

## **Meeting of the Council - 5<sup>th</sup> March 2007**

### **Joint Report of the Chief Executive and Director of Finance**

#### **Revenue Budget Strategy and Setting the Council Tax 2007/08**

#### **Purpose of Report**

1. To submit to Council the recommendations of the Cabinet on 12<sup>th</sup> February 2007 concerning the deployment of General Fund revenue resources, a number of statutory calculations that have to be made by the Council and the Council Tax to be levied for the period 1st April 2007 to 31st March 2008.

#### **Background**

2. In considering the Council's Budget Strategy and tax levels for 2007/08, Members will need to consider carefully:
  - (a) the levels of Government support allocated to the Council and Ministerial statements about potential "capping levels";
  - (b) spending pressures, opportunities to free up resources (including efficiency savings) and Council Plan priorities;
  - (c) the implications of spending levels in later years as part of the Council's medium term financial plan;
  - (d) the views of consultees;
  - (e) the external factors and risks inherent in the Strategy;
  - (f) the report of the Director of Finance in accordance with Section 25 of the Local Government Act 2003 as set out in Appendix 4;
  - (g) the impact on Council Tax payers, and particularly balancing what needs to be spent to provide services with what it is reasonable to ask local Council Tax payers to pay.

#### **Revenue Support Grant 2007/08**

3. Following a provisional announcement on 28<sup>th</sup> November, the final details of the RSG & NNDR Settlement details for 2007/08 were confirmed on 18<sup>th</sup> January.
4. Key features are:
  - An increase of 4.9% in total Government funding of Councils;
  - An increase in formula grant (total Revenue Support Grant, Non Domestic Rates & Police Grant), of 3.7%;

- An increase in total Specific Grants of 5.4%;
- An increase in Dedicated Schools Grant of 5.8%;
- General damping - including floors of 2.7% for Metropolitan authorities - paid for by scaling down the grant increases to authorities above the floor;
- Specific damping in certain areas of the Relative Needs formulae;
- No formula or other changes compared with 2006/07.

5. When announcing the provisional settlement, Local Government Minister Phil Woolas stated that:

*“As I told the House last January, we were then setting out firm proposals for forward financial allocations on a two year basis, including the use of projected data for population and council tax base. As 2007-08 is the second year of a multi-year settlement, my policy is not to change the settlement, including the data used in the grant calculations, from that previously announced, other than in exceptional circumstances.”*

*“This year’s announcement therefore contains no surprises for local authorities. I make a virtue of that, because I am convinced of the advantages of multi year financial planning, and most of what I hear from councils and their delivery partners such as those in the third sector supports that view. Today’s announcement launches a period of statutory consultation, and I will fully consider any representations made during the consultation period in the light of my policy in relation to multi-year settlements. ”*

*“With the next Spending Review period we will move to give 3 years of grant allocations to local government; that is, for 2008-09, 2009-10 and 2010-11. The stability provided by multi-year settlements will allow local government to publish three-year council tax figures and we would expect it to take up this opportunity. ”*

*“We have provided a stable and predictable funding basis for local services. We expect local Government to respond positively as far as council tax is concerned. Therefore we expect to see an average council tax increase in England in 2007/08 of less than 5%. We will not allow excessive council tax increases. We have used our reserve capping powers in previous years to deal with excessive increases and won’t hesitate to do so again if that proves necessary.”*

6. Compared with the national increase in formula grant of 3.7%, Dudley’s increase amounts to 4.6% - mainly as a result of some unwinding of the damping arrangements. In cash terms this gives a formula grant of £106.3m.
7. The effect of the general damping arrangements is to restrict Dudley’s formula grant to £4.3m less than what it would otherwise be. The specific damping reduces Dudley’s formula grant by an additional £3.8m.
8. Allocations of a number of specific grants to individual authorities were also announced. For Dudley these were also in line with expectations. Provisional figures suggested Dudley’s Dedicated Schools Grant will increase by 5.9% in line with the national increase of 5.8%, although this will be subject to adjustment following finalisation of pupil numbers.

9. The opportunity was taken to respond to the Government's invitation to comment on its proposals. The Director of Finance, in consultation with the Cabinet Member for Finance, made representations along the following lines:

*Reiterating disappointment that the damping mechanisms applied to the RSG formula are continuing to significantly restrict the level of resources available to the Council.*

*Expressing concern that despite growing pressures on Councils, particularly in the areas of Care of Children and Adults, and Waste Recycling and Disposal, no additional resources have been allocated by the Government, with the result that the burden will fall wholly on Council Tax payers.*

10. However, when the final RSG and NNDR details were announced on 18<sup>th</sup> January 2007, there were no changes compared with the provisional figures.

#### The Council's Current Financial Position

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

	<b>£m</b>
Additional cost of Children's Out-of-Borough Placements and Fostering costs	1.7
Dudley Council Plus staffing costs not yet covered by transfers from Directorate budgets	0.7
<b>Total</b>	<b><u>2.4</u></b>
<i>To be funded by:</i>	
Local Authority Business Growth Incentive (LABGI) funding	0.8
Increased net earnings from Treasury Management activities	0.7
General Balances	<u>0.9</u>
<b>Total</b>	<b><u>2.4</u></b>

12. The revised overall budget position for 2006/07 can therefore be summarised as follows.

	<b>£m</b>
Original total service budget	197.615
Additional costs (as above)	2.405
Extra income (LABGI and Treasury, as above)	<u>-1.537</u>
<b>Revised total service budget</b>	<b>198.483</b>
Less: Use of Balances	<u>-3.268</u>
<b>Budget Requirement (unchanged)</b>	<b><u>195.215</u></b>

13. In addition, Leisure Centres are unlikely to meet their financial targets in the current year because of reduced income and increasing running costs but action is being taken to contain the increased costs within the total DUE resource base. Additional budget allocations to meet increasing energy costs, improved staff terms and conditions and reduced income levels are proposed for 2007/08.

14. The effect of the 2006/07 estimated outturn on the Council's General Balances is, therefore:

	<b>£m</b>
Balance Brought Forward 1 <sup>st</sup> April 2006	3.3
Revised use 2006/07 (as above)	-3.3
<b>Estimated General Balances at 31st March 2007</b>	<b>Nil</b>

Budget Proposals 2007/08 - 2009/10

15. At its meeting on 12<sup>th</sup> February, the Cabinet confirmed its budget proposals for 2007/08 - 2009/10 which can be summarised as:

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Base Budget Forecast</b>	204.6	211.2	217.6
<b>Extra Funding for Council Plan Priorities &amp; Pressures</b>	5.1	6.0	6.8
<b>Efficiency and Other Savings</b>	-3.3	-3.5	-3.5
<b>Single Status</b>	3.0	4.0	5.0
<b>Local Authority Business Growth Incentive (LABGI)</b>	-0.8	-1.2	-1.5
	<b>208.6</b>	<b>216.5</b>	<b>224.4</b>
<b>Use of Balances</b>	-4.3	-3.1	-0.8
<b>BUDGET REQUIREMENT</b>	<b>204.3</b>	<b>213.4</b>	<b>223.6</b>

Base Budget Forecast

16. Details of Base Budget Forecasts are set out below.

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>2006/07 Base</b>	197.6	197.6	197.6
<b>Pay Inflation at about 2.5%</b>	3.2	6.5	9.9
<b>Price Inflation at (generally) 2% *</b>	2.1	4.2	6.0
<b>Capital Programme**</b>	2.1	3.3	4.6
<b>Other Adjustments</b>	- 0.4	- 0.4	- 0.5
<b>Base Budget Forecasts</b>	<b>204.6</b>	<b>211.2</b>	<b>217.6</b>
<b>% increase year-on-year</b>	<b>+ 3.5%</b>	<b>+ 3.2%</b>	<b>+ 3.0%</b>

\* includes provision for energy contract price increases at current market rates.

\*\* includes extra debt charges resulting from release of balances - see below.

## Extra Funding

17. Further details of the extra funding package are as follows.

	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>	<b>Main Council Plan Themes Supported</b>
<b><u>Urban Environment</u></b>				
Extension of Green Waste Collection.	300	300	300	Environment
Improvements to Parks, Environment & Street Scene:				Environment; Safety
Roads and bridge maintenance; street cleaning and litter removal; street signage and traffic congestion; waste management; park keepers	420	570	570	
Regeneration, including Planning & Public Protection:				Regeneration; Safety
Improved planning service; town centre events; bidding for external funding; food hygiene; contaminated land and enforcement; tourism	195	245	245	
Culture:				Quality Service; Safety
Public halls and museums; leisure centres (including staffing arrangements); health and safety training	665	665	665	
<b>Total Urban Environment</b>	<b>1,580</b>	<b>1,780</b>	<b>1,780</b>	
<b><u>Children's Services</u></b>				
Increasing numbers of looked after children, including out of borough placements	2,000	2,000	2,000	Caring
<b><u>Adult, Community and Housing</u></b>				
Increasing numbers of adults with learning disabilities, and increased residential costs	1,400	2,100	2,900	Caring
<b><u>Chief Executive's</u></b>				
Postal Voting, Civic Events	119	119	119	Quality Service
<b>Total Proposed Growth</b>	<b>5,099</b>	<b>5,999</b>	<b>6,799</b>	

## Efficiencies and Other Savings

18. Following a detailed budget review process, which considered the need to redirect resources to the spending pressures and priorities set out in paragraph 17, a range of efficiency and other savings have been identified from existing budgets as follows.

