

Meeting of the Cabinet – 11th February 2019

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

Revenue Budget Strategy and Setting the Council Tax 2019/20

Purpose of Report

1. To recommend to Council 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 2019 to 31st March 2020.

Recommendations

2. That Cabinet recommends the Council notes:
 - (a) The actions of the External Auditors as set out in paragraph 13.
 - (b) The forecast variances to budget in 2018/19 and progress with delivery of savings set out in paragraph 14 and Appendices A and B.
3. That Cabinet recommends to Council that, with effect from 1st April 2019 for properties which have been empty (i.e. unoccupied and unfurnished) for more than two years, an Empty Homes Premium of 100% is applied, resulting in a 200% Council Tax charge being payable in these circumstances.
4. That Cabinet authorises the Chief Officer Finance and Legal Services, in consultation with the Cabinet Member for Finance, Council Sustainability and Transformation and the Opposition Spokesperson for Finance and Legal Services to approve any minor changes to the budget proposals resulting from final decisions on the West Midlands Combined Authority Transport Levy and non-transport funding contributions, as set out in paragraph 43.
5. That, subject to any amendments arising from the above, Cabinet recommends the Council approves the following:
 - The budget for 2019/20, and Directorate allocations (including the Public Health budget) as set out in the report.

- That the statutory amounts required to be calculated for the Council's spending, contingencies and contributions to reserves; income and use of reserves; transfers to and from its collection fund; and Council Tax requirement, as referred to in Section 67(2)(b) be now calculated by the Council for the year 2019/20 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government and Finance Act 1992 as shown in Appendix L of this report.
- That, having calculated the aggregate in each case of the amounts in Appendix L, the Council, in accordance with Section 30(2) of the Local Government Finance Act, 1992, agrees the following levels of Council Tax for Dudley Council services for 2019/20.

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
885.74	1033.36	1180.98	1328.60	1623.85	1919.10	2214.34	2657.21

- The Medium Term Financial Strategy as set out in the report.
 - The Pay Policy Statement 2019 as set out in Appendix N.
6. That Cabinet recommends the Council determines that a referendum relating to Council Tax increases is not required in accordance with Chapter 4ZA of Part 1 of the Local Government Finance Act 1992.
 7. That Cabinet recommends the Council to authorise the Cabinet Members, Chief Executive, Strategic Directors and Chief Officers to take all necessary steps to implement the proposals contained in this report, in accordance with the Council's Financial Management Regime.

Background

8. At its meeting on 25th October 2018, the Cabinet approved a preliminary budget strategy as a basis for consultation. This report sets out latest proposals taking into account changes to projected spending and resources resulting from the ongoing review of forecasts and assumptions. Changes to forecasts compared with the figures reported in October are set out in Appendix C.

Consultation on Budget Proposals

9. A consultation on budget proposals for 2019/20 was launched on 14th December. A total of 259 valid responses were received up to 24th January. These are summarised at Appendix D. The closing date of the consultation is 10th February and a summary of final results will be included in the report to Council on 25th February.

10. Scrutiny Committees considered the provisional budget proposals in their November cycle of meetings. The Overview and Scrutiny Management Board (OSMB) also considered these matters at its November meeting. The proposals were noted by each Scrutiny Committee. The OSMB noted the work of the Committees and requested that Children's Services Scrutiny Committee consider the review of Children's transport in more depth.
11. A link to the report to Cabinet on 25th October was distributed to representatives of Non-Domestic Ratepayers, in pursuance of the statutory duty to consult. Further detailed information (as required under the statutory duty) is being distributed, and any comments will be reported to the Council Tax setting meeting on 25th February.

External Audit

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

Forecast 2018/19 Position

14. The Council started the year with a low level of revenue reserves. As at 31st March 2018 unringfenced revenue reserves as a proportion of the net revenue budget were 25% (compared with the national average of 40%). The original budget for 2018/19 was set at a level that would further reduce general reserves by £7.4m. Forecast variances compared with budget are shown in Appendix A and summarised below:
 - The People Directorate is forecast to spend in line with its budget by the end of the financial year. However, there are continued pressures within Children's Services offset by forecast underspending in Adult Social Care, Integrated Commissioning and Health and Wellbeing. The Government awarded the Council £1.6m of Winter Pressures grant for Adult Social Care in 2018/19, and this is budgeted to be fully spent in the year.

¹ The External Auditors retained their previous Value for Money qualification in respect of the 2016 OFSTED inspection of Children's Services. OFSTED has now removed the rating of "inadequate" for Children's Services and this will be taken into account by the External Auditors in their next audit.

- The People Directorate is experiencing pressure on the High Needs Block arising from a significant increase in the number of children and young people for whom an Education, Health and Care Plan (EHCP) is appropriate and who require additional support to attend school. This reflects a national trend. An additional £0.7m of Government grant has been announced for 2018/19 and a further £0.7m for 2019/20. Even with this additional funding, the budgetary challenge remains significant. Every effort is being made to address this pressure through robust assessment processes for EHCPs, development of the capacity of mainstream schools to support students with additional needs, and redirection of funding from mainstream education into the High Needs Block. This pressure sits within the Dedicated Schools Grant and as such is not included in Appendix A.
 - The Place Directorate is forecast to overspend by £0.4m by the end of the financial year. There are pressures in Environmental Services and Regeneration and Enterprise, partially offset by a forecast underspend in Housing.
 - The Chief Executive's Directorate is forecasting a favourable variance of £1.1m as a result of reduced costs of settling insurance claims, additional income from recovery of benefit overpayments and vacancies.
 - Treasury / Corporate savings of £0.2m are anticipated mainly as a result of cash flow.
 - Funding adjustments have resulted in extra net income of £1.2m, mainly resulting from the distribution of the national surplus in the Levy account.
15. The current budget for 2018/19 includes £0.5m provision for severance costs to deliver staff savings for 2019/20. This has been reviewed in the light of previous trends and the proportion of proposed savings likely to come from staffing reductions and it is considered prudent to retain this provision at this stage. Any unspent resources will be carried forward in a reserve towards the cost of redundancies that may be necessary in future years.
16. Progress with delivery of specific savings within the 2018/19 budget is set out in Appendix B. Performance on delivery of savings supports and is consistent with the forecast 2018/19 position outlined above and in Appendix A.

General Fund Balances

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

	Original Budget £m	Latest Position £m
Forecast balance at 31 st March 2018	25.0	25.0
2017/18 outturn (as reported to Cabinet in June)		+1.6
Balance at 31st March 2018	25.0	26.6
Planned use 2018/19 approved by Council in February	-7.4	-7.4
Forecast 2018/19 outturn (para 14 and Appendix A)		+2.1
Forecast balance at 31st March 2019	17.6	21.3

18. While this is an improvement on the original budget, it shows a relatively low level of reserves in the light of the financial challenges that the Council faces. Directorates will make every effort to improve on the position set out above.

Budget 2019/20 and Medium Term Financial Strategy (MTFS) to 2021/22

19. In formulating the Council's Budget and Council Tax levels for 2019/20 and updating the Council's Medium Term Financial Strategy, Members will need to consider carefully:
- the levels of Government support allocated to the Council;
 - spending pressures, opportunities to free up resources (including savings), and Council Plan priorities;
 - the implications of spending levels in later years as part of the Council's medium term financial plan;
 - the views of consultees;
 - the external factors and risks inherent in the Strategy;
 - the impact on Council Tax payers.
 - 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

20. The Provisional Local Government Finance Settlement 2019/20 was announced on 13th December.

21. The settlement confirmed underlying allocations for 2019/20, reflecting the Government's acceptance of our expression of interest in a guaranteed minimum level of funding² up to 2019/20.
22. The Government is undertaking a Fair Funding review of the entire system of local government finance to operate from 2020/21 onwards, and is currently consulting on the underlying principles of how the system will work – in particular the methodology for reflecting authorities' differing *relative* needs and resources, and the reform of Business Rates retention. We will be responding to the consultation in due course, considering in particular how the proposals address the issues already raised by us as part of the Fair Deal for Dudley campaign. Actual individual authority allocations will be subject to the outcome of the consultation and the resources allocated to Local Government by the planned Spending Review 2019. The Government's current aim is to publish indicative allocations through a further stage of formal consultation before the 2020/21 provisional Local Government Finance Settlement. For the years 2020/21 onwards, at this point we have made no further changes to the assumptions for income from Business Rate retention and Government grants that we made in October. This is a very significant area of risk and uncertainty.
23. New Homes Bonus (NHB) allocations have been announced for 2019/20. These are on the basis of latest net new home completions (and empty properties brought into use). Dudley's allocation has reduced by £0.6m compared to previous forecasts.
24. The provisional settlement included continued Winter Pressures grant for Adult Social Care, to be managed via the Better Care Fund, for 2019/20 and additional unringfenced Adult and Children's Social Care funding for 2019/20. The Council's allocations are £1.6m and £2.7m respectively.
25. The impact of the changes above compared with the October report position is shown at Appendix C. We have responded to the 2019/20 provisional settlement consultation and our response is summarised at Appendix E.
26. The final Local Government Finance Settlement for 2019/20 was announced on 29th January. There were no changes affecting Dudley other than a small increase in the New Homes Bonus allocation as a result of data clarification, which we had anticipated.

Council Tax

27. Latest forecasts indicate strong ongoing performance against collection targets for prior years. As a result, Dudley's share of the estimated Collection Fund surplus in respect of Council Tax items at 31st March 2019 is now £1.114m, to be transferred to the General Fund in 2019/20.

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

28. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 enables the Council to increase the “Empty Homes Premium” from the current 50%, thereby increasing the Council Tax payable on properties that have been empty for more than two years as follows:
- from 1st April 2019 for properties which have been empty for more than two years a premium of up to 100%, resulting in a 200% Council Tax charge;
 - from 1st April 2020 for properties which have been empty for more than five years a premium of up to 200%, resulting in a 300% Council Tax charge;
 - from 1st April 2021 for properties which have been empty for more than ten years a premium of up to 300%, resulting in a 400% Council Tax charge.

It is proposed that the additional flexibility be utilised from April 2019 and that further consideration be given to the additional flexibilities available in 2020 and 2021. This will help to incentivise the bringing back into use of some of the Borough’s housing stock in line with the Council’s Empty Homes Strategy, which should in turn help the local economy and ease some of the pressures resulting in homelessness.

