st March 2019 of £2.6m (to be charged to the General Fund in 2019/20), resulting mainly from reductions in gross rates payable and increases in reliefs in the current and previous years, being partially offset by increased Section 31 grant income of £1.0m which will be carried forward into 2019/20 as a reserve;
 - an ongoing net reduction in underlying income of £0.6m per year for the same reasons.

The position will continue to be monitored closely (in particular the emerging impact of appeals) and any updated forecasts reported to Cabinet in February.

Combined Authority

24. The West Midlands Combined Authority (CA) receives three elements of funding via the constituent authorities as follows:
 - The Transport Levy to fund its transport functions, allocated by statute on a population basis.
 - Real terms growth in the central share of business rates from 2016/17 onwards to fund its regeneration activities, under the terms of the Devolution Deal.
 - A further contribution to fund its non-transport functions currently allocated by agreement partly on a population basis and partly by equal shares.
25. For 2017/18 onwards, the 100% retention pilot gave effect to the Devolution Deal by allowing authorities to retain all business rate growth, including that in the former central share. Measurement of real terms business rates growth, and therefore the amounts due to the Combined Authority, has proved to be particularly difficult as a result of the impact of the 2017 revaluation and uncertainty about the impact of appeals. As an interim solution for 2017/18, the seven constituent authorities made a total contribution from business rate income of £3m (as estimated in the Devolution Deal), shared on the basis of Rateable Values, meaning a Dudley contribution of around £0.3m.
26. In the absence of any realistic alternative, the 2018/19 budget assumed that this arrangement would be continued for 2018/19 with Dudley's contribution being around £0.4m of a total £4.5m. Likewise the MTFS assumes this arrangement will be ongoing, with similar annual increases in line with the estimated Devolution Deal income. Council in February 2018 authorised the Chief Officer, Finance and Legal Services in consultation with the Cabinet Member for Finance and Legal Services to agree final details and make payment to the CA in respect of the contribution for 2018/19 and future years on this basis, subject to all authorities agreeing to contribute likewise.
27. We are awaiting further details from the CA in terms of its proposals for the Transport Levy and funding requirement for its non-transport budget (both currently forecast to be the same as 2018/19, adjusted for the small "one off" element of the 2018/19 Levy). Further details will be reported to Cabinet in February.

Base Budget Forecasts

28. The Base Budget reflects the impact on spending of forecast inflation and other anticipated changes, before directorate spending pressures or savings proposals are taken into account. Details are as follows.

	2019/20	2020/21	2021/22
	£m	£m	£m
2018/19 base	238.1	238.1	238.1
Pay (<i>note 1</i>)	3.1	5.5	7.9
General price inflation (<i>note 2</i>)	-	-	3.4
Transport Levy (<i>see para 27</i>)	-0.1	-0.1	-0.1
Income uplift (<i>note 3</i>)	-1.3	-2.6	-3.9
Pensions (<i>note 4</i>)	0.6	2.8	3.0
Combined Authority (<i>see para 26</i>)	0.2	0.3	0.4
Treasury (<i>note 5</i>)	1.6	2.4	2.9
Fallout of one-off 2018/19 Adult Social Care pressures, and spending funded from the Supplementary Improved Better Care Fund	-3.8	-6.0	-6.0
Other adjustments (<i>note 6</i>)	-	0.2	-0.9
Base Budget Forecast	238.4	240.6	244.8

Notes:

- (1) The above figures allow for an overall 2.6% increase in 2019/20 in line with the national agreement with the unions, which includes a minimum increase of 2%, larger increases on the lower pay points to comply with the National Living Wage, and assimilation to a new pay spine. We have estimated further average increases of 2% in each of 2020/21 and 2021/22.
- (2) Following several years of making no provision for general price increases on non-pay budgets, it is considered prudent to provide for non-pay inflation from 2021/22 in line with Government forecasts.
- (3) Assumes an increase of 2% per year on fees and charges.
- (4) Reflects the uplift in pension contributions agreed up to 2019/20 following the last triennial valuation in 2016. The funding level and contribution requirements from 2020/21 will be reviewed again in 2019; we have currently forecast 2020/21 contributions on the basis of no underlying changes arising from that review.
- (5) Impact of Capital Programme, treasury management and investment income changes, including recommencing making full Minimum Revenue Provision (MRP) for repayment of debt from 2019/20 as required following the review of MRP Policy in 2015/16
- (6) Enterprise Zone funding requirements, non treasury impact of Leisure Centre Strategy, and other minor adjustments.

Spending Pressures

29. Spending pressures provided for are as follows. These are detailed in Appendix C.

	2019/20	2020/21	2021/22
	£m	£m	£m
People	3.4	5.3	5.3
Place	1.2	1.5	1.7
Chief Executive's	0.4	0.4	0.4
Total	5.0	7.2	7.4

Savings

30. In total the following saving proposals have been identified as the basis for scrutiny and consultation. Details are set out in Appendix D.

	2019/20	2020/21	2021/22
	£m	£m	£m
People	3.9	4.9	5.4
Place	0.4	0.4	0.4
Chief Executive's	0.3	0.3	0.3
Total	4.6	5.6	6.1

Public Health

31. The Chancellor's Autumn statement in 2016 confirmed that for 2019/20 the indicative cash reduction in Public Health Grant (PHG) will be 2.6%, and it has been assumed that this rate of reduction will continue in 2020/21 and 2021/22, although grant allocations have not yet been confirmed. It is also possible that the ring-fence will be removed (and Public Health Grant merged into general sources of funding) as part of the overall review of Council funding expected to be implemented from 2020/21. As agreed at 26 July 2018 Cabinet, £11m of Public Health Grant contracts will form part of the Multi Speciality Community Provider (MCP).
32. Headroom between base budget forecasts and expected PHG allocations can be used to fund services that are currently funded by the General Fund. Areas of such expenditure have been identified to a value of £0.425m per year and these are included in the People Directorate savings proposals shown above. These have been reviewed by the Chief Officer (Health and Wellbeing) to ensure that they meet the grant criteria, in that they have a positive impact on the health of people in Dudley Borough.

33. The overall forecast position for the Public Health Grant funded budget can be summarised as follows:

	2019/20	2020/21	2021/22
	£m	£m	£m
Base budget forecast	19.8	19.3	18.8
One-off spending plans	1.4	0.9	0.0
Existing General Fund services	0.4	0.4	0.4
Total spend	21.6	20.6	19.2
Forecast grant	20.2	19.7	19.2
Deficit	1.4	0.9	0.0
Reserve brought forward	2.3	0.9	0.0
Reserve carried forward	0.9	0.0	0.0

Human Resource Implications

34. Redundancy costs required to achieve the proposed savings, including those relating to pension strain, are dependent on the proportion of savings to be met from staffing reductions and the age and length of service of the individuals being made redundant, and therefore cannot be precisely calculated at this stage. It is considered that the provision of £0.5m in the current year (see paragraph 10) should be sufficient to cover the costs of any redundancies necessary to achieve the savings proposed in this report.
35. It is proposed to recommend to Council the delegation for approval of voluntary and compulsory redundancies to the Cabinet Member for Procurement, Transformation and Commercialisation and the Chief Officer for Transformation and Performance up to the maximum provided for in the budget forecasts for direct redundancy costs and the capitalised cost of pension strain in respect of redundancies.

Medium Term Financial Strategy

36. The MTFs reflecting the revised spending proposals set out above, and forecasts of likely resource availability can be summarised as follows.

	2019/20	2020/21	2021/22
	£m	£m	£m
Base Budget Forecast - see para 28	238.4	240.6	244.8
Pressures - see para 29	5.0	7.2	7.4
Savings - see para 30	-4.6	-5.6	-6.1
Total Service Spend	238.8	242.2	246.1
Retained Business Rates	86.7	88.9	91.0
Tariff	-6.0	-8.1	-8.3
Business Rate Grant	11.5	10.9	11.5
New Homes Bonus	2.7	2.7	2.7
Improved Better Care Fund (iBCF)	12.4	12.4	12.4
Supplementary iBCF (SiBCF)	2.2	-	-
Collection Fund – Council Tax	-	-	-
Collection Fund Deficit – Business Rates	-2.6	-	-
Council Tax	122.5	127.3	132.3
Total Resources	229.4	234.1	241.6
Deficit funded from Balances	9.4	8.1	4.5
Balances brought forward	19.4	10.0	1.9
Balances carried forward	10.0	1.9	n/a

37. The table above assumes that Council Tax increases by 4.49% in 2019/20 (including the Social Care Precept), and 2.99% in both 2020/21 and 2021/22. Based on current referendum limits, this would not require a referendum in accordance with Chapter 4ZA of Part 1 of the Local Government Finance Act 1992. However, it should be noted that these referendum limits are subject to Government monitoring of our use of the Adult Social Care Precept.
38. Based on the forecasts, pressures and savings proposals set out above, we are forecasting deficits in all future years. While these deficits can be met from reserves for the next few years, this is unsustainable in the longer term and members should also note the significant risks and uncertainties listed in paragraph 40 below and elsewhere in this report. There is therefore a need to identify further savings and/or additional income in order to ensure that prudent balances are maintained.
39. Work is ongoing to challenge all service areas to identify further savings over and above those proposed in this report, in particular from digital transformation, review of business support, improvements to procurement and increasing commercial income. We are also looking to the Combined Authority to support us in improving transport links and driving economic growth, thus increasing Council Tax and Business Rates income.

Estimates, Assumptions & Risk Analysis

40. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which are subject to continuous review:
- (a) pay inflation does not vary materially from current forecasts;
 - (b) the underlying impact of the Fair Funding review of local government finance from 2020/21 is neutral;
 - (c) income from Business Rates (net of appeals etc.) including grant in respect of the EZ will be in line with current forecasts;
 - (d) the cost of Council Tax Reduction awarded will not substantially exceed forecasts, and the tax base will continue to grow as anticipated;
 - (e) The pressure on the High Needs Block is met from within the Dedicated Schools Grant;
 - (f) cash limited non-pay budgets will be managed so as to absorb any price inflation not specifically provided for in 2019/20 and 2020/21 and any inflationary pressures in 2021/22 will be no more than the amount provided for;
 - (g) income and expenditure relating to treasury management activity are in line with forecasts;
 - (h) there will be no other unplanned expenditure (including any resulting from demographic, legislative or case law pressures) or shortfalls in income, which cannot be met from reserves;
 - (i) there will be no changes to government policy on maximum underlying Council Tax increases without the need for a referendum, and the general referendum principles will apply to Dudley's increases in Council Tax (including the Adult Social Care Precept) as set out in paragraphs 21 and 37;
 - (j) Improved Better Care Funding (iBCF) is unfettered and received directly by the Council as anticipated and will continue into 2020/21 and 2021/22;
 - (k) the Adult Social Care market is able to absorb National Living Wage pressures within the proposed provision;
 - (l) there will be no underlying change in the level of employers' pension contributions in 2020/21.
41. The assumptions set out above are subject to uncertainty and in some cases this uncertainty is significant. Actual outcomes may be more positive or more negative than the forecasts set out in this report. In the event that outcomes are more negative, it may become necessary to take urgent action to reduce levels of expenditure or increase income. In this respect, the uncertainty about the outcomes of the Fair Funding review is particularly significant.

Consultation

42. Following the high profile and extensive Big Question budget consultations held over the previous five years more than 16,000 residents have taken part to have their say. Through this engagement, a significant number of residents are now subscribed to the council's e-bulletin service and to minimise costs, for the last three years, the consultation has been carried out predominantly online through the e-bulletin service, website and social media. Hard copy, printed versions have also been made available in borough libraries and Dudley Council Plus and consultation has been conducted through existing community networks such as the Children and Young People's Alliance. It is proposed to continue to consult through all of these channels. Scrutiny committee meetings will also be held during the consultation period which will run through November, December and January.
43. Detailed consultation will also be undertaken with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equalities issues. Further information is set out in the Equality Impact section below.
44. A consultation document will be distributed to representatives of Non-Domestic Ratepayers setting out the provisional budget proposals in this report. Consultees will be offered the opportunity for a meeting to be held if there is sufficient interest. Further detailed information (as required in pursuance of the statutory duty to consult) will be distributed in February for comment before the Council Tax setting meeting.
45. In accordance with the Council's Constitution, the Scrutiny 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 November cycle. In framing their responses, the Scrutiny Committees will be asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.

Finance

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

Law

47. The Council's budget setting process is governed by the Local Government Finance Acts 1988, 1992, and 2012 and the Local Government Act 2003.
48. The Local Government Act 2003 requires the Chief Financial Officer 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.
49. The Localism Act 2011 introduced a new chapter into the Local Government Finance Act 1992 making provision for council tax referendums to be held if an authority increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons.

50. The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 are designed to enable a local authority to compensate employees whose employment terminates on grounds of redundancy or in the interests of the efficient exercise of the authority's functions. Any local arrangements in place must also be compliant with the Employment Rights Act 1996 and the Equality Act 2010.

Equality Impact

51. Section 149 of the Equality Act 2010 - the general public sector equality duty - requires public authorities, including the Council, to have due regard to the need to:
- eliminate discrimination, harassment and victimisation and other conduct that is prohibited by the Act;
 - advance equality of opportunity between people who share a protected characteristic and those who don't;
 - foster good relations between people who share a protected characteristic and those who don't.
52. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
 - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
53. The legislation states that "the steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities." In practice, this means that reasonable adjustments should be made for disabled people so that they can access a service or fulfil employment duties, or perhaps a choice of an additional service for disabled people is offered as an alternative to a mainstream service.
54. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- tackle prejudice, and
 - promote understanding.
55. Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

The duty covers the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

56. An initial assessment of the budget proposals has been made. Where proposals are likely to have a significant equality impact, they will undergo an equality impact assessment informed by consultation with the protected groups who may be adversely affected, during the autumn. The results of this process and any steps which emerge that might help to mitigate any potential impact of the budget proposals on the protected groups will be reported to Members so that they can pay due regard to the Public Sector Equality Duty in making decisions on the budget. In making decisions on budget proposals, Members will need to weigh the Public Sector Equality Duty against the forecast financial position, risks and uncertainties set out in this report.
57. With regard to Children and Young People, a substantial element of the proposed budget for the People Directorate will be spent 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.

Human Resources / Transformation

58. Human Resources implications are set out in paragraphs 34-35.
59. Transformation issues are set out in paragraph 39.



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List of Background Papers

Budget and Council Tax setting 2018/19 report to Council, 6th February 2018

Revenue Outturn 2017/18 report to Cabinet, 27th June 2018

Local Government Finance Settlement 2018/19 – including indicative figures for 2019/20

2018/19 Forecast Outturn position

Service	Latest Budget £m	Latest Outturn £m	Variance £m	Comment
Adult Social Care	91.9	91.5	-0.4	Pressures on: Community Care £0.4m; Complex and Inclusion £0.5m; other net pressures totalling £0.1m. Offset by Residential care savings £1.4m.
Children's Services	69.0	69.9	0.9	Agency staff £1.7m; Psychology £0.1m. Offset by: additional Troubled Families grant £0.5m; supervised contact £0.1m; net saving on care placements £0.3m
Health and Wellbeing	7.5	7.2	-0.3	In year funding switches to Public Health Grant re. Environmental Protection and Community Council.
Integrated Commissioning, Performance and Partnerships	6.0	6.0	0.0	
In year savings to be found	0.0	-0.2	-0.2	
Total People	174.4	174.4	0.0	
Environmental Services	45.0	45.4	0.4	Pressures arising from: additional tonnage and incinerator costs £0.3m; reduced income from Oak Lane £0.1m; additional costs within Transport £0.2m. Offset by: additional income from trade waste fee income £0.1m; part year costs of new street cleansing sweepers £0.1m
Regeneration and Enterprise	8.8	9.2	0.4	Pressures on: Catering services £0.5m; Property Services including voids and construction and design fees £0.4m; Town Hall Community Asset Transfer £0.1m; unfunded scheme development costs for VLR/Metro £0.1m. Offset by: one off windfall from fine income £0.3m (rogue landlord); reduced expenditure on EZ £0.3m; vacancies £0.1m.
Housing	2.4	2.2	-0.2	Vacancies £0.1m and reduced capital programme funding due to additional DFG grant income £0.1m.
Total Place	56.2	56.8	0.6	

Service	Latest Budget £m	Latest Outturn £m	Variance £m	Comment
Commercial and Procurement	0.5	0.4	-0.1	Vacancies
Finance and Legal	5.5	5.2	-0.3	Benefits Subsidy surplus £0.3m
Transformation and Performance	0.6	0.6	0.0	
Levies etc.	14.0	14.0	0.0	
Total Chief Executive's	20.6	20.2	-0.4	
Treasury / Corporate	-12.6	-12.8	-0.2	Under recovery of pension Past Service Deficit £0.3m. Favourable variances: slippage in capital programme so reduced MRP £0.2m; better than anticipated airport dividend £0.2m; surplus from final agreed pay award £0.1m.
Total Service Costs	238.6	238.6	0.0	
Total Funding	-231.2	-231.4	-0.2	£0.7m additional Top Up grant received, partially offset by recovery of £0.5m s31 grant overpayment.
Use of Balances	7.4	7.2	-0.2	

Delivery of existing Medium Term Financial Strategy

Saving	2018/19 £'000	Comment
Increase the investment in preventative services to support adult social care client carers, focusing on the high risk caring relationships, in order to reduce or mitigate admissions to residential and nursing care with the aim of overall service savings.	67	Implemented
Target interventions to people most at risk of falls to make people safe and prevent high cost social care and primary care interventions.	117	Implemented
Managing Money – Increase funding collected from financial assessments of adult social care clients.	140	Implemented
Assessment & Review - Implement outcome based commissioning and assessments for all community-based adult social care packages costing more than £500 per week to provide services efficiencies.	346	Implemented
Assessment & Review - Review all residential and nursing care packages for working age adults costing over £500 per weeks with a particular focus on identifying whether individual needs can be met within the current setting more effectively and economically.	127	Implemented
Assessment & Review - Review the S117 policy.	244	Partly implemented. Assessment tool designed and agreed with NHS
Shared Lives - Expansion of the Shared Lives service in respect of adult fostering scheme to achieve additional shared lived placements, enabling more people to be able to continue to live in the community, with independence of public services maximised	220	Partly implemented. Recruitment of Foster carers ongoing.
Alignment of contract prices at New Bradley Hall with market conditions.	354	Implemented
Integrated Commissioning, Performance and Partnership team restructure	50	Implemented
Invest to Save programme to install LED lights on main roads	150	Implemented
Private sector litter enforcement	50	Implemented
Street maintenance: issue highway permits	250	Implemented
Ensuring efficient highway maintenance service by streamlining pothole repair process and focussing carriageway re-surfacing on strategic highway network	310	Implemented
One Public Estate - savings from ending leases	200	Implemented

Saving	2018/19 £'000	Comment
Review of events programme and associated land and building assets in order to deliver self financing service by 2019	205	Implemented
Review use of halls borough wide to reduce annual subsidy. Review rental income and realise efficiencies at Red House Cone.	102	Partly implemented. Community Asset Transfer delayed.
Maximising efficiency in Bereavement Service.	246	Implemented
Financial Services – staffing restructure	190	Implemented
Savings arising from reductions in software costs, rationalisation of Multi Functional Devices (MFD), changes to mail services and removal of all documents from offsite storage.	65	Partly implemented. Requires further council wide process changes.
Staffing restructure within Transformation and Performance division	470	Implemented
Remodelled Communications & Public Affairs and Civic support and increased Graphic Design income generation, as well as self-financing Town Centre Events (e.g. Christmas) through income generation.	38	Implemented

Where savings have been partly implemented, the financial impact is reflected in the 18/19 outturn forecast in Appendix A or is being met from directorate earmarked reserves.

Appendix C

Spending Pressures

People	2019/20 £'000	2020/21 £'000	2021/22 £'000
Living wage - residential care providers	949	2,016	2,016
Living wage - care at home providers	562	1,193	1,193
Living wage - direct payments	12	26	26
Older people (dementia)	539	539	539
Living wage - sleep-ins	38	80	80
Children's Services - internal fostering fees	108	224	224
Education Outcomes - existing premature retirement costs	20	40	40
Connected persons – this will equalise the payment arrangements to all ranges of Dudley foster carers	18	36	36
Children's Services – improving staff recruitment and retention and thereby reducing reliance on Agency staffing	1000	1000	1000
Inflationary award for Direct Payments	180	180	180
Total	3,426	5,334	5,334

Place	2019/20 £'000	2020/21 £'000	2021/22 £'000
Waste Disposal - contractual cost increases, Landfill Tax, and pressure on recycle commodity prices.	173	337	507
Impact of National Living Wage on outsourced cleaning contract for administrative buildings	25	50	75
School Crossing Patrols	240	240	240
Hot Spot Skip provision in each ward to reduce fly tipping	100	100	100
Street lighting energy - higher energy costs	300	300	300
Operational waste collection pressures	115	200	200
Recycling income - reduction in market prices	250	250	250
Total	1,203	1,477	1,672

Chief Executive's	2019/20 £'000	2020/21 £'000	2021/22 £'000
Increase in costs of Microsoft Software licenses from April 2019	400	400	400
Total	400	400	400

Proposed Savings

People	2019/20 £'000	2020/21 £'000	2021/22 £'000
Increase the investment in preventative services to support adult social care client carers, focusing on the high risk caring relationships, in order to reduce or mitigate admissions to residential and nursing care with the aim of overall service savings.	309	309	309
Target interventions to people most at risk of falls to make people safe and prevent high cost social care and primary care interventions.	259	259	259
Assessment & Review - Implement outcome based commissioning and assessments for all community-based adult social care packages costing more than £500 per week to provide services efficiencies.	163	163	163
Assessment & Review – Complete review of the S117 policy and implement	164	164	164
Shared Lives - Expansion of the Shared Lives service in respect of adult fostering scheme to achieve additional shared lived placements, enabling more people to be able to continue to live in the community, with independence of public services maximised	250	250	250
Reduce Community Equipment Spend via Smarter Procurement - Use of the Croydon Integrated Procurement HUB to purchase all community equipment (including hoists) to support people in their own homes. The current arrangements for the purchase of community equipment are across multiple providers	100	100	100
Peripatetic Care Model - To remove the offer of long term internal Peripatetic homecare service	100	100	100
Business Support Development - To reduce current levels of Assessment & Independence business support through leaner process design and new models of care	100	100	100
Review contribution to Children's safeguarding board to ensure this is proportionate with contributions from other statutory partners.	60	60	60
Tipton Road - To amend the current Statement of Purpose (SoP) for Tipton Road Children's Home so that placements can be offered to children with complex needs as well as those with disabilities alone	468	468	468
General Fund Public Health Grant Switches - Transfer of Emergency Planning, Community Council & part of Environmental Health & Trading Standards from General Fund to Public Health Grant	425	425	425

People	2019/20 £'000	2020/21 £'000	2021/22 £'000
Single handed care - Benefits realisation through the ongoing implementation of Single Handed Care, based on more effective use of technology to facilitate dignified care delivery, supporting people's care related transfers	200	200	200
Demand management / All Age Commissioning within Dudley Disability Services (DDS) - a focussed approach within DDS services to: reduce initial demand, increase self-assessment, identify placements eligible for Continuing Health Care funding, and develop specific all age commissioning projects targeted at reducing costs over 5 years	190	398	398
Residential Care Charging Fraud Initiative - Tackle fraudulent asset disposal in regard to Residential Care financial assessment and charging	96	296	496
Redesign of voluntary sector contracts - A bespoke exercise to consolidate a number of existing contracts into a single market opportunity to the Voluntary Sector	94	158	158
Home care / Extra Care (new models) - Development of a transformational model for the delivery of home care / extra care provision in the Borough	112	250	250
Children's Transport – Implement new contracts and route management, to ensure services are safe and efficient	381	737	965
Contact Centres - Reviewing the delivery of Family Contact for Children Looked After and Post Adoption support to ensure that the service is delivered effectively, efficiently and offers value for money	168	194	250
West Midlands Care Home Association Service Level Agreement (SLA) – Cease funding the Care Home coordinator post, as no longer required	27	27	27
Dudley Group Foundation Trust Discharge Coordinator SLA – Cease funding the Coordinator post as part of a wider simplification of funding arrangements	43	43	43
Re-design Day Opportunities - To re-profile usage of the Dementia Gateways in Dudley whilst retaining both services	59	85	85
Special Guardianship Allowances - Rigorous application of existing Policy with regard to Special Guardianship Allowances	80	80	80
General Fund Efficiencies - Range of general fund efficiencies on various running cost/over head budgets	29	29	29

People	2019/20 £'000	2020/21 £'000	2021/22 £'000
Teenage Pregnancy (TP) Service - In 2017/18 the TP team was restructured into the Family Solutions service as part of the Early Help service redesign. The nurse roles were embedded within the sexual health provider contract. Public Health still fund a post, but the balance can be used for savings	46	46	46
Total	3,923	4,941	5,425

Place	2019/20 £'000	2020/21 £'000	2021/22 £'000
Street maintenance: issue highway permits	250	250	250
Housing - reduction in revenue contribution to capital for Housing Assistance Grants	100	100	100
Total	350	350	350

Chief Executive's	2019/20 £'000	2020/21 £'000	2021/22 £'000
Benefits - budget adjustment to fully reflect benefit subsidy and the recovery of benefits overpayments.	300	300	300
Total	300	300	300