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**Meeting of the Cabinet – 12<sup>th</sup> February 2013**

**Joint Report of the Chief Executive and Treasurer**

**Revenue Budget Strategy and Setting the Council Tax 2013/14**

**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, subject to the receipt of the Police and Fire precepts, the Council Tax to be levied for the period 1st April 2013 to 31st March 2014.

**Background**

2. At its meeting on 31<sup>st</sup> October 2012, the Cabinet approved a preliminary budget strategy as a basis for consultation. This report sets out revised proposals taking into account the final local government finance settlement for 2013/14, together with other changes to projected spending and resources resulting from the ongoing review of forecasts and assumptions. Changes to spending forecasts compared with the figures reported in October are set out in Appendix 1.

**Consultation on Budget Proposals**

3. Public consultation commenced in November and was carried out via the website, leaflet distribution, Dudley Together and a newspaper advertisement. The cost of conducting the survey was approximately £6,000. The public were asked for their views on the level of Council Tax increase, including the option of a freeze, as well as their views on council services that should be cut or protected. As of 25th January, a total of 3144 responses had been received. These are summarised at Appendix 2. Consultation will continue until the end of February and an updated analysis will be provided to Council on 4<sup>th</sup> March.
4. Detailed consultation has also been undertaken with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equality issues. Further information is set out in the Equality Impact section below. Unions have been consulted in the context of the redundancy process.
5. A consultation meeting was held on 15<sup>th</sup> January with representatives of Non-Domestic Ratepayers to consider the provisional budget proposals approved by Cabinet on 31<sup>st</sup> October, 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 4<sup>th</sup> March.

6. Each Scrutiny Committee has considered the provisional budget proposals approved by Cabinet on 31<sup>st</sup> October. The Community Safety and Community Services Committee resolved:

*“... the Cabinet be informed that Members of the Committee do not accept the budget proposals contained in the report submitted for the following reasons:*

*(a) The unrealistic pressure figures for years two and three on pressure areas.*

*(b) The lack of detailed explanation of the savings at this meeting.”*

A written response to questions was sent from the Directorate of Adult, Community and Housing Services. Appendix 1 to this report outlines changes that have been made to show the impact of pressures more clearly.

7. The Dudley Community Partnership has been invited to comment on the proposals. Any comments received will be reported orally to Cabinet.

### Forecast 2012/13 Position

8. Following amendments agreed by Cabinet in October, the total service budget for 2012/13 is £235.7m. The following favourable variances have now arisen:

- Earmarked reserves have been reviewed to identify any no longer required for their original purposes, which can be returned to General Balances, and £2.2m has been identified.
- Transition Grant of £0.5m will be received in recognition of the Council establishing a local Council Tax Support scheme for 2013/14 that satisfies government criteria.
- Various savings totalling £0.2m in the Quality and Commissioning division of the Directorate of Adult, Community and Housing Services in respect of employee costs, utility refunds and accommodation costs and additional income.

It is proposed that budgets be amended to reflect these variances.

9. The budget for 2012/13 included a contingency of £1.0m to cover inflationary and other pressures in excess of those assumed when the budget was set. There are a number of service pressures that Directors are seeking to manage within existing budgets:

- Children's Services. The Directorate is still experiencing high levels of referrals of children in need. These cases include an increasing number of children with complex needs and difficulties. This risk together with the associated budget pressures are currently being monitored on a monthly basis in order to remain within the Directorate's allocated resources. National changes are continuing to impact on the Directorate's planned activities resulting in higher costs.
- Urban Environment. Reduction in planning fee income due to recession in property development. Reduced bereavement income due to a new crematorium being opened at Wyre Forest.

In light of the issues set out above, it is proposed that the contingency be retained. In the event that it is not required, the contingency, together with the resources arising from likely forecast treasury savings could be set aside to fund the cost of redundancies in respect of budget savings.

10. As a result of the previously approved and currently proposed amendments, the total service budget for 2012/13 would be £232.8m.
11. The latest forecast General Fund Balances position, compared to the original Approved Budget for 2012/13 is therefore as follows.

	<b>Original Budget £m</b>	<b>Latest Position £m</b>
Forecast balance at 31 <sup>st</sup> March 2012	11.1	11.1
Effect of 2011/12 outturn	-	1.1
	<b>11.1</b>	<b>12.2</b>
Budgeted use 2012/13	-0.3	-0.3
Variations approved by Cabinet in October		2.9
Review of earmarked reserves (para 8)		2.2
Transition Grant (para 8)		0.5
Quality and Commissioning savings (para 8)		0.2
<b>Forecast balance at 31<sup>st</sup> March 2013</b>	<b>10.8</b>	<b>17.7</b>

#### Budget 2013/14 and Medium Term Financial Strategy

12. In formulating the Council's Budget and Council Tax levels for 2013/14, Members will need to consider carefully:
  - (a) the levels of Government support allocated to the Council;
  - (b) spending pressures, opportunities to free up resources (including savings), and Council Plan priorities;
  - (c) the implications of spending levels in later years as part of the Council's medium term financial plan;
  - (d) the views of consultees;
  - (e) the external factors and risks inherent in the Strategy;
  - (f) the impact on Council Tax payers;
  - (g) the Government's offer of Council Tax Freeze Grant for 2013/14 (see paragraph 17 below);
  - (h) 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.)

These factors need to be considered not only in terms of their impact on the 2013/14 budget, but also their impact on the medium term position, at least over 3 years.

## Government Funding

13. The Government has undertaken a major review of Local Government funding from 2013/14 onwards, through the introduction of the Local Government Finance Act 2012, in particular the “localisation” of Business Rates and Council Tax Support. The table below outlines how the new system for 2013/14 onwards will vary from the current arrangements.

Current System	Business Rate Retention from 2013/14
<b>General Fund Revenue Income:</b>	<b>General Fund Revenue Income:</b>
<ul style="list-style-type: none"> <li>• <b>Formula Grant*</b> General grant calculated to equalise for authorities’ different spending needs and ability to raise resources from Council Tax. Formulae and data are updated at least every 3 years, sometimes more often. <i>There will be no equivalent updating under the new system until 2020.</i></li> <li>• <b>Specific Grants</b> Grants relating to specific services. Some are ring-fenced and can only be spent on particular purposes; others can be spent at authorities’ discretion. Includes grant to cover full cost of Council Tax Benefit.</li> <li>• <b>Council Tax</b> Set locally subject to referendum thresholds. Benefit is granted according to national rules.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Retained Business Rates**</b> 50% of Business Rates collected are retained locally – in our case 49% by Dudley and 1% passed to the Fire Authority. <i>Will change in line with inflation, changes in total rateable value, and collection performance.</i></li> <li>• <b>Revenue Support Grant (RSG)</b> Allocated to authorities proportionate to their initial “start up funding” assessment. <i>Will change in future in line with national totals set by Govt.</i></li> <li>• <b>Top-Up Grant</b> To bring authorities’ total funding to the same level in 2013/14 as it would have been under the current system. <i>Will rise in line with inflation. Funded by “Tariffs” paid by authorities who would otherwise receive more funding initially under the new system.</i></li> <li>• <b>Safety Net</b> To ensure no authority’s funding from Retained Business Rates and Top-Up falls more than 7.5% below its initial “baseline”. <i>Funded mainly from a Levy on authorities with disproportionately high Business Rate growth.</i></li> <li>• <b>Specific Grants</b> Some (including funding for Council Tax Benefit / Support) have been rolled into the Business Rate Retention system. Others will continue. A new grant in respect of support services to schools, currently funded via Formula Grant, will be paid from 2013/14.</li> <li>• <b>Council Tax</b> As at present, but benefit becomes a discount with a fixed level of grant funding, with the remainder funded locally.</li> </ul>
*100% of Business Rates collected are passed to the national pool and redistributed as part of Formula Grant	**50% of Business Rates collected are passed to the national pool and redistributed as part of Revenue Support Grant