29. The Government has announced that the Council Tax referendum principles for 2019/20 applicable to Dudley will comprise a core limit of less than 3% plus an Adult Social Care (ASC) precept increase of up to 2% (provided that precept increases do not exceed 6% between 2017/18 and 2019/20). As Dudley has already used 4.5% of the 6% ASC flexibility, this would mean a limit for 2019/20 of less than 3% core plus 1.5% ASC, i.e. less than 4.5% in total.
30. Taking account of the Council’s overall financial position, the proposals set out in this report are based on a Council Tax increase of 4.49% in 2019/20. The MTFs assumes further increases of 2.99% in 2020/21 and 2021/22 in line with the 2019/20 core limit.
31. The impact of changes compared with the October report position is shown at Appendix C.

Business Rates

32. The original budget for 2018/19 was set against the background of ongoing uncertainty concerning the impact of the 2017 revaluation on our business rate and grant income. We have faced considerable uncertainty arising from:
- The impact of appeals following the revaluation and the introduction of the new “Check, Challenge, Appeal” process - we are continuing, as are other Councils who face the same uncertainty, to make financial provision in line with national government assumptions about the ultimate impact of appeals.
 - The extensive re-profiling of high value retail space in the Borough and delays in notification from the Valuation Office Agency about the impact on rates payable.

33. The Chancellor's Autumn 2018 budget announced:
- Rates relief of 1/3rd for retailers with rateable values below £51,000 for two years from April 2019;
 - 100% rates relief for public toilets from 2020/21;
 - Continuation of the £1,500 existing business rates relief for office space occupied by local newspapers into 2019/20.
- The cost of these reliefs will be fully funded by additional grant.
34. Updated (Consumer Price Index) CPI and Retail Price Index (RPI) figures (which impact Business Rate income, including Section 31 grant) will increase income by around £0.3m in 2019/20. Otherwise, latest forecasts taking Business Rates and Section 31 grant together, indicate a similar overall position compared with that indicated in the report to Cabinet in October.
35. Dudley's share of the estimated Collection Fund deficit in respect of Business Rates items at 31st March 2019 is £2.705m to be charged to the General Fund in 2019/20. Unbudgeted Section 31 grant income, currently estimated to be £1.1m will be carried forward into 2019/20 in the Section 31 reserve.
36. The threshold above which ratepayers pay the "standard" rather than "small business" rate was increased substantially from 1st April 2017. Refinement of the methodology for compensating Councils (via Section 31 grant) for the income foregone has resulted in an increase in grant income to Dudley of around £0.3m per year. The amounts relating to 2017/18 and 2018/19 will also be carried forward into 2019/20 in the Section 31 reserve.
37. The impact of changes compared with the October report position is shown at Appendix C.

Combined Authority

38. The West Midlands Combined Authority (CA) receives three elements of funding via the constituent authorities as follows:
- The Transport Levy to fund its transport functions, allocated by statute on a population basis.
 - A contribution from business rates from 2016/17 onwards to fund its regeneration activities, under the terms of the Devolution Deal.
 - A further contribution to fund its non-transport functions currently allocated by agreement partly on a population basis and partly by equal shares.
39. The proposed Transport Levy across the West Midlands reflects a standstill position compared with 2018/19, with a small reduction for Dudley as a result of relative population changes between the districts (the levy being apportioned on a population basis). Dudley's share of the proposed levy is £12.648m. We have assumed, in line with the CA's transport MTFs, that the levy will increase by 0.2% in 2020/21 and a further 1.1% in 2021/22.

40. For 2017/18 onwards, the 100% retention pilot gave effect to the Devolution Deal by allowing authorities to retain all business rate growth, including that in the former central share. Measurement of real terms business rates growth, and therefore the amounts due to the Combined Authority, has proved to be particularly difficult as a result of the impact of the 2017 revaluation and uncertainty about the impact of appeals. As an interim solution for 2017/18, the seven constituent authorities made a total contribution from business rate income of £3m (as estimated in the Devolution Deal), shared on the basis of Rateable Values, meaning a Dudley contribution of around £0.3m.
41. In the absence of any realistic alternative, the 2018/19 budget assumed that this arrangement would be continued for 2018/19 with Dudley's contribution being around £0.4m of a total £4.5m. Likewise the MTFS assumes this arrangement will be ongoing, with similar annual increases in line with the estimated Devolution Deal income. Council in February 2018 authorised the Chief Officer, Finance and Legal Services in consultation with the Cabinet Member for Finance and Legal Services, to agree final details and make payment to the CA in respect of the contribution for 2018/19 and future years on this basis, subject to all authorities agreeing to contribute likewise. The forecast 2019/20 contribution is £0.541m.
42. The Combined Authority's proposed non-transport budget for 2019/20 reflects the following Constituent Authority contributions that comprise three elements:
- a £0.250m membership fee on an equal shares basis;
 - a £0.170m fee on an equal shares basis to deliver of outcomes of the West Midlands Combined Authority Commissions;
 - a fee funded on the basis of population in relation to corporate services that support the non-transport budget (representing ongoing costs previously funded within the Transport Levy) being £0.188m for Dudley.
43. The impact of changes compared with the October report position is shown at Appendix C. The Combined Authority will finalise its budget on 8th February 2019. It is therefore proposed that Cabinet authorises the Chief Officer Finance and Legal Services, in consultation with the Cabinet Member for Finance, Council Sustainability and Transformation and the Opposition Spokesperson for Finance and Legal Services to approve any minor changes to the budget proposals resulting from final decisions on the Combined Authority Transport Levy and non-transport funding contributions.

Base Budget Forecasts

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

	2019/20	2020/21	2021/22
	£m	£m	£m
2018/19 base	238.1	238.1	238.1
Pay (<i>note 1</i>)	3.1	5.5	7.9
General price inflation (<i>note 2</i>)	-	-	3.4
Transport Levy (<i>see para xx</i>)	-0.1	-0.1	0.1
Other Combined Authority (<i>see para xx</i>)	0.1	0.3	0.4
Income uplift (<i>note 3</i>)	-1.3	-2.6	-3.9
Pensions (<i>note 4</i>)	0.6	2.8	3.0
Treasury (<i>note 5</i>)	1.3	2.1	2.5
Fallout of one-off 2018/19 Adult Social Care pressures, and spending funded from the Supplementary Improved Better Care Fund	-3.8	-6.1	-6.1
Other adjustments (<i>note 6</i>)	0.1	0.4	-0.7
Base Budget Forecast	238.1	240.4	244.7

Notes:

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

Spending Pressures

46. Spending pressures provided for are as follows. These are detailed in Appendix E.

	2019/20	2020/21	2021/22
	£m	£m	£m
People	4.7	6.5	6.5
Place	2.8	3.1	3.5
Chief Executive's	0.4	0.4	0.4
Total	7.9	10.0	10.4

47. The impact of changes compared with the October report position is shown at Appendix C.

Savings

48. Proposed directorate savings are as follows. Details are set out in Appendix F.

	2019/20	2020/21	2021/22
	£m	£m	£m
People	3.5	4.5	5.0
Place	0.5	0.6	0.7
Chief Executive's	0.9	0.9	0.9
Corporate	0.2	0.2	0.2
Total	5.1	6.2	6.8

49. The impact of changes compared with the October report position is shown at Appendix C.

Public Health

50. The Chancellor's Autumn statement in 2016 confirmed that for 2019/20 the indicative cash reduction in Public Health Grant (PHG) will be 2.6%, and it has been assumed that this rate of reduction will continue in 2020/21 and 2021/22, although grant allocations have not yet been confirmed. It is also possible that the ring-fence will be removed (and Public Health Grant merged into general sources of funding) as part of the overall review of Council funding expected to be implemented from 2020/21. As agreed at 26th July 2018 Cabinet, £11m of Public Health Grant contracts will form part of the Multi-Speciality Community Provider (MCP).
51. Savings proposals relating to existing Public Health Grant funded services are set out in Appendix F. Headroom between forecast spend and existing PHG funded services and expected PHG allocations can be used to fund services that are currently funded by the General Fund. Such expenditure on Emergency Planning, Community Council and part of Environmental Health and Trading Standards has been identified to a value of £0.425m per year. This has been reviewed by the Chief Officer (Health and Wellbeing) to ensure that it met the grant criteria, in that it has a positive impact on the health of people in Dudley Borough.

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

	2019/20	2020/21	2021/22
	£m	£m	£m
Base budget forecast	20.1	19.6	19.1
Savings	-0.3	-0.3	-0.3
One-off spending plans	2.4	1.1	0.0
Total forecast spend on existing PHG funded services	22.2	20.4	18.8
Existing General Fund services	0.4	0.4	0.4
Total spend	22.6	20.8	19.2
Forecast grant	20.2	19.7	19.2
Deficit	2.4	1.1	0.0
Reserve brought forward	3.5	1.1	0.0
Reserve carried forward	1.1	0.0	0.0

53. The proposed Public Health grant funded budget for 2019/20, taking into account existing services funded by the General Fund which can instead be funded from PHG, is shown at Appendix H.

Human Resource Implications

54. Redundancy costs required to achieve the proposed savings, including those relating to pension strain, are dependent on the proportion of savings to be met from staffing reductions and the age and length of service of the individuals being made redundant, and therefore cannot be precisely calculated at this stage. It is considered that the provision of £0.5m in the current year (see paragraph 15) should be sufficient to cover the costs of any redundancies necessary to achieve the savings proposed in this report.

Medium Term Financial Strategy (MTFS)

55. The principles underlying the MTFS are set out in Appendix I. They apply to all aspects of Council activity, including the Housing Revenue Account (HRA).

