
Health Scrutiny Committee – 21st January 2016

Joint Report of the Chief Executive, Chief Officer (Finance and Legal Services) and Strategic Director People

Medium Term Financial Strategy

Purpose of Report

1. To consult the Scrutiny Committee on the updated Medium Term Financial Strategy (MTFS) to 2018/19, approved by Cabinet on 18th January as a basis for further consultation, with emphasis on those proposals relating to the committee's terms of reference.
2. For this committee the directly relevant items are those relating to the proposed Public Health budget in paragraphs 37 to 38. Members may also wish to consider any of the proposals in terms of their wider impact on health and wellbeing.

Background

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

Forecast 2015/16 Position

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

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

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

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

General Fund Balances

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

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

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

Medium Term Financial Strategy to 2019/2020

10. In updating the Council's Medium Term Financial Strategy, Members will need to consider carefully:
 - (a) the levels of Government support allocated to the Council;
 - (b) spending pressures, opportunities to free up resources (including savings), and Council Plan priorities;
 - (c) the implications of spending levels in later years as part of the Council's medium term financial plan;
 - (d) the views of consultees;
 - (e) the external factors and risks inherent in the Strategy;
 - (f) the impact on Council Tax payers.
 - (g) the potential impacts on people with protected characteristics as defined in the Equality Act 2010. Members will need to have due regard to the public sector equality duty under the Equality Act 2010. (Further details are set out in the Equality Impact section below.)

Government Funding

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

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

Council Tax and Business Rates

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

Integrated Transport Authority Levy

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

Base Budget Forecasts

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

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

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

Notes:

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

Spending Pressures

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

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

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

Savings

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

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

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

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

Public Health

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

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

Medium Term Financial Strategy

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

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

40. The table above assumes that Council Tax, including the Social Care Precept, increases by just under 4% for each year of the MTFS. This would not require a referendum in accordance with Chapter 4ZA of Part 1 of the Local Government Finance Act 1992.
41. This represents an improvement compared with the position reported in October. However, members should note:
- The improved forecasts involve significant new challenges to control expenditure (in particular the cash-limiting of non-pay budgets and the management of National Living Wage pressures in Adult Social Care).

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

Estimates, Assumptions & Risk Analysis

42. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which are subject to continuous review. These may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources, and include:

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

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

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

Consultation

- 43. This year's public consultation has mainly utilised the successful online channels of the e-bulletin, internet and social media, with hard copy, printed versions available in borough libraries and Dudley Council Plus through a consultation which will continue to run until the end of January. The results will be reported to Cabinet in February.
- 44. Detailed consultation is also being undertaken with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equalities issues. Further information is set out in the Equality Impact section below. Unions are being consulted in the context of the redundancy process.
- 45. A consultation document was distributed to representatives of Non-Domestic Ratepayers setting out the provisional budget proposals agreed in October. Further detailed information (as required in pursuance of the statutory duty to consult) will be distributed in February for comment before the Council Tax setting meeting.
- 46. In accordance with the Council's Constitution, the Scrutiny Committees were asked to consider the issues set out in the October report and any related specific issues relevant to their Council Plan and service responsibilities in the November cycle. In framing their responses, the Scrutiny Committees were asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.
- 47. Scrutiny Committees are being asked to consider the issues and revised proposals set out in this report and any related specific issues relevant to their Council Plan and service responsibilities. For this committee the directly relevant items are those relating to Public Health in paragraphs 37 to 38. Members may also wish to consider any of the proposals in terms of their wider impact on health and wellbeing. The Strategic Director (People), as well as representatives of all directorates, will be available at the meeting to address any queries. In framing their responses, the Scrutiny Committees are asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.

Finance

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

Law

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

50. The Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves and this will be included in the final budget report.
51. The Localism Act 2011 introduced a new chapter into the Local Government Finance Act 1992 making provision for council tax referendums to be held if an authority increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons.

Equality Impact

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

56. Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

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

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

Recommendations

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



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List of Background Papers

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

Changes compared with October report

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

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

Appendix B

Spending Pressures

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

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

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

Proposed Savings

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

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

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

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

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

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

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