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Finance</u></b>			
Restructuring of ICT & Purchasing	120	125	130
Other ICT cost savings	50	50	50
Increased income	177	177	177
Other	27	47	54
	<b>374</b>	<b>399</b>	<b>411</b>
<b><u>Chief Executive's</u></b>			
Centralisation of Personnel - Efficiency Savings	50	50	50
Review of support for Credit Union	-	50	50
	<b>50</b>	<b>100</b>	<b>100</b>
<b><u>Law and Property</u></b>			
Additional Fees and Charges income	86	86	86
Revised R & M programme	100	100	100
Other	19	34	34
	<b>205</b>	<b>220</b>	<b>220</b>
<b><u>Urban Environment</u></b>			
Review of Car Park Charges (net of reinvestment)	340	340	340
Extra income, inc. Himley Hall	123	123	123
Staff Restructuring	71	135	183
Other	15	15	15
	<b>549</b>	<b>613</b>	<b>661</b>
<b><u>Adult, Community and Housing</u></b>			
Staff Turnover	418	418	418
Revised Management - Learning Disability Services	100	100	100
Revised Supporting People Grant funding arrangements	550	550	550
Additional Income from Charges	200	200	200
Reprovision of Residential Services for Elderly Persons	208	208	208
	<b>1476</b>	<b>1476</b>	<b>1476</b>
<b><u>Children's Services</u></b>			
Restructure Early Years Services	140	140	140
Review of Ethnic Minority Achievement Service	100	100	100
Home to School Transport	210	210	210
Review of Youth Service	100	100	100
Other	126	126	126
	<b>676</b>	<b>676</b>	<b>676</b>
<b>Totals</b>	<b>3,330</b>	<b>3,484</b>	<b>3,544</b>

### Single Status

19. It is too early to be able to form a realistic estimate of the costs of implementing the Single Status agreement. However on the basis of best estimates at this time and assuming there might ultimately be a requirement to meet some back pay costs, the cost (including debt charges on back pay, which it is currently assumed could be capitalised) might possibly amount to around £3m in 2007/08 rising to £4m in 2008/09 and £5m in 2009/10. It must be stressed at this juncture that the impact may be significantly different once details emerge and negotiations commence.

### LABGI

20. Details of the levels of grant payable under the Local Authority Business Growth Incentive (LABGI) scheme are still awaited. LABGI grant is related to the increase in non-domestic rateable value compared with a target based on past trends. Although levels of income are hard to predict it might be reasonable to anticipate further income from the LABGI of around £0.8m available to be applied to support the budget in 2007/08 rising to £1.2m in 2008/09 and £1.5m in 2009/10.

### General Balances

21. Given the increasing cost of service pressures and other priorities, and the likely cost of Single Status, it became clear that it would be necessary, in line with existing financial strategy, to take action to replenish General Balances to support spending in the medium term.
22. Following a thorough review of earmarked reserves and provisions, the following amounts will be transferred to General Balances at 31st March 2007 and would, therefore, be available to support spending in 2007/08 and later years.

	<b>£m</b>	<b>£m</b>
Revenue Reserves supporting Capital Spending, which can now be financed by "Prudential Borrowing"		
- Capital Reserve	6.66	
- Corporate ICT Strategy	0.35	
- Directorate Reserves	0.48	7.49
Directorate Reserves no longer required		0.74
<b>Estimated General Balance available at 1<sup>st</sup> April 2007</b>		<b>8.23</b>

23. Depending on the actual phasing of the capital spending referred to above, there will be increased financing costs of about £0.75m per year or a total of about £2.2m over the three year period 2007/08 – 2008/09, leaving a net £6m to be used to support expenditure. This will reduce the overall level of cash backed revenue reserves over the medium term and may reduce future years' budget flexibility. The increased financing costs are included in the base budget forecasts.

### Gershon Efficiency Savings

24. A number of the savings identified as part of the budget review process will also contribute to the Council's "Gershon" efficiency targets. Other Gershon efficiencies, which will not directly result in cash savings have also been identified and will be submitted to the Government as part of the Council's overall Annual Efficiency Statement (AES) for 2007/08. This will continue to be revised up until the actual date of submission. The detailed proposals shown at Attachment A to this report will meet the overall efficiency targets and the proportion of cashable gains required.

### Medium Term Financial Strategy

25. A Medium Term Financial Strategy (MTFS) provides a strategic context for the Council's budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council's overall priorities and objectives. It sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties, and the level of Council Tax.
26. The proposed MTFS covering the 4 year period 2006/07 - 2009/10 is set out in detail as Attachment B. This is a comprehensive document and therefore repeats some of the information in this report.

### Risk Assessment

27. Details of the significant risks which Members should consider prior to agreeing a budget and MTFS are set out in Annex D of the proposed MTFS. The key risks for the 2007/08 budget are as follows.

<b>Risk</b>	<b>Impact</b>
• Higher general inflation	A further 1% increase would cost the Council (excluding Schools) around £0.8m extra per year
• Higher staff pay awards	A further 1% increase would cost the Council around £1.2m extra per year.
• Income not achieved	A 1% loss of income (excluding grants & interest) would cost the Council around £0.4m per year.
• Interest rates higher / lower than expected	A 1% change in interest rates would not have a material impact as the majority of borrowing is at fixed rates, and estimates of interest earnings are cautiously prudent.
• Other unplanned events	Unforeseen costs or costs greater than estimated
• Single Status	May be significantly different from estimates, and there is no certainty that costs of backdating can be capitalised.
• LABGI	There is no guarantee of any income, and the LABGI scheme itself may not be extended after 2007/08.

28. In mitigation, any unbudgeted costs would have to be met from economies or reductions in planned spending in the year or from balances. If it is necessary to make additional calls on general balances in 2007/08, this will reduce the amount available to support spending in later years and therefore increase the potential shortfall in resources referred to in paragraph 21 of the MTFs.
29. There are £2m in working balances to meet unforeseen events and it is considered that many of the remaining balances, if required, could be used in the short term to cover unforeseen budget pressures. These would, however, have to be replenished in future years.

Detailed 2007/08 Budget Proposals

30. It is now proposed that the Council confirms the following revenue budget allocations to services.

<b>Revenue Budget Allocations 2007/08</b>	
<b>Service</b>	<b>£m</b>
Children's Services	50.277
Adult, Community and Housing Services	76.429
Urban Environment	47.920
Chief Executive's	13.609
Finance, ICT and Procurement	18.481
Law and Property	1.851
<b>Total Service Allocations</b>	<b>208.567</b>
Less: Use of General Fund Balances	-4.287
<b>BUDGET REQUIREMENT</b>	<b>204.280</b>

Details of each service's budgets analysed by main divisions of service are shown at Appendix 1.

31. The yield for 2007/08 from the Council Tax necessary to meet the requirements of the Council has been calculated having regard to the estimated balance on the Collection Fund at 31st March 2007, set out as follows. It should be noted that the Fire and Police authorities are entitled to a share of any Collection Fund surpluses relating to Council Tax collection.

### Estimated Collection Fund Surplus

	£m
Poll Tax and Council Tax arrears brought forward	4.950
Add: Debit for 2006/07	106.841
	111.791
Less: Forecast collections	- 108.171
Estimated Bad Debt Provision Required	3.620
Compared with current Bad Debt Provision	3.635
Provision no longer required	0.015
Plus: Adjustment to Surplus arising in 2005/06	0.007
<b>Total Estimated Available Surplus</b>	<b>0.022</b>
Less: Fire and Police Authorities' Share	- 0.002
<b>NET SURPLUS AVAILABLE TO DUDLEY</b>	<b>0.020</b>

32. The amount required from Council Tax Payers to fund the Council Budget Requirement together with the Band D Council Tax calculation is shown in the following table

### Funding the Revenue Budget Requirement 2007/08

Source of Funding	2006/07 £m	2007/08 £m
Dudley MBC Budget Requirement	195.215	204.280
Less: Revenue Support Grant	(16.503)	(15.278)
Business Rate Contribution	(85.491)	(91.036)
Collection Fund Surplus	(0.096)	(0.020)
<b>Dudley's Own Requirement from Council Tax Payers</b>	<b>93.125</b>	<b>97.946</b>
Approved Tax base	96750.14	97049.71
<b>COUNCIL TAX (Band D) FOR DUDLEY</b>	<b>£962.53</b>	<b>£1009.23</b>

33. The proposed Dudley MBC Council Tax for a Band D property for 2007/08 of £1009.23 represents an increase of under 4.9% compared to 2006/07.
34. The total level of Council Tax now being considered includes the precepts for the Police and Fire and Rescue Authorities which were approved on 15<sup>th</sup> February and 12<sup>th</sup> February respectively, as follows.

	2006/07 £	2007/08 £	Change %
Dudley MBC	962.53	1009.23	+4.9
Police Authority Precept	87.55	91.47	+4.5
Fire & Rescue Authority Precept	43.18	44.43	+2.9
<b>Total Band D Council Tax</b>	<b>1093.26</b>	<b>1145.13</b>	<b>+4.7</b>

35. It is being proposed that the Council approves the statutory calculations required by virtue of Section 32 to 36 of the Local Government Finance Act 1992 as set out in Appendix 2.
36. Details of the cash increase for each band, together with weekly equivalents, are shown in Appendix 3.
37. The Local Government Act 2003 requires the Director of Finance to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves. The Director of Finance's report is set out in Appendix 4. The authority will also have a statutory obligation to review its budget during the year, with particular regard to any deterioration in its financial position and the taking of any necessary corrective action.

#### Consultation on Budget Proposals

38. As part of the ongoing consultation process to inform Budget and Council Tax proposals, the Council undertook a further public consultation exercise during September and October, using the Citizens Panel and the Internet. Details of the responses are shown at Appendix 5. There were a total of over 1100 responses and the results can be summarised as:
  - (a) over 90% of respondents thought overall spending on Council services should stay the same or be increased;
  - (b) over half thought that the Council Tax increase should be more than inflation if necessary to maintain and increase spending on important services.
39. A statutory consultation meeting was held on 12<sup>th</sup> February with representatives of Non-Domestic Ratepayers. Whilst no specific issues were raised which need to be reported to the Council, there was general discussion about the need to support regeneration activities throughout the Borough to help stimulate local business development. Relevant issues arising from any written responses subsequently received will be reported orally to the Council.
40. Each Select Committee has considered the provisional budget proposals approved at the meeting of the Cabinet on 9<sup>th</sup> January. There were no specific observations made that affect these budget proposals.