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

	2019/20	2020/21	2021/22
	£m	£m	£m
Base Budget Forecast - see para 44	238.1	240.4	244.7
Pressures - see para 46	7.9	10.0	10.4
Savings - see para 48	-5.1	-6.2	-6.8
Public Health Grant funding - see para 51	-0.4	-0.4	-0.4
Total Service Spend	240.5	243.8	247.9
Retained Business Rates	84.7		
Collection Fund Deficit – Business Rates	-2.7		
Tariff	-6.0		
Business Rate Grant (inc. Reserve)	14.8		
New Homes Bonus	2.1		
Improved Better Care Fund (iBCF)	12.4		
Supplementary iBCF (SiBCF)	2.2		
Winter Pressures Grant	1.6		
Social Care Support Grant	2.6		
Retained Business Rates and Govt. Grants		106.7	109.3
Council Tax	122.6	127.3	132.3
Collection Fund Surplus – Council Tax	1.1		
Total Resources	235.4	234.0	241.6
Deficit funded from Balances	5.1	9.8	6.3
Balances brought forward	21.3	16.2	6.4
Balances carried forward	16.2	6.4	0.1

57. The table above assumes that Council Tax increases by 4.49% in 2019/20 (including the Social Care Precept), and 2.99% in both 2020/21 and 2021/22. Based on current referendum limits, this would not require a referendum in accordance with Chapter 4ZA of Part 1 of the Local Government Finance Act 1992. However, it should be noted that referendum limits for future years may be subject to Government monitoring of our use of the Adult Social Care Precept.
58. Based on the forecasts, pressures and savings proposals set out above, we are forecasting deficits in all future years. While these deficits can be met from reserves for the next few years, this is unsustainable in the longer term and Members should also note the significant risks and uncertainties listed in paragraph 60 below and elsewhere in this report. There is therefore a need to identify further savings and/or additional income in order to ensure that prudent balances are maintained.
59. Work is ongoing to challenge all service areas to identify further savings over and above those proposed in this report, in particular from digital transformation, review of business support, improvements to procurement and increasing commercial income. We are also looking to the Combined Authority to support us in improving transport links and driving economic growth, thus increasing Council Tax and Business Rates income.

Estimates, Assumptions & Risk Analysis

60. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which are subject to continuous review:
- (a) pay inflation does not vary materially from current forecasts;
 - (b) the underlying impact of the Fair Funding review of local government finance from 2020/21 is neutral;
 - (c) income from Business Rates (net of appeals etc.) including grant in respect of the EZ will be in line with current forecasts;
 - (d) the cost of Council Tax Reduction awarded will not substantially exceed forecasts, and the tax base will continue to grow as anticipated;
 - (e) The pressure on the High Needs Block is met from within the Dedicated Schools Grant;
 - (f) cash limited non-pay budgets will be managed so as to absorb any price inflation not specifically provided for in 2019/20 and 2020/21 and any inflationary pressures in 2021/22 will be no more than the amount provided for;
 - (g) income and expenditure relating to treasury management activity are in line with forecasts;
 - (g) there will be no other unplanned expenditure (including any resulting from demographic, legislative or case law pressures) or shortfalls in income, which cannot be met from reserves;
 - (h) there will be no changes to government policy on maximum underlying Council Tax increases without the need for a referendum, and the general referendum principles will apply to Dudley's increases in Council Tax (including the Adult Social Care Precept) as set out in paragraphs 29 and 57;
 - (i) Improved Better Care Funding (iBCF) is unfettered and received directly by the Council as anticipated and will continue into 2020/21 and 2021/22;
 - (j) the Adult Social Care market is able to absorb National Living Wage pressures within the proposed provision;
 - (k) there will be no underlying change in the level of employers' pension contributions in 2020/21.
61. The assumptions set out above are subject to uncertainty and in some cases this uncertainty is significant. Actual outcomes may be more positive or more negative than the forecasts set out in this report. In the event that outcomes are more negative, it may become necessary to take urgent action to reduce levels of expenditure or increase income. In this respect, the uncertainty about the outcomes of the Fair Funding review is particularly significant.

62. An impact assessment of the significant risks which Members should consider prior to agreeing a budget and MTFS is set out in Appendix J.

Detailed 2019/20 Budget Proposals

63. It is now proposed to recommend to Council the following revenue budget allocations to services.

Revenue Budget Allocations 2019/20

Directorate	£m
People	172.148
Place	59.460
Chief Executive's	8.897
Total Service Budget	240.505

Details of each Directorate's budget analysed by main service area are shown at Appendix K.

64. The amount required from Council Tax Payers to fund the Total Service Budget together with the Band D Council Tax calculation is shown in the following table:

Funding the Revenue Budget 2019/20

Source of Funding	2018/19 £m	2019/20 £m
Dudley MBC Service Budget	238.573	240.505
Less: Retained Business Rates	(85.806)	(84.700)
Business Rate Grant	(10.887)	(14.792)
Top-Up Grant / Tariff	(1.678)	6.010
New Homes Bonus (NHB)	(2.744)	(2.135)
Improved Better Care Fund (iBCF)	(7.180)	(12.368)
Supplementary Improved Better Care Fund (SiBCF)	(4.461)	(2.209)
Adult Social Care Support Grant	(0.976)	-
Winter Pressures Grant	-	(1.562)
Social Care Support Grant	-	(2.668)
Collection Fund Deficit / (Surplus) – Council Tax	(1.136)	(1.114)
Collection Fund Deficit / (Surplus) – Business Rates	(0.005)	2.705
Contribution from General Balances	(7.447)	(5.103)
Dudley's Council Tax Requirement (including Social Care Precept)³	116.253	122.569
Tax Base	91427.39	92253.95
COUNCIL TAX (Band D) FOR DUDLEY	1271.53	1328.60

³ For 2019/20 includes £8.758m in respect of the Social Care Precept

65. The proposed Dudley MBC Council Tax for a Band D property for 2019/20 of £1328.60 represents an increase of 4.49% compared with 2018/19. A referendum will not be required in respect of the Council's own element of overall Council Tax.
66. It is proposed that the Council approves the statutory calculations required by virtue of Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as set out in Appendix L.
67. The total levels of Council Tax, which will be considered by the Council at its meeting on 25th February 2019, will include the precepts for Police, and Fire and Rescue. It will, therefore, be necessary to incorporate the figures for the precepts in the Budget Report to Council.
68. The Local Government Act 2003 requires the designated Chief Finance Officer of the authority (the Chief Officer, Finance and Legal Services) to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves. The Chief Officer, Finance and Legal Services' report is set out in Appendix M. The authority also has 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.

Pay Policy Statement

69. Under provisions contained in the Localism Act 2011, the Council is required to prepare an annual Pay Policy Statement setting out its policies for the financial year relating to the remuneration of Chief Officers; the remuneration of the lowest paid employees; and the relationship between the remuneration of Chief Officers and that of other employees. Supplementary guidance (statutory guidance under section 40 of the Localism Act 2011) was issued in February 2013 by the Department for Communities and Local Government. The Pay Policy Statement has to be approved by a resolution of full Council on an annual basis no later than 31st March. The Act's provisions add to the range of transparency obligations already placed upon local authorities. This includes data required to be published under the Local Government Transparency Code 2015 and the Accounts and Audit Regulations 2015. The proposed Pay Policy Statement 2019, which is consistent with the savings proposals in this report relating to staffing structures, is attached at Appendix N.

Finance

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

Law

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

72. 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.
73. The Local Government Act 2003 requires the Chief Officer, Finance and Legal Services to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.
74. 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.
75. It is important for Members to note that Sections 30(6) and 31A(11) of the Local Government Finance Act 1992, impose a statutory duty upon the Council to calculate its council tax requirement and to set its council tax for 2019/20 before the 11th March 2019.
76. The provisions relating to pay accountability are contained in Chapter 8 (Sections 38 to 43) of the Localism Act 2011 and associated guidance. For the purposes of the Pay Policy Statement, senior management is taken to mean 'chief officers' as defined in Section 43 of the Localism Act 2011. The Act specifies that the functions relating to pay accountability are not executive functions. Section 101 of the Local Government Act 1972, which gives local authorities powers to arrange for the discharge of their functions by committees, officers or other local authorities, does not apply to these functions. This means that full Council must approve the document. In complying with the duties in respect of pay accountability, the Council must also have regard to any guidance issued or approved by the Secretary of State.

Equality Impact

77. 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.

78. 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.
79. 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.
80. 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.
81. 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.
82. Original budget proposals were presented to Cabinet on 25th October 2018. An initial assessment of these proposals was made, and where proposals were considered likely to have a significant equality impact, they underwent an equality impact assessment informed by consultation with the protected groups who may be adversely affected. All changes made to budget proposals since October are set out in Appendix C.
83. A list of equality impact assessments is shown at Appendix O. Copies will be provided to Cabinet Members and Opposition Spokespersons, and are also available on the Committee Management Information System (CMIS) or can be obtained from Democratic Services.

84. In making decisions on budget proposals, Members need to have due regard to the Public Sector Equality Duty alongside the forecast financial position, risks and uncertainties set out in this report. Actions to mitigate the impact of savings have where necessary been taken into account in equality impact assessments.
85. With regard to Children and Young People, the relevant part of the proposed budget for the People Directorate will be spent on maintaining and improving services for children and young people. The expenditure of other Directorates' budgets will also have a significant impact on this group.

Human Resources / Transformation

86. Human Resources implications are set out in paragraph 54.
87. Transformation issues are set out in paragraph 59.

Commercial Implications

88. Commercial issues are set out in paragraph 59.



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List of Background Papers

Final Local Government Finance Settlement 2019/20
Fair Funding Review consultation documents
Medium Term Financial Strategy report to Cabinet, 25th October 2018

Appendix A

2018/19 Forecast Outturn position

Service	Latest Budget £m	Latest Outturn £m	Variance £m	Comment
Adult Social Care	92.1	91.8	-0.3	Placements costs within WLDS +£0.8m, Home care & Reablement +£0.5m, Mental Health +0.1m. Offset by; Residential & Nursing Placements (£1.7m)
Children's Services	68.9	69.6	0.7	Agency +1.9m, Transport +0.5m. Offset by; additional income at Tipton Rd (£0.4m), vacancies with Family solutions (£0.4m) and max use of Troubled Families grant (£0.9m)
Health and Wellbeing	7.5	7.4	-0.1	Public Health Grant switches
Integrated Commissioning, Performance and Partnerships	5.9	5.6	-0.3	Vacancies and slippage in Supporting people placements
Total People	174.4	174.4	0.0	
Environmental Services	45.0	45.6	0.6	Pressures arising from; £0.1m Additional tonnage and incinerator costs, £0.1m reduced income from Oak Lane , £0.2 recycling commodity prices, £0.3m additional costs within Transport £0.2m new initiatives (DS), £0.2m winter pressures Offset by; (£0.1m) additional income from Trade waste, (£0.1m) part year costs of new street cleansing sweepers, (£0.2m) maximise use of grant for road resurfacing, (£0.1m) vacancies in greencare
Regeneration and Enterprise	8.7	8.8	0.1	Pressures on trading activities; Catering £0.5, C&D fees £0.2m, Property £0.3m, Townhalls £0.2m offset by underspends on; Enterprise Zone £0.5m, Rogue Landlord £0.3m
Housing	2.4	2.1	-0.3	Vacancies £0.1m and reduced CERA due to additional grant income DFG £0.2m
Total Place	56.1	56.5	0.4	
CO - Commercial and Procurement	0.5	0.4	-0.1	Post appointed to part year
CO - Transformation and Performance	0.3	0.4	0.1	
CO - Finance and Legal Services	5.6	4.5	-1.1	£0.3m Subsidy, £0.5m Insurance, vacancies within Finance and Legal £0.2m, £0.1m Benefits team (RC to get details)

Service	Latest Budget £m	Latest Outturn £m	Variance £m	Comment
Levies etc.	14.2	14.2	0.0	
Total Chief Executive's	20.6	19.5	-1.1	
Treasury / Corporate	-12.5	-12.7	-0.2	Under recovery of pension Past Service Deficit £0.3m. Favourable variances: slippage in capital programme so reduced MRP £0.2m; better than anticipated airport dividend and interest from investments £0.3m.
Total Service Costs	238.6	237.7	-0.9	
Total Funding	-231.2	-232.4	-1.2	Business Rate Levy account surplus £1.0m, additional Top up grant due to technical adjustment £0.7m. Offset by £0.5m S31 overpayment.
Use of Balances	7.4	5.3	-2.1	

Appendix B

Delivery of existing Medium Term Financial Strategy

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

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

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

Changes compared with October report

	2019/20 £m	2020/21 £m	2021/22 £m
Previous forecast deficit	9.4	8.1	4.5
Government funding:			
New Homes Bonus (para 23)	0.6	-	-
Business rates grant adjustment (para 36)	-0.9	-	-
Social Care Grants (para 24)	-4.3	-	-
	-4.6	-	-
Changes to Spending Proposals:			
Base budget assumptions:			
- Combined Authority Transport Levy (para 39)	-	-	0.2
- Latest Treasury forecasts and other adjustments	-0.2	-0.1	-0.3
Extra Pressures proposed (para 47)	2.9	2.8	3.0
Further Savings proposed (para 49)	-1.0	-1.0	-1.1
	1.7	1.7	1.8
Changes to Local Resources:			
Collection Fund (Council Tax) (para 27)	-1.1		
RPI impact on Business Rates income (para 34)	-0.3		
	-1.4	-	-
Latest forecast deficit	5.1	9.8	6.3

Your Council Tax – The Big Question Public consultation results

A consultation on budget proposals for 2019/20 was launched on 14th December. The consultation included links to:

- A cross-party letter to the Secretary of State for Housing, Communities and Local Government calling for a Fair Deal for Dudley.
- The draft budget report considered by Cabinet on 25th October 2018.

As at 24th January 2019, the number of responses with confirmed, valid borough postcodes was 259. Responses were as follows:

In response to Question 1: “Do you support our bid to get a fair deal for Dudley when it comes to funding?” there were 257 responses:

Response	Number	% of Total Valid Responses
Yes	242	94.2
No	15	5.8
Total	257	100.0

In response to Question 2: “Please use the box below to comment on this year’s budget proposals” there were 153 responses. Many of these responses were expanding on the response to Question 1. Comments on specific services have been forwarded to those service areas.

Demographic Characteristics

The second section of the consultation (“About yourself”) asked people about their demographic characteristics; responses were optional. The analysis of responses by these characteristics is based on the 257 people with a valid borough address who had provided an answer to question 1 as at 24th January 2019. Comparisons to the demographics of the borough population aged 18 and over are given using the most recent data available.

Gender

239 people have provided information on gender. The gender split was 51% male and 49% female. This is similar to the proportions for Dudley borough.

Gender	Number of Responses	% of Responses	% Dudley Borough
Male	122	51.0	48.5
Female	117	49.0	51.5
Total	239		
<i>No response given</i>	18		

Source for Dudley Borough figures: Mid-Year Population Estimates 2017, population aged 18 and over, Office for National Statistics

Note: Percentages may not total to 100.0% due to rounding

Age

241 people have answered the question about age. Comparison to the Dudley borough figures shows the consultation responses have an under representation in the age groups below 45 and those 65 and over, with a converse over representation in the 45 to 64 age group.

Age	Number of Responses	% of Responses	% Dudley Borough
Under 25	9	3.7	9.8
25-44	67	27.8	30.8
45-64	109	45.2	33.6
65+	56	23.2	25.8
Total	241		
<i>No response given</i>	16		

Source for Dudley Borough figures: Mid-Year Population Estimates 2017, population aged 18 and over, Office for National Statistics

Note: Percentages may not total to 100.0% due to rounding

Ethnic Group

237 people have provided information on their ethnic group. 94.9% of responses came from White ethnic groups, which constitute 92% of the borough population aged 18 and over as of the latest ethnicity figures from the 2011 Census.

Ethnic Group	Number of Responses	% of Responses	% Dudley Borough
White	225	94.9	92.0
Black	1	0.4	1.4
Mixed	2	0.8	1.0
Asian	6	2.5	5.1
Other	3	1.3	0.5
Total	237		
<i>No response given</i>	<i>20</i>		

Source for Dudley Borough figures: 2011 Census Table LC2109, population aged 18 and over, Office for National Statistics
 Note: Percentages may not total to 100.0% due to rounding

Long term illness, health problem or disability

240 people have answered whether they had any long term illness, health problem or disability which limits their daily activity. 20% of respondents indicated they had a limiting condition, slightly below the borough figure of 23.5%.

Long Term Illness	Number of Responses	% of Responses	% Dudley Borough
Yes	48	20.0	23.5
No	192	80.0	76.5
Total	240		
<i>No response given</i>	<i>17</i>		

Source for Dudley Borough figures: 2011 Census Table DC3302, population aged 16 and over, Office for National Statistics
 Note: Percentages may not total to 100.0% due to rounding

Summary of response to the Provisional 2019/20 Settlement consultation

A summary of our responses to the main issues raised in the consultation is as follows:

1. We supported the general methodology for allocating underlying Revenue Support Grant⁴ in 2019/20, being in line with the guarantee which we accepted for the four years commencing 2016/17. However, we strongly opposed the proposal to directly eliminate negative RSG via forgone business rates receipts. Negative RSG occurs as a result of the methodology introduced in 2016/17 that rightly ensured that councils delivering the same set of services should receive the same percentage change in settlement core funding for those sets of services. It only affects those affluent authorities that are able to generate more resources locally than they require to meet the needs of their populations. The proposal to eliminate negative RSG comes at an opportunity cost of £153m and, if this funding is available, then it would be more appropriate for it to be distributed proportionately to all authorities.
2. We supported the proposal to allocated the new Social Care Support Grant according to the existing Adult Social Care Relative Needs Formula, noting that in the longer-term there still needs to be a full review of all ongoing funding requirements including adult and children's social care.
3. We reiterated our opposition to the New Homes Bonus in principle. The allocation of this top-sliced funding continues to distort the overall settlement, diverting resources from the highest need authorities to those with the greatest capacity for new housing development.
4. We opposed the proposed approach to paying £81 million Rural Services Delivery Grant in 2019-20 on the basis of sparsity measures given that this payment is not underpinned by any calculations of the additional costs resulting from sparsity.
5. We supported the proposal to distribute £180m of the levy account surplus in 2018/19 on the basis of each authority's 2013-14 Settlement Funding Assessment as being a reasonable approach.
6. In respect of to the council tax referendum principles proposed for 2019-20, we reiterated our belief that as a matter of principle council tax referendums should be abolished - democratically-elected councillors should be trusted to make decisions balancing service needs against affordability. If this is not to be the case, referendum principles should be relaxed for councils where the current level of council tax is well below the average.

⁴ For Dudley, underlying Revenue Support Grant is reflected in the calculation of our Tariff as part of the 100% Business Rates Retention pilot.

Spending Pressures

People	2019/20 £'000	2020/21 £'000	2021/22 £'000
Living wage - residential care providers	949	2,016	2,016
Living wage - care at home providers	562	1,193	1,193
Living wage - direct payments	12	26	26
Older people (dementia)	539	539	539
Living wage - sleep-ins	38	80	80
Children's Services - internal fostering fees	108	224	224
Education Outcomes - existing premature retirement costs	20	40	40
Connected persons – this will equalise the payment arrangements to all ranges of Dudley foster carers	18	36	36
Children's Services – improving staff recruitment and retention and thereby reducing reliance on Agency staffing	1000	1000	1000
Inflationary award for Direct Payments	180	180	180
Transforming Care Plan (TCP) - A national plan to develop community services and close inpatient facilities for people with a learning disability and/or autism who display behaviour that challenges, including those with a mental health condition.	980	980	980
Increased cost, including inflation, of provision of Library service.	150	150	150
Replace Community access PCs in Libraries	150	-	-
Total	4,706	6,464	6,464

Place	2019/20 £'000	2020/21 £'000	2021/22 £'000
Waste Disposal - contractual cost increases, Landfill Tax, and pressure on recyclate commodity prices.	281	445	615
Impact of National Living Wage on outsourced cleaning contract for administrative buildings	25	50	75
School Crossing Patrols	240	240	240
Measures to address fly-tipping and bulky waste including pro- active and rapid response clean-ups in waste hot spots and General Fund contribution to a rolling programme of special collections on council estates	150	150	150
Street lighting energy - higher energy costs	332	332	332
Operational waste collection pressures	115	200	200
Recycling income - reduction in market prices	250	250	250
Free evening parking	20	20	20
Arboriculture Inspections & Works	80	80	80
Free swimming extended to include all school holidays	80	80	80
Strengthen environmental enforcement capacity in relation to unauthorised traveller encampments	300	150	150
HWRC Contract	200	200	200
CCTV Control Room relocation from Sedgley Police Station to 7, St James' Road.	0	226	226
Stourbridge Town Hall - withdrawal of Community Asset Transfer proposal.	100	100	100
Pressures on catering trading account.	500	500	500
Council contribution to Dudley Interchange Project	0	0	165
Property maintenance and management – additional requirements	125	125	125
Total	2,798	3,148	3,508

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

Proposed Savings

People – General Fund	2019/20 £'000	2020/21 £'000	2021/22 £'000
Increase the investment in preventative services to support adult social care client carers, focusing on the high risk caring relationships, in order to reduce or mitigate admissions to residential and nursing care with the aim of overall service savings.	309	309	309
Target interventions to people most at risk of falls to make people safe and prevent high cost social care and primary care interventions.	259	259	259
Assessment & Review - Implement outcome based commissioning and assessments for all community-based adult social care packages costing more than £500 per week to provide services efficiencies.	163	163	163
Assessment & Review – Complete review of the S117 policy and implement	164	164	164
Shared Lives - Expansion of the Shared Lives service in respect of adult fostering scheme to achieve additional shared lived placements, enabling more people to be able to continue to live in the community, with independence of public services maximised	250	250	250
Reduce Community Equipment Spend via Smarter Procurement - Use of the Croydon Integrated Procurement HUB to purchase all community equipment (including hoists) to support people in their own homes. The current arrangements for the purchase of community equipment are across multiple providers	100	100	100
Peripatetic Care Model - To remove the offer of long term internal Peripatetic homecare service	100	100	100
Business Support Development - To reduce current levels of Assessment & Independence business support through leaner process design and new models of care	100	100	100
Review contribution to Children's safeguarding board to ensure this is proportionate with contributions from other statutory partners.	60	60	60
Tipton Road - To amend the current Statement of Purpose (SoP) for Tipton Road Children's Home so that placements can be offered to children with complex needs as well as those with disabilities alone	468	468	468
Single handed care - Benefits realisation through the ongoing implementation of Single Handed Care, based on more effective use of technology to facilitate dignified care delivery, supporting people's care related transfers	200	200	200

People – General Fund	2019/20 £'000	2020/21 £'000	2021/22 £'000
Demand management / All Age Commissioning within Dudley Disability Services (DDS) - a focussed approach within DDS services to: reduce initial demand, increase self-assessment, identify placements eligible for Continuing Health Care funding, and develop specific all age commissioning projects targeted at reducing costs over 5 years	190	398	398
Residential Care Charging Fraud Initiative - Tackle fraudulent asset disposal in regard to Residential Care financial assessment and charging	96	296	496
Redesign of voluntary sector contracts - A bespoke exercise to consolidate a number of existing contracts into a single market opportunity to the Voluntary Sector	94	158	158
Home care / Extra Care (new models) - Development of a transformational model for the delivery of home care / extra care provision in the Borough	112	250	250
Children's Transport – Implement new contracts and route management, to ensure services are safe and efficient	381	737	965
Contact Centres - Reviewing the delivery of Family Contact for Children Looked After and Post Adoption support to ensure that the service is delivered effectively, efficiently and offers value for money	168	194	250
West Midlands Care Home Association Service Level Agreement (SLA) – Cease funding the Care Home coordinator post, as no longer required	27	27	27
Dudley Group Foundation Trust Discharge Coordinator SLA – Cease funding the Coordinator post as part of a wider simplification of funding arrangements	43	43	43
Re-design Day Opportunities - To re-profile usage of the Dementia Gateways in Dudley whilst retaining both services	59	85	85
Special Guardianship Allowances - Rigorous application of existing Policy with regard to Special Guardianship Allowances	80	80	80
General Fund Efficiencies - Range of general fund efficiencies on various running cost/over head budgets	29	29	29
Teenage Pregnancy (TP) Service - In 2017/18 the TP team was restructured into the Family Solutions service as part of the Early Help service redesign. The nurse roles were embedded within the sexual health provider contract. Public Health still fund a post, but the balance can be used for savings	46	46	46
Total	3,498	4,516	5,000

People – Public Health Grant	2019/20 £'000	2020/21 £'000	2021/22 £'000
School Nursing - Aim to incorporate CYP PH services into a 0-19 Integrated Family Health Team, working together seamlessly to meet the needs of CYP & families. This will yield savings and therefore propose to reduce contract value of the School nursing service, in readiness for transfer to the new 0-19 model in the MCP	160	160	160
Teenage Pregnancy (TP) Service - The TP team has been restructured into the Family Solutions service as part of the Early Help service redesign. The nurse roles were embedded within the sexual health provider contract.	39	39	39
Healthy Pregnancy - Healthy pregnancy contract review identified opportunity to embed some provision within the main maternity contract and other local wellbeing services which will be implemented from 2019/20.	58	58	58
Total	257	257	257

Place	2019/20 £'000	2020/21 £'000	2021/22 £'000
Street maintenance: issue highway permits	250	250	250
Housing - reduction in revenue contribution to capital for Housing Assistance Grants	100	100	100
Charging for Recycling Service at Schools	50	50	50
Charging for replacement Grey Bins including delivery at £15 each	45	45	45
Dropped Kerbs - increase call out charge from £26.52 to £50.00 in line with neighbours	5	5	5
Increase Environmental Services Fees & Charges by an average of 1% above the 2% required in targets.	50	50	50
Dudley Town Hall - increase the catering and bar offer.	50	100	200
Total	550	600	700

Chief Executive's	2019/20 £'000	2020/21 £'000	2021/22 £'000
Benefits - budget adjustment to fully reflect benefit subsidy and the recovery of benefits overpayments.	300	300	300
DC+ Restructure	71	71	71
HR Saving	12	12	12
Reduced costs resulting from changes to the Civil procedure rules covering Fast Track claims and internal process improvements.	500	500	500
Total	883	883	883

Corporate	2019/20 £'000	2020/21 £'000	2021/22 £'000
Saving on agency contract	170	170	170
Total	170	170	170

Proposed use of Public Health Grant 2019/20

	£000's	£000's
Children 5-19 Public Health Programme	1,613	
Children 5-19 National Child Measurement Programme	292	
Total Children 5-19		1,905
Children 0-5 Public Health Programme (Prescribed)	4,072	
Children 0-5 Public Health Programme Other	1,363	
Total Children 0-5		5,435
Sexual Health Services – STI testing & treatment (Prescribed)	1,562	
Sexual Health Services – Contraception (Prescribed)	484	
Sexual Health Services – Advice, Prevention, Promotion	1,003	
Total Sexual Health Services		3,049
Substance Misuse (alcohol & drugs) - Adults	3,544	
Substance Misuse (alcohol & drugs) – Young People	372	
Total Substance Misuse Programme		3,916
Obesity (Prevention & Tiers 1 & 2 treatment) Programme		1,964
Tobacco Control (Prevention & Treatment) Programme		1,062
Physical Activity		941
Health at Work		93
NHS Health Checks (Prescribed)		538
Health Protection – Communicable Disease	196	
Health Protection – LA role (Prescribed)	364	
Total Health Protection		560
Public Health Advice (core offer) (Prescribed)		674
Public Mental Health		819
Healthy Aging		917
Oral Health		160
Other Public Health Services		496
TOTAL SPEND		22,529

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 inflation;
 - General provision for non-pay inflation as appropriate;
 - 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, 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 inflation allocated to directorates, together with the financial impact of specific spending pressures and savings items.
5. Plans will reflect the resources allocated to Chief Officers as part of the MTFS and set out how services will be delivered 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. Strategic 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 the Chief Executive, Strategic Directors, Section 151 Officer 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.
10. The Budget Review will accord with the Council's statutory duties including consideration of the public sector equality duty in Section 149 of the Equality Act 2010. The detailed review process to be used will be subject to annual revision as necessary.

Reserves and Balances Policy

11. In consultation with the Chief Officer, Finance and Legal Services, earmarked reserves may be established from within cash-limited budgets to properly reflect ongoing financial commitments, fund future service developments (in line with Council priorities) or expenditure of an uneven nature (e.g. renewal of equipment).
12. All earmarked reserves will be periodically reviewed. Any reserves no longer required for their original purpose will be transferred to General Balances.
13. General Balances will be managed to enable spending pressures and resources to be balanced over the medium term.
14. In accordance with legislative requirements, the Chief Officer, Finance and Legal Services 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

15. A comprehensive financial risk assessment will be undertaken for all parts of the revenue and capital budgets, including any lessons learned from previous experience.
16. 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.
17. A specific risk assessment will also be undertaken for any proposals to increase or reduce expenditure.
18. Financial and other risks will be actively managed as part of the Council's established policies and procedures.
19. 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 earmarked reserves - only seeking allocations from General Balances where this is proven to be impossible.

Income

20. Fees and charges will be kept under review, including consideration of areas where charges are possible, but are not currently made. Any cost subsidy must be justified in terms of its contribution to the Council's strategic aims.
21. 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.

Budget Realignment – Pressures

22. As part of the annual budget review, proposals will also be considered for additional expenditure to meet spending pressures arising from:
 - Legislative change;
 - Demographic change;
 - Customer needs;
 - Performance standards / Government targets;
 - Fall-out of specific grants, or other reductions in income;
 - Specific non pay inflation, to the extent this exceeds cash limited budgets or any general provision.
23. Each pressure will be 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.
24. 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.
25. A package will be agreed in the light of overall resource availability.
26. 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.

Budget Realignment - Value for Money Efficiency Review

27. All services will be subject to regular reviews to ensure the best use is being made of resources across the Council. This will include a detailed justification of resources required after determining service objectives; establishing the level of service needed to meet those objectives; and ground-up costing. Where relevant, evidence from other authorities will be used to inform the reviews.

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 savings in light of the Council's overall financial position. In particular, options will be considered which might result from:
 - Additional income from fees and charges;
 - Additional external funding;
 - Review of low priority spending.

30. Each saving will be considered in the light of:
- A risk assessment relating to achievability;
 - A risk assessment relating to service and equality impacts that take into consideration the public sector equality duty under the Equality Act 2010. Members will effectively assess potential impacts on protected groups, consider how to mitigate them and demonstrate how communities and groups have been consulted with as part of the decision making process.
 - Any one-off costs involved in achieving the saving.
31. Once approved, the implementation of any budget reductions will be monitored as part of normal budget and output monitoring processes.

Capital Programme

32. 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.
33. All known revenue costs arising out of capital spend will be included in the revenue budget.
34. 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

35. All borrowing and/or investment activity will be carried out in accordance with the approved Treasury Strategy and, and within the Prudential Indicators set annually by the Council.
36. 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

37. 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.
38. As set out above, particular emphasis will be given to monitoring the impact of budget growth and savings.

External Funding and Partnerships

39. 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.
40. 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 MTFS - 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.
41. The Council seeks 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 MTFS.
42. 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.
43. For all external sources of funding or partnership support, an exit strategy will be put in place.

Consultation

44. The Council Plan which determines the priorities for the MTFS, Capital Programme and annual revenue budget are subject to extensive consultation with the general public and other stakeholders and partners.
45. In addition, public consultation will be undertaken as appropriate during the budget process.
46. In accordance with the Council's Constitution, the Scrutiny Committees are consulted on the Cabinet's budget proposals and any related specific issues relevant to their Council Plan and service responsibilities. 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.
47. The Council is required by law to consult with representatives of Business Ratepayers each year before the final budget and Council Tax are agreed.

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.

Risk	Impact
Pay inflation exceeds forecasts	Forecasts allow for an increase in 2019/20 in line with the national agreement with the unions. We have estimated further average increases of 2% in each of 2020/21 and 2021/22. A 1% increase in pay inflation would cost around £1.1m extra per year.
Fair Funding review	We have assumed the underlying impact of the Fair Funding review of local government finance from 2020/21 is neutral. This is as a significant area of uncertainty (with the potential to be either negative or positive).
Business Rate income lower than assumed	We have taken into account likely developments and other changes. The ultimate impact of appeals creates considerable uncertainty. A 1% shortfall in income would reduce annual resources by £1.0m.
Cost of Council Tax Reduction (CTR) exceeds forecasts and tax base does not grow as anticipated	The impact of a 1% variation in total cost of CTR would amount to around £0.2m. We have assumed the underlying tax base will continue to grow to reflect anticipated developments. Failure to grow would reduce annual resources by around £0.8m cumulatively.
Pressure on the High Needs Block cannot be met from within the Dedicated Schools Grant	If the pressure within the High Needs Block cannot be contained within the Dedicated Schools Grant by a combination of flexibility afforded by DfE and successful cost reduction it will fall on the General Fund. The current annual gross budget pressure is £4m.
Price inflation is more than provided for.	There is no provision for general price increases on non-pay budgets for 2019/20 and 2020/21. With the exception of specific pressures provided for, all non-pay budgets will be cash limited and any inflationary pressures will need to be managed within directorate budgets and through efficient procurement. We have provided for non-pay inflation from 2021/22 in line with Government forecasts. 1% price inflation in excess of provision would cost around £1.8m extra per year.
Income and expenditure relating to treasury management activity are not in line with forecasts	A 1% increase in short term interest rates would not have a material impact as the majority of borrowing is at long term fixed rates. Estimates of interest earnings, and other treasury management forecasts are prudent.
Other unplanned expenditure or shortfalls in income	Unforeseen costs or costs greater than estimated - including those arising from demographic, legislation and case law pressures – may be unavoidable. A 1% loss of income (excluding grants & interest) would cost around £0.4m per year.

Risk	Impact
Reduction in maximum underlying Council Tax increases without the need for a referendum, and/or general referendum principles do not apply to Dudley	A 1% reduction in Council Tax increase would cost around £1.2m per year.
Improved Better Care Funding (iBCF) is constrained and/or does not continue into 2020/21	We have assumed that the iBCF continues to be unfettered and received directly by the Council. Any restrictions on its use, or the need for negotiations with other bodies, could result in a shortfall in income and/or extra spending pressures.
Adult Social Care market cannot absorb National Living Wage pressures within the proposed provision	Containing costs within the proposed provision will be challenging and may 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.
There is an underlying increase in the level of employers' pension contributions in 2020/21 following the next actuarial review.	A 1% increase in the future service rate would cost around £0.8m per year. Any increase in the past service deficit would also require increased contributions to pay off the deficit over a number of years.

2. Actual outcomes in respect of the above risks, or in general, may be more positive or more negative than assumed. In the event that outcomes are more negative, it may become necessary to take urgent action to reduce levels of expenditure or increase income. In this respect, the uncertainty about the outcomes of the Fair Funding review is particularly significant.

Analysis of Proposed 2019/20 Budget by Service Area

	£'000
People	
Schools	14,937
Youth Service	1,785
Children & Families Social Services	48,243
Other Children's Services	6,383
Physical and Sensory support 18-64	7,027
Learning Disability support 18-64	34,952
Mental Health support 18-64	3,520
Support for older Adults 65+	24,871
Support for Carers	342
Social Care activities	9,108
Adult Social Care Information and Early Intervention	3,210
Adult Social Care commissioning and service delivery	10,215
Libraries and Archives	4,237
Public Health	833
Environmental Health & Consumer Protection	2,485
	<u>172,148</u>
Place	
Private Sector Housing	1,477
Homelessness & Welfare	776
Waste Collection & Disposal	19,587
Street Cleansing	3,103
Cemeteries & Crematoria	-2,219
Culture and Heritage	2,321
Recreation & Sport and Open Spaces	8,159
Planning, Building and Development Control	1,664
Economic Regeneration	2,557
Environmental Initiatives	419
Traffic Management & Road Safety	976
Flood Defence & Land Drainage	338
Highways Maintenance (inc. depreciation)	15,922
Other Engineering & Transportation Services	1,962
Adult Learning	827
Community Safety	322
Other Services	1,269
	<u>59,460</u>

Chief Executive's

Elections & Electoral Registration	739
Tax Collection & Benefits	1,496
Corporate & Democratic Costs	3,187
Treasury etc.	-10,431
Transport Authority Levy	12,648
Other WMCA Contributions	1,149
Flood Defence Levy	109
	<u>8,897</u>

TOTAL	240,505
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Details of Calculations to be Determined by the Council

1. That the following amounts be now calculated by the Council for the year 2019/20 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992:

- (a) £ 637.777m being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act. *(The Council's spending, contingencies, contributions to reserves, and specified transfers from the general fund to the collection fund.)*
- (b) £ 515.208m being the aggregate of the amounts which the Council estimates for the items set out in Sections 31A (3) of the Act. *(The Council's income, use of reserves, and specified transfers from the collection fund to the general fund.)*
- (c) £ 122.569m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its council tax requirement for the year.
- (d) £1328.6044 being the amount at (c) above divided by the Council Tax base 92,253.95, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its council tax for the year.

(e) Dudley Council Tax for each Valuation Band

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
885.74	1033.36	1180.98	1328.60	1623.85	1919.10	2214.34	2657.21

being the rounded amounts given by multiplying the amount at (d) 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.

**Report of the Chief Officer, Finance and Legal Services as required by
Section 25 of the Local Government Act 2003**

1. The External Auditors (Grant Thornton) presented their Audit Findings Report to the Audit and Standards Committee on 25th July 2018. As regards their Value for Money opinion, they recognised an improvement in the Council's position compared to the position at the time of their previous audit. They considered that this was sufficient to remove their previous qualification (i.e. their previous adverse opinion) in respect of financial sustainability. However, in giving this opinion, they noted that risks remain in relation to the Council's financial position. They recommended improvements to the way in which the Council scrutinises delivery of savings and recommended that attention be given to growing the income base, both through careful consideration of the level of Council Tax increases and income generation opportunities.⁵
2. Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Authority (the Chief Officer, Finance and Legal Services) to report to it on the following matters:
 - (a) the robustness of the estimates 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.
3. 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 spending pressures 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.
4. There is financial risk management 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 which it is considered appropriate to hold at both a corporate and directorate level.

⁵ The External Auditors retained their previous Value for Money qualification in respect of the 2016 OFSTED inspection of Children's Services. OFSTED has now removed the rating of "inadequate" for Children's Services and this will be taken into account by the External Auditors in their next audit.

5. The table below shows the forecast level of unringfenced General Fund revenue reserves consistent with the budget being proposed.

	Actual Balance 31.3.18 £m	Forecast Balance 31.3.19 £m	Forecast Balance 31.3.20 £m
Unearmarked General Fund Balance	26.6	21.3	16.2
Insurance	5.2	5.5	5.5
Transformation	2.1	0.7	0.3
Social Care ICT	2.1	1.8	0.3
Supplementary Improved Better Care Fund (SiBCF)	4.4	3.0	-
Other Social Care	1.3	0.2	-
Other Corporate Reserves	3.2	1.5	0.6
DGfL & Paragon equalisation	4.6	4.2	3.6
Business Rate Grant	1.4	1.7	-
Total Earmarked Reserves	24.3	18.6	10.3
Total Unringfenced Reserves	50.9	39.9	26.5

6. The Insurance reserve 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.
7. The Transformation reserve is to support the implementation of the transformation for the future programme.
8. The DGfL and Paragon equalisation reserves represent Government revenue support for these PFI schemes received in advance, and will be expended over the remaining life of the projects.
9. The Social Care ICT Reserve reflects resources for replacement of the Social Care ICT system to address performance issues including those identified as part of the OFSTED inspection of Children's Services.
10. The SiBCF Reserve comprises ringfenced resources to complete the programme of works approved by Cabinet in July 2017.
11. Other Social Care reserves relate to a number of one off service demands and initiatives to include invest to save initiatives in respect of adult social care and the voluntary sector and support in respect of anticipated one off budget pressures across the Directorate arising from the implementation of the Medium Term Financial Strategy savings.
12. The Business Rate Grant reserve carries forward consistently additional income received in lieu of business rates.

13. In addition to the above, the Council also holds ringfenced revenue reserves which can be used only for specific purposes:
- HRA reserves which can be used only for Public Sector Housing;
 - Schools reserves, including reserves arising from unspent Dedicated Schools Grant (DSG);
 - Public Health reserves arising from unspent ringfenced Public Health Grant.
15. Levels of total unringfenced reserves are low compared with the national average. As at 31st March 2018 (the last date for which comparisons are available) Dudley's unringfenced reserves represented 25% of net budget. For the average council, these reserves represented 40% of net budget.
16. The budget proposals for 2019/20 include a contribution of £5.1m from unearmarked balances. The estimated level of unearmarked balances at 31st March 2020 is £16.2m. Based on current income and spending forecasts, contributions would be required in all future years.
17. 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 to enable the setting of a lawful budget for 2019/20;
 - (c) there are forecast underlying budget deficits in all future years. While these deficits can be met from reserves for the next few years, this is unsustainable in the longer term and members should also note the significant risks and uncertainties listed in paragraph 60 and elsewhere in the report. There is therefore a need to identify further savings and/or additional income in order to ensure that prudent balances are maintained.



Iain Newman
Chief Officer, Finance and Legal Services

Pay Policy Statement 2019

1.0 Introduction and Purpose

- 1.1 The purpose of this policy statement is to clarify the Council's strategic stance on pay in order to provide direction for members and officers making detailed decisions on pay, and to provide the citizens of Dudley with a clear statement of the principles underpinning decisions on the use of public funds.
- 1.2 The purpose of the pay policy is to encourage staff with the appropriate skills to seek to work for the Council, and to reward them appropriately for the tasks they undertake in order to maintain their motivation and retain their services.
- 1.3 Under Section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit".
- 1.4 This pay policy statement (the "statement") sets out the Council's approach to pay policy in accordance with the requirements of Sections 38 to 43 of the Localism Act 2011 and associated guidance. This excludes staff employed on Teachers' terms and conditions of employment which are set nationally, and non-Teaching staff working in Schools where the Council is not the employer. Workers engaged on a casual basis are also excluded. The majority of these workers are engaged via the Council's own internal agency, Temp Solutions, and receive the same basic terms as an employee of the Council, eg pay, working time regulations and contractual annual leave.

The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees by identifying:

- the methods by which salaries of all employees are determined;
 - the detail and level of remuneration of its most senior staff ie 'chief officers', as defined by the relevant legislation;
 - the remuneration of the lowest-paid employees;
 - the relationship between the remuneration of 'chief officers' and that of other employees;
 - the persons or bodies responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full council.
- 1.5 An annual pay policy statement is produced for each financial year, in accordance with the relevant legislation prevailing at that time, for approval by a resolution of the full council.
 - 1.6 This Pay Policy Statement sits alongside the Pay Arrangements Policy 2015, which sets out the Council's approach to pay and reward, including temporary payments for additional responsibilities and temporary market forces supplement payments.

2.0 Legislative Framework

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations. With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its own pay structures for employees covered by the National Joint Council for Local Government Services Since 1997 and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

3.0 Pay Structure

- 3.1 The salary information reported in this Statement, in sections 3, 4, 9.2 and Table 1, and the mileage rates in 6.2 are as at 1 April 2019. The National Joint Council for Local Government Services (NJC) negotiated a two year pay agreement in 2018. This included a minimum 2% inflation cost of living increase and the introduction of a new national pay spine, effective from 1st April 2019. This report reflects the outcome of the consultation for the implementation of the new NJC 2019 pay spine.
- 3.2 All employees (except teachers and other employees whose contracts require term time only attendance within a school along with any staff with confirmed TUPE protection still in effect on 1st April 2017) have an amount equivalent to 1.15% per annum deducted from their gross salary over a 12 month period in return for an additional 3 days mandatory unpaid leave (MUL) which is pro-rated for part time staff). Members of the pension scheme have the option to make up any lost pension contributions each year.
- 3.3 The large majority of the non-teaching based workforce is employed on the National Joint Council (NJC) for Local Government Services terms and conditions of employment. Based on the application of the Local Government Single Status Job Evaluation Scheme, the Council uses the NJC nationally negotiated pay spine as the basis for its local grading structure, other than the permanent withholding of the April 2017 1% pay award for staff on grade 7 and above (see table 1). Table 2 shows the distribution of staff across the NJC local grading structure.
- 3.4 Strategic Director and Chief Officer posts are evaluated using the LGE Job Evaluation Scheme. At a national level, basic pay increases are negotiated through the Joint National Committee (JNC) on a collective bargaining basis and senior officers are never offered more than other staff. The aim is to ensure that the basic conditions offered to Chief Executives and 'Chief Officers' are the same or very similar to those given to rank-and-file staff. This promotes a single organisational ethos, whilst preserving the flexibility needed for specialist recruitment.

- 3.5 The remaining employees are employed on other nationally defined rates. This includes those subject to:
- National agreements reached by the Soulbury Committee for certain education-related jobs (42 employees). The last pay agreement resulted in a two-year pay increase, with an uplift of 2% on 1 September 2018 and a further 2% on 1 September 2019.
 - Joint Negotiating Committee (JNC) Craft for Local Authority Craft and Associated Employees (229 employees). Will align to the new NJC pay spine with a 2% increase on allowances for 2019.
 - JNC Youth and Community Workers (22 employees). A pay agreement has been reached for pay award in 2018 and 2019 that includes for 2018 a monetary increase for points 2-6 and a 2% increase on all other points and for 2019 the deletion of pay point 2, a monetary increase for points 3-6 and a 2% increase on all other points.
- 3.6 In addition, where services have transferred into the Council from other organisations, employees have remained on their existing terms and conditions of employment, in accordance with employment legislation, unless they have subsequently transferred to NJC terms and conditions of employment as part of a review and restructure of their service area.
- 3.7 All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.
- 3.8 New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Any additional payments will be made in accordance with the Council's Policy and Procedure for Market Forces Supplements appendix 2 of the Pay Arrangements Policy 2015, The Policy and Procedure outlines the criteria which must be met for payment of a market forces supplement, including the approval process by senior management and the Cabinet Member for Finance, Council Sustainability and Transformation. The Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector. Market forces supplements when used will be time-limited and subject to review. All posts receiving a market forces supplement will be reported in this annual Statement. The following posts remain in receipt of a Market Forces Supplement:

- Local Safeguarding Children Board Business Manager.
- Head of Children's & Young People Safeguarding and Review.

4.0 Senior Management Remuneration

4.1 For the purposes of this statement, senior management means 'Chief Officers' as defined within Section 43 of the Localism Act 2011. In Dudley Council this is interpreted as the posts of Chief Executive, Strategic Director and Chief Officer. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2018. At the time of publication no agreement has been reached on rates applicable from 1 April 2019.

4.2 The Chief Executive is employed under the terms and conditions of the Joint Negotiating Committee for Chief Executives, and all other Strategic Directors and Chief Officers are employed under the terms and conditions of the Joint Negotiating Committee for Chief Officers.

4.3 The following lists the 12 senior officer posts that make 0.21% of the 6020 current employment contracts.

4.4 The list includes roles which are a statutory requirement in accordance with the Local Government and Housing Act 1989 ("the Act").

- (a) Chief Executive
(the head of paid service designated under section 4(1) of "the Act")
 - The salary of the post is £169,983. This includes payment for returning officer duties in connection with local elections and all travel expenses incurred on official Council business.
- (b) Strategic Directors
- (c) The salaries of posts designated as Strategic Directors are as follows:
 - Strategic Director (People) - £142,800 including statutory duties for both Director of Children's Services and Director Adults Services. (these two are both statutory Chief Officers mentioned in section 2(6) of "the Act") .
 - Strategic Director (Place) – £142,800 including redesignation of the role as Deputy Chief Executive as of 9.1.18 and lead role in the Corporate Transformation Agenda.
- (d) Chief Officers

The salaries of these posts are as follows :

- Chief Officer (Finance and Legal Services) - £93,522 plus £10,000 statutory postholder allowance for Section 151 (Section 151 Officer – a statutory chief officer mentioned in section 2(6) of "the Act")
- Chief Officer (Corporate Transformation and Performance) - £93,522

- Chief Officer (Commercial & Procurement) - £91,688
- Chief Officer (Adult Social Care) - £93,522
- Chief Officer (Children's Services) – £93,522
- Chief Officer (Health and Well Being) - £93,522 plus £10,000 statutory postholder allowance for Director Public Health
- Chief Officer (Regeneration and Enterprise) - £93,522
- Chief Officer (Environmental Services) - £93,522
- Chief Officer (Housing) - £93,522

(e) Professional Public Health posts

Although not management posts, there are four Consultant in Public Health / Consultant in Public Health Medicine posts – basic salary range £81,618 - £90,263. In addition, there are national monetary Clinical Excellence Awards for which they may apply. Any such allowances are met by the national body, Public Health England. These posts report to the Chief Officer (Health and Well Being). NHS terms and conditions of employment currently apply to these posts.

5.0 Recruitment of Strategic Directors/Chief Officers

- 5.1 The Council's policy and procedures with regard to recruitment of Strategic Directors and Chief Officers is set out within the Officer Employment Procedure Rules as contained in Part 4 of the Council's Constitution. When recruiting to all posts the Council will take full and proper account of its own Equality and Diversity, Recruitment and Redeployment Policies, including any particular requirements for those who have transferred in to the Council, eg Public Health. The determination of the remuneration to be offered to any newly appointed Strategic Directors/Chief Officers will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it may consider the use of temporary market forces supplements in accordance with its relevant policies.
- 5.2 The Constitution states that any salary packages for new appointments that exceed £100,000 should be the subject of a recommendation by the Appointments Committee to full council.
- 5.3 The terms of reference of the Council's Appointments Committee, contained within the Council's Constitution, include:
- Recommending to the full council the appointment of the Chief Executive;
 - Recommending to the full council on any new appointments or severance packages that exceed a threshold of £100,000 (excluding pension payments);

- The appointment of Strategic Directors and Chief Officers.

- 5.4 Where the Council remains unable to recruit Strategic Directors/Chief Officers under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive Strategic Director/Chief Officer post, the Council may, where necessary, consider and utilise engaging individuals under 'contracts for services'. These will be sourced through a relevant procurement process, and in accordance with HMRC rules, ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. Currently, the Council does not have any Strategic Directors or Chief Officers engaged under such arrangements.
- 5.5 At this time there are no market forces supplements paid to any senior managers listed in section 4.4 above.

6.0 Additions to Salary of Strategic Directors/Chief Officers

- 6.1 The Council does not apply any bonuses or performance related pay to its Strategic Directors/Chief Officers.
- 6.2 In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfillment of duties:
- Fees are paid for deputy returning officer duties in accordance with the rates approved by the Council's Cabinet and increased in line with national pay awards. Employees who act as deputy returning officers at local elections are currently paid a fee of £71.62 per ward.
 - A mileage allowance is paid to all employees using their own vehicle for work purposes. The rate is 45p per mile (or, where applicable, the NHS mileage rate is 67p per mile). Mileage rates are taxable above an approved amount (known as MAP) and this is set by HMRC.
 - The posts of Chief Officers, any other third tier posts and fourth tier Head of Service posts have all been evaluated as part of the Council's restructure. The Council may consider granting an honorarium (of an amount dependent upon the circumstances of each case) to Senior Officers, Strategic Directors and Chief Officers who perform duties outside the scope of their role over an extended period. Any requirement for an honorarium will be dealt with through evaluation of the additional duties. Such a temporary arrangement would need to be approved by the relevant Cabinet Member in consultation with the Chief Executive and formalised in a Decision Sheet, and would be in the interest of efficient administration of a service(s) and would normally produce a short term financial saving.
 - The Council will pay for any annual leave untaken at the end of the year, if this is due to service requirements.