14. At the time of the Budget report to Cabinet in October, full details of how the new system would work had not been finalised. Forecasts were based on best estimates and assumptions at the time
15. The provisional settlement for 2013/14 (and indicative figures for 2014/15), including details of Revenue Support Grant, other Specific Grants and Top-Ups was announced on 19<sup>th</sup> December. The opportunity was taken to respond to the Government's invitation to comment on its proposals. Our response recognised that the aim of the new system of Business Rate Retention is to encourage local authorities to promote economic growth and be masters of their own destiny. It is therefore particularly important that there is a fair starting point for Dudley and all other authorities. Our detailed proposals, which are summarised at Appendix 3, do not require extra resources at the national level and would therefore not compromise the Government's deficit reduction targets.
16. The following aspects of the settlement impact on our resource forecasts.
  - Business Rate Baseline. Following responses to earlier consultation on the technical aspects of the new funding arrangements, the Government revised its methodology for assessing each authority's capacity to generate business rate income to reflect more recent rather than historical trends.
  - Damping. This protects authorities who lost resources from past formula changes (in the calculation of Formula Grant), but was funded at the expense of those like Dudley who would otherwise have received increased resources to reflect underlying spending needs. The 2013/14 settlement includes some unwinding of this damping, but that remaining becomes locked into the new system until at least its first "reset" in 2020.
  - Other adjustments to the underlying formulae, data and rolled-in grant figures used in establishing the initial "start up" position.
  - A 2% reduction in indicative 14/15 general funding as outlined in the Autumn Budget Statement.
  - An increase in NHS "section 256" funding over the next three years to support adult social care services which also have a health benefit.
17. The Government has also confirmed that:
  - Council Tax Freeze Grant will be offered to Councils who freeze their Council Tax in 2013/14, equivalent to a 1% increase in Council Tax. The funding will continue into 2014/15.
  - The maximum Council tax increase for 2013/14, above which a referendum would need to be held, will be 2% for most authorities<sup>1</sup>.

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<sup>1</sup> Those shire district councils, fire and rescue authorities and Police and Crime Commissioners whose 2012-13 council tax is in the lower quartile for their category of authority will be able to increase their council tax by up to £5 (if higher than 2%) without a referendum.

The “headline” threshold of 2% will vary for individual councils depending on changes in levies (for Dudley, primarily the Integrated Transport Authority levy) and taxbase. The effective threshold for Dudley will be 0.9%.

18. We have assumed that general funding in the form of Revenue Support Grant for 2015/16 will reduce further in line with the 2012 Autumn Statement and subsequent Treasury indications.
19. Provisional New Homes Bonus (NHB) allocations for 2013/14 were announced on 10<sup>th</sup> December. In addition, authorities will receive a “refund” of their share of resources top-sliced from RSG nationally to fund NHB in excess of the amount actually required (the New Homes Bonus Adjustment Grant). For future years we have assumed that NHB will increase at the same rate as for 2013/14.
20. The public health white paper, “Healthy lives, healthy people: our strategy for public health in England” set out the vision for a reformed public health system in England. The Health and Social Care Act 2012 transfers substantial health improvement duties to local authorities from 2013/14. Local authorities will receive a ring-fenced public health grant to support these duties.

The public health grant is being provided to:

- improve significantly the health and wellbeing of local populations;
- carry out health protection functions delegated from the Secretary of State;
- reduce health inequalities across the life course, including within hard to reach groups;
- ensure the provision of population healthcare advice.

The funding allocations were confirmed on 10<sup>th</sup> January and officers are working through the detail. The allocation for Dudley is £18.457m for 2013/14, rising to £18.974m in 2014/15. This funding will need to cover the costs of the functions transferring.

It is proposed that the Chief Executive in consultation with the Director of Public Health and Cabinet Member for Public Health be authorised to determine allocation of the available funding for 2013/14.

21. Small Business Rate Relief (SBRR) was initially doubled from 1<sup>st</sup> October 2010 – 30<sup>th</sup> September 2011. This was subsequently extended to 31<sup>st</sup> March 2013, and has now been further extended to 31<sup>st</sup> March 2014. The government has indicated that the impact of this on authorities’ business rate income for 2013/14 will be offset by a specific grant, our best estimate of which has been taken into account in the budget strategy.
22. The Final Local Government Finance Settlement was announced on 4<sup>th</sup> February. There were no significant changes compared with the provisional figures. However we are still awaiting confirmation of the how the grant to compensate for the doubling of SBRR (see paragraph 21 above) will be allocated. It is therefore proposed that Cabinet authorises the Treasurer, in consultation with the Cabinet Member for Finance and the Opposition Spokesperson for Finance to approve any resulting minor changes prior to Council on 4<sup>th</sup> March. In the event of there being any significant changes impacting on the budget and strategy set out in this report, it may be necessary to bring those back to a special meeting of Cabinet.

## Base Budget Forecasts

23. The following key assumptions have been made, and are also referred to in the risk analysis in paragraph 40.
- (a) We are expecting pay awards for local government to be frozen or settled at very low levels in the next few years consistent with Government announcements about public sector pay. The budget provision for prices assumes that competitive contract management and tendering will continue to minimise the impact of price rises on Council budgets. We are therefore proposing a provision of 1% for pay and 2% for prices each year for the duration of the MTFS;
  - (b) Interest rates will continue to have a relatively low impact in the medium term;
  - (c) Whilst the final costs of Single Status and Equal Pay Back Pay (EPBP) still remain uncertain, new pay and grading structures have now been introduced. Some provision has been included in the Base Budget forecasts and reserves previously set aside. It has been assumed that any costs relating to schools will be funded from school resources.
24. Details of Base Budget Forecasts for the next three years are set out below.

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
2012/13 Base	238.5	238.5	238.5
Pay & Prices	3.2	6.9	10.4
Capital Programme and Treasury (*)	-1.5	-2.2	-1.7
Funding transfers - net (**)	16.2	16.2	16.2
Other Adjustments (***)	-1.6	-1.4	-1.2
<b>Base Budget Forecast</b>	<b>254.8</b>	<b>258.0</b>	<b>262.2</b>

(\*) Reflects the reduction over the period in the Council's borrowing to fund capital spend, favourable cashflow movements and other treasury income.

(\*\*) Includes a number of specific grants being rolled into the Business Rate Retention funding mechanism from 2013/14, in particular Early Intervention Grant (Children's Services) and Learning Disability and Health Reform (Adult, Community and Housing).

However, support services provided to schools which become the responsibility of academies after conversion will be funded by a new Education Services Grant from 2013/14 rather than through the Business Rate Retention mechanism.

(\*\*\*) Includes increased NHS Section 256 funding, and the fallout of previous one-off spending.



## Spending Pressures

25. Having reviewed existing budgets in the light of Council Priorities, additional legislative requirements and service pressures, the following package of additional spending to target key service areas for investment over the next three years is proposed:

	2013/14	2014/15	2015/16
	£'000	£'000	£'000
<b>Adult, Community and Housing</b>			
Increased numbers of adults with learning disabilities	400	746	1121
Increased number of clients with dementia	367	949	1531
Increased numbers of people with a physical disability and some transfers of people from Children's Services	415	415	415
	<b>1182</b>	<b>2110</b>	<b>3067</b>
<b>Children's Services</b>			
The demand for placements of looked after children (LAC) exceeds the 2012/13 base budget of £9.7m by £2m (at worst case which assumes that the children will remain in place for the remainder of the year and no other placements are made). There are growing numbers of families experiencing financial difficulties leading to greater family need and breakdowns which gives rise to more children needing higher levels of support and care from the local authority.	2000	2000	2000
	<b>2000</b>	<b>2000</b>	<b>2000</b>
<b>Urban Environment</b>			
Waste that goes to landfill is subject to a Landfill Tax set nationally	105	242	379
Domestic waste entering the incinerator is subject to an inflationary contractual 'gate fee'	54	110	167
There is a forecast shortfall in car park income compared with current budget	325	325	325
Green waste vehicles need to be replaced which were previously grant funded	244	244	244
	<b>728</b>	<b>921</b>	<b>1115</b>
<b>Total</b>	<b>3910</b>	<b>5031</b>	<b>6182</b>

Changes compared with proposals reported to Cabinet in October are detailed in Appendix 1.

## Savings

26. Following a detailed budget review process, which considered the need to redirect resources to the spending pressures and priorities set out in paragraph 25, a range of savings has been identified from existing budgets as follows. Detailed proposals are set out in Appendix 4.

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult, Community and Housing	3716	7066	9823
Urban Environment	2460	3850	5642
Children's Services – to address reduction in Early Intervention Grant	500	2800	2800
Children's Services – other savings	2991	3491	4991
Corporate Resources	1129	1723	2691
Chief Executive's	229	329	530
Further Management and Support Savings	-	-	1000
<b>Total</b>	<b>11025</b>	<b>19259</b>	<b>27477</b>

Changes compared with proposals reported to Cabinet in October are detailed in Appendix 1.

27. A number of changes to council tax discounts and exemptions given in respect of unoccupied properties were agreed by Cabinet on 31<sup>st</sup> October and ratified by Council on 26<sup>th</sup> November. It is anticipated that around £1.5m per annum of extra income will be generated, which is taken into account in the figures for forecast council tax income in this report.
28. It is also proposed to remove the 20% discretionary rates relief currently awarded by the Council to Voluntary Aided (VA) schools from 2014/15. This will be funded from Dedicated Schools Grant rather than impact on individual schools. The 80% mandatory relief for VA schools will continue. This will save £84,000 of which half will be retained by the Council under the new Business Rates Retention arrangements. This is reflected in the figures for forecast business rate income in this report.

## Human Resource Implications

29. As at 30<sup>th</sup> January 2013, there had been a total of 359 requests for voluntary redundancy. This figure is made up of 178 requests from employees in posts that could be considered for voluntary redundancy (using Form 2) due to them being in service areas identified for potential budget savings and 181 from employees in currently excluded posts, which may be considered if changes to budget proposals put their service area at risk or if there are bumping opportunities with employees at risk of redundancy, (using Form 3).

30. 105 requests from the 178 could not be accepted due to the fact that the loss of these posts would compromise the needs of the service and 19 requests were withdrawn by the employee. 42 requests have been able to be accepted, including 2 from Form 3 requests, and are now being progressed with the individuals concerned, 39 of which have been authorised through the delegated process as of 30th January 2013. There are 16 requests that require further consideration, including 2 from the Form 3 requests – for example, in a number of service areas, an excess of volunteers have come forward, requiring the establishment of selection pools to determine the most suitable employees to be accepted for voluntary redundancy. Additionally, some of the volunteers may be “redundancy bumped” out of their role by employees identified as at risk of compulsory redundancy and further numbers of voluntary redundancy requests may be able to be accepted, pending restructures that will be completed within the next three months, with an aim to support savings required.
31. Subject to completion of this process, it is likely that some compulsory redundancies will still be required to completely achieve the savings for 2013/14 set out in this report. It is too early in the process to be able to confirm exact numbers of potential compulsory redundancies from the budget saving process but it is anticipated that the level will be approximately 18 FTE - many of which we would hope to redeploy or redundancy bump as stated above. Any compulsory redundancies will be managed in accordance with both the Managing Employees at risk of Redundancy and the Retraining & Redundancy policies and be reported to Cabinet for approval.
32. In addition, the list of expressions of interest for voluntary redundancy is being used to avoid non budget saving related compulsory redundancies (for instance for employees who are on the redeployment register due to cessation of funding) and two such redundancy bumps are currently being explored.
33. Redundancy costs are dependent on the age and length of service of the individuals being made redundant and therefore cannot be precisely calculated at this stage. However, it is anticipated that any direct redundancy costs can be met from underspends in 2012/13 (see para 9 above) or from resources earmarked for committed capital expenditure (which in turn could be funded from prudential borrowing), and that the cost of immediate access to pension for qualifying staff can be met from the relevant allowance built into the Council's pension fund contributions.

#### Medium Term Financial Strategy

34. The Medium Term Financial Strategy (MTFS) sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties, and the level of Council Tax. It provides a context for decisions on the 2013/14 budget and council tax.
35. The principles underlying the MTFS are set out in Appendix 5. They apply to all aspects of Council activity, including the Housing Revenue account (HRA).
36. The MTFS reflecting the revised spending proposals set out above, and forecasts of likely resource availability can be summarised as follows.

	2013/14 £m	2014/15 £m	2015/16 £m
<b>Base Budget Forecast</b>	254.8	258.0	262.2
- see para 24			
<b>Pressures</b>	3.9	5.0	6.2
- see para 25			
<b>Efficiency and Other Savings</b>	-11.0	-19.2	-27.5
- see para 26			
<b>Total Service Spend</b>	<b>247.7</b>	<b>243.8</b>	<b>240.9</b>
Revenue Support Grant	90.5	75.2	63.6
Retained Business Rates	43.8	48.0	49.1
Small Business Rate Relief (SBRR) Grant	1.4	-	-
Top-Up Grant	14.6	15.0	15.4
New Homes Bonus	2.5	3.3	4.0
New Homes Bonus Adjustment Grant	0.5	0.9	0.9
Council Tax Freeze Grant	1.1	1.1	-
Collection Fund Surplus (see para 44 below)	1.1	-	-
Council Tax	92.8	94.6	96.3
<b>Total Resources</b>	<b>248.3</b>	<b>238.1</b>	<b>229.3</b>
<b>Contribution to(-)/from Balances</b>	<b>-0.6</b>	<b>5.7</b>	<b>11.6</b>
Balances brought forward	17.7	18.3	12.6
<b>Balances carried forward</b>	<b>18.3</b>	<b>12.6</b>	<b>1.0</b>

37. The forecasts for Council Tax income set out in the MTFs reflect a Council Tax Freeze in 2013/14 and acceptance of the Government's offer of Council Tax Freeze Grant as set out in para 17. Future years' forecasts assume ongoing increases in tax base and Council Tax increases up to the referendum threshold based on current legislation and principles.
38. Reserves, as set out above, are considered to be adequate to balance spending and resources over the period of the MTFs. However, on the basis of the financial forecasts set out above, and in the expectation of further funding reductions after 2015/16, it will be necessary in future years to identify further savings from the base budget (beyond those outlined in this MTFs) in order to ensure that the strategy remains robust from 2016/17 onwards.
39. In order to ensure that the Council can properly manage its financial affairs over the life of this MTFs and beyond, and ensure resources are available to deal with new spending pressures and other unforeseen eventualities, the strategy must therefore be to:
- (a) manage spending within approved budget levels;
  - (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
  - (c) seek further efficiency and other savings;

- (d) maximise opportunities for additional external funding;
- (e) take action to replenish General Balances;
- (f) regularly review risks and uncertainties and any other relevant factors.

#### Estimates, Assumptions & Risk Analysis

40. It was noted in the previous report to Cabinet that the budget forecasts and resource levels were based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended either before the budget and Council Tax for 2013/14 is set, during the course of that year, or indeed over the term of the MTFs. These may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources, and now include:
- (a) Revenue Support Grant for 2014/15 is as per the indicative figures announced with the 2013/14 settlement, and for 2015/16 changes in line with the 2012 Autumn Statement and subsequent Treasury indications.
  - (b) income from Business Rates will be in line with current forecasts;
  - (c) the underlying value of Council Tax Benefit/Support awarded will not substantially exceed current levels.
  - (d) New Homes Bonus funding for future years increases at the same rate as for 2013/14.
  - (e) there is no overall increase in employer pension contributions. The new Local Government pension scheme comes into operation from April 2014, which is also the commencement of a new valuation period. The impact of both is uncertain at this stage.
  - (f) Single Status and Equal Pay costs are no more than estimated;
  - (g) general levels of inflation, pay and interest rates do not vary materially from current forecasts;
  - (h) income and expenditure relating to treasury management activity, including airport dividend income, are in line with forecasts;
  - (i) the impact of schools transferring to academy status can be managed within Directorate of Children's Services budgets.
  - (j) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
  - (k) Council Tax increases in future years are up to the referendum threshold based on current legislation and principles.

41. An impact assessment of the significant risks which Members should consider prior to agreeing a budget and MTFS is set out in Appendix 6.
42. In mitigation, any unbudgeted costs would have to be met from further economies or reductions in planned spending or (temporarily) from balances.

#### Detailed 2013/14 Budget Proposals

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

#### **Revenue Budget Allocations 2013/14**

<b>Service</b>	<b>£m</b>
Children's Services	68.458
Adult, Community and Housing Services	103.487
Urban Environment	55.963
Corporate Resources	15.618
Chief Executive's	4.199
<b>Total Service Budget</b>	<b>247.725</b>

Details of each service's budgets analysed by main divisions of service are shown at Appendix 7.

44. The yield for 2013/14 from the Council Tax necessary to meet the requirements of the Council has been calculated having regard to the estimated balance on the Collection Fund at 31st March 2013, set out as follows. It should be noted that Fire and Police are entitled to a share of any Collection Fund surpluses relating to Council Tax collection.

#### **Estimated Collection Fund Surplus**

	<b>£m</b>
Arrears brought forward	5.256
Add: Debit for 2012/13	127.162
	132.418
Less: Forecast collections	127.225
Estimated Bad Debt Provision Required	5.193
Compared with current Bad Debt Provision	6.216
Reduction in provision required	1.023
Plus: Adjustment to Surplus arising in 2011/12	0.269
<b>Total Estimated Available Surplus</b>	<b>1.292</b>
Less: Fire and Police Share	0.150
<b>NET SURPLUS AVAILABLE TO DUDLEY</b>	<b>1.142</b>

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

#### Funding the Revenue Budget 2013/14

Source of Funding	2012/13 £m	2013/14 £m
Dudley MBC Service Budget	238.548	247.725
Less: Formula Grant / Revenue Support Grant	(121.732)	(90.443)
Retained Business Rates	-	(43.814)
SBRR Grant	-	(1.427)
Top-Up Grant	-	(14.602)
New Homes Bonus (NHB)	(1.699)	(2.468)
New Homes Bonus Adjustment Grant	-	(0.510)
Council Tax Freeze Grant 2012/13	(2.783)	-
Council Tax Freeze Grant 2013/14	-	(1.138)
Collection Fund Surplus	(0.729)	(1.142)
Contribution to / from(-) General Balances	(0.284)	0.638
<b>Dudley's Council Tax Requirement</b>	<b>111.321</b>	<b>92.819</b>
Tax Base*	98918.21	82478.38
<b>COUNCIL TAX (Band D) FOR DUDLEY**</b>	<b>1125.38</b>	<b>1125.37</b>

\* reflects Council Tax Benefit becoming a Discount from 2013/14

\*\*unavoidably 1p lower

46. It is being 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 8.
47. The proposed Dudley MBC Council Tax for a Band D property for 2013/14 of £1125.37 represents a freeze compared to 2012/13.
48. The base budget includes £350,000 for the annual cost of local elections. Although there are no local elections in 2013/14, this budget was retained pending a decision on whether to hold a referendum on council tax. As the proposed budget and council tax for 2013/14 will not require a referendum, there will therefore be a one-off saving of this sum. These funds are now available to support delivery of services in 2013/14, and more detailed proposals for their use will be reported to Council on 4<sup>th</sup> March.
49. The total levels of Council Tax, which will be considered by the Council at its meeting on 4<sup>th</sup> March 2013, 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.
50. The Local Government Act 2003 requires the designated Chief Finance Officer of the authority (the Treasurer) to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves. The Treasurer's report is set out in Appendix 9.

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.

## **Finance**

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

## **Law**

52. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.
53. 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.
54. The Local Government Act 2003 requires the Treasurer to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.
55. 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. The limit for metropolitan authorities for 2013-14, before a referendum is required, is 2%, as adjusted to reflect the impact of increases or decreases in Levy amounts and the tax base.
56. 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 2013/14 before the 11<sup>th</sup> March, 2013.

## **Equality Impact**

57. 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.



58. 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.
59. 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.
60. 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.
61. 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.

62. Original budget proposals were presented to Cabinet on 31<sup>st</sup> October 2012. 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.
63. All changes made to budget proposals since October are set out in Appendix 1. These include changes to proposals in respect of the commissioning of children and adolescent mental health services arising from the relevant equality impact assessment.
64. A list of equality impact assessments is shown at Appendix 10. Copies will be provided to Cabinet Members and Opposition Spokespersons, and are also available in the Members' Room or can be obtained from Democratic Services.

65. 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.
66. With regard to Children and Young People, the proposed budget for the Directorate of Children's Services will be spent wholly on maintaining and improving services for children and young people. The expenditure of other Directorates' budgets will also have a significant impact on this group.

## **Recommendations**

67. That Cabinet recommends the Council to approve the following:
- The budget for 2013/14, and service allocations as set out in the report.
  - Acceptance of Council Tax Freeze Grant for 2013/14.
  - 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 2013/14 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 8 of this report.
  - That, having calculated the aggregate in each case of the amounts in Appendix 8, 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 2013/14.

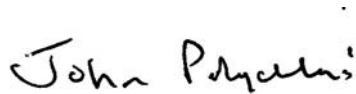
### Valuation Bands

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
750.25	875.29	1000.33	<b>1125.37</b>	1375.46	1625.54	1875.62	2250.75

- plus the amounts to be notified for the Police, and Fire and Rescue precepts.

- The revision of 2012/13 budgets to reflect the variances set out in paragraph 8 of the report.
- That the Chief Executive in consultation with the Director of Public Health and Cabinet Member for Public Health be authorised to determine allocation of the available public health grant funding for 2013/14.
- That the 20% discretionary rates relief currently awarded by the Council to Voluntary Aided (VA) schools be removed from 2014/15.

- The Medium Term Financial Strategy as set out in the report.
68. That the Treasurer be authorised, in consultation with the Cabinet Member for Finance and the Opposition Spokesperson for Finance to approve any minor changes resulting from final details of the grant to compensate for the doubling of SBRR, prior to Council on 4<sup>th</sup> March, as set out in paragraph 22.
  69. 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.
  70. That Cabinet notes the one-off savings from a referendum not being required, and that more detailed proposals for their use will be reported to Council on 4<sup>th</sup> March.
  71. That the Cabinet Members, Chief Executive and Directors be authorised to take all necessary steps to implement the proposals contained in this report, in accordance with the Council's Financial Management Regime.
  72. That the Chief Executive and Directors be reminded to exercise strict budgetary control in accordance with the Financial Management Regime and care and caution in managing the 2013/14 budget, particularly in the context of commitments into later years and the impact that any overspending in 2013/14 will have on the availability of resources to meet future budgetary demands.



.....  
**John Polychronakis**  
**Chief Executive**



.....  
**Iain Newman**  
**Treasurer**

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**List of Background Papers**

Final Local Government Finance Settlement papers and electronic communications.  
 Budget Report to 31<sup>st</sup> October 2012 Cabinet.

## Amendments since report to October Cabinet

Spending Pressures	2013/ 14 £'000	2014/ 15 £'000	2015/ 16 £'000
<b>Total reported to October Cabinet</b>	<b>3910</b>	<b>4103</b>	<b>4297</b>
<b>Adult, Community and Housing</b> <i>In the October Cabinet report, the following spending pressures were presented on the basis that any increase in the pressure beyond 2013/14 could be met from further efficiency savings. The presentation has been amended to make the ongoing increase in these pressures more explicit.</i>			
Increased numbers of adults with learning disabilities		346	721
Increased number of clients with dementia		582	1164
<b>Revised Total</b>	<b>3910</b>	<b>5031</b>	<b>6182</b>

Savings	2013/ 14 £'000	2014/ 15 £'000	2015/ 16 £'000
<b>Total reported to October Cabinet</b> (including savings to address reduction in EIG)	<b>12457</b>	<b>18331</b>	<b>24592</b>
<b>Adult, Community and Housing</b> <i>Presentation amended to better reflect efficiency savings required in the following areas to meet increase in pressures beyond 2013/14 as set out above.</i>			
Learning Disability - Reduction in the levels of residential care and care packages for people including Supported Housing.		346	721
Older People Services – Reductions in funding for long term care.		582	1164
Defer an element of savings relating to library service until 2014/15. Detailed proposals will be brought forward as part of the 2014/15 budget setting process.	-272		

	2013/ 14 £'000	2014/ 15 £'000	2015/ 16 £'000
<b>Children's Services</b> <i>In the October Cabinet report it was proposed that £2.3m of savings to address the reduction in EIG would be delivered by September 2013. To allow more adequate time to develop and consult on detailed savings proposals, it is proposed that this be deferred until April 2014. Detailed proposals will be brought forward as part of the 2014/15 budget setting process. The part year effect is around £1.2m.</i>	-1200		
Deferral of savings from the commissioning of children and adolescent mental health services	-170	-100	
Service Redesign - supervised contact: efficiencies in service delivery through a restructure bringing the service mainly in house over a 2 year period.	100	100	
Children's Centre budget efficiencies now achievable in 2013/14 - 1 year earlier than planned	70		
<b>Corporate Resources</b> Savings advanced from 2014/15 in respect of restructure of Human Resources and Organisation Development division.	40		
<b>Cross Directorate Review of Management and Support Costs</b> There will be a comprehensive review of management and support costs across the Council during 2013/14 to ensure that this saving is in place by 2015/16. The review will include a re-alignment of services between directorates to be determined by Cabinet and Council.			1000
<b>Revised Total</b>	<b>11025</b>	<b>19259</b>	<b>27477</b>

### Overall Summary

	2013/14 £m	2014/15 £m	2015/16 £m
<b>Service Spend Forecast – October</b>	<b>247.6</b>	<b>244.5</b>	<b>243.4</b>
Review of pressures (as above)	-	0.9	1.9
Review of savings (as above)	1.4	-0.9	-2.9
Review of treasury forecasts etc.	-1.0	-0.4	-0.8
Revised ITA Levy forecasts	-0.8	-1.1	-1.5
Change to funding transfers	1.4	1.4	1.4
NHS section 256 funding higher than anticipated	-0.9	-0.6	-0.6
<b>Revised Service Spend Forecast</b>	<b>247.7</b>	<b>243.8</b>	<b>240.9</b>



## Your Council Tax – The Big Question Public Consultation Results

### General Returns Data

As of 25<sup>th</sup> January 2013 a total of 3,144 responses had been received. ICT estimated that around 82% were electronic and 18% were in paper format (4<sup>th</sup> Jan 2013).

### Results

51% answered yes (1,598) to a council tax increase and 49% answered no (1,546). The number of responses yielded a 2% confidence interval on these results as long as the sampling technique was random. This means that we could potentially be 95% certain that the true “yes” value lies somewhere between 49% and 53%. Conversely, the “no” value could be as low as 47% and as high as 51%.

### Answering No

Of the 1,546 people who answered no to an increase, 1,408 went on to choose which services they would cut.

Service	Number	Percent
Benefits & other welfare services	1046	74
Town halls, museums & our heritage	853	61
Leisure centres & sports development	730	52
Youth services	638	45
Physical regeneration & job creation	620	44
Libraries & adult learning	591	42
Parks & nature reserves	546	39
Food hygiene, air quality & trading standards	541	38
Supporting children’s learning	495	35
Community safety	399	28
Child protection & family support	379	27
Disabilities & mental health for children and adults	264	19
Roads & street lighting	261	18
Litter & street cleansing	210	15
Older people	177	13
Refuse collection & recycling	153	11

## Answering Yes

Of the 1,598 people who answered yes to an increase, 1,539 went on to choose which services they would most want to protect.

Service	Number	Percent
Refuse collection & recycling	1235	80
Older people	1125	73
Disabilities & mental health for children and adults	1062	69
Litter & street cleansing	1015	66
Child protection & family support	1010	66
Roads & street lighting	974	63
Libraries & adult learning	859	56
Supporting children's learning	785	51
Parks & nature reserves	773	50
Community safety	763	50
Leisure centres & sports development	673	44
Youth services	669	44
Physical regeneration & job creation	662	43
Benefits & other welfare services	595	39
Food hygiene, air quality & trading standards	591	38
Town halls, museums & our heritage	572	37

## Extra Payments

When asked how much more people would be willing to pay, 49% said they would be willing to pay an extra £1 a week. 21% indicated an amount of 43p

Amount	Number	Percent
43p	338	21
75p	283	18
£1	780	49
Other	197	12

Other amounts ranged from 10p to £5, with £2 per week being the most common 'other' amount cited.

## Demographics

### Gender

The gender split was 59% male and 41% female, compared to the Borough figures of male – 49% and female 51%. Traditionally, females are more likely to be respondents, so this consultation is counter to that normally witnessed.

Females were more likely to answer yes to a council tax increase with a percentage of 62% compared to males 45%.



## Age Groups

Age Group	Number	Survey %	Borough %
18-24	45	2	10
25-44	644	22	33
45-64	1267	44	33
65 and over	936	32	24

The survey roughly represents the age profile of the Borough. The under 45's are under-represented and the 45 year olds and over are over-represented. This is quite common for any consultation and in line with previous budget surveys.

The top services for both cutting and protecting vary a little by age bracket. Child protection & Family Support feature more for those of parental age and older people services feature more for those aged 45 and over.

## Ethnicity

The ethnic split of this consultation was 96.6% White and 3.4% all other groups. The borough figures are 90% white and 10% all other groups. People from other ethnic groups were more likely to answer yes for an increase in council tax (64% compared to 51% overall). Their choices for cutting services were similar to the overall results except the third most popular option was Youth services. There was no difference in the top choices for protecting services.

## Long Term Limiting Illness (LLTI)

17% of respondents answered yes to the question about having a long term limiting illness. This is close to the Borough figure of 20%. This group opted to cut benefits & other welfare services followed by leisure centres & sports development and parks & nature reserves. Services they wished to protect were the same as the overall results.

### Key Points in Dudley's response to Provisional 2013/14 Finance Settlement

- 1. Damping** *(of reductions in funding resulting from formula changes – paid for by authorities like Dudley who would otherwise have gained resources to match spending needs)*  
We have called for damping to be fully unwound over no more than 5 years. It is particularly important that this should happen at the start of a new system, both to ensure a fair start and in light of the intention not to review the underlying formulae until 2020 at the earliest.
- 2. Proportionate Shares** *(of national Business Rate Baseline - assessment of current capacity to generate business rate income)*  
We have welcomed the proposal to use a 2yr rather than 5yr average for the calculation of Proportionate Shares, as we agree that this approach balances the need to smooth the effects of volatility with the benefits of using the most recent data available.
- 3. Business Rate Appeals**  
We have called for the risk of appeals relating to past periods to be managed and funded centrally, rather than as part of the new system.
- 4. New Homes Bonus (NHB)**  
The top-slicing of the majority of funding for NHB from RSG control totals has the effect of redistributing resources *(away from areas like Dudley)* to those areas with the greatest capacity for new construction. *Dudley will receive £2.5m in NHB in 2013/14, but would receive around £4.1m if the funding available for NHB nationally was distributed as RSG.* NHB is no longer required to achieve its original purpose (to provide councils with funding from outside the formula grant system towards the pressure on services resulting from new homes being built in their area), as this is now integral to the new system. We have therefore called, as a minimum, for NHB to be frozen at current levels.
- 5. Council Tax Freeze Grant (CTFG)**  
Councils should be able to make decisions about council tax based on all the relevant facts including financial forecasting, current tax levels and the views of local people. We have therefore called for CTFG for 2013/14 to be withdrawn and for the resources that have been set aside to fund it to be returned to the RSG control total for allocation to all authorities. *As a result of freezing council tax in 2013/14, Dudley will receive £1.1m in CTFG in 2013/14 and 2014/15, but would receive around £1.4m if the funds set aside for this grant nationally were distributed as RSG.*
- 6. Referendum Principles**  
A standard 2% referendum threshold penalises councils *(like Dudley)* with existing low levels of council tax. We note that the Government has recognised this and has proposed that shire district councils, fire and rescue authorities and Police and Crime Commissioners whose 2012-13 council tax is in the lower quartile for their category of authority, should have more flexibility to increase council tax in 2013/14 without a referendum. We have called on the Government to extend this flexibility to all authorities whose 2012-13 council tax is in the lower quartile for their category of authority.

## **7. Referendum Threshold**

As became evident last year, the exclusion of levies from the calculation of the “relevant basic amount of council tax” creates complexity and confusion. We can see no good reason why levies should be excluded, and have called on the Government to amend the relevant calculations.

## Proposed Savings

<b>Adult, Community and Housing</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Older People Services – Uncommitted resources saved from the closure of Shenstone Elderly Persons' Home in 2011/12.	452	452	452
Housing General Fund - Continue to work in partnership with providers to undertake value for money reviews for Supporting People grants allocated to landlords, aligning funding with strategic priorities and using national benchmarking data and best practice to ensure appropriate levels of support and promote independence.	148	148	148
Learning Disability - Reduction in the levels of residential care and care packages for people including Supported Housing. This will be achieved following a remodelling of how we deliver services to people with a Learning Disability which will see more people supported in community based settings and through the delivery of personalisation.	150	646	1171
Quality and Commissioning - Remodelling and realignment of a number of services including commissioning, ICT, finance and community centre administration resulting in the loss of 9.5 posts; together with increased fee income targets for the finance section in respect of their work with the Court of Protection on behalf of people who lack capacity.	610	610	610
Quality and Commissioning (Social Care Learning & Development) - Further reductions in staffing by 1 post. Other efficiency savings including reductions in training fees and wider use of a range of training methods e.g. on-line learning together with reduced attendance at conferences.	129	129	129
Older People / Physical Disability Services - This would see changes in the balance between qualified and unqualified social workers, with qualified workers concentrating more on safeguarding issues and complex cases. There will be no risk to people who use services resulting from this proposal.	100	100	100
Directorate Management and Social Work posts - The Directorate has already commenced a modernisation programme which will see significant changes to the way in which people access and receive services. These savings, of which half will be management posts, will streamline systems and reduce management posts where they are no longer required.	50	250	450
Physical Disability – Will see a reduction in the levels of residential care and care packages for people, including Supported Housing. This will be achieved by reducing the cost of new placements with providers; delivering improved value for money from existing care packages; by increased use of telecare; extra care housing; and direct payments .	20	20	70

<b>Adult, Community and Housing</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Mental Health Services management and staffing - This would see a reduction in posts at both management, fieldwork and service provision level. In total around 4 posts would be lost. The mental health service is undergoing significant change as it embraces the personalisation agenda and ensures that the services it provides are appropriate. Although overall staffing capacity will be reduced, the impact on people using services will be minimal.	68	138	138
Library and Archive Service - Management restructure to deliver £75,000 efficiency savings. The method of achieving the balance of the savings target is currently being developed. The proposals to date will not impact on the service delivered to the public.	75	347	347
Mental Health Services - Reduction in the amount spent on residential care and care packages for people in supported housing. This will be achieved by reducing the cost of new placements with providers; delivering improved value for money from existing care packages; telecare; extra care housing; and Direct payments. This could impact on the existing care being provided to around 100 clients	50	80	236
Learning Disability Services - review of the People Using Local Services Everyday (PULSE) service, as part of the overall remodelling of learning disability services. There will be a strong focus on personalisation and employment	164	164	164
Older People -This would see either a reduction of services of 275 hours per week provided by our own internal home care team; or a transfer of hours to the private sector of 750 hours per week which can be provided at a lower cost than those provided internally. The transfer of hours to the private sector would not see any loss in care hours but they would not be provided by council staff.	0	300	300
Reconfiguration of the service delivery model - This proposal will explore different options for the delivery of services that would promote personalisation, see greater connectivity with a range of partners, potential to attract external funding sources and give better value for money.	0	0	1044
Older People Services - Closure of 2 reablement homes for the elderly with the transfer of required beds to Russell Court. This option will see the loss of 32 long term care beds. However the proposal should generate efficiency savings by having all the Directorate's residential reablement being provided through one building. A number of the beds at the home are already being used from short term care and this transfer would be phased over 2 years. There is no reduction in reablement beds and no direct impact on residents	585	1,100	1,100
Older People Services - This option would see the funding for some long term care being reduced as a result of more effective rehabilitation and preventative services together with the impact of switching some of Council's base budget spend to monies received via grant or from other partners.	965	2,232	3,014

<b>Adult, Community and Housing</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Older People / Physical Disability - Reduction in numbers of residential placements being made from 6 residential home equivalents per week to 5. This proposal would see a drop in the number of people that the council would support in long term care. This impact would be mitigated by the number of people who go into long term care who are self funding, and the increased effectiveness of reablement which currently sees 50% of people who go through reablement not needing residential care. The number of clients going into long term care could be flexed if the turnover of clients was significantly higher than that built into the budget.	0	200	200
Housing General Fund - This proposal would achieve efficiency savings in the Strategic Housing development team by losing 1fte post which is already vacant. The impact of this saving is already being covered by other staff working for and supporting the development team.	50	50	50
Review Racial Equality and Communications Service - This proposal would involve a review of services in conjunction with the wider development work undertaken across the Directorate with a view to consolidation, value for money and more targeted use of resources. The savings target will be met initially by not filling the current 2.5 vacant posts and by using reserves to cover the balance. A final decision on how the savings will be delivered will not be determined until the findings of the review have been made available.	100	100	100
<b>Total</b>	<b>3,716</b>	<b>7,066</b>	<b>9,823</b>

<b>Urban Environment</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Service related savings</b>			
Reduction in the Road reconstruction and resurfacing programme	280	400	861
Reduction in the Footway reconstruction programme and public right of way maintenance	110	210	210
Reduction in routine Street Lighting, signs and bollards maintenance	50	50	100
Reduction in the number of Street Nameplates replaced	20	20	20
Reduction in Street Cleansing linked to increased community led litter picking	0	0	71
Reduction in Gully Drain Emptying with a greater focus on problem 'hot spots'	0	0	52
Closing the public toilet off Court Street in Stourbridge town centre	10	10	10
Reduction in the Grounds Maintenance of parks, open spaces, verges and other amenities including grass cutting, shrubs, hard surfaces & pitch marking and the pruning of trees	200	205	470

Shortening the collection period for Green Waste to between April and the end of October	100	200	200
<b>Office staff related savings</b>			
Staff related savings across all Divisions of the Directorate	832	1049	1697
<b>Income generation</b>			
Increase fees and charges for some highway related licences and permissions	31	31	31
Increase car parking charges by 20% in 2013 then a further 10% in 2014	225	450	450
Explore options to charge on currently free surface car parks and consider on street parking	75	75	75
Increasing charges for trade waste in line with the 'market'	27	27	27
Charging for replacement Green Bins when reported missing	25	25	25
Extra income generation from Himley Hall and other Hall venues, plus a review of management	55	55	55
<b>Other efficiency and contractual savings</b>			
Selling the spare capacity of the Incinerator at Lister Road Depot	0	313	313
Increased recycling at the Civic Amenity site to save landfill costs	250	250	250
Introduction of Wheelie Bins for domestic waste as part of wider waste minimisation strategy	0	100	100
Gym equipment contract negotiated savings	100	140	180
New technology within Street Lights will reduce light pollution and save significant energy costs	0	0	205
Broadfield House - explore the potential for an Asset Transfer to a third party	0	170	170
More efficient utilisation of existing Vehicle Fleet with reduced external hire	50	50	50
Construction of the new Salt Barn will reduce salt leaching	20	20	20
<b>Total</b>	<b>2,460</b>	<b>3,850</b>	<b>5,642</b>

<b>Children's Services</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education Services: Further reduce Dudley Performing Arts (DPA). The service will cease carrying out most civic events. The majority of staff will work on a traded services basis.	178	178	178
Quality and Partnership: Reduce voluntary and community sector commissioning for children with disabilities.	100	100	100
Quality and Partnership: Reduce voluntary and community sector commissioning budget to vulnerable children, especially those living in homes where adults abuse alcohol and drugs and where there is evidence of domestic violence.	0	10	60
Quality and Partnership: The commission for family based care for children with disabilities has been reviewed and a reduction of £50,000 has been made through commissioning efficiencies.	50	50	50

<b>Children's Services</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Quality and Partnership: Reduce the pooled budget which supports children with disabilities who require high levels of additional support will release £124,000.	124	124	124
Quality and Partnership: Review the grant funding allocated to children with disabilities for short breaks arrangements and redesign and reduce service provision.	0	100	100
Transforming Futures: Connexions service savings of £56,000 for 2013/14 will be made by reducing the training, car allowance and stationery budget and by rationalising the activity budget.	56	56	56
Transforming Futures: Redesign the information advice and guidance support to targeted groups of vulnerable young people. Achieve efficiencies and use different delivery models of support.	200	250	350
Transforming Futures: Significantly reduce and redesign universal Youth Service activity offered to 13-19/25 year olds in the Borough.	200	330	330
Transforming Futures: Further reduce the Youth Service.	0	50	250
Transforming Futures: Asset Management Services will be traded to bring in additional income and efficiencies will be made.	10	50	100
Children and Families: To achieve efficiencies implement a new policy for the leadership and management of the Children's Centre provision.	320	320	320
Children and Families: By 15/16 significantly reduce the targeted offer to parents and children made by the Children's Centres.	70	70	870
Directorate Savings: Accommodation savings and the relinquishing of property leases.	0	237	237
Education Services: Restructure the Early Years activities to focus on the delivery of statutory duties - i.e. childcare sufficiency. A reduction will be made to the level of support provided to nursery and the private, voluntary and independent providers of 0-5 education.	150	200	200
Directorate: Due to the national and local requirements the Directorate will be reviewing and significantly redesigning its services from April 2013 in order to make further efficiency savings.	831	831	831
Quality and Partnership: Education Psychology Service. This saving will result in a reduction in the Council's statutory capacity to support vulnerable children.	60	60	60
Education Services: The release of 1 vacant Education Improvement Advisor (EIA) post will achieve the saving required but reduce the Directorate's capacity.	40	40	40



<b>Children's Services</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education Services: Special Education Needs (SEN). The national policy changes to SEN should allow for a service redesign to achieve £50,000 of efficiencies.	0	0	50
Quality and Partnership: The Special Education Needs (SEN) home to school transport budget for pupils will be reduced by £50,000 in 2015/16 through redesigning service provision.	0	0	50
Directorate Savings: Increased income contribution from traded services, the Dedicated Schools Grant and the reduction of the Early Intervention Strategy.	572	335	335
Children and Families: The budget savings of £100,000 will be achieved by a review and redesign of commissioned services for early intervention mental health work	0	0	100
Children and Families: The budget for commissioning children and adolescent mental health services will be reduced	30	100	200
<b>Total</b>	<b>2,991</b>	<b>3,491</b>	<b>4,991</b>

#### **Savings to address impact of reduction in Early Intervention Grant funding**

<b>Children's Services</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Remove funding for positive activities for vulnerable young people	100	100	100
Reduce funding for young people 13-19	50	50	50
Reduce the budget for Information Services within the Quality and Partnership Division	100	100	100
Withdraw staff training and development budget for Early Years	100	100	100
Further Directorate efficiencies	150	150	150
<b>Sub-Total</b>	<b>500</b>	<b>500</b>	<b>500</b>
To be identified.		2,300	2,300
<b>Total</b>	<b>500</b>	<b>2,800</b>	<b>2,800</b>

<b>Corporate Resources</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Restructure of management team in Customer Services and Support section in ICT Services	28	28	28
Further reduction of service provision in Information Systems in ICT services	46	46	46
Restructure the management of the Information Systems and Customer Services teams within ICT Services	50	50	50
Rationalise KERN (automated enveloping) in ICT Services	30	30	30
Consolidation of corporate and directorate-based ICT Services	0	200	350

<b>Corporate Resources</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Value for Money (VFM) work (efficiency studies to be carried out by the Internal Audit section)	48	48	48
Internal Audit - management restructure	0	0	60
External Audit fee savings	100	100	100
Training - reduce training budget for Members	5	5	5
Relocation of Register office	35	35	35
Registrars' fees	10	10	10
CCTV - increase income streams and reorganisation of staff responsibilities	25	25	25
Health and Safety - efficiencies within staffing following restructure	20	20	20
Transforming Our Workplace office accommodation project	0	0	400
Procurement, Contract Management and Creditor Services - service redesign	50	50	50
Accountancy - further efficiencies from improved working practices	27	120	120
Reduced internal insurance premiums	100	300	300
Increase the charges for Council Tax and National Non Domestic Rates summons costs	50	50	50
A reduction in third party transactions charges - Paypoint / Pay Pal transactions	15	15	15
Pass on credit card charges (average 1.2%) to customers	35	35	35
Dudley Council Plus efficiencies	10	10	10
Reductions in Benefits staffing	0	0	100
4 temporary (2 years) principal HR officers.	160	160	160
Restructure of Human Resources and Organisation Development division including vacant posts and non pay savings.	218	247	432
Administration buildings - reduction in running costs	50	50	50
Review of leases including Cranham House	17	17	40
Divisional restructure and efficiency savings within Law and Governance	0	72	122
<b>Total</b>	<b>1,129</b>	<b>1,723</b>	<b>2,691</b>

<b>Chief Executive's</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Withdrawal of grant to the Black Country Living Museum	70	70	70
Rationalise and review communications and public affairs	52	52	52
Reduce contribution to Black Country Consortium (BCC)	20	20	20
Restructure within Chief Executives Directorate	60	160	260
Reduction in grants to Dudley Council for Voluntary Services and Centre for Equality and Diversity	0	0	40
Reduce general running expenses across the Directorate	27	27	88
<b>Total</b>	<b>229</b>	<b>329</b>	<b>530</b>

<b>Cross Directorate Review of Management and Support Costs</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>2015/ 16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
There will be a comprehensive review of management and support costs across the Council during 2013/14 to ensure that this saving is in place by 2015/16. The review will include a re-alignment of services between directorates to be determined by Cabinet and Council.	0	0	1000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1000</b>

## Underlying Principles of the Medium Term Financial Strategy

### General

1. The Council's financial planning and budgeting will be undertaken on a medium-term basis (at least 3 years).
2. The starting point for each year's budget and the MTFS will be the previous year's "base budget", plus appropriate provision for anticipated:
  - Pay & price inflation;
  - Capital Programme implications (debt charges and running costs / savings);
  - Changes in functions and funding arrangements;
  - Fallout of specific grants and other income;
  - New specific grants;
  - Treasury activities impact (investment & borrowing rates);
  - Other necessary adjustments.
3. The Council's final budget and MTFS will be determined according to the Council's priorities, as set out in the Community Strategy, Council Plan, and Service Strategies, ensuring that funding is allocated according to the corporate vision, aims, and objectives.
4. Detailed Directorate budgets will flow from the MTFS, with provision for pay and price inflation, etc. allocated to directorates, together with the financial impact of specific growth and savings items.
5. Directorate Business Plans will reflect the resources allocated to Directorates as part of the MTFS and set out how services will be delivered and improved within these constraints.
6. The Council's budget will be linked to performance to enable the effectiveness of the allocation of resources to be fully assessed.
7. Directors are responsible for delivering planned service outputs within cash-limited budgets.
8. The financial implications of the Council's partnership working will be reflected in the MTFS.
9. An annual Budget Review process will be undertaken by Directors and Members in accordance with an agreed plan and timetable with the objective of setting the following year's Budget and Council Tax and reviewing the MTFS.
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 Treasurer, Directorates may establish earmarked reserves from within their 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. Services operated on a trading basis (internal or external) may also establish reserves to balance profits and losses over the medium term.
13. All earmarked reserves will be periodically reviewed. Any reserves no longer required for their original purpose will be transferred to General Balances.
14. A Corporate "Reserve of Last Resort" will also be maintained to cover unforeseen events that cannot be met from within cash-limited budgets, earmarked reserves, or uncommitted General Balances.
15. General Balances will be managed to enable spending pressures and resources to be balanced over the medium term.
16. In accordance with legislative requirements, the Treasurer will report to the Council (when considering the budget for the following financial year) on the adequacy of the proposed levels of reserves.

## **Risk Assessment and Management**

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

## **Income**

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

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

### **Budget Realignment - Pressures**

24. 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.

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.

25. 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.
26. A package will be agreed in the light of overall resource availability.
27. 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**

28. 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**

29. 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.
30. 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.

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. With regard to partnerships, the Council will use its Partnership Evaluation Tool to ensure that its many partnerships continue to be appropriate means of delivering its aims and objectives in a value for money manner. For the key partnerships operating throughout the Council, the joint plans agreed with partners and other stakeholders will include detailed financial elements - including each partner's medium term financial (or other resource) commitment. These will be consistent with the Council's budget and 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 Community Strategy and Council Plan which determine 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. Detailed consultation will be undertaken with groups and organisations identified as being potentially affected by the specific savings proposals, with a particular emphasis on equalities issues. In making decisions Members will have due regard to the public sector equality duty under the Equality Act 2010.
47. 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.
48. The Council is required by law to consult with representatives of Business Ratepayers each year before the final budget and Council Tax are agreed.



49. The Dudley Community Partnership is also encouraged to comment on the budget proposals.

## 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
Single Status and Equal Pay Back Pay	Figures included in spending forecasts are based on best estimates at this time, but are subject to the outcome of appeals.
General inflation and staff pay awards higher than budgeted	The Council is expecting pay awards for local government may be frozen or settled at very low levels in the next few years. We are making sufficient provision to cover a 1% annual increase in pay consistent with Government announcements about public sector pay, recognising however that central government does not determine Local Government pay awards. The budget provision for prices assumes that competitive contract management and tendering will continue to minimise the impact of price rises on Council budgets. We are therefore proposing a provision of around 2% per annum. A 1% increase in inflation would cost (excluding Schools) around £1.2m extra per year in respect of pay and £1.7m in respect of prices.
Interest rates higher / lower than expected	A 1% change either way in short term interest rates would not have a material impact as the majority of borrowing is at long term fixed rates, and estimates of interest earnings are prudent.
Change in Employer's Superannuation Contributions	The employer's superannuation contributions are set for the three years up to and including 2013/14. Contributions in subsequent years are sensitive to demographic changes, market conditions, pension regulations, and level of pension strain arising from early retirements charged to the fund.
Income levels not achieved	A 1% loss of income (excluding grants & interest) would cost the Council around £0.3m per year.
Other unplanned events, or assumptions not in line with forecasts	Unforeseen costs or costs greater than estimated - including those arising from demographic pressures.

Council Tax limitation	The budget proposals in this report result in a Council Tax freeze for 2013/14. The Localism Act enables the Government to limit Council Tax increases that can be implemented in future years without approval via local referenda. It has been assumed that these will be in line with the indicative limit for 2013/14.
Revenue Support Grant, lower than assumed	We have assumed Revenue Support Grant for 2014/15 is as per the indicative figures announced with the 2013/14 settlement, and for 2015/16 changes is in line with the 2012 Autumn Statement and subsequent Treasury indications. A 1% shortfall would reduce annual resources by £0.9m.
New Homes Bonus lower than assumed	We have assumed New Homes Bonus funding for future years increases at the same rate as for 2013/14. Failure to increase would reduce annual resources by £0.7m cumulatively.
Business Rate income lower than assumed	We have assumed this to be in line with the current levels. A 1% shortfall would reduce annual resources by £0.5m.
Localisation of Council Tax Benefit	We have assumed the cost of support will continue in line with current levels. A 1% variation in cost compared with resources would amount to around £0.2m.

2. Any unbudgeted costs, or shortfalls in income, would have to be met from reductions in planned spending in the year or from balances.
3. In addition to General Fund Balances, there are £2m Working Balances to meet unforeseen events and it is considered that many of the remaining earmarked reserves could be used in the short term to cover unforeseen budget pressures. These may need to be replenished in future years.

## Analysis of Provisional 2013/14 Budget by Division of Service

	<b>£'000</b>
<b>Children's Services</b>	
Schools	14,094
Youth Service	3,471
Children & Families Social Services	42,804
Other Children's Services	8,089
	<u><b>68,458</b></u>
<b>Adult, Community and Housing Services</b>	
Care & Support for Older People	37,079
Care & Support for People with a Physical or Sensory Disability	9,292
Care & Support for People with a Learning Disability	34,588
Care & Support for People with Mental Health Needs	6,300
Libraries, etc.	5,860
Other Adult and Community Services, etc.	1,193
Private Sector Housing	8,171
Homelessness & Welfare	670
Contribution to Housing Revenue Account for Community Expenditure	334
	<u><b>103,487</b></u>
<b>Urban Environment</b>	
Environmental Health & Consumer Protection	3,041
Street Cleansing	2,793
Waste Collection & Disposal	16,254
Cemeteries & Crematoria	-1,043
Traffic Management & Road Safety	2,732
Flood Defence & Land Drainage	333
Highways Maintenance (inc. depreciation)	17,435
Other Engineering & Transportation Services	-478
Planning, Building and Development Control	2,080
Economic Regeneration	1,105
Environmental Initiatives	389
Culture and Heritage	2,350
Recreation & Sport and Open Spaces	8,972
	<u><b>55,963</b></u>

**Corporate Resources**

Tax Collection & Benefits	3,056
Transport Authority Levy	16,636
Flood Defence Levy	100
Other Corporate Resources	1,651
Corporate & Democratic Core	1,587
Treasury etc.	-7,412
	<u><u>15,618</u></u>

**Chief Executive's**

Elections & Electoral Registration*	712
Economic & Community Development	203
Community Safety	811
Corporate & Other Costs	2,473
	<u><u>4,199</u></u>

<b>TOTAL</b>	<b>247,725</b>
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\*Will be revised when reported to Council on 4<sup>th</sup> March – see paragraph 48.

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

1. That the following amounts be now calculated by the Council for the year 2013/14 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992:
  - (a) £733.283000m 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) £640.464000m 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) £92.819000m 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) £1125.3737 being the amount at (c) above divided by the Council Tax base of 82478.38, 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

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
750.25	875.29	1000.33	<b>1125.37</b>	1375.46	1625.54	1875.62	2250.75

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 Treasurer as required by  
Section 25 of the Local Government Act 2003**

1. The Council's External Auditor issued an unqualified opinion on the Council's 2011/12 Statement of Accounts, and commented in the most recent Annual Governance Report that the Council "had proper arrangements to secure economy, efficiency and effectiveness in its use of resources" and "is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity".
2. Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Authority (the Treasurer) 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 price increases during the year and an appropriate assessment of the potential risks and uncertainties. We have also had regard to the availability of external funding, particularly specific Government Grants and partnership funding and income levels from fees and charges. The proposals for additional spending are based on specific initiatives or projects, or provide a cash-limited allocation for a particular activity. The proposals for efficiency and other savings result from a detailed review of existing spending, and represent a realistic estimate of what can be saved if the action proposed is implemented.
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 estimated level of unearmarked balances at 31<sup>st</sup> March 2013 is £17.7m. The budget proposals for 2013/14 include a contribution of £0.6m to balances. The following table summarises the total level of estimated General Fund earmarked reserves at 31st March 2013.

	<b>Forecast Balance 31.3.13 £m</b>
Working Balances	2.0
Insurance Fund	5.0
Other Corporate	0.8
<b>Total Corporate Reserves</b>	<b>7.8</b>
DGfL & Paragon equalisation	11.9
School Balances	20.3
Directorate Reserves	9.9
<b>Total Earmarked Reserves</b>	<b>49.9</b>

6. Working Balances are specifically held to cover unforeseen expenditure or shortfalls in income of an exceptional nature, and are not anticipated to be utilised under normal circumstances.

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

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

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

The total level of earmarked reserves at 31<sup>st</sup> March 2014 is estimated to be about £39m.

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



Iain Newman  
Treasurer



## Schedule of Equality Impact Assessments

### Adult, