

Meeting of the Resources and Transformation Scrutiny Committee

Tuesday 19th January, 2016 at 6.00pm

In Committee Room 2 at the Council House, Priory Road, Dudley

Agenda - Public Session

(Meeting open to the public and press)

1. Apologies for absence.
2. To report the appointment of any substitute members serving for this meeting of the Committee.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. To confirm and sign the minutes of the meeting of the Committee held on 17th November, 2015, as a correct record.
5. Public Forum
6. Medium Term Financial Strategy (Pages 1 - 21)
7. Service Transformation and the Digital Agenda (Pages 22 – 31)
8. Local Welfare Assistance Scheme (Pages 32 – 34)
9. To consider any questions from Members to the Chair where two clear days notice has been given to the Strategic Director Resources and Transformation (Council Procedure Rule 11.8).



Strategic Director Resources and Transformation

Dated: 11th January, 2016

Distribution:

Members of the Resources and Transformation Scrutiny Committee:

Councillor D Blood (Chair)

Councillor B Cotterill (Vice Chair)

Councillors S Anderton, C Baugh, S Clark, T Herbert, P Miller, M Mottram, M Rogers, E Taylor and Q Zada.

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Minutes of the Resources and Transformation Scrutiny Committee

Tuesday 17th November, 2015 at 6.00 p.m.
In Committee Room 2, The Council House, Dudley

Present:

Councillor D Blood (Chair)
Councillor B Cotterill (Vice-Chair)
Councillors C Baugh, P Harley, I Kettle, M Mottram, C Perks, D Perks,
M Rogers, E Taylor and Q Zada

Officers:

M Bowsher (Chief Officer Adult Social Care) – Lead Officer to the Committee,
P Tart (Strategic Director Resources and Transformation), M Williams (Chief
Officer Corporate and Customer Services), I Newman (Chief Officer Finance
and Legal Services), S Beckett (Head of Customer Services), R Cooper
(Head of Financial Services), J Croft (Finance Manager) and K Griffiths
(Democratic Services Officer) – Resources and Transformation Directorate

16 **Councillor Mary Roberts**

The Chair referred in sympathetic terms to the recent death of Councillor Mary Roberts. He also referred to the people who lost their lives and had been affected by the recent terrorist attacks in Paris. The Committee observed a period of silence as a token of respect to their memories.

17 **Apologies for Absence**

Apologies for absence from the meeting were received on behalf of Councillors S Clark, B Etheridge, T Herbert and P Miller.

18 **Appointment of Substitute Members**

It was reported that Councillors P Harley, D Perks, C Perks and I Kettle had been appointed to serve in place of Councillors S Clark, B Etheridge, T Herbert and P Miller for this meeting of this Committee only.

Members of the Committee expressed their disappointment that Councillor B Etheridge had not attended a Scrutiny Committee in the 2015/16 municipal year and suggested that his place on the Committee be reconsidered should he be unable to fulfil his position.

19 **Declarations of Interest**

No declarations of interest, in accordance with the Members' Code of Conduct, were made in respect of any matter to be considered at this meeting.

20 **Minutes**

Resolved

That the minutes of the meeting of the Committee held on 14th September, 2015, be approved as a correct record and signed.

21 **Public Forum**

There were no issues raised under this agenda item.

22 **Medium Term Financial Strategy**

A joint report of the Chief Executive, Chief Officer Finance and Legal Services and Strategic Director Resources and Transformation was submitted on the Medium Term Financial Strategy (MTFS) to 2018/19, with emphasis on those proposals relating to the Committee's terms of reference. Items directly relevant to this Committee were those in relation to the Resources and Transformation Directorate as set out in paragraph 29 and Appendices A and B of the report submitted.

The Chief Officer Finance and Legal Services gave an overview of the report, highlighting the significant financial challenges that the Council was currently facing. He referred to key paragraphs within the report and indicated that definitive Revenue Support Grant (RSG) and other government funding allocations would not be released until December 2015, however he stated that the proposals outlined in the report for 2016/17 to 2018/19 had provisionally been set on the forecast based on the Chancellor's Summer Budget and the implied reduction in funding to unprotected areas.

Specific reference was then made to paragraph 34 of the report submitted, which outlined the base budget forecast and the impact on spending pressures, saving proposals and redundancy costs. He indicated that, based on current forecasts and proposals, balances would not be sufficient to fund the deficit at the end of 2016/17. It was therefore requested, in order to rectify the position and to set a lawful budget, all Directorates identify and provide additional saving proposals that could be implemented from 2016/17.

In concluding, he informed the Committee that a special meeting of the Cabinet would be held in January, providing the opportunity for Scrutiny Committees to undertake further budget scrutiny as necessary prior to the submission of the final budget proposals to the Cabinet and Full Council in February.

A copy of the report was circulated to Members with the agenda papers and a copy was available on the Committee Management Information System (CMIS).

Members were reminded that questions within the remit of the Resources and Transformation Scrutiny Committee would be responded to during the meeting. Other directorate budgets would be scrutinised at the other Scrutiny Committees prior to the Overview and Scrutiny Management Board on 24th November, 2015.

Following the presentation, Members raised questions and comments on the budget proposals. It was noted that comprehensive written responses would be circulated to Members of the Committee on the key questions asked. These are summarised below.

In responding to a question from a Member, the Chief Officer Finance and Legal Services outlined the breakdown of percentage of savings in each Directorate as far as the Budget was concerned.

Reference was made by Members of the main opposition group that at Cabinet on 28th October, 2015 it had been agreed to circulate relevant budget preparation proformas to the opposition spokesperson for Finance and Legal Services, however, disappointment was expressed that this had since been withdrawn.

- Members requested details of the budget pressure in relation to the Corporate Transformation Restructure outlined in Appendix A, Spending Pressures, to the report submitted.

In responding, the Strategic Director Resources and Transformation highlighted the extremely serious position the Council was in and that urgent action was needed to resolve pressures. In emphasising the need for cross-party support, he stated that a meeting to discuss the Council's overall strategy would be taking place shortly between Officers and Members of each political group to discuss the future direction of the Council in terms of re-designing how the Authority carried out its business going forward.

He indicated that the intention was to invest additional funds to bring in expertise and to build the skills and capacity of the corporate transformation team, to work with a strategic partner to do the radical redesign work and assess requirements to alleviate budget pressures.

- Members expressed concern in relation to the savings proposed for ICT staff, software and hardware costs and requested details of how

the saving would be made.

The Chief Officer Finance and Legal Services referred to a recent soft market testing exercise conducted with external companies which had provided valuable information and identified various efficiencies that could be utilised to support the savings required. He listed the various types of saving proposed and indicated that in order to meet the budget reductions in that particular service area, these would be met by ongoing restructure, allowing the opportunity to combine teams and shared service opportunities, resulting in reduced staffing and improved procurement activity. He further indicated that the saving of approximately 13.8 full time equivalent posts, some of which were vacancies, was also proposed. Additional types of savings proposed related to the possible increase of automation and self-service activity, reduced maintenance costs, following investment in infrastructure, rationalising licensing costs, accommodation and training.

Whilst it was acknowledged that the proposed savings would not be easy, the Chief Officer Finance Legal and Services was confident that the proposed budget savings required, taking into consideration the saving identified, were achievable.

The Chief Officer Finance and Legal Services undertook to provide a breakdown of the savings required in each service area.

- Members requested details of how the proposed saving would be made in Corporate and Customer Services.

In responding, the Chief Officer Corporate and Customer Services indicated that the savings identified would be met from the reduction of 10 full-time equivalent posts, mainly in Revenues, Benefits and Dudley Council Plus. He provided a breakdown of the number of and the areas where these reductions would be made and stated that he hoped to manage the reductions by voluntary redundancy and not filling vacancies, however, he could not rule out compulsory redundancies at this stage.

General comments were made in relation to how services would continue to be provided at the level expected by customers with the reduced resources and staffing available.

A Member referred to negative comments received at a recent Community Forum in relation the service provided by Dudley Council Plus when trying to contact the Council and feared that should reductions in staff be made, the service would be placed under added pressure providing the opportunity for further complaints. In responding, the Head of Customer Services reported that he was aware of the comments made and indicated that an extensive investigation had been carried out in relation to that particular issue and explained the action taken. He reported on the performance of Dudley Council Plus and indicated that in most months, staff answered

in excess of 80% of calls. It was, however, acknowledged that complaints were received and in specific cases required investigating, with the outcome of facts usually differing from that of the complainant. He assured Members that the services provided by Dudley Council Plus were effective and that the savings proposals would not affect the level of service expected from customers.

Discussion then ensued on the proposal to reduce the opening times of Dudley Council Plus. The Head of Customer Services reported on the savings proposed and indicated that Saturday mornings were under consideration as they were quieter periods and by closing on a Saturday, this would be consistent with other Council services delivered from the Dudley Council Plus building.

Concerns were raised in relation to the possibility of closing Dudley Council Plus on Saturdays as it was emphasised that a number of people were unable to access the services during the week due to work or other commitments. Although it was acknowledged that more needed to be done in terms of increasing the use of electronic transactions for making payments, reducing access points was not considered beneficial until this was achieved.

The Strategic Director Resources and Transformation indicated that whilst it was clear that there was a proposal to reduce the opening times for Dudley Council Plus, no fixed decisions had been made and a number of options were being considered.

In responding to a question, the Head of Customer Services outlined the savings expected should Dudley Council Plus stop taking cash payments, however, he stated that customers would use alternative methods of payment, such as using Post Offices and in those cases, the Council would be charged for each transaction made. The Chief Officer Corporate and Customer Services reported that cash payments were expensive, however, ongoing reviews continued to take place to identify alternative methods to deliver savings.

The Chair outlined the percentage of customers that paid their Council Tax by Direct Debit and it was the consensus of the Committee that more needed to be done to encourage people to use Direct Debit for making payments.

- Corporate Landlord – Redefining/reducing property roles. Members requested further detail in relation to how the proposals would deliver savings and the further scope for savings in this area.

In responding, the Strategic Director Resources and Transformation indicated that savings had been made by combining property functions and redefining and reducing roles within the Corporate Landlord Services. It was envisaged that income would be generated from new design work arising from identifying and realising opportunities from the creation of a new estate strategy and increasing traded services to

schools in relation to catering. He stated that a number of projects had been identified, working in partnership with a number of external agencies to deliver budget savings and that the Strategic Director Place was leading on the review.

A detailed discussion then took place on the concerns of Members, assuming that all budget saving proposals outlined in the report submitted were delivered, it would still create a £21.4m deficit. The Chief Officer Finance and Legal Services re-iterated the serious challenges the Council was currently facing and actions being taken to remedy the position. He made particular reference to forecast savings of £19.8m in 2016/17 which would contribute towards the saving for that year, leaving a £1.6m saving to find. He also highlighted that for the period 2017/18, assuming no additional savings had been identified, the Council would have no available reserves.

The Chief Officer Finance and Legal Services indicated that should the Council be unable to set a lawful budget, he would be required to issue a Notice under Section 114 of the Local Government Act 1988 in accordance with his statutory obligations as the Council's Chief Finance Officer. It was hoped that this situation would not arise but might be required as a last resort should budget savings not be identified.

Reference was made to the position other Councils were in, however, no specific details were available at the meeting.

- Communications and Public Affairs restructure of service. Members requested details of how saving would be made.

The Strategic Director Resources and Transformation indicated that Communications and Public Affairs were currently undergoing a restructure to identify the significant savings required. He stated that, although the savings were challenging, they were considered reasonable and achievable. The saving would be delivered through a combination of the reduction of 6 full-time equivalent posts and a review of events and services currently undertaken by the section.

- Members requested information in relation to the number of full-time staff places that would be lost with the proposals put forward within the Resources and Transformation Directorate.

The Strategic Director Resources and Transformation indicated that the options within the Medium Term Financial Strategy required the loss of around 75 full-time equivalent posts by 2018/19 and would be achieved through a combination of Voluntary and Compulsory redundancies, as well as a reduction in vacancies.

Resolved

- (1) That the Committee note the proposals of the Cabinet for the Medium Term Financial Strategy to 2018/19, taking account of the report now submitted and the issues raised at the meeting.

- (2) That written responses to the key questions raised, as indicated above, be provided to all Members of the Scrutiny Committee.

Local Welfare Assistance Scheme

A report of the Strategic Director Resources and Transformation was submitted following a request from the Scrutiny Committee at its meeting on 18th June, 2015 on the criteria, performance and demand for assistance under Dudley's Local Welfare Assistance (LWA) scheme. The report provided the Committee with an opportunity to provide their views, as part of the budget consultation process, on the proposal to review provision of the LWA scheme from 2016/17 onwards.

A copy of the report was circulated to Members with the agenda papers and a copy was available on the Committee Management Information System (CMIS).

The Chief Officer Corporate and Customer Services gave a brief overview of the report highlighting the proposals to review the provision of the LWA scheme operated by Dudley. He indicated that should the proposals be approved, a significant reduction to the LWA scheme budget would be made in 2016/17, with the complete budget being removed in 2017/18. He stated that in the meantime, alternative delivery models would be explored to provide the scheme, including the option to increase the role of the voluntary sector.

Members expressed concern in relation to the impact the proposal would have on the provision of services, given that the LWA scheme provided support for the most vulnerable people in the Borough. The Chief Officer Corporate and Customer Services indicated that a review was being undertaken and this involved identifying models adopted in other local authorities, with particular mention to the model adopted by Wolverhampton City Council.

Following a discussion, Members feared that whatever alternative model was adopted, it would not deliver the level of service that was currently being provided by Dudley Council Plus. In responding, the Strategic Director Resources and Transformation indicated that no decisions would be made unless the budget saving proposal identified in that particular area was approved.

Members were then informed that a further report on alternatives to the current Local Welfare Assistance scheme would be submitted to a future meeting of the Committee.

In responding to questions from Members, the Head of Customer Service confirmed that whilst demand for the service generally was reducing, the highest number of awards made related to food and fuel. Following a breakdown of statistics for each category for the last three years, it had identified that the number of awards granted in relation to food had remained static, however fuel awards had reduced considerably.

Resolved

- (1) That the Committee note the contents of the report submitted and proposal to review provision of the scheme from 2016/17 onwards and the issues raised at the meeting.
- (2) That a further report to update Members on the Local Welfare Assistance scheme be submitted to a future meeting of the Committee.

23

Comments by the Chair

- (1) The Chair welcomed Councillor M Mottram back following his recent ill health.
- (2) The Chair wished everyone a happy Christmas and a peaceful, prosperous new year.

The meeting ended at 7.25 p.m.

CHAIR

Meeting of the Resources and Transformation Scrutiny Committee – 19th January 2016

Joint Report of the Chief Executive, Chief Officer Finance and Legal Services and Strategic Director Resources and Transformation

Medium Term Financial Strategy

Purpose of Report

1. To consult the Scrutiny Committee on the updated Medium Term Financial Strategy (MTFS) to 2018/19, approved by Cabinet on 18th January as a basis for further consultation, with emphasis on those proposals relating to the committee's terms of reference.
2. For this committee the relevant items are those relating to the Resources and Transformation Directorate in paragraphs 32 and 34.

Background

3. At its meeting on 28th October, Cabinet considered the forecast General Fund revenue position for 2015/16 and MTFS to 2018/19 and agreed a preliminary strategy as the basis for consultation. It noted in particular that based on the resource forecasts, pressures and savings proposals set out, balances would be insufficient to fund the deficit even until the end of 2016/17. In view of that position, it was agreed that a further report would be brought to Cabinet in January and that, following the meeting of Cabinet, there would be further consideration by Scrutiny Committees.
4. At its meeting on 18th January, Cabinet will therefore be considering the impact of the Provisional Local Government Finance Settlement 2016/17 (received in December) and revised proposals for actions by the Council to work towards addressing the financial challenge. The impact of changes compared with the October report is analysed in Appendix A.

Forecast 2015/16 Position

5. At its meeting on 28th October Cabinet agreed the amendment of the 2015/16 General Fund budget in respect of a number of variances set out in detail. Since then, the following further variances have arisen.

6. The current approved budget for 2015/16 includes provision of £5.6m for redundancy costs required to achieve proposed savings, including those relating to pension strain. These costs are highly dependent on the age and length of service of the individuals being made redundant, and at this stage cannot be precisely calculated. However, taking into account the latest monitoring of the redundancy process including additional savings now being proposed, it would be prudent to increase the provision in the current year to £7.6m. (The MTFs includes provision for further redundancy costs of £5.1m during 2016/17 and £1.1m during 2017/18. We will continue to review these provisions, but there are no proposals to make any changes at this time.)
7. At 31st March 2015, the Council held unringfenced¹ earmarked reserves of £22.3m. These reserves have been reviewed to identify any no longer required for their original purpose. It is proposed to take the following amounts to General Balances.
- The Paragon (PFI) reserve was originally established to balance the timing of funding and resources relating to the project, and was subsequently topped-up with contributions from the General Fund at a time when it was considered that resources would be insufficient to cover costs. Our latest forecast is that the £2.8m so contributed can be returned without affecting future affordability.
 - The Working Balances reserve of £2m was originally established as a reserve of last resort in the event of unforeseen costs or income shortfalls that could not be managed within budget or from General Balances. It is now considered that these risks should be covered by retaining appropriate levels of General Balances rather than via a specific earmarked reserve.

Earmarked reserves will be further reviewed at year end and any further opportunities to make transfers into the General Fund will be reported to Cabinet in June.

8. It is proposed that Council be recommended to amend 2015/16 budgets to reflect the above variances.

General Fund Balances

9. The latest forecast General Fund Balances position, compared to the current Approved Budget for 2015/16 is therefore as follows.

	Current Budget £m	Latest Position £m
Balance at 31 st March 2015	25.0	25.0
Planned use approved by Council in March	-6.5	-6.5
Variations approved by Cabinet in October	+1.3	+1.3
	19.8	19.8
Redundancy costs (para 6)	-	-2.0
Review of earmarked reserves (para 7)	-	+4.8
Forecast balance at 31st March 2016	19.8	22.6

¹ This definition excludes reserves that are subject to specific laws and regulations governing their use - the Public Health Grant, the Housing Revenue Account, schools' balances and the central Dedicated Schools Grant reserve.

Medium Term Financial Strategy to 2019/20

10. 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

11. The Provisional Local Government Finance Settlement 2016/17 was announced on 17th December. This settlement includes indicative figures up to 2019/20.
12. The methodology for allocating reductions in Revenue Support Grant (RSG) has been amended to reflect authorities' differential capacity to generate income from Council Tax. Other things being equal, this is favourable to Dudley. However, taking into account the overall change in RSG nationally, compared with our forecasts in October, RSG will be lower in 2017/18 but higher in 2018/19. These updated figures are reflected in the revised forecasts in this report. The current Care Act Grant and the ongoing Council Tax Freeze Grant in respect of the 2015/16 freeze have been merged into RSG from 2016/17. Anticipated costs that were previously funded from the Care Act Grant have been included in Spending Pressures below.
13. Provisional New Homes Bonus (NHB) allocations have been announced for 2016/17. Dudley's allocation is in line with the amount previously anticipated. The Government is proposing to amend the methodology for allocating NHB from 2017/18 onwards, including in particular that NHB funding will be for a maximum of 4 years rather than the current 6. Forecasts below have been amended in line with Government projections, although final figures will depend on the final methodology chosen and actual new home completions locally. Generally any reduction in NHB nationally (which is currently mostly top-sliced from the amount available for RSG) will favour Dudley given that the number of new homes locally has increased, and is forecast to continue to increase, more slowly than the national average.
14. From 2017/18, extra Better Care Fund (BCF) is being allocated to Councils with Adult Social Care responsibilities – rising to £1.5bn nationally by 2019/20. This is partly funded by the proposed reduction in NHB set out above. Details are not yet clear, but we are currently assuming that this grant will be paid directly to councils.

15. The Government has announced that the basic maximum Council Tax increase for 2016/17, above which a referendum would need to be held, will be 2%, with some extra flexibility for Police and Crime Commissioners and District Councils with relatively low existing Council Tax levels.
16. All Councils responsible for Adult Social Care will have the capacity to increase Council Tax by an additional 2% each year up to 2019/20 without the need for a referendum – the “Social Care Precept”. The Section 151 Officer will be required to certify that the resources generated have been allocated to Adult Social Care. Information in respect of the Precept will also need to be included on Council Tax Bills. The Secretary of State will monitor this via relevant statistical returns at budget and outturn stage, and may take the results into account when setting future referendum thresholds for individual authorities.
17. The Council receives Education Support Grant (ESG) to cover a number of services provided centrally in respect of schools – mainly those services which Academy schools must procure for themselves and for which they receive ESG directly. The Government has announced that the Council’s ESG will reduce by £0.3m in 2016/17 (separately from any changes as a result of further Academy transfers). Savings are being identified in the People Directorate to match the funding reduction, and details will be reported to Cabinet in February.
18. The Chancellor confirmed in the Autumn Statement that large employers will have to pay an Apprenticeship Levy at a rate of 0.5% of payroll from 2017/18 onwards to fund apprentice training. On the assumption that the HRA and Dedicated Schools Grant funded services will bear their proportion of such costs, the impact on the General Fund will be around £0.5m per year. This has been built into forecasts below.
19. From 2016/17, Councils will have the flexibility to utilise Capital Receipts (other than those from Right to Buy disposals) to fund transformation costs. We will consider opportunities to use this flexibility and report back to Cabinet in due course.
20. The Government intends to devolve 100% of Business Rates to councils by 2020. This does not affect the budget for 2016/17, and at this stage there is no indication that it will have any impact in the subsequent 3 years. The implications for the Council will be reported to Cabinet when detailed proposals are issued. The Government has confirmed that the reforms will be fiscally neutral at the national level.
21. As stated above, the settlement now includes *indicative* figures up to 2019/20. The Government has indicated that it is prepared to go further and enter into agreements with individual councils to give a guaranteed minimum level of funding up to 2019/20 subject to the development of efficiency plans. We await further details of the terms and conditions attached to any such agreement and will report back with recommendations to a future meeting of Cabinet. For the time being, the indicative figures in the settlement are considered to be a reasonable basis for forecasting.
22. The impact of the changes above compared with the October report position are shown at Appendix A. The net effect is worse than we previously forecast for 2016/17 and 2017/18, but becomes significantly more favourable from 2018/19.

Council Tax and Business Rates

23. The Council Tax forecasts in the October report to Cabinet anticipated that the cuts to tax credits from April 2016 could increase Dudley's Council Tax Reduction (CTR) scheme costs by up to £0.5m per year. As the cuts to tax credits are no longer proceeding, our forecasts have been updated accordingly, together with changes resulting from revisions to future tax base growth assumptions. Latest forecasts indicate a further increase in the one-off Collection Fund (Council Tax element) surplus at 31st March 2016, available for use in 2016/17.
24. The October forecasts assumed that Council Tax increases by just under 2% for each year of the MTFS. Latest forecasts assume that the Council will take advantage of the ability to increase Council Tax by a further 2% in respect of the Social Care Precept, such that increases will be just under 4% for each year of the MTFS.
25. The Government has indicated that the doubling of Small Business Rate Relief (SBRR) will continue for another year until 31st March 2017. The loss of income will be funded by a specific grant. Figures have also been updated to reflect the Office of Budget Responsibility's latest RPI forecasts, given that Business Rate increases are linked to RPI.
26. The impact of the changes above compared with the October report position are shown at Appendix A.
27. The underlying buoyancy of these income streams will continue to be reviewed and final forecasts will be reported to Cabinet in February.

Integrated Transport Authority Levy

28. We have assumed, based on indications from the Integrated Transport Authority (ITA) that the Levy will reduce by 7.4% over the next three years. This will be reviewed in line with further announcements from the ITA.

Base Budget Forecasts

29. To reflect the announcement of indicative funding levels for 4 years and aid robust financial planning, our forecasts have now been extended to include 2019/20.

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

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
2015/16 base	229.4	229.4	229.4	229.4
Pay (note 1)	1.5	3.0	4.7	6.9
ITA Levy (see paragraph 28)	-0.6	-0.9	-1.1	-1.1
Income uplift (note 2)	-1.2	-2.4	-3.3	-4.3
Change in MRP Policy (as reported to Cabinet in October)	-14.4	-15.0	-0.7	-0.3
Pensions (note 3)	1.2	3.4	3.8	4.0
National Insurance (note 4)	2.1	2.1	2.1	2.1
Apprenticeship Levy (see paragraph 18)		0.5	0.5	0.5
Other adjustments (note 5)	0.2	-0.3	-0.6	-1.1
Base Budget Forecast	218.2	219.8	234.8	236.1

Notes:

- (1) We are expecting underlying pay awards for local government to continue to be settled at very low levels in the next few years. The national employers' organisation which covers the majority of staff has made a 2 year pay offer (for 2016/17 and 2017/18) based on a 1% underlying increase and the anticipated impact of the National Living Wage (including the maintenance of appropriate differentials as a consequence of the latter). We have allowed for increases on a similar basis in subsequent years.
 - (2) This assumes an increase of 2% per year on fees and charges.
 - (3) Ongoing stepping up of employer contributions following revision of the Local Government pension scheme from April 2014.
 - (4) Ending of "contracting out" on introduction of Single Tier State Pension from April 2016.
 - (5) Impact of Capital Programme and treasury management changes, and other minor adjustments.
31. The impact of changes compared with the October report position is shown at Appendix A. The most significant change is that there is now no provision for general price increases on non-pay budgets. With the exception of specific directorate pressures identified in paragraph 32 below, all non-pay budgets will be cash limited and any inflationary pressures will need to be managed within directorate budgets and through efficient procurement. This represents a significant financial challenge. To ensure that the challenge is met, we are reviewing authorisation levels and use of purchase cards, developing guidance and promoting an "every penny counts" approach with and for all budget managers.

Spending Pressures

32. Spending pressures provided for are as follows. These are detailed in Appendix B.

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
People	14.7	16.4	18.7	23.6
Place	0.9	1.2	1.3	1.5
Resources and Transformation	0.4	0.4	0.4	0.5
Total	16.0	18.0	20.4	25.6

33. The impact of changes compared with the October report position are shown at Appendix A. The most significant change relates to the impact of the National Living Wage (NLW) on adult social care. In October, we made prudent provision for this pressure on the basis of the expected trajectory of NLW increases and assumptions about direct wage costs as a proportion of total costs. Following a survey of costs, comparisons with charges paid by neighbouring councils and negotiations with providers, we propose to contain cost increases within a provision of £3.4m by 2018/19 and £5m by 2019/20. This will be challenging and will require the retendering of home care in 2017/18. It may also impact on a number of smaller providers of residential and nursing care. The position will be monitored to ensure that sufficient capacity is maintained to meet care needs.

Savings

34. Cabinet on 28th October considered a package of Directorate savings proposals as the basis for scrutiny and consultation. These have now been updated in pursuance of Cabinet's instruction that directorates would further review budgets to identify additional savings that can be implemented from 2016/17. Details are set out in Appendix C.

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
People	4.3	12.1	12.5	12.5
Place	1.3	2.3	4.0	4.0
Resources and Transformation	2.4	3.4	3.5	3.5
Total Directorate Savings	8.0	17.8	20.0	20.0

35. In addition to the Directorate savings, it is proposed to enter into negotiations with a view to reducing Car Mileage Allowance costs by £0.2m annually from 2017/18 onwards.

36. The impact of changes compared with the October report position are shown at Appendix A.

Public Health

37. The Council's original Public Health Grant allocation in the current year was £21.4m, which was subsequently reduced by £1.3m following the reduction in national allocations by £200m in-year. We are expecting the 2016/17 grant allocation to be announced in late January, and details will be reported to Cabinet in February.

38. Savings proposals in respect of grant funded activities are set out in Appendix C. Proposals for the overall deployment of the 2016/17 funding will be brought back to Cabinet for consideration in due course. Subject to the funding available, opportunities will be sought to use the Public Health Grant to support the wider health improvement priorities of the Council.

Medium Term Financial Strategy

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

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Base Budget Forecast	218.2	219.8	234.8	236.1
- see para 30				
Pressures	16.0	18.0	20.4	25.6
- see para 32				
Directorate Savings	-8.0	-17.8	-20.0	-20.0
- see para 34				
Car Mileage Savings	-	-0.2	-0.2	-0.2
- see para 35				
Redundancy costs	5.1	1.1	-	-
- see para 6				
Total Service Spend	231.3	220.9	235.0	241.5
Revenue Support Grant (RSG)	44.9	33.2	25.4	17.5
Retained Business Rates	45.0	46.9	47.9	48.5
Top-Up Grant	15.3	15.6	16.1	16.6
Business Rate Grant	2.7	1.0	0.9	1.0
New Homes Bonus, inc. Adjustment Grant	5.6	5.6	3.5	3.4
New Better Care Fund	-	1.2	7.2	12.4
Collection Fund Surplus – Council Tax	2.0	-	-	-
Collection Fund Deficit – Business Rates	-1.8	-0.7	-	-
Council Tax - Basic	101.1	104.0	106.9	110.0
Council Tax - Social Care Precept	2.0	4.1	6.5	9.1
Total Resources	216.8	210.9	214.4	218.5
Deficit funded from Balances	14.5	10.0	20.6	23.0
Balances brought forward	22.6	8.1	n/a	n/a
Balances carried forward	8.1	n/a	n/a	n/a

40. The table above assumes that Council Tax, including the Social Care Precept, increases by just under 4% for each year of the MTFS. This would not require a referendum in accordance with Chapter 4ZA of Part 1 of the Local Government Finance Act 1992.

41. This represents an improvement compared with the position reported in October. However, members should note:

- The improved forecasts involve significant new challenges to control expenditure (in particular the cash-limiting of non-pay budgets and the management of National Living Wage pressures in Adult Social Care).

- Based on the resource forecasts, pressures and savings proposals set out above, there will still be a significant deficit in each year of the MTFS.
- While reserves will be sufficient to cover this and set a legal budget for 2016/17, the position beyond that point is unsustainable.
- If further action is not taken to address the forecast deficit for 2017/18, this will be a matter of concern for the External Auditors in their audit of the current year's accounts (a separate report to this meeting covers this issue in more detail).
- Levels of reserves are very low compared with the national average².
- There is a continuing challenge for the Council to radically transform service delivery. Measures to achieve this transformation were the subject of a separate report to Cabinet on 3rd December.

Estimates, Assumptions & Risk Analysis

42. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which are subject to continuous review. These may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources, and include:
- (a) Revenue Support Grant for 2016/17 – 2019/20 is in line with Government indications.
 - (b) income from Business Rates (net of appeals etc.) will be in line with current forecasts;
 - (c) the cost of Council Tax Reduction awarded will not substantially exceed forecasts, and the tax base will continue to grow as anticipated;
 - (d) New Homes Bonus funding is in line with Government indications.
 - (e) Unequal Pay Back Pay costs are no more than estimated;
 - (f) pay inflation and interest rates do not vary materially from current forecasts;
 - (g) cash limited non-pay budgets will be managed so as to absorb any price inflation not specifically provided for, as set out in paragraph 31;
 - (h) income and expenditure relating to treasury management activity, including airport dividend income, are in line with forecasts;
 - (i) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
 - (j) there will be no changes to government policy on maximum underlying Council Tax increases without the need for a referendum;
 - (k) New Better Care Funding is unfettered and received directly by the Council as anticipated;

² As at 31st March 2015 (the last date for which comparisons are available) Dudley's unringfenced reserves represented 20% of net budget. For the average council, these reserves represented 40% of net budget. Unringfenced reserves are the sum of General Balances and earmarked reserves excluding Public Health, the Housing Revenue Account, schools and the central Dedicated Schools Grant reserve.

- (l) the Adult Social Care market is able to absorb National Living Wage pressures within the proposed provision;
- (m) any initial and subsequent monitoring requirements in respect of use of the Social Care Precept are satisfied.

Consultation

- 43. This year's public consultation has mainly utilised the successful online channels of the e-bulletin, internet and social media, with hard copy, printed versions available in borough libraries and Dudley Council Plus through a consultation which will continue to run until the end of January. The results will be reported to Cabinet in February.
- 44. Detailed consultation is also being 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. Unions are being consulted in the context of the redundancy process.
- 45. A consultation document was distributed to representatives of Non-Domestic Ratepayers setting out the provisional budget proposals agreed in October. 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.
- 46. In accordance with the Council's Constitution, the Scrutiny Committees were asked to consider the issues set out in the October 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 were asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.
- 47. Scrutiny Committees are now being asked to consider the issues and revised proposals set out in this report and any related specific issues relevant to their Council Plan and service responsibilities. For this committee the relevant items are those relating to the Resources and Transformation Directorate in paragraphs 32 and 34. The Strategic Director (Resources and Transformation) will be available at the meeting to address any queries. In framing their responses, the Scrutiny Committees are asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.

Finance

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

Law

- 49. The Council's budget setting process is governed by the Local Government Finance Acts 1988 and 1992, and 2012 and the Local Government Act 2003.

50. 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.
51. 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.

Equality Impact

52. 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.
53. 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.
54. 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.
55. 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.

56. 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.

57. 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.
58. 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.

Recommendations

59. That the Committee considers the Cabinet's proposals for the Medium Term Financial Strategy to 2018/19, taking into account the considerations set out in paragraph 47.



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Chief Executive



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List of Background Papers

Medium Term Financial Strategy report to Cabinet 28th October 2015
Provisional Local Government Financial Settlement 2016/17

Changes compared with October report

	2016/17 £m	2017/18 £m	2018/19 £m
Previous forecast deficit	21.4	22.8	50.6
Spending Review and Provisional Settlement:			
Revenue Support Grant (para 12)	-	0.6	-7.0
Council Tax Freeze Grant 2015/16 included in RSG from 2016/17 (para 12)	1.1	1.1	1.1
Spending pressure currently funded by Care Act Grant (included in RSG from 2016/17) (para 12)	0.7	0.7	0.7
New Better Care Fund (para 14)	-	-1.2	-7.2
New Homes Bonus (proposed to be revised to free up resources for Better Care Fund) (para 13)	-	0.4	2.9
Apprenticeship Levy (para 18)	-	0.5	0.5
	1.8	2.1	-9.0
Changes to Spending Proposals:			
Adjustment to pay inflation provision (para 30)	0.1	-	-
Manage general price inflation within cash limited budgets (para 31)	-2.8	-6.0	-9.1
Specific price inflation provided for (para 31)	0.2	0.5	0.7
Manage care contracts to reduce impact of National Living Wage (para 32)	-3.1	-4.5	-5.3
Other changes to spending proposals (see detail below)	-	-0.7	-0.7
	-5.6	-10.7	-14.4
Changes to Local Resources:			
Council Tax Base and Collection Fund surplus (para 23)	-1.1	-0.4	-0.3
Update Business Rate income in line with latest RPI forecasts (para 25)	-	0.4	0.2
Social Care Precept (para 16)	-2.0	-4.2	-6.5
	-3.1	-4.2	-6.6
Latest forecast deficit	14.5	10.0	20.6

Other changes to spending proposals	2016/17	2017/18	2018/19
	£'000	£'000	£'000
Defer savings from review of efficiency, effectiveness and investment in supporting people and voluntary sector commissioned services	568	-	-
Develop Transformation team structure within existing budget	-158	-158	-158
Further restructuring of Corporate Landlord Services	-25	-25	-25
Acceleration of savings from Financial Services	-75	-	-
Further Senior Management restructure	-359	-359	-359
Review of Car Mileage allowances	-	-200	-200
Total	-49	-742	-742

Spending Pressures

People	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Outcomes from Safeguarding Children Services Audit	900	1005	1113	1,221
Spend to Save Initiative: District Social Worker peripatetic pool to cover maternity and turnover thus avoiding the engagement of Agency Staff Social Workers.	225	225	225	225
Invest in Children's Services to support the development of the Dudley Safeguarding and Early Help model.	250	250	250	250
Non-delivery of the Better Care Fund performance element	1,620	1,620	1,620	1,620
Existing Service Pressures - Assessment and Independence	5,000	5,000	5,000	5,000
Existing Service Pressures - Complex and Inclusion and Mental Health	3,400	3,400	3,400	3,400
Pressures around increased Safeguarding and Deprivation of Liberty standards (DOLS) activity	160	160	160	160
Increased costs of care for Older people as a result of demographic pressures of people living longer. (dementia)	539	1,078	1,617	2,156
Learning disability transition cases	1,005	1,005	1,005	1,005
National Living Wage residential care providers	451	1,363	2,293	3,242
National Living Wage care at home providers	-	-	550	1,112
National Living Wage direct payments	155	206	218	230
National Living Wage – Sleep Ins	300	338	375	413
Inflationary Pressure - Education Outcomes, Existing Premature Retirement costs	39	78	118	158
Transfer of Care Act Grant to RSG – ongoing commitments, plus new costs in 2019/20	708	708	708	3,444
Total	14,752	16,436	18,652	23,636

Place	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Shortfall of Pay & Display income due to reduction in parking spaces without commensurate reduction in income target	250	250	250	250
Increase in free spaces & reduction in season permit holders.	100	100	100	100
Not converting free car parks to Pay & Display per agreed policy	150	150	150	150
Dudley Market Place cleansing (growth)	50	50	50	50
Leisure Centres income shortfall	100	100	100	100
Waste disposal - higher costs at recycling site and landfill tax, from 2017 when current contract is due for renewal, plus inflationary pressures	204	502	683	895
Total	854	1,152	1,333	1,545

Resources and Transformation	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Legal Services additional support for Looked After Children	100	100	100	100
Assumed maximum reduction in DWP Benefits Admin Grant based on previous trends.	175	175	175	175
Impact of National Living Wage on outsourced Cleaning Contract for Admin Buildings	49	80	120	160
Subscription to Black Country Consortium	50	50	50	50
Total	374	405	445	485

Proposed Savings

People	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Generate additional surplus traded service income.	39	100	100	100
Service efficiencies in respect of the Educational Psychology service.	0	24	24	24
Restructure the integrated youth support service.	130	330	330	330
Realign the voluntary and community sector commissioning budget.	40	80	80	80
Options will be explored for Dudley Performing Arts (DPA) service to become 100% financially sustainable by 2016/17, through traded service income, grants, partner contributions and trust status.	170	170	170	170
Establish savings through an integrated service approach to the Whole Life Disability service to be achieved as part of the People Services Directorate revised structure from 2015.	5	75	75	75
Smarten the commissioning arrangements in the People Services Directorate.	133	223	223	223
Redesign the Education Services division to achieve efficiencies and improve outcomes.	110	156	156	156
Integrate service arrangements for the Teenage Pregnancy programme with Social Care and Public Health.	0	134	134	134
Develop a more integrated approach for children and young people in the area of safeguarding and early help to include Children Centres.	137	1,401	1,401	1,401
Redesign the early help offer for Dudley to prevent children escalating to becoming looked after.	0	2,000	2,000	2,000
Alignment of contract prices at New Bradley Hall with market conditions.	0	0	354	354
Maintain reablement service capacity and delivery via alternative business model.	500	500	500	500
Commission alternative model to current Employment plus arrangements.	239	239	239	239

People	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Reprovision of long term residential care and reablement at Russell Court	500	1,000	1,000	1,000
Review the scope, capacity and efficiency of the Dementia Gateway service.	443	886	886	886
Review efficiency, effectiveness and investment in supporting people and voluntary sector commissioned services.	932	3,000	3,000	3,000
Removal of grant funding for Centre for Equality and Diversity (CFED)	20	40	40	40
Redesign and integrate the service delivery model for Environmental Health and Trading Services.	0	137	137	137
Recommissioning of the Substance Misuse service in light of tendering process.	115	115	115	115
Creation of a Library Archives and Adult Learning mutual	811	1,526	1,526	1,526
Total	4,324	12,136	12,490	12,490

People - Savings from Public Health Grant	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Restructure of Public Health management and staffing posts	632	650	650	650
Review investment efficiencies in Public Health commissioning arrangements.	1,045	1,950	1,964	1,964
Total	1,677	2,600	2,614	2,614

Place	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £'000
Directorate efficiencies - Reviewing staffing requirements and income generation targets subsequent to service review	20	222	222	222
Deliver value for money services by ensuring that high priority green areas are effectively maintained while reducing / stopping maintenance of low priority areas and reducing maintenance of ornamental lawns. Encouraging greater participation by communities in maintenance of green areas as a means of achieving civic pride and community commitment. Seek sponsorship in order to carry out planting programmes. Withdrawing support for 'Green Flag' and 'in bloom' submissions with community / voluntary sector taking the lead in future.	166	265	265	265
Reviewing street cleansing operations in order to maximise the efficiency and effectiveness of the service by focussing activity in areas affected by litter	55	55	55	55
Closure of public conveniences based upon use and condition	0	25	25	25
Ensure that HRA contribution to General Fund services is appropriate by reviewing contribution towards development of cross tenure housing strategy policy and team and rationalise grant assistance to CAB while maintaining cross tenure housing advice service	39	64	64	64
Review of events programme and associated land and building assets in order to deliver self financing service by 2019	70	125	423	423
Review use of halls borough wide in order to achieve self financing status. Closure of Dudley Museum with collection transferred to alternative premises for permanent display. Review opening hours at Red House . Engage with Hotel provider regarding the potential for provision at Ward House in order to support events at Himley Hall	20	190	764	764
Review current operation of street lighting in order to maximise efficiency of repairs service and utilising dimming technology / turning off street lights in identified low risk areas in order to reduce energy costs	150	250	250	250

Place	2016/17 £000	2017/18 £000	2018/19 £000	2018/19 £000
Ensuring efficient highway maintenance service by streamlining pothole repair process and focussing carriageway re-surfacing on strategic highway network	135	155	445	445
Undertake review of current winter service provision in order to ensure key strategic routes are treated as required while ensuring best value is delivered in provision of the service. Number of gritting vehicles and provision of grit bins to be rationalised	20	75	125	125
Commence review of policies related to parking charges and exemptions culminating in a strategic review of parking services in order to ensure that parking provision and enforcement facilitates and encourages access to key retail / economic centres across the borough	35	45	295	295
Review criteria for provision of dog / litter bins and signage	20	20	20	20
Private Sector Housing - Home Improvement staffing efficiencies	280	280	280	280
Introduction of Road Safety Traded Service to charge for Road Safety and Cycling Proficiency schemes	0	30	30	30
Charging Academy Schools for School Crossing Patrols & review of deployment criteria.	0	20	40	40
Maximising efficiency in Bereavement Service. Review charging policy and implement a package of measures in order to maximise take up of the service while providing high quality bereavement services across the borough	256	466	712	712
Total	1,266	2,287	4,015	4,015

Resources and Transformation	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£,000
Financial Services – Savings will be delivered following a review of processes so the service focuses on strategic financial management and reduces non-core and transactional activity. Efficiencies will be delivered following the formation of Financial Services which now includes Revenues Exchequer Services and Procurement, Creditor Services and Contract Management.	130	190	190	190
Elections - reduction in running expenses	30	30	30	30
Democratic Services and Legal Admin - staff savings from process and service redesign.	101	101	101	101
Audit Services - staff savings through rationalisation of audit work in line with key risks.	0	32	32	32
ICT – reductions in staffing, software and hardware costs made possible by increased automation and self-service, stream-lining of processes, server virtualisation, use of open source software, reduced maintenance following investment in infrastructure and further consolidation including pursuit of shared service opportunities.	357	582	590	590
Reorganisation of the Health and Safety function.	123	123	123	123
Corporate & Customer Services - review of senior management structure and other staff roles/responsibilities within the Division	404	404	404	404
HR Services - Staffing savings together with some reduction in general service overheads following service review, to focus on strategic HR business partnering, and further reductions in non-core and transactional activities. Efficiencies will be delivered following implementation of a new HR/Payroll system alongside an increase in employee/manager self service.	69	274	379	379
HR Services - Increased scope for income from traded services across HR operation.	30	50	50	50
Corporate Landlord Services - New income will be generated from new design work arising from identifying and realising opportunities from the creation of a new estate strategy. £100,000 additional income will be generated from 17/18 by increasing traded service to schools.	75	175	175	175

Resources and Transformation	2016/17	2017/18	2018/19	2018/19
	£'000	£'000	£'000	£'000
Further to ongoing restructuring of Corporate Landlord Services it is possible to offer up an additional post from the Catering, Client and Caretaking team from Saltwells earlier than expected.	25	25	25	25
Savings will come from redefining and reducing the number of existing property roles in the new Corporate Landlord Service. Review caretakers roles including Priory Hall. Saltwells Education Development Centre to achieve 5% efficiency savings	363	375	375	375
Reduce opening times at Dudley Council Plus	40	40	40	40
Higher than anticipated recovery costs income, and proposed increase in Council Tax court summons costs by £5 per summons	75	75	75	75
Local Welfare Assistance - explore alternative delivery models, predominantly via Voluntary Sector	100	200	200	200
Communications and Public Affairs restructure of service	163	227	227	227
Review of events programme to deliver self financing service by 2019 – Communications and Public Affairs element	0	0	38	38
Reduce grant to Dudley Zoo	0	100	100	100
Restructure to remove the post of Strategic Director of Resources and Transformation and further rationalise and reduce the costs of management of central support services. Property Services will transfer to the Place Directorate and other central support services will report to the Chief Executive.	359	359	359	359
Total	2,444	3,362	3,513	3,513

Resources and Transformation Scrutiny Committee – 19th January 2016

Report of the Strategic Director Resources and Transformation

Service Transformation and the Digital Agenda

Purpose

1. To provide members of the Committee with an update on proposals to transform the Council to meet budgetary requirements, with a particular focus upon the digital agenda and channel shift.
2. The report also provides members of the Committee with an opportunity to provide their views at this early stage in the transformation process.

Background

3. The items for detailed scrutiny by this Committee during the 2015/16 municipal year include 'How we provide improved and more cost effective customer access to Council services through the use of Channel Shift'.
4. Channel Shift typically refers to encouraging a council's citizens, businesses and visitors (i.e., its customers) to move from more traditional means of making contact, that can generally only be handled during normal office hours (i.e. face-to-face, telephone and email), to digitally-enabled contact methods, that typically have 24/7 availability, when they wish to obtain information or to transact.
5. The potential for automation created by digitally-enabled channels provides opportunities for cheaper and more effective service delivery and so releases valuable resources to allow additional assistance to be provided to those in our communities that need it. Channel Shift also encompasses how councils consult with and listen to their various communities, through online questionnaires, social media, etc.
6. The potential savings from Channel Shift are highly desirable in times of austerity. Successfully delivering these savings depends upon many things; from how we support and enable our customers to 'shift', how we ensure that the channels customers have access to and use are the right ones for their needs, how we ensure that our information and services are consistent and simple to access across all applicable channels, to how we enable each and every customer contact to result in the outcome that is needed, at the lowest possible cost to the Council and the customer.
7. Savings will be found by reducing the cost of how the Council does its business across all departments. This will include maximising the benefits of digital technology by increasing customer and staff self-service by investing in a new

digital platform and improved website, as well as implementing smarter working practices to remove unnecessary administrative overheads and maximising paperless working.

8. This represents a fundamental change in how the Council interacts with its customers. Through the procurement and implementation of fit for purpose technology, simplified and automated processes, both staff and customers will be able to do more for themselves. Reporting matters online will be the norm rather than through face-to-face or telephone contact. The Council does, however, recognise that some customers will need support in using the technology and direct contact with staff will be necessary in some instances.
9. While younger generations now generally expect to be able to conduct their business (be that with Amazon or Dudley Council) over the internet via their smartphones and tablets, some of our customers are less able or willing to do this. Successful Channel Shift must recognise and accommodate this range of needs and abilities, with services targeted to appropriate channels (be they online self-service, or traditional face-to-face that is also digitally-enabled behind the scenes), with support in place for those who need it.
10. Hence successful Channel Shift is about people, and is enabled by digital technology that is fit for purpose – it's about having digitally-enabled self-service channels that are so good people choose to use them, while still supporting those who either choose not to or simply cannot use them.
11. To continue the progress made through channel shift we now need to look at a digital solution for our customers. By understanding how customers interact with the various parts of the Council (either by searching for information, transacting or contacting) you can start building an understanding of how to create effective, digitally enabled access channels that customers choose to use.
12. Further information is included in the appendix to this report.

Finance

13. Work to identify savings for 2016/17 has made it evident that existing approaches to the identification of savings are not going to achieve the level of reductions required. A more radical approach to transformation is necessary and there is a need for a complete redesign of the Council within the available budget.
14. Transformation will require some invest to save resources to bring in some expertise to build the skills and capacity of the corporate transformation team, to work with a strategic partner to do the radical redesign work that the transformation envisages and to provide investment in a new digital platform. It has been agreed to set aside £2m for an invest to save scheme.

Law

15. The Council may do anything which is incidental to conducive to or which facilitates the discharge of its functions under Section 111 of the Local Government Act, 1972.

16. In addition, pursuant to section 1 of the Localism Act 2011 a local authority has the general power of competence to do anything that individuals generally may do.

Equality Impact

17. In accordance with the Council's equality policies, where transformation 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.

Recommendation

18. It is recommended that Scrutiny Committee notes and comment upon the contents of this report.



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List of Background Papers:

Report to Scrutiny Committee 18/06/15 – Annual Scrutiny Programme
Report to Cabinet 31/12/15 – Transforming for the Future

Service Transformation and Digital Agenda

The Council's vision for the borough as a whole continues to be 'A Community Council' and to deliver this vision in the rapidly changing environment in which the Council must operate, this paper sets out a high level design of the Dudley Digital Framework to:

- enable the Council and the borough's citizens, businesses and visitors to work in new ways that are technologically enabled, and
- ensure we deliver services to our customers that are sustainable, efficient, cost effective, local and available when they are needed.

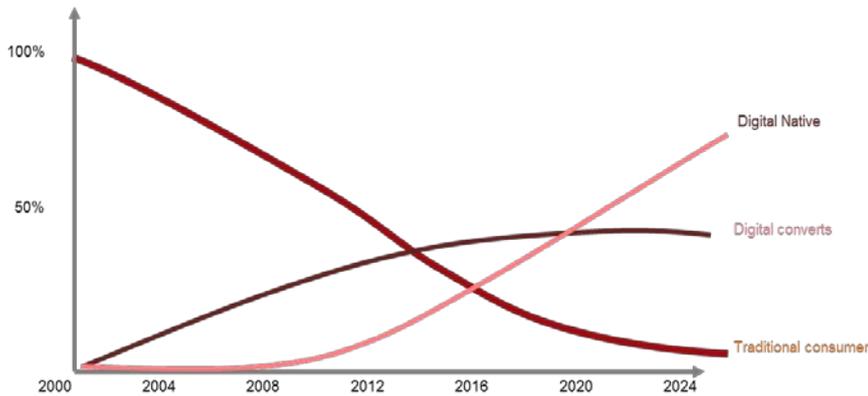
Our digital world – why we need to change

The "Digital Revolution" is upon us. The rapid adoption across all areas of society of mobile technologies and their expanded use in all aspects of daily lives, from shopping, to banking and social media is widely identified as starting in 2007, with the development of smartphones. This technology has driven dramatic changes in the way we communicate with businesses and with each other that is increasingly replicated across all channels.

We have moved from local networks based on the business organisations of the early 1900s to global networks connected via the internet and in particular now on a day to day, always connected, basis via smartphones. This period of change is having a profound effect on existing businesses and public sector organisations, which are embracing the advent of completely new ways of interacting with their customers.

The number of traditional consumers who are used to and prefer transacting via phone, letter and face to face is on the decline, not just in Dudley but across all developed and developing economies. 2013 national research stated that those who preferred to access services by traditional methods were outnumbered in the population by people who have either become used to using digital channel (known as "digital converts") or have organically grown up using digital devices (so called "Digital By Birth").

Chart 1: Increase of Digital by birth



Digital by birth are future customers and employees who have far higher expectations of the role that digital plays in the way they live and work. Meeting these expectations is the challenge that businesses and public sector organisations face now: Digital Converts will exceed Traditional Consumers by 2016; and Digital by birth will exceed Digital Converts by 2020. By 2017, the combination of Digital Converts and Digital By Birth will represent over 80% of the population – some 4 out of 5 people.

Dudley Transformation

The Council's transformation will be about working in new ways that are technologically enabled to ensure we deliver services to our customers that are sustainable, efficient, cost effective, local and available when they need them. The focus remains on working with communities and not doing it for them - we have been saying this for a long time, and have made positive steps in this direction, for example, the volume of transactions via website. Now it is time to increase the speed of that change and bring the aspirational vision to reality.

The Council has successfully adapted to meet the demands placed on us by a changing world and the rising expectations and ambition of our residents and will continue to do so.

Digital Inclusion

Digitisation has enormous power to transform our economic, social, and civic worlds. Just as electricity transformed business and people's quality of life a century ago, the internet and greater digital capability offers significant benefits from economic growth, educational outcomes, employment, connecting communities, and social inclusion to better public services.

Unlocking this potential requires local and central government, business and the community to work together to ensure people do not get left behind, and, instead, get the benefits as soon as possible. Already digital exclusion is entwined with social exclusion. As society changes, the digital have and have-nots will become more polarised and those without the access and skills to

participate may be marginalised. By playing a leading role in our community, Dudley Council has the opportunity to prevent this happening in our Borough.

The Dudley Transformation vision includes a digital inclusion strategy that seeks to address these key barriers so that everyone has the chance to benefit from the opportunities offered by the digital world. A key principle within this proposal will be the creation of models of delivery and technology enablement that ensure maximum suitability for both assisted access (either via face to face contact, telephony or on-line support) as they can for direct access by individuals.

No one will be prevented from accessing services, either by choice or by digital exclusion. By careful implementation, access will be improved. We will also conduct an Equalities Impact Analysis which will ensure that any potentially disadvantaged group is identified and action taken to overcome any exclusion. A person-centred approach will be taken in service design with early involvement of users

Design Principles

Based on the emerging Digital Framework there could be a number of design principles that, together with the Council's values, will drive the improvements and changes across the organisations. They are:

- Do it once – and in one place
- Only do the things that make sense for us to do (e.g. we won't take on things that we are not specialist in)
- Automate and self-serve nearly all transactional activity
- Consolidate teams and create smaller, more focussed centres of excellence
- Empower our customers to help them resolve their own issues and thus managing demand more effectively
- Continue to partner with other organisations and agencies to help deliver better services at a reduced cost
- Maximise income where it is cost effective to do so.

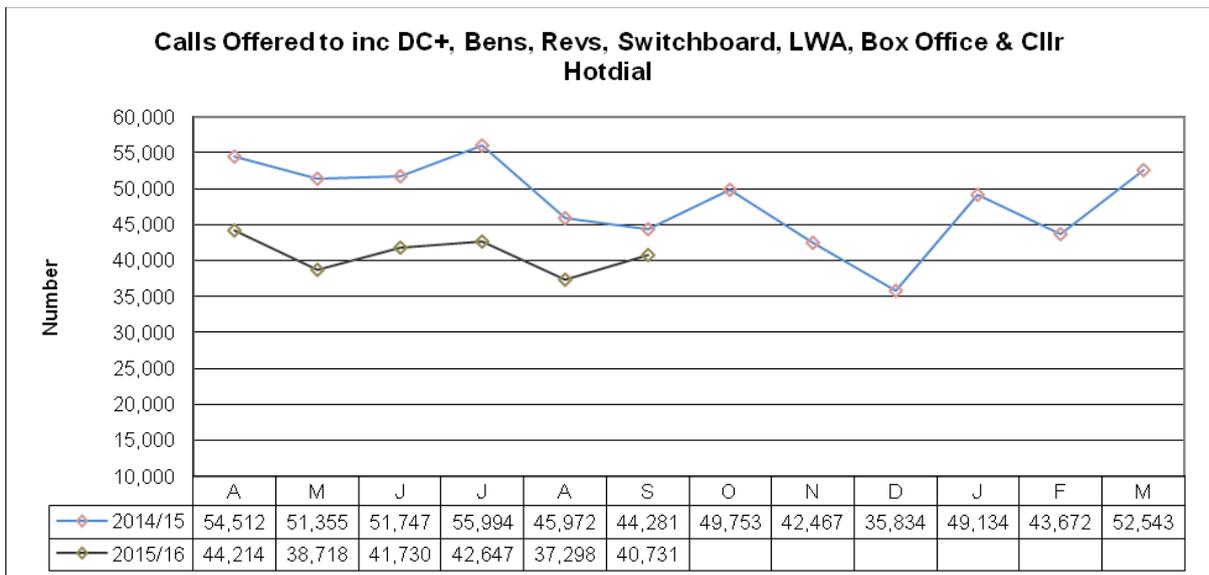
To provide an example of how this will determine the experience of the service user it is worth looking at similar organisations who have designed the components of their Customer Pathway (this is the design of how customers will interact and deal with the Council):

 <p>Self-service through digital... Conscious choices encouraging digital customer interaction channels</p>	 <p>Informing decision making... Customer profiling enables more informed decisions regarding investments and service offerings</p>
 <p>Community collaboration... Customers working together to resolve their queries and share knowledge</p>	 <p>Agility... Creating an agile and innovative environment for developing IT solutions which improve customer services</p>
 <p>Knowledge sharing and collaboration... Improved tools to facilitate collaboration and sharing customer data</p>	 <p>Anticipating demand... Utilising big data and predictive analytics to predict future service demands</p>
 <p>Consolidation... Consolidation of disparate assessment teams into pools of resource</p>	 <p>Always within reach... Access to council services anytime and anywhere, as well as providing a safety net for vulnerable customers</p>

Progress to date:

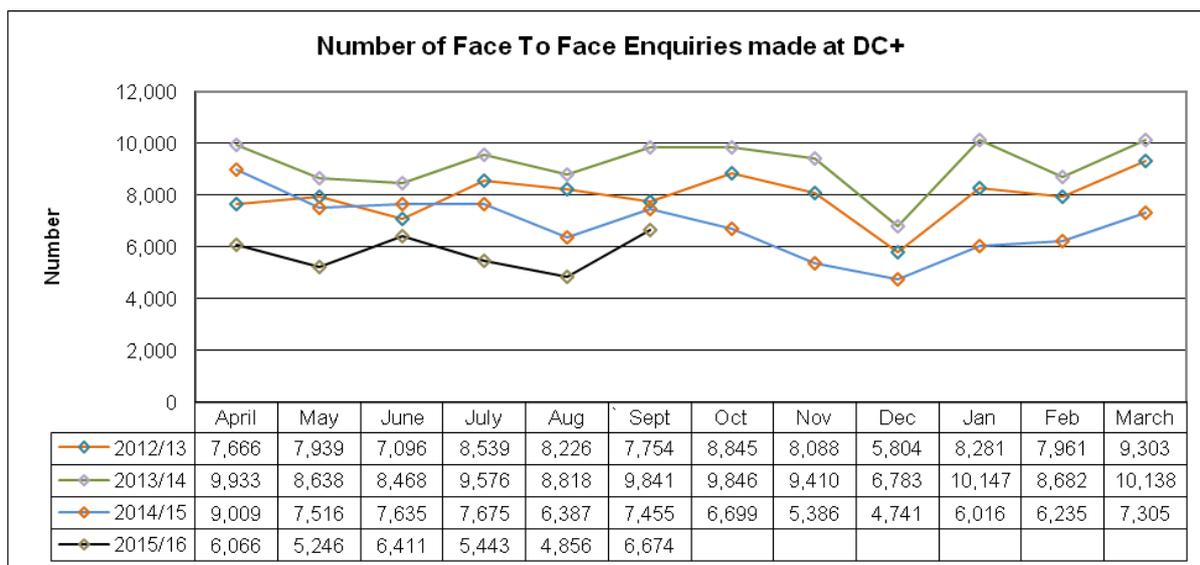
Dudley Council has a sound platform from which to build a robust Digital Framework and progress to date has been in the ‘Channel Shift’ space so pushing citizens and businesses from traditional ways of communicating with the Council to more efficient, speedier and cost effective ways.

Dudley Council Plus (DC+) – innovative when established, the objective has been to provide a ‘channel shift’ from traditional more expensive means (direct calls to professional staff) to a central telephony and face-to-face contact centre.



Call volumes remain at a lower level compared to last year, for these reasons:

- Revenues calls in 2015 have reduced due to the introduction of new online forms and customers successfully self-serving.
- The majority of customers making “manual” payments have now been successfully persuaded to pay via the Council’s automated payment phone line or the website.
- Switchboard calls are now merged in with DC+ calls, thus reducing double-handling.



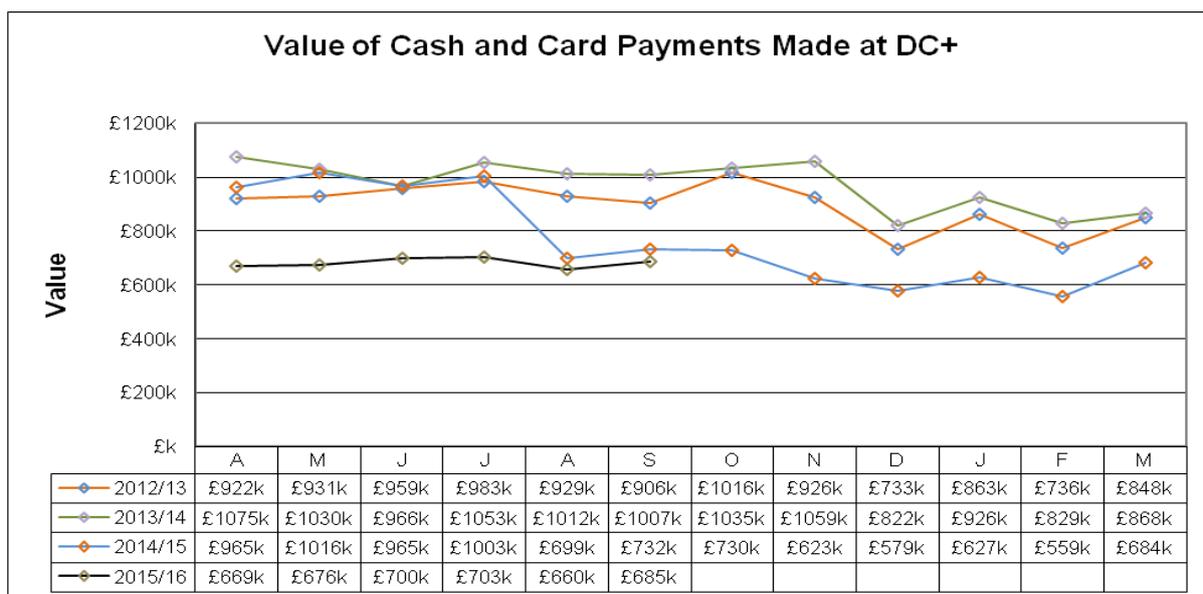
Face to face customer volumes see continued reductions and the quietest ever August as the promotion of self-service, introduced during 2014/15, continues and customers seem to be getting used to following self service options and staff continue to encourage all customers to use these wherever possible.

www.dudley.gov.uk and Dudley Mobile – predominately the ways to channel shift has been by building more user friendly websites. More information, links to line of business applications (those business systems which have a user interface) and so providing a ‘Pay It’, ‘Report It’ and ‘Apply for It’ facility. This has been successful in so much as you have reduced the level of incoming calls, the amount of incoming post and the number of face to face transactions.

Generally this has not driven new ways of working or delivered significant cashable benefits as there has not necessarily been a end-to-end process improvement where the transaction the user has undertaken triggers the system change. This is because the majority of these transactions through www.dudley.gov.uk or the mobile app is by the completion of an e-forms and that form then needs a person to update a stand along system to complete the transaction.

A good example of 'channel shift' in its simplest form is the volume and way people make payments to the Council. The key achievements to date have been:

- Cheque payments have been virtually eradicated – indicating people are more than satisfied with making payments by card either on line or by the Council's automated telephone line (Callpay).
- Most card payments are now paid via Callpay rather than by calling DC+.



With significant improvement for Revenues Customers:

- During 2014/15 callers phoning to make routine payments were re-directed to Callpay or the Council's website.
- A new system (Govtech) was introduced which enabled a number of transactions to be undertaken online. These online transactions also update the back office systems without further manual intervention saving two aspects of work; the initial phone call and then the system updating by the back office.

Revenues call centre	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2013/14	9,518	7,229	7,119	8,286	6,716	7,781	7,739	7,385	5,695
2014/15	8,519	7,961	7,940	7,825	7,371	8,102	7,889	7,753	5,794
2015/16	6,880	5,998	6,715	6,618	6,059	6,124	6,770	6,001	4,374

Dudley Council ICT Strategy 2015-2019

Implementing a digital framework does not mean that certain members of the community are disadvantaged and in fact the provision of 'digitally assisted' points of contact can enhanced the ways the Council delivers its priorities.

The direction of travel for the digital agenda sets out the ways these can be delivered:



Resources & Transformation Scrutiny Committee – 19th January 2016

Report of the Strategic Director Resources and Transformation

Local Welfare Assistance Scheme

Purpose

1. This report has been prepared in response to the request for more information made at the 17th November 2015 Scrutiny Committee and is to advise the Committee of the options for the future provision of Local Welfare Assistance (LWA) in Dudley. Alternative options are necessary to accommodate proposed changes to funding for the LWA scheme from 2016/17 onwards.
2. The report also provides the Committee with a further opportunity to provide their views as part of the budget consultation process.

Budget Proposals

3. Proposals for a LWA budget reduction were detailed in the Medium Term Financial Strategy report presented to Cabinet on 28th October 2015 and further referred to in the Transforming the Future report presented to Cabinet on 3rd December 2015. It is proposed to reduce the budget for the LWA scheme in 2016/17 to £100K, with a further reduction to zero planned from 2017/18 onwards.

Alternative Options

4. The current scheme assists residents Dudley who are without sufficient resources to meet an *urgent need* that poses an *immediate and substantial* risk to their health and safety or that of their dependants. The scheme can provide two forms of awards:

Crisis Awards - providing short term access to essential items, e.g. food, heating, lighting, clothing, essential baby items, and/or white goods and furniture.

Community Care Awards - helping people remain in the community or move back into the community by providing a range of standard household items e.g. beds, bedding, furniture, carpets, white goods, removal costs (in certain circumstances).
5. There is no statutory requirement for local authorities to provide a LWA scheme. The Transforming the Future report mentioned above highlights that given the Council's budget position, discretionary services should be reviewed, looking at the potential to make them self-financing and to identify

and review ways of providing the service in a different way. With this in mind the following options could be considered.

6. Continue as now for 2016/17 only – assuming the proposed reduction in funding is made, the LWA scheme could continue in an amended form for 12 months only with a reduced budget of £100k.
7. Close the scheme – a number of authorities nationally have chosen this option and no longer provide LWA. Birmingham are proposing to end their scheme.
8. Provide assistance in a different way via a repayable loan scheme. There is a view that LWA provision may be better delivered by the local third sector and locally, Wolverhampton City Council transferred their LWA service to the local Citizens Advice Bureau and Credit Union in 2014. Assistance in Wolverhampton is now provided to those who qualify in the form of a repayable loan. Loans range from £100 for emergencies up to £400 for the provision of household items. The loans are offered with a low fixed interest rate and are repayable within 104 weeks. Where appropriate, repayments are arranged direct from ongoing benefit payments.
9. A meeting is to be arranged in January with Dudley CAB and Credit Union to discuss loan scheme provision. The outcome of the meeting will be reported verbally at the Scrutiny Committee meeting.

Finance

10. The discretionary aspects of the national Social Fund scheme, previously administered by the Department for Work and Pensions, were transferred to local authorities in 2013 accompanied by non-ring-fenced award funding for 2013/14 and 2014/15.
11. In December 2014 the Government announced that in 2015/16 and beyond there would be no specific local welfare assistance funding. In early 2015 additional funding was awarded to councils for social care, including LWA, and £200k of this funding was allocated to fund our LWA scheme in 2015/16.
12. Proposals to review the provision of our LWA scheme are contained in the Medium Term Financial Strategy report included on the agenda for this Scrutiny Committee meeting. If approved following the consultation process, a £100k reduction in the LWA budget will be made in 2016/17, with the full £200k budget being saved in 2017/18.

Law

13. There is no statutory duty to provide LWA. It should be noted that the Central Government Work and Pensions Committee has launched an inquiry into the “local welfare safety net”, including locally run LWA schemes “in order to establish the extent to which local discretion and variations in provision represent “localism in action”.

Equality Impact

14. An equality impact assessment was completed when the LWA scheme was introduced. Equality implications will be considered as we review the provision of the scheme for 2016/17 onwards.

Human Resources

15. At the outset of the scheme in 2013, the LWA team consisted of 5 staff with management of the service being undertaken by a Dudley Council Plus manager on a “part time basis” for approximately 20% of the working week. The service now operates with 3 staff which, amongst other things, reflects a reduction in customer demand for the service.

Recommendations

16. Members of the Committee are asked to note the contents of this report and the proposal to review provision of the scheme from 2016/17 onwards and are invited to give their views on this as part of the budget consultation process.



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Background papers: LWA report to Resources & Transformation Scrutiny Committee on 17th November 2015