#### Finance

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

#### Law

42. The Council's budget setting process is governed by the Local Government Finance Acts, 1988 and 1992, and the Local Government and Housing Act, 1989, and the Local Government Act 2003.

43. Section 67 of the Local Government Finance Act 1992 requires the Council to make calculations concerning its spending and Council Tax for the area. These calculations enable the Council's statutory obligations to be fulfilled.
44. The Local Government Act 2003 requires the Director of Finance to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.
45. It is important for Members to note that Sections 30(6) and 32(10) of the Local Government Finance Act 1992, impose a statutory duty upon the Council to calculate its budget requirement for 2006/07 and to set its Council Tax for 2006/07 before the 11th March, 2007.

### **Equality Impact**

46. These proposals comply with the Council's policy on Equal Opportunities as far as is possible within existing and future resource levels.
47. With regard to Children and Young People:
  - The proposed budget for the Directorate of Children's Services (including the additional spending detailed) will be spent wholly on maintaining and improving services for children and young people. The expenditure of other Directorate's budgets will also have a significant impact on this group.
  - All members of the public, including children and young people, had the opportunity to take part in the Internet consultation to inform the proposals in this report.
  - There has been no specific involvement of children and young people in developing the proposals in this report.

### **Recommendations**

48. That the Council approves the following:
  - The budget requirement for 2007/08 and service allocations as set out in paragraph 30 of the report.
  - That the statutory amounts required to be calculated for the Council's spending; income and use of reserves; budget requirement and; transfers to and from its collection fund as referred to in Section 67(2)(b) be now calculated by the Council for the year 2007/08 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 2 of this report.
  - That, having calculated the aggregate in each case of the amounts in Appendix 2, the Council, in accordance with Section 30(2) of the Local Government Finance Act, 1992, agrees the following levels of Council Tax for 2007/08:

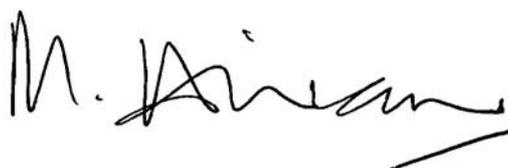
### Valuation Bands

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>							
763.42	890.66	1017.90	1145.13	1399.61	1654.09	1908.56	2290.27

49. That the Chief Executive and Directors be authorised to take all necessary steps to implement the proposals contained in this report, in accordance with the Council's Financial Management Regime.
50. That the Council reminds the Chief Executive and Directors to exercise strict budgetary control in accordance with the Financial Management Regime and care and caution in managing the 2007/08 budget, particularly in the context of commitments into later years and the impact that overspending in 2007/08 will have on the availability of general balances to support spending in 2008/09 and 2009/10.
51. That the Annual Efficiency Statement (AES) as set out as Attachment A be noted.
52. That the Medium Term Financial Strategy (MTFS) set out as Attachment B be approved.



.....  
**Andrew Sparke**  
**Chief Executive**



.....  
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#### **List of Background Papers**

Final RSG Settlement papers and electronic communications.  
Budget Reports to 9<sup>th</sup> January and 12<sup>th</sup> February Cabinet.

## Analysis of Proposed 2007/08 Budget by Division of Service

	<b>£000</b>
<b>Children's Services</b>	
Schools (Asset Rents & Strategy costs etc. not funded by DSG)	20,931
Youth Service	3,342
Children & Families Social Services	24,583
Other Children's Services	1,421
	<u>50,277</u>
<b>Adult, Community and Housing Services</b>	
Care & Support for Older People	39,155
Care & Support for People with a Physical or Sensory Disability	6,085
Care & Support for People with a Learning Disability	18,527
Care & Support for People with Mental Health Needs	4,224
Libraries, etc.	4,787
Other Adult and Community Services, etc.	1,064
Private Sector Housing	1,888
Homelessness & Welfare	387
Contribution to Housing Revenue Account for Community Expenditure	312
	<u>76,429</u>
<b>Urban Environment</b>	
Environmental Health & Consumer Protection	3,746
Street Cleansing	2,165
Waste Collection & Disposal	13,308
Cemeteries & Crematoria	-408
Traffic Management & Road Safety	1,984
Flood Defence & Land Drainage	190
Highways Maintenance (inc. capital charges, etc.)	12,341
Other Engineering & Transportation Services	-423
Planning, Building and Development Control	2,263
Economic Regeneration	1,447
Environmental Initiatives	461
Culture and Heritage	2,127
Recreation & Sport and Open Spaces	8,719
	<u>47,920</u>

£000

**Chief Executive's**

Elections & Electoral Registration	649
Economic & Community Development	1,410
Community Safety	898
Corporate & Other Costs	10,652
	<u>13,609</u>

**Finance, ICT and Procurement**

Tax Collection & Benefits	3,666
Transport Authority Levy	15,486
Flood Defence Levy	119
Investment Income	-1,334
Asset Management Revenue Account, etc	-425
Corporate & Other Costs	969
	<u>18,481</u>

**Law and Property**

Licensing, Registration & Courts	584
Democratic Costs	1,543
Other Legal & Property Services	-276
	<u>1,851</u>

<b>TOTAL</b>	<b>208,567</b>
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Note: revised to reflect latest estimates where necessary

### Details of Calculations to be Determined by the Council

1. That the following amounts be now calculated by the Council for the year 2007/08 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
  - (a) £605.390000m being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act (*The Council's Spending*)
  - (b) £401.110000m being the aggregate of the amounts which the Council estimates for the items set out in Sections 32(3)(a) to (c) of the Act (*The Council's income and use of reserves*)
  - (c) £204.280000m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year (*The Council's budget requirement*)
  - (d) £106.334105m being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates or revenue support grant [increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with Section 97(3) of the Local Government Finance Act 1988] or [reduced by the amount of the sums which the Council estimates will be transferred in the year from its General Fund to its Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1988] and [increased by the amount of any relevant sum which the Council estimates will be transferred from its collection fund to its general fund pursuant to the directions under section 98(4) of the Local Government Finance Act 1988] or [reduced by the amount of any relevant sum which the Council estimates will be transferred from its general fund to its collection fund pursuant to the directions under section 98(5) of the Local Government Finance Act 1988].
  - (e) £1009.2343 being the amount at (c) above less the amount at (d) above i.e. £97.945895m all divided by the Council Tax base of 97049.71, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year (*The Council's basic amount of tax*)

(f) Dudley' Council Tax for each Valuation Bands

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>							
672.82	784.96	897.10	1009.23	1233.51	1457.78	1682.06	2018.47

being the rounded amounts given by multiplying the amount at (e) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different bands.

(g) Precepts for each Valuation Band

That it be noted that for the year 2007/08, the major precepting authorities have issued the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	<b>£</b>							
West Midlands Police	60.98	71.14	81.31	91.47	111.80	132.13	152.45	182.94
West Midlands Fire	29.62	34.56	39.49	44.43	54.30	64.18	74.05	88.86

## WEEKLY EQUIVALENT COUNCIL TAX INCREASES 2006/07 - 2007/08

Tax Band	No. of Properties	Council Tax 2006/07			Council Tax 2007/08			Weekly Equivalent Increase		
		Dudley £	Police £	Fire £	Dudley £	Police £	Fire £	Dudley £	Police £	Fire £
<b>A</b>	40,100	641.69	58.37	28.79	672.82	60.98	29.62	0.60	0.05	0.02
<b>B</b>	35,900	748.64	68.09	33.59	784.96	71.14	34.56	0.70	0.06	0.02
<b>C</b>	28,000	855.58	77.82	38.38	897.10	81.31	39.49	0.80	0.07	0.02
<b>D</b>	15,400	962.53	87.55	43.18	1009.23	91.47	44.43	0.90	0.08	0.02
<b>E</b>	6,200	1176.43	107.00	52.78	1233.51	111.80	54.30	1.10	0.09	0.03
<b>F</b>	2,200	1390.32	126.46	62.37	1457.78	132.13	64.18	1.30	0.11	0.03
<b>G</b>	900	1604.22	145.92	71.97	1682.06	152.45	74.05	1.50	0.13	0.04
<b>H</b>	100	1925.06	175.10	86.36	2018.47	182.94	88.86	1.80	0.15	0.05
<b>Total</b>	128,800									

**Report of the Director of Finance as required by  
Section 25 of the Local Government Act 2003**

1. Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Authority (the Director of Finance) to report to it on the following matters:
- (a) the robustness of the estimate for the purposes of the statutory budget calculation;
  - (b) the adequacy of the proposed financial reserves;

and the Authority must then have regard to that report when making decisions about the statutory budget calculations.

2. The estimates which comprise the budget proposed in this report have been completed by my staff and staff in Directorates, on the basis of known commitments, a prudent allowance for pay awards and price increases during the year and an appropriate assessment of the potential risks and uncertainties. We have also had regard to the availability of external funding, particularly specific Government Grants and partnership funding and income levels from fees and charges. The proposals for additional spending are based on specific initiatives or projects, or provide a cash-limited allocation for a particular activity. The proposals for efficiency and other savings result from a detailed review of existing spending, and represent a realistic estimate of what can be saved if the action proposed is implemented.
3. There is a financial risk management process in operation which seeks to identify the significant risks to which the Council is subject, and which is used to inform the level of reserves and provisions which it is considered appropriate to hold at both a corporate and directorate level. The following table summarises the total level of estimated General Fund earmarked reserves and provisions at 31st March 2007.

	<b>Forecast Balance 31.3.07 £m</b>
Working Capital	2.0
LPSA Reward	1.0
Insurance Fund	8.1
Other Corporate	0.4
<b>Total Corporate Reserves</b>	<b>11.5</b>
DGfL & Paragon equalisation	5.8
School Balances	10.5
Directorate Reserves & Provisions	2.6
<b>Total Reserves &amp; Provisions</b>	<b>30.4</b>

4. The Working Capital reserve is specifically held to cover unforeseen expenditure or shortfalls in income of an exceptional nature, and is not anticipated to be utilised under normal circumstances.

The LPSA Reward reserve represents the balance of anticipated reward monies and is anticipated to be mainly spent in 2007/08.

The Insurance Fund will continue to be maintained at a level consistent with the insurable risks borne by the Council and the level of outstanding claims at any time, and will fluctuate accordingly.

The DGfL and Paragon equalisation reserves represent Govt. revenue support for these PFI schemes received in advance, and will be expended over the remaining life of the projects.

Balances held by Schools will vary as they are managed by schools in accordance with the Fair Funding scheme, whilst Directorate Reserves and Provisions held for specific purposes will continue to be managed in accordance with the Financial Management Regime.

The total level of reserves and provisions at 31st March 2008 is estimated to be about £27.5m.

5. I am therefore able to confirm that in my professional opinion:
- (a) the estimates made for the purposes of the calculation of the Council's budget requirement under Section 32 of the Local Government Finance Act 1992, contained in this report, are robust;
  - (b) the financial reserves that will remain available to the Council as a result of agreeing the proposals contained in this report are adequate.



Mike Williams  
Director of Finance

**Budget 2007/08 Questionnaire Results** (2006/07 in brackets)

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

Be increased <b>42%</b> (47)	Stay the same <b>51%</b> (43)	Be reduced <b>7%</b> (10)
---------------------------------	----------------------------------	------------------------------

**Q2.** Now, looking at the main services the Council provides, please indicate for each one whether you think spending should increase, stay the same, or be reduced. (Rankings obtained by comparing balance of "increase" and "reduce" responses.)

	Spend should increase	Spend should stay the same	Spend should be reduced	Ranking
Schools	<b>42%</b> (54)	<b>54%</b> (41)	<b>4%</b> (4)	<b>6</b> (7)
Support to Schools	<b>36%</b> (53)	<b>56%</b> (42)	<b>8%</b> (5)	<b>11</b> (8)
Youth Service and Community Centres	<b>38%</b> (48)	<b>54%</b> (46)	<b>7%</b> (6)	<b>10</b> (11)
Adult Education	<b>14%</b> (22)	<b>71%</b> (69)	<b>15%</b> (9)	<b>16</b> (16)
Libraries	<b>16%</b> (19)	<b>73%</b> (76)	<b>10%</b> (4)	<b>15</b> (15)
Refuse Collection, Disposal & Recycling	<b>40%</b> (44)	<b>58%</b> (56)	<b>2%</b> (0)	<b>7</b> (9)
Street Cleaning & Litter Removal	<b>48%</b> (55)	<b>49%</b> (45)	<b>2%</b> (0)	<b>5</b> (4)
Maintenance of Roads & Footpaths	<b>60</b> (70)	<b>37%</b> (29)	<b>2%</b> (1)	<b>2</b> (2)
Reducing Traffic Congestion	<b>44%</b> (56)	<b>47%</b> (37)	<b>10%</b> (6)	<b>8</b> (6)
Arts & Entertainment	<b>6%</b> (9)	<b>60%</b> (67)	<b>34%</b> (24)	<b>18</b> (18)
Museums & Heritage	<b>9%</b> (8)	<b>66%</b> (74)	<b>25%</b> (18)	<b>17</b> (17)
Parks & Open Spaces	<b>35%</b> (37)	<b>58%</b> (59)	<b>7%</b> (3)	<b>12</b> (12)
Sports Facilities & Leisure Centres	<b>33%</b> (36)	<b>58%</b> (58)	<b>9%</b> (6)	<b>13</b> (13)
Helping Create New Jobs & Businesses	<b>44%</b> (50)	<b>45%</b> (41)	<b>11%</b> (9)	<b>9</b> (10)
Care & Support for Children & Families	<b>31%</b> (39)	<b>57%</b> (52)	<b>12%</b> (9)	<b>14</b> (14)
Care & Support for Older People	<b>57%</b> (61)	<b>39%</b> (38)	<b>4%</b> (1)	<b>3</b> (3)
Care & Support for People with Mental Health Problems, Learning or Physical Disabilities	<b>50%</b> (54)	<b>46%</b> (44)	<b>4%</b> (2)	<b>4</b> (5)
Crime Prevention & Public Safety	<b>66%</b> (76)	<b>31%</b> (22)	<b>2%</b> (1)	<b>1</b> (1)

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

- a. Overall spending on services should be maintained or increased even if this means an increase in Council Tax well above the rate of inflation. **17% (16)**
- b. Spending on important services should be maintained at the expense of other services, even if this means a Council tax increase above the rate of inflation. **35% (31)**
- c. The Council Tax increase should be no more than the rate of inflation, even if this means significant reductions in spending on services. **48% (54)**

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

**Responses relating to specific service issues have been circulated to Directors for consideration.**

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

Your age:    18-24 **3% (3)**            25-44 **29% (32)**  
                  45-64 **46% (44)**        65+    **22% (20)**

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

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

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

**Dudley MBC  
Annual Efficiency Statement (AES)  
Forward Look 2007/08**

### Strategy for securing efficiency gains

The Council recognises the need to identify further real efficiencies in 2007-08 which can bring quantifiable benefits and produce measurable gains. We will continue to work with partners and centres of excellence to further benchmarking and good practice and to develop new opportunities for ongoing efficiencies in particular through technology and reviewing processes.

### Key actions to be taken during the year

Key actions focus on:

**TECHNOLOGY:** the Council will continue to exploit new technology and develop new corporate systems to improve performance and productivity and increase customer access to council services.

**PRODUCTIVITY:** management structures will be reviewed in the context of Council remodelling to reduce bureaucracy and release funds to customer-focused services. Alternative delivery methods and flexible working arrangements will be explored to increase efficiency and achieve more productive working within existing resources.

**PROCUREMENT:** the Council will develop e-tendering processes and will work in partnership with neighbouring authorities and other organisations to achieve more efficient contract management and reduce the cost of contracts.

The Council will continue to develop its performance management system, which will ensure that priorities are clearly identified and linked, that targets are specific, measurable and appropriate, and that cross-service issues are adequately addressed.

	Expected annual efficiency gains (£)	...of which cashable (£)
Adult social services	1,199,000	630,000
	<p><b>Strategy:</b> Improve staff productivity through remodelling management structures and use of new technology. Increase care at home rather than in residential placements.</p> <p><b>Key actions:</b>            Improvement in sickness levels            Use of technology e.g. electronic data management, IT upgrades, Wyse terminals and increased use of e-transactions            Lower cost care at home and transfer from residential to supported living placements            Remodel management structures            Improve debt collection            Reprovision of residential home</p>	

Children's services	124,000	114,000
	<p><b>Strategy:</b> Improve staff productivity; fewer s20 referrals</p> <p><b>Key actions:</b> Improvement in sickness levels Fewer s20 referrals looked after</p>	
Culture and sport	35,000	30,000
	<p><b>Strategy:</b> Increased take-up of services and more intensive use of facilities</p> <p><b>Key actions:</b> Increased use of facilities at no additional cost – more users</p>	
Environmental services	320,000	300,000
	<p><b>Strategy:</b> Reduction in waste management costs from increased recycling initiatives</p> <p><b>Key actions:</b> Increase recycling initiatives and reduce waste disposal costs</p>	
Local transport (highways)	191,000	191,000
	<p><b>Strategy:</b> Develop partnerships with the private sector and investigate the use of new materials; restructuring management team to increase efficiency</p> <p><b>Key actions:</b> Use new highway materials that offer better value than traditional materials Management restructure to increase efficiency</p>	
Local transport(non-highways)	153,000	153,000
	<p><b>Strategy:</b> WMPTA and Centro have considered and endorsed efficiency proposals, instigated action plans and established quality cross-check measures and monitoring arrangements</p> <p><b>Key actions:</b> Share of WMPTA efficiency gains</p>	
Local Authority social housing (Capital)	150,000	150,000
	<p><b>Strategy:</b> Ensure effective use of resources to meet tenants' aspirations and ensure that Decent Homes targets are achieved</p> <p><b>Key actions:</b> Improvements on building contracts</p>	

Local Authority social housing (other)	802,000	802,000
	<p><b>Strategy:</b> Ensure effective use of resources to meet tenants' aspirations and ensure that Decent Homes targets are achieved</p> <p><b>Key actions:</b>  Maximise rental income from housing stock by improving collection rates and reducing loss from voids  More efficient area management arrangements  Remodel management structures  Reduce costs on repairs, maintenance and improvement works</p>	
Non-school educational services	419,000	414,000
	<p><b>Strategy:</b> Improve staff productivity, remodel management structures and improve procurement</p> <p><b>Key actions:</b>  Remodel management structures  Revised and standardised procurement methods for home to school transport  Increase staff productivity  Cash limit non-pay budgets</p>	
Supporting people	0	0
Homelessness	0	0

Other cross-cutting efficiencies not covered above		
Corporate services	976,000	549,000
	<p><b>Strategy:</b> Exploit new technology to ensure that our ICT infrastructure is appropriate to our needs, while continuing to improve productivity allowing legislative pressures and other service developments to be addressed within existing resources</p> <p><b>Key actions:</b>  Restructure Finance back-office functions to reduce staffing numbers while maintaining service quality  Review disaster recovery provision for hardware, software and data  Integrate performance management cycle with LSP as well as Council Plan  Increase number of queries handled at customer service centre  Take on additional back-office work within existing resources, including new accommodation project, employment work and single status implementation</p>	

Procurement	185,000	76,000
	<p><b>Strategy:</b> Develop e-tendering and work with partner organisations to achieve contract economies of scale</p> <p><b>Key actions:</b>  Joint procurement initiatives particularly within the Black Country Purchasing consortium  e-tendering  Low value toolkit</p>	
Productive time	630,000	20,000
	<p><b>Strategy:</b> Develop more effective working arrangements, maximising the staff resources that we currently have</p> <p><b>Key actions:</b> Extend the flexitime scheme to allow more flexible working for staff, resulting in increased productivity and potentially lower overtime payments</p>	
Transactions	218,000	37,000
	<p><b>Strategy:</b> Exploit opportunities to reduce transactional costs and increase public choice</p> <p><b>Key actions:</b>  Impact of new financial systems  Increased efficiency of benefits admin</p>	
Miscellaneous efficiencies	0	0
<b>Total</b>	<b>5,402,000</b>	<b>3,466,000</b>

Note: The target for expected annual efficiency gains in 2007/08 is £5.2m at least half of which must be cashable.

# **Dudley MBC**

## **Medium Term Financial Strategy**

**2006/07 -  
2009/10**

## **Purpose of Medium Term Financial Strategy**

1. The Medium Term Financial Strategy (MTFS):
  - Provides a strategic context for the Council's budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council's overall priorities and objectives;
  - Sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties, and the level of Council Tax.
2. The principles underlying the MTFS (which were agreed last year and remain unchanged) are set out in Appendix A and apply to all aspects of Council activity, including the Housing Revenue account (HRA). Details of how these principles have been applied to the HRA in developing its strategy for meeting the Government's Decent Homes target are set out in the relevant HRA budget setting reports.
3. The operational principles of financial management are set out in the Council's Constitution - under the headings of the Financial Management Regime (FMR; Contract Standing Orders; Financial Regulations and Associated Codes of Practice. Together with the MTFS, these documents comprise the strategic and day to day framework for the operation of the Council's finances.
4. The MTFS and principles underlying it will be reviewed each year as part of the annual budget process.
5. The MTFS set out below for the General Fund revenue budget covers 4 years, including the current year.

## **Financial Background**

6. The Council's External Auditor issued an unqualified opinion on the Council's 2005/06 Statement of Accounts, and commented in the most recent Annual Audit Letter that "The Council's financial position continues to be well managed...".
7. The Council's financial strategy for 2006/07 was based on:
  - (a) funding Children's Services pressures in respect of the increasing number of looked after children;
  - (b) funding Adult, Community and Housing Services pressures in respect of the increasing number of adults with learning difficulties;
  - (c) providing for other spending pressures and desirable developments in key frontline services, in line with Council Plan priorities;
  - (d) identifying ongoing savings and efficiency gains;
  - (e) the prudent use of balances, but recognising this would produce an underlying level of recurring expenditure in excess of likely resources;
  - (f) producing an acceptable Council Tax increase.

8. A small working group of Members of the controlling group met several times during the summer and autumn to formulate, in consultation with Directors, spending pressures and savings proposals to be submitted to the Cabinet.
9. Spending pressures and desirable service developments likely to arise over the next 3 years were considered under the following headings:
  - Legislative;
  - Demographic;
  - Customer Driven;
  - Performance Standards / Government Targets;
  - Fall-out of Specific Grants.

Each pressure was fully costed and considered in the light of:

- Its impact on Council priorities;
- A risk assessment of not funding the pressure;
- The possibility of funding from external or capital resources.

10. Likewise, savings options were considered under the following headings:
  - Efficiencies from Value for Money comparison work;
  - Other "Gershon" real cash efficiency savings;
  - Additional income from fees and charges;
  - Additional external funding.
  - Review of low priority spending;

Each saving was considered in the light of:

- A risk assessment relating to achievability;
- A risk assessment relating to service impact;
- Any one-off costs involved in achieving the saving.

### **The Proposed Budget and MTFs**

2006/07

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

	<b>£m</b>
Additional cost of Children's Out-of-Borough Placements and Fostering costs	1.7
Dudley Council Plus staffing costs not yet covered by transfers from Directorate budgets	0.7
<b>Total</b>	<b>2.4</b>
<i>To be funded by:</i>	
Local Authority Business Growth Incentive (LABGI) funding	0.8
Increased net earnings from Treasury Management activities	0.7
General Balances	0.9
<b>Total</b>	<b>2.4</b>

12. The revised overall budget position for 2006/07 can therefore be summarised as follows.

	£m
Original total service budget	197.615
Additional costs (as above)	2.405
Extra income (LABGI and Treasury, as above)	-1.537
<b>Revised total service budget</b>	<b>198.483</b>
Less: Use of Balances	-3.268
<b>Budget Requirement (unchanged)</b>	<b><u>195.215</u></b>

13. In addition, Leisure Centres are unlikely to meet their financial targets in the current year because of reduced income and increasing running costs but action is being taken to contain the increased costs within the total DUE resource base. Additional budget allocations to meet increasing energy costs, improved staff terms and conditions and reduced income levels are proposed for 2007/08.

14. The effect of the 2006/07 estimated outturn on the Council's General Balances is, therefore:

	£m
Balance Brought Forward 1 <sup>st</sup> April 2006	3.3
Revised use 2006/07 (as above)	-3.3
<b>Estimated General Balances at 31st March 2007</b>	<b><u>Nil</u></b>

#### 2007/08 - 2009/10

15. Following a thorough review of earmarked reserves and provisions, the following amounts will be transferred to General Balances at 31st March 2007 and would, therefore, be available to support spending in 2007/08 and later years.

	£m	£m
Revenue Reserves supporting Capital Spending, which can now be financed by "Prudential Borrowing"		
- Capital Reserve	6.66	
- Corporate ICT Strategy	0.35	
- Directorate Reserves	0.48	7.49
Directorate Reserves no longer required		0.74
<b>Estimated General Balance available at 1<sup>st</sup> April 2007</b>		<b><u>8.23</u></b>

16. Depending on the actual phasing of the capital spending referred to above, there will be increased financing costs of about £0.75m per year or a total of about £2.2m over the three year period 2007/08 – 2008/09, leaving a net £6m to be used to support expenditure. This will reduce the overall level of cash backed revenue reserves over the medium term and may reduce future years' budget flexibility. The increased financing costs are included in the base budget forecast set out below.

17. The following table summarises the current budget proposals for 2007/08 - 2009/10 including the proposed use of General Balance of £8.2m to support spending, as detailed in the relevant Budget & Council Tax setting reports.

	2007/08	2008/09	2009/10
	£m	£m	£m
Base Budget Forecast	204.6	211.2	217.6
Efficiency and Other Savings	-3.3	-3.5	-3.5
Extra Funding for Council Plan Priorities & Pressures	5.1	6.0	6.8
Single Status	3.0	4.0	5.0
Local Authority Business Growth Incentive (LABGI)	-0.8	-1.2	-1.5
<b>Total Service Budget</b>	<b>208.6</b>	<b>216.5</b>	<b>224.4</b>
Use of Balances	-4.3	-3.1	-0.8
<b>BUDGET REQUIREMENT</b>	<b>204.3</b>	<b>213.4</b>	<b>223.6</b>
Percentage Increase	+4.7%	+4.5%	+4.8%

18. The broad implications of this proposed budget for each main Service Area are detailed at Annex C.
19. The MTFs is based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended during the course of that year, or indeed over the term of the MTFs. Changes to the assumptions may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources. These assumptions include:
- no further increase in the number of looked after children who are placed outside the borough, and the development of alternative approaches for their social care and education;
  - Single Status costs are no more than estimated, and the costs of any backdating can be capitalised. This will depend on getting a "direction" from the Government, against a background of a limited overall allocation and competing demands from other Councils and is by no means certain.
  - LABGI income is forthcoming as assumed. There is no guarantee of any income, and the LABGI scheme itself may not be extended after 2007/08.
  - the increasing demand for more intensive home care packages and the management of home care waiting lists can be met from within existing budget levels;
  - energy cost inflation does not materially exceed forecast rates when contracts are renewed;
  - general levels of inflation and interest rates to not vary materially from current forecasts;
  - there will be no other unplanned expenditure - or shortfalls in income - which cannot be met from reserves;

- (h) RSG funding increases in line with forecasts, and capping criteria remain in line with current indications.

A summary risk assessment is set out at Annex D.

- 20. The extent to which medium term spending plans are sustainable depends upon many factors, including: the effect of inflation; the Council's capacity to deliver economies and efficiencies; the Government's commitment to funding pressures through grant and keeping council tax increases low; pressures to spend on services. Each of these factors is in itself a difficult variable to accurately predict.

However, there are some basic assumptions we can make, and these are:

- (i) Pressures upon services are likely to continue;
- (ii) Inflationary pressures will continue to affect the level of future pay awards and spending levels;
- (iii) The MPC will continue to use interest rates to control inflation, and actual levels of interest rates will become more difficult to forecast accurately;
- (iv) The continued use of balances to support ongoing spending is not sustainable in the medium to long term.

- 21. With regard to 2008/09 and 2009/10, having taken into account:

- expenditure forecasts as set out above;
- estimated resources from Central Government;
- the potential to generate further balances;
- the potential to generate further efficiency and other savings;

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

- 22. In order to ensure that the Council can properly manage its financial affairs over the medium term, the strategy must therefore be to continue to:

- (a) review spending and resource forecasts on an ongoing basis;
- (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
- (c) seek further efficiency and other savings, although the scope for this is becoming more and more limited;
- (d) seek opportunities for additional external funding;
- (e) take action to replenish General Balances;
- (f) review risks and uncertainties and any other relevant factors;
- (g) set appropriate levels of council tax.

23. In addition, the Government's response to the findings of the "Lyons Inquiry" into Local Government Finance which is now intended to consider both the functions and funding of local authorities might clearly have significant implications for the Council's future finances.

### Partnerships

24. The MTFS set out above reflect the Council's revenue commitments in respect of the following financially significant partnerships.

	<b>2007/08 Contribution £m</b>
<b>Safe &amp; Sound (Crime Reduction Partnership)</b> - partnership with Police, PCT, Voluntary and Private Sector responsible for Community Safety issues.	0.5
<b>Black Country Consortium</b> - partnership of the 4 Black Country Councils to co-ordinate sub-regional strategies and areas of common working.	0.4
<b>Substance Misuse</b> - partnership with PCT to provide rehabilitation services for adults with misuse needs.	0.1
<b>Community Equipment Store</b> - partnership with PCT to provided aids for intermediate care and rehabilitation.	0.8
<b>Ridge Hill Learning Disability</b> - partnership with PCT to improve quality of life for people with severe learning disabilities.	0.2
<b>Community Learning Disability Team &amp; Special Needs Register</b> - partnership with PCT to provide assessment, care, management & commissioning for clients with learning disabilities.	0.9
<b>Children's Placements Pooled Budgets</b> - partnership with PCT to commission placements for children with severe disabilities who require an Out of Borough or Voluntary / Independent sector placement.	1.2
<b>Health Promoting Schools</b> - partnership with PCT to promote healthy living to children.	0.1

Spending forecasts for 2008/09 and 2009/10 reflect an uplift of the above commitments for inflation where relevant. The Council will use its Partnership Evaluation Tool to ensure that these and other partnerships continue to be appropriate means of delivering its aims and objectives in a value for money manner.

### Links with other Strategies

25. The MTFS is consistent with the Council's other Plans and Strategies, which in turn reflect the resources likely to be available over the MTFS period. In particular:

#### **Community Strategy and Council Plan**

26. As described above, all proposals to increase or reduce spending have been specifically considered in the light of their impact on *Council Plan* priorities, the Council Plan's key themes having been devised to meet the aspirations of the *Community Strategy 2005-2020*. The Council Plan detailed targets will be updated in due course to reflect the resources allocated to services as part of the MTFS.

## **Human Resources**

27. The Council's *Human Resources (People Management) Strategy* reflects a number of key challenges identified in the MTFS, including:
- implementation of the national Single Status agreement and development of a new pay and reward strategy for the council;
  - procurement of services and becoming an enabler of provision through managed services rather than a direct provider;
  - delivery of efficiency gains.

## **Information & Communication Technology (ICT)**

28. Further development of the Council's ICT capabilities as identified in the *ICT Strategy* will play a key role in delivering better and more efficient services within the resource constraints of the MTFS. The resources allocated to ICT within the MTFS in turn reflect the need for such development, whilst efficiencies resulting from the restructuring of the ICT Services Division are directly contributing to the overall need for efficiency gains.

## **Procurement**

29. The Council's *Procurement Strategy* is a key tool in ensuring the MTFS can be delivered, particularly in ensuring Value for Money is obtained in all procurement decisions. This Strategy also reflects the increasing importance of working in partnership with other organisations (whether commercial or voluntary etc.) to deliver the Council's objectives.

## **Capital Strategy and Asset Management**

30. Good management of the Council's assets, in accordance with the *Corporate Property Policy* will continue to make an ongoing contribution to the provision of Value for Money services. The MTFS reflects the allocation of the necessary revenue resources to Asset Management to ensure that the objectives of the Corporate Property Policy are achieved.

In addition, the MTFS reflects the debt charges on Capital expenditure which will enhance and improve the Council's asset base via the *Capital Strategy* and the detailed *Capital Programme* - which themselves are aligned with the Corporate Property Policy.

## Underlying Principles of the Medium Term Financial Strategy

### **General**

1. The Council's financial planning and budgeting will be undertaken on a medium-term basis (at least 3 years).
2. The starting point for each year's budget and the MTFS will be the previous year's "base budget", plus appropriate provision for anticipated:
  - Pay & price inflation;
  - Capital Programme implications (debt charges and running costs / savings);
  - Changes in functions and funding arrangements;
  - Fallout of specific grants and other income;
  - New specific grants;
  - Treasury activities impact (investment & borrowing rates);
  - Other necessary adjustments.
3. The Council's final budget and MTFS will be determined according to the Council's priorities, as set out in the Community Strategy, Council Plan, and Service Strategies, ensuring that funding is allocated according to the corporate vision, aims, and objectives.
4. Detailed Directorate budgets will flow from the MTFS, with provision for pay and price inflation, etc. allocated to directorates, together with the financial impact of specific growth and savings items.
5. Directorate Business Plans will reflect the resources allocated to Directorates as part of the MTFS and set out how services will be delivered and improved within these constraints.
6. The Council's budget will be linked to performance to enable the effectiveness of the allocation of resources to be fully assessed.
7. Directors are responsible for delivering planned service outputs within cash-limited budgets.
8. The financial implications of the Council's partnership working will be reflected in the MTFS.
9. An annual Budget Review process will be undertaken by Directors and Members in accordance with an agreed plan and timetable with the objective of setting the following year's Budget and Council Tax and reviewing the MTFS. The detailed review process to be used will be subject to annual revision as necessary.
10. A diagram showing how the Budget fits into the annual planning cycle is shown at Annex B.

## **Reserves and Balances Policy**

11. Directorates may establish earmarked reserves from within their cash-limited budgets to fund future service developments (in line with Council priorities) or expenditure of an uneven nature (e.g. renewal of equipment).
12. Services operated on a trading basis (internal or external) may also establish reserves to balance profits and losses over the medium term.
13. As part of each year's budget review process, all earmarked reserves will be reviewed by Directors in consultation with Cabinet members. Any reserves no longer required for their original purpose will be transferred to General Balances.
14. A Corporate "Reserve of Last Resort" will also be maintained to cover unforeseen events that cannot be met from within cash-limited budgets, earmarked reserves, or uncommitted General Balances.
15. General Balances will be managed to enable spending pressures and resources to be balanced over the medium term.
16. In accordance with legislative requirements, the Director of Finance will report to the Council (when considering the budget for the following financial year) on the adequacy of the proposed levels of reserves.

## **Risk Assessment and Management**

17. A comprehensive financial risk assessment will be undertaken for all parts of the revenue and capital budgets, including any lessons learned from previous experience. The significant risks will be reported to Members for consideration when setting the budget and Council Tax, and when approving Capital projects as appropriate. These risks will also be taken into account when determining appropriate levels of reserves as set out above.
18. A specific risk assessment will also be undertaken for any proposals to increase or reduce expenditure.
19. Financial and other risks will be actively managed as part of the Council's established policies and procedures.
20. Directorates are required in the first instance to manage financial risks and accommodate unforeseen expenditure and/or income shortfalls from within their cash limited budgets or from their earmarked reserves - only seeking allocations from General Balances where this is proven to be impossible.

## **Income**

21. Each Directorate will undertake an annual review of all fees and charges - and of spending areas where charges are possible, but are not currently made.
22. Any cost subsidy (i.e. less than full cost recovery) must be justified in terms of its contribution to the Council's strategic aims.

23. Directorates will also monitor on an ongoing basis all opportunities to generate extra income to meet new service pressures or fund existing expenditure, thereby reducing pressures on bottom line budgets and Council Tax.

### **Value for Money - Comparative Spend & Performance**

24. Comparative spending and output data from other Councils will be used to produce an annual Value for Money (VFM) summary indicating those areas where significant resources might be freed up, or outputs increased for the same cost, by moving towards the position of best-performing Councils.
25. Directors will produce an action plan for each area identified and report back to Members on progress as part of the following year's budget review process.

### **Value for Money - Efficiency Review**

26. In addition to the targeted VFM work described above, all services will be subject to regular efficiency reviews to ensure the best use is being made of resources across the Council.
27. Each year the Council will also produce an Annual Efficiency Statement (AES) setting out how it plans to achieve the required level of "Gershon" efficiencies. This process will be integrated with the Council's budget review process and any efficiencies which have a cash impact will be reflected in the Budget and MTFP.

### **Budget Realignment - Other Savings**

28. Each year all revenue budgets will be reviewed as part of an overall agreed process and timetable to assess their contribution to the Council's strategic aims. Particular focus will be on those areas of non-statutory expenditure, or where spend is in excess of statutory levels.
29. As a result of the above, proposals will be brought forward for resources to be redirected to higher priority services over the medium term in the light of the Council's overall financial position. A risk assessment will be made of the potential impact of all such proposals (in terms of service outputs, and achievability), and considered by members prior to approval.
30. Once approved, the implementation of any budget reductions will be monitored as part of normal budget and output monitoring processes.

### **Budget Realignment - Pressures and Growth**

31. As part of the annual budget review, proposals will also be considered for additional expenditure to meet spending pressures and service development in line with the Council's priorities.
32. Proposals will be prioritised in terms of their necessity and contribution to the Council's priorities. A risk assessment will also be made of the impact of not taking the proposal forward.

33. A growth package will be agreed in the light of overall resource availability.
34. The impact of agreed budget increases on service outputs will be monitored as part of the Council's overall performance monitoring processes to ensure that the intended outputs have been achieved.

### **Capital Programme**

35. The Council's Capital Programme will complement the revenue budget in achieving the Council's priorities. It will be constructed and developed in accordance with the principles outlined in the Council's approved Capital Strategy.
36. All known revenue costs arising out of capital spend will be included in the revenue budget.
37. Where proposals are made to use the flexibilities offered by the "Prudential Borrowing" regime to undertake unsupported borrowing, these (and their revenue implications) will be considered as part of the annual budget review process in the light of overall revenue resource availability and the contribution of the proposed expenditure to achieving the Council's aims.

### **Treasury Management**

38. All borrowing and/or investment activity will be carried out in accordance with the approved Treasury Management Strategy and Treasury Policy, and within the Prudential Indicators set annually by the Council.
39. This will include forecasting the main Balance Sheet items at least 3 years forwards to ensure optimal borrowing / investment decisions, and as a basis for subsequent monitoring.

### **Performance Management**

40. The delivery of required service outputs and the achievement of financial performance targets will be monitored by budget holders and reported to Cabinet as part of the quarterly Performance Monitoring report, as an integral part of the Council's performance management framework.
41. As set out above, particular emphasis will be given to monitoring the impact of budget growth and savings.

### **External Funding and Partnerships**

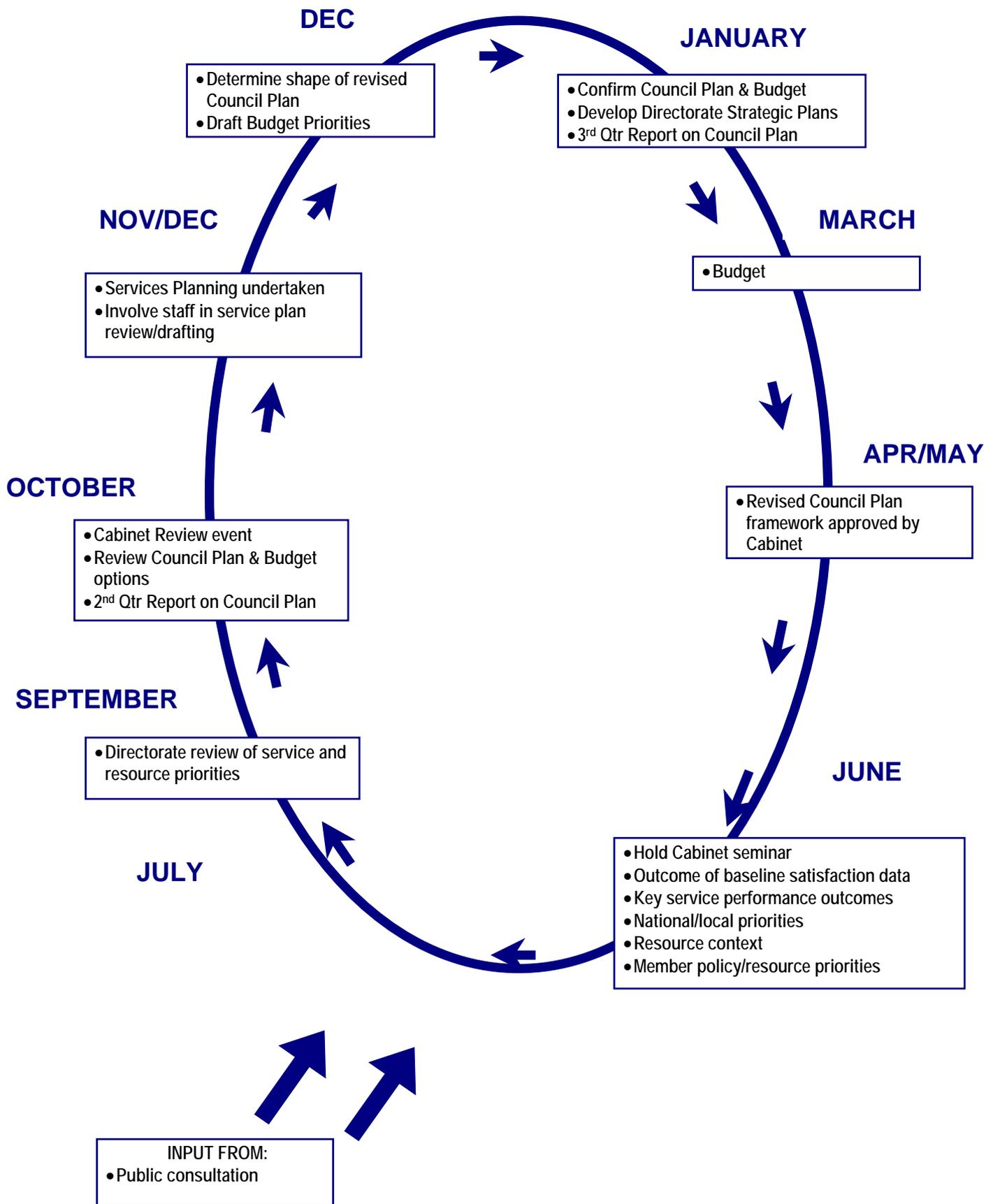
42. In addition to income from fees and charges discussed above, the Council will maximise external funding in the form of specific grants from the Government and other sources towards expenditure which will enable its aims and objectives to be achieved.

43. With regard to specific grants, the anticipated level of funding (where known) over the medium term is taken into account when reviewing budgets as part of the MTFP - particularly where new/ increased grant funding can contribute to meeting budget pressures, or where the fallout of existing grant may create a budget pressure in itself if the need for the underlying expenditure is ongoing.
44. With regard to partnerships, the Council will use its Partnership Evaluation Tool to ensure that its many partnerships continue to be appropriate means of delivering its aims and objectives in a value for money manner. For the key partnerships operating throughout the Council, the joint plans agreed with partners and other stakeholders will include detailed financial elements - including each partner's medium term financial (or other resource) commitment. These will be consistent with the Council's budget and MTFP.
45. The Council will also seek to ensure where possible that the mainstream budgets and financial plans of our partners reflect the Council's (and the community's) priorities.
46. For all time-limited sources of funding or partnership support, an exit strategy will be put in place.

### **Consultation**

47. The Community Strategy and Council Plan which determine the priorities for the MTFP, Capital Programme and annual revenue budget are subject to extensive consultation with the general public and other stakeholders and partners.
48. In addition, public consultation will be undertaken as appropriate during the budget process using the Citizens' Panel and/or other options such as public meetings and the Internet in accordance with the Council's Consultation strategy. The Citizens' Panel consultations are undertaken in collaboration with some of our major partners, and the results shared with them so that any necessary action can be considered by the most appropriate party.
49. In accordance with the Council's Constitution, the Select Committees are consulted on the Cabinet's budget proposals and any related specific issues relevant to their Council Plan and service responsibilities in the January cycle. In framing their responses, the Select 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.
50. The Council is required by law to consult with representatives of Business Ratepayers each year before the final budget and Council Tax are agreed.

**Corporate Planning Cycle - Overview**



## **Implications of Proposed Budget for Main Service Areas**

### **Community Safety and Community Services**

1. The Community Safety budget continues to support the Council's obligation and duty under section 17 of the Crime & Disorder Act 1998, which requires the Council to consider the implications for Crime and Disorder in the borough of every decision it makes. In effect, no such decision should have the effect of worsening the safety of local people, and, wherever possible should improve their safety. It further supports the successfully merged Crime & Disorder Reduction Partnership (CDRP) and the Drug & Alcohol Action Team (DAAT) under the auspices of the new Safe and Sound Partnership
2. The Community Safety budget is directed largely by the priorities expressed within the Borough's Community Safety Strategy 2005/2008. That includes three now completed Local Public Service Agreement (LPSA) targets for crime and substance misuse that the Council and its partners have achieved in full generating significant additional reward grant into the borough. This considerable achievement is one of the outcomes of the sustained reduction in overall crime within the Borough, and reflects the ever increasing range and success of partnership responses in tackling crime and anti-social behaviour.
3. Further development that will be introduced during 2007/08 include the 'Respect Action Plan' that the Council and its partners are currently working on, supported by additional Government funding of £50,000 to provide specific parenting support. We are also on course to establish a distinctive Anti-Social Behaviour Unit to co-ordinate the resources of the partnership more effectively to target perpetrators accompanied by a comprehensive ASB prevention strategy.
4. From April 2007 we, in conjunction with the Dudley Community Partnership, will be implementing the new Local Area Agreement (LAA). This involves a number of stretched targets drawn from the Community Safety Strategy and will see the pooling of a number of national funding programmes including the 'Building Safer Communities Fund' and 'Neighbourhood Renewal Fund' that have been applied in the past for community safety measures, and will continue to be used to achieve the key targets identified within the LAA.
5. Through the Civil Contingencies Act, the Government has given local authorities a clear set of roles and responsibilities. It is intended that civil protection will be fully integrated into mainstream auditing processes, and individual local authorities' performance in this area is one of the elements for consideration through the Comprehensive Performance Assessment process.

### **Regeneration, Culture and Adult Education**

#### **Adult Education and Libraries**

1. 2007/08 will again be a challenging year for Adult Education and Library services with increased expectations by Central Government and the general public for the modernisation of services. Significant proportions of the budgets within Adult education are externally funded and thus are dependent on the success of future bids.

Modernisation of the library service will generate efficiency savings which will be reinvested in order to meet national Library standards.

## **Regeneration and Culture**

2. Of the total proposed extra spending of £1.58m on the Urban Environment, £0.875m relate to Regeneration & Culture, as follows:
- a) For a number of years there have been underlying problems in balancing the Leisure Centres budget but this has been managed within the total budget of the Directorate of the Urban Environment. In the current year the estimated net shortfall is £700,000 which relates to improvements made to staff terms and conditions, energy costs still being above the available budget, the underachievement of income targets at specific facilities and a number of exceptional 'one-off' items. Consequently, funding increases of £540,000 have been proposed for 2007/08 to resolve the underlying Leisure Centres budgetary problems.
  - b) Additional resources were made available in the 2006-07 budget to support Parks Development and the longer term delivery of the Liveability Project. Specifically the budget is being utilised to recruit additional parks based staffing, to mainstream parts of the Local Involvement Team and to provide additional resources to maintain facilities and improvements delivered by the Liveability Project. It is proposed that a further increase of £25,000 is made in the 2007-08 budget (£50,000 in 2008/09) to give additional support to this work.
  - c) £30,000 (in addition to £70,000 in 2006/07) for ongoing development of a series of Town Centre events in the Borough to add vitality to the Centres, increase visitor numbers and enhance the visitor economy.
  - d) £30,000 (in addition to £75,000 in 2006/07) which will rise to £55,000 in 2008/09 for further development of external funding applications and pump-priming for external grants.
  - e) £5,000 (in addition to £30,000 in 2006/07) to support Tourism development projects.
  - f) £40,000 (in addition to £240,000 in 2006/07) which will rise to £60,000 in 2008/09 for Planning and Development Control, including the development of planning on-line, implementation of Local Development Frameworks and some funding for Economic Development Division to support the planning process.
  - g) £80,000 for additional staff and electronic service delivery specifically to strengthen the role of compliance and enforcement of Planning conditions and enable delivery of the new Planning system (Local Development Framework).
  - h) £75,000 to fund up to two posts to enhance the capacity of the existing Health and Safety team and help develop a more robust safety culture, as well as contribute to a more proactive approach to safety management and training.
  - i) Capital financing costs (£50,000) in relation to total capital expenditure of £500,000 towards improvements to help meet key DDA and other access requirements in Borough Halls, Museums and Leisure Centres.

3. The following efficiency and other savings are proposed in the Directorate of the Urban Environment:
  - a) It has been Council policy for the past few years to 'ring fence' surpluses made at Himley Hall and Park for use on improvements at the site and recent examples of the use of surpluses include the re-laying of the Central Drive and the renewing of perimeter fencing. Given the surpluses achieved in the last three years, the net income target for the Hall and Park in 2007/08 has been set at £75,000.
  - b) In the current financial year the Borough Festival budget is £30,600 which has been utilised to fund a summer events programme at Himley Park and provide support to community based events throughout the Borough. It is proposed that for 2007-08 the budget be reduced by £15,000 which will reduce the range and number of events that can be supported.
  - c) Following staffing restructuring and the allocation of support costs which have been implemented in the current year, total savings of £101,000 can be made in 2007/08.
4. The following efficiencies and other savings are also proposed:
  - a) **Directorate of Finance, ICT and Procurement** – efficiency savings totalling £374,000 (increasing to £411,000 by 2009/10) largely through restructuring within the ICT Services division, increased benefit subsidy (reflecting current levels) and treasury management activity.
  - b) **Directorate of Law and Property** – savings of £205,000 from revised assumptions on Repairs & Maintenance programme costs and procurement efficiencies; restructuring and increased Land Charges income. Further savings of £15,000 per year should also be possible from 2008/09 as a result of redesigning the Asset Management System.
  - c) **Chief Executive's Directorate** – efficiency savings of £50,000 in 2007/08 and later years resulting from the centralised management of the Human Resources function and in subsequent years a move to "self-funding" of the Credit Union.
5. In addition, increased resources of £119,000 are proposed for Civic Events - e.g. St. George's Day Parade and to meet the increasing costs of administering postal votes.

### **Children's Services**

1. An additional £2m in 2007/08 will enable the Directorate both to deal with the increased costs of meeting the needs of children in care, particularly where these needs are specialised and cannot be met within Council provision; and to invest further in preventative work. The national trend is for a continued significant increase in expenditure in the cost of external placements.
2. The Early Years, Youth and Education Services Division is being restructured which will reduce costs by £140,000.

3. The costs of home-to-school transport will be reduced by a total of £210,000 by strict application of the eligibility criteria and by reducing the entitlement to statutory requirements.
4. Expenditure on the Ethnic Minority Achievement Service has been supported following successive years of cuts in the DfES grant totalling £400,000. Without continuing Government support funding at previous levels is unsustainable and for 2007/08 expenditure will be reduced by £100,000, still leaving the Council's spending some £300,000 above the level of Government grant. The reductions will be implemented so as to minimise cuts to front-line services.
5. Expenditure on the Youth Service will be reduced by £100,000; so far as is possible the reduction will be implemented to minimise impact on front-line services. The details of these savings will be determined in light of the Ofsted report on the Youth Service following the inspection in May 2006.
6. Economy and efficiency measures will also be implemented across the Directorate, including strict application of all eligibility criteria and maximisation of grant and other income which it is estimated should save in the order of £126,000.

## **Environment**

1. Of the total proposed extra spending of £1.58m for the Directorate of Urban Environment, the following items relate to the Environment.
  - a.) £300,000 to complete the introduction of Green Waste Collection requiring funding for additional staff, haulage, disposal and green bin costs.
  - b.) Following growth of £170,000 in 2006/07 provided for Street Cleansing and Litter Removal, a further £55,000 will provide an additional Mini Sweeping in support of existing litter education and enforcement action and compliance with national cleanliness standards.
  - c.) £100,000 (£200,000 in 2008/09) to enable additional Borough roads to be resurfaced or repaired as a follow on from £1m LPSA funding.
  - d.) Capital financing costs of £40,000 in relation to total capital expenditure of £500,000 to replace dangerous, time-expired and missing Street Signage.
  - e.) Capital financing costs of £15,000 in relation to total capital expenditure of £250,000 for structural work to Bridges and Dangerous Structures.
  - f.) Building on previous investment in this area, £30,000 for additional Traffic Management resources to deal with the increased challenges of congestion and accessibility planning.
  - g.) Capital financing costs of £55,000 (£80,000 in 2008/09) as part of phased implementation of wheelie bins over a three year period.
  - h.) £10,000 (£15,000 in 2008/09) to support increased enforcement obligations in relation to new smoking in public places regulations.

- i.) £100,000 for increased insurance and legal compliance costs arising from the five year review of the Waste Disposal Contract.
2. In addition, for the introduction of Civil Enforcement of Parking, work continues on checking and putting in order Traffic Regulation Orders as a prerequisite to assuming civil enforcement powers and on-street validations. This will be funded by Reserves prior to the scheme becoming self-financing.
  3. Efficiencies and other savings for 2007/08 comprise the following items:
    - a.) £540,000 increase in income from Car Parking Charges following a comprehensive review of parking tariffs and season ticket costs, reinvesting £200,000 (net £340,000 saving) to improve the parking environment mainly through improved security. Proposals will be carefully linked to regeneration initiatives in town centres and the introduction of car park charging at Merry Hill.
    - b.) £18,000 increased revenue due to a successful Roundabout Sponsorship campaign.
  4. Expenditure on non-landlord housing services will be sustained at the same level in real terms as in previous years.

### **Health and Adult Social Care**

1. 2007/08 will again be a difficult year for adult social care, as the expectations of Central Government and the general public rise with limited increased resources available to meet these expectations.
2. In addition to the effect of changes in funding and provision for pay and prices, there are a number of significant pressures for which an additional net funding of £1.4m has been identified for 2007/08.

#### **Learning Disability - £1m**

3. The Directorate faces significant increased demand for services to support clients with a learning disability. With improvements in medical and social care, the life expectancy of clients with a learning disability has grown, thus many clients now have elderly carers who cannot continue the support they have given previously, as they too become frail. These additional resources will meet the full costs of 15 clients in accessing either residential or supported living, whichever is appropriate.

#### **Independent Sector Residential / Nursing Home costs - £0.4m**

4. Additional resources are necessary to ensure the continued effectiveness of the sector and to maintain and improve current standards.
5. Cost pressures are being addressed through efficiency savings, modernisation and redirections of existing resources to front line care services. The following initiatives have been taken to generate resources for redirection.

6. Efficiency savings will be possible from Directorate staff turnover and also savings in management costs following the modernisation of Learning Disability services which together should produce net cashable gains of £0.52m each year.
7. Increased levels of income of £0.2m are expected in the year as a result of the final year's phasing out of protection on assessed charges for some clients receiving care at home
8. The Directorate is committed to improving services and care to older people. The new Housing with Care initiative will enable us to provide better care for Older People in accommodation which provides a better quality of life outside of the more institutional care arrangements traditionally provided through residential care. Reprovision of an existing Older Persons Home will enable improved care and allow resources (£0.2m) to be made available to meet costs pressures in other parts of the service
9. The use of £0.55m of supporting people grant to fund appropriate placements for clients with a learning disability will free up resources available to meet other budget pressures.

**Risk Assessment**

1. The following table sets out the significant risks which Members must consider prior to agreeing a budget and MTFs, albeit that these risks become more difficult to assess within a medium term timescale.

<b>Risk</b>	<b>Impact</b>
<ul style="list-style-type: none"> <li>• General inflation higher than budgeted</li> </ul>	<p>We have assumed general price inflation will average at around 2% over the MTFs period which is in line with the Treasury's current forecasts. A higher allowance has been made for utility costs reflecting current market trends.</p> <p>A further 1% increase would cost the Council (excluding Schools) around £0.8m extra per year</p>
<ul style="list-style-type: none"> <li>• Staff pay awards higher than budgeted</li> </ul>	<p>We have assumed staff pay awards of 2.5% for each year. A further 1% increase would cost the Council around £1.2m extra per year.</p>
<ul style="list-style-type: none"> <li>• Income levels not achieved</li> </ul>	<p>A 1% loss of income (excluding grants &amp; interest) would cost the Council around £0.4m per year.</p>
<ul style="list-style-type: none"> <li>• Interest rates higher / lower than expected</li> </ul>	<p>The draft budget assumes increases in interest rates during 2007/08 with some reductions towards the year end. A 1% change in interest rates would not have a material impact as the majority of borrowing is at fixed rates, and estimates of interest earnings are cautiously prudent.</p>
<ul style="list-style-type: none"> <li>• Other unplanned events</li> </ul>	<p>Unforeseen costs or costs greater than estimated</p>
<ul style="list-style-type: none"> <li>• Single Status</li> </ul>	<p>Figures included in spending forecasts are based on best estimates at this time, but the impact may be significantly different once details emerge and negotiations commence. In addition, there is no certainty that the full costs of any agreed backdating can be capitalised.</p>
<ul style="list-style-type: none"> <li>• LABGI</li> </ul>	<p>There is no guarantee of any income, and the LABGI scheme itself may not be extended after 2007/08.</p>
<ul style="list-style-type: none"> <li>• Medium term spending plans may not be sustainable</li> </ul>	<p>Use of Balances to cover ongoing spending is not a viable long term strategy. Action will be required in future years to replace the use of Balances by bringing spending and resources into line.</p>
<ul style="list-style-type: none"> <li>• Capping</li> </ul>	<p>It is impossible to know in advance of setting any future budget what the capping criteria will be, as they are not pre-set and have varied in previous years. The Council can, at best, take a view as to whether its future spending plans are potentially excessive year-on-year. The Secretary of State has indicated that for 2007/08, Council Tax rises should be less than 5% per year.</p>

2. Any unbudgeted costs would have to be met from economies or reductions in planned spending in the year or from balances. If it is necessary to make additional calls on general balances in 2007/08, this will reduce the amount available to support spending in later years and therefore increase the potential shortfall in resources referred to in paragraph 21 of the MTFS.
3. As set out in the relevant budget reports, there are £2m in working balances to meet unforeseen events and it is considered that many of the remaining balances, if required, could be used in the short term to cover unforeseen budget pressures. These would, however, have to be replenished in future years.