7.0 Payments on Termination

- 7.1 The Council's approach to statutory and discretionary payments on termination of employment of staff, prior to reaching normal retirement age, is set out within policies on managing employees at risk of redundancy, the discretionary severance payments scheme and any policies adopted in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 or as amended, and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 or as amended. For employees who transferred from the NHS, the NHS Agenda for Change Staff Handbook and NHS Pension Regulations apply.
- 7.2 Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.
- 7.3 The Constitution states that any severance packages for employees leaving the Council that exceed £100,000 (excluding pension payments) should be the subject of a recommendation by the Appointments Committee to full council. The Public Sector Exit Payments (Limitation) Bill 2017-19 proposes to limit exit payments made by public sector organisations to employees of £95,000. The Bill is yet to receive its second reading in Commons and as such an effective date is yet to be confirmed.

8.0 Publication

Upon approval by the full council, this statement will be published on the Council's website. Reference is made to the Council's Constitution, which is also available on the Council's website. In addition, for posts where the full time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts will include a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

9.0 Lowest Paid Employees

- 9.1 As referred to above, there are a number of national pay scales covering different groups of employees.
- 9.2 The lowest paid persons employed under a contract of employment with the Council are employed on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's NJC grading structure. With effect from 1st April 2019, this will be £17,364 per annum which is the new National pay spine minimum. The Council employs Apprentices who are not included within the definition of 'lowest paid employees' as they are employed under the terms and conditions and pay rates applicable to the relevant apprenticeship scheme. Apprentices are paid in accordance with the National Minimum Wage, according to age. From April 2018 under 18's receive a rate of £4.20, 18-20 a rate of £5.90, 21-24 a rate of £7.38 and 25 and over a rate of £7.83. The relationship between the rate of pay for the lowest paid and Strategic Directors/Chief Officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The current Living Wage Foundation (LWF) rate is £9.00 per hour. The proposed implementation of the new NJC pay spine, as referred to in para 3.1, introduces a headline minimum rate of £9.00 per hour. However, this will in practice be reduced by the MUL deductions referred to in para 3.2. The Council will therefore "supplement" this rate by £0.11p per hour to offset the impact of MUL and match the LWF rate. This applies to 344 employees, predominantly in the schools workforce and who are predominantly female. This supplement will be kept under review having regard to the LWF rate and council terms and conditions.

- 9.3 The statutory guidance under the Localism Act 2011 recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton review was asked by the Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Local Government Transparency Code 2015 requires the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.
- 9.4 The current pay levels within the Council defined the multiple (rounded to the nearest whole number):
- between the lowest paid full time equivalent employee and the Chief Executive as 1:10
 - between the lowest paid employee and average Strategic Director/Chief Officer as 1:6
 - between the median (average) full time equivalent earnings and the Chief Executive as 1:8

- between the median (average) full time equivalent earnings and average Strategic Director/Chief Officer as 1:5
- 9.5 A January 2014 LGA submission to the Communities and Local Government Select Committee Inquiry indicated that the average ratio between the lowest and highest paid in local government is approximately 1:9.
- 9.6 As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. The Council participates in the Local Government Earnings Survey, which provides pay bill and average pay rate information for all local government employees (excluding Teachers) in England and Wales. The Council has also subscribed to the Epaycheck system, which is the national on line pay benchmarking service for local government. This enables participating Councils to securely share and compare their pay data with other Councils across hundreds of common roles within the sector. This gives the Council access to a wide range of data and reports, which can be used for comparison against other Local Authorities. Local pay and reward data is also available for local government employers in the West Midlands.

10.0 Accountability and Decision Making

In accordance with the Council's Constitution, the full council, the relevant Committee, elected members or officers with delegated authority are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council. These are contained in Part 4, Officer Employment Procedure Rules, of the Constitution. The full terms of reference of the Appointments Committee are set out in Part 3.

Table 1**Main Salary Grades, for Dudley MBC NJC pay scales, with effect from 1 April 2019:**

<u>Grade</u>	<u>Pay range minimum</u>		<u>Pay range maximum</u>		<u>National Pay spine points</u>
	<u>National NJC*</u>	<u>Dudley</u>	<u>National NJC*</u>	<u>Dudley</u>	
<u>Grade 1</u>		<u>£17,364</u>		<u>£17,364</u>	<u>1</u>
<u>Grade 2</u>		<u>£17,364</u>		<u>£17,711</u>	<u>1-2</u>
<u>Grade 3</u>		<u>£18,065</u>		<u>£18,426</u>	<u>3-4</u>
<u>Grade 4</u>		<u>£18,795</u>		<u>£19,171</u>	<u>5-6</u>
<u>Grade 5</u>		<u>£19,554</u>		<u>£21,166</u>	<u>7-11</u>
<u>Grade 6</u>		<u>£21,589</u>		<u>£23,836</u>	<u>12-17</u>
<u>Grade 7</u> <u>**</u>	<u>£24,313</u>		<u>£26,999</u>	<u>£26,732</u>	<u>18-23</u>
<u>Grade 8</u>	<u>£27,905</u>	<u>£27,630</u>	<u>£30,507</u>	<u>£30,206</u>	<u>24-27</u>
<u>Grade 9</u>	<u>£31,371</u>	<u>£31,061</u>	<u>£33,799</u>	<u>£33,464</u>	<u>28-31</u>
<u>Grade 10</u>	<u>£34,788</u>	<u>£34,444</u>	<u>£37,849</u>	<u>£37,475</u>	<u>32-35</u>
<u>Grade 11</u>	<u>£38,813</u>	<u>£38,429</u>	<u>£41,675</u>	<u>£41,263</u>	<u>36-39</u>
<u>Grade 12</u>	<u>£42,683</u>	<u>£42,261</u>	<u>£45,591</u>	<u>£45,140</u>	<u>40-43</u>

<u>Locally Agreed Senior Grades ***</u>					
<u>Grade 13</u>		<u>£45,973</u>		<u>£49,382</u>	<u>50-53</u>
<u>Grade 14</u>		<u>£50,674</u>		<u>£54,081</u>	<u>54-57</u>
<u>Grade 15</u>		<u>£56,095</u>		<u>£62,177</u>	<u>58-61</u>
<u>Grade 16</u>		<u>£64,190</u>		<u>£68,302</u>	<u>62-65</u>
<u>Grade 17</u>		<u>£70,317</u>		<u>£73,556</u>	<u>66-69</u>

To note:

- New National NJC pay spine from 1.4.2019.

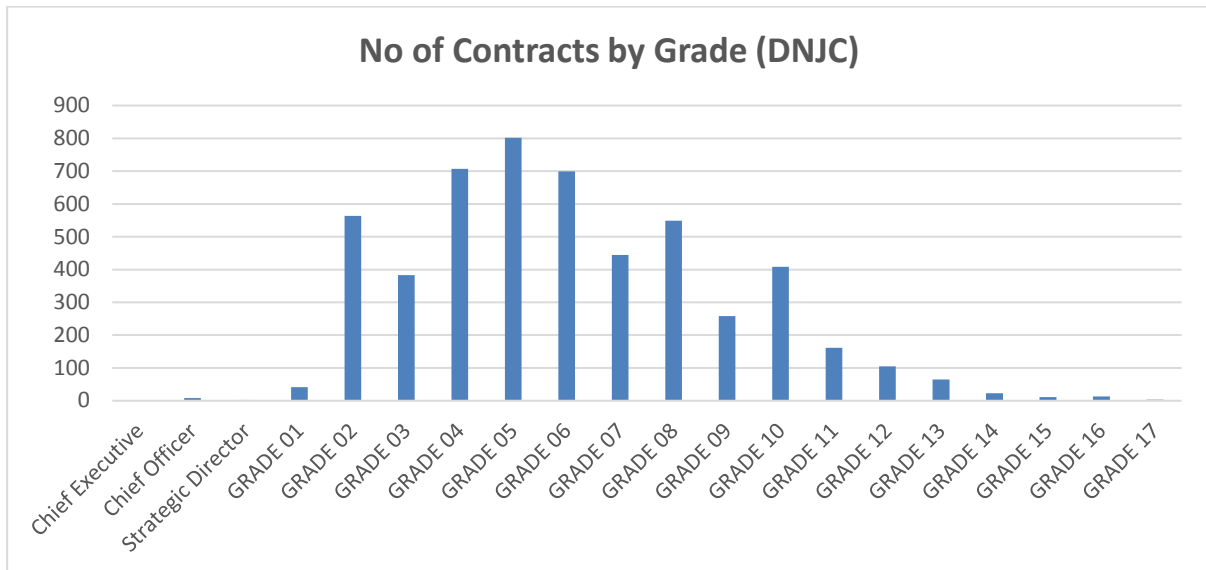
**** Grade 7 and above are subject to the 2017 Collective Agreement withholding the 1% cost of living increase from that date.**

***** Senior grades 13 – 17 are locally agreed as part of the Collective Agreement implemented in 2012.**

All pay points are subject to the provisions of MUL also within the 2017 Collective Agreement (not shown above).

Table 2

Staff distribution across DNJC grades (Council, Community and Voluntary Controlled Schools):



Contact Officers:

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Schedule of Equality Impact Assessments

People

- Review contribution to Children's Safeguarding Board
- Tipton Road Children's Home
- Dudley Disability Services
- Redesign of Voluntary sector contracts
- Home Care/Extra Care transformation
- Children's transport
- Contact Centres
- Re-design day opportunities – Dementia Gateways
- Teenage pregnancy service
- Healthy pregnancy – stop smoking service

Council-wide

- Staffing - the reduction in non-school staff as a result of the budget saving process for financial year 2018/19

Full details relating to the Equality Impact Assessments are available on the Council's Committee Management Information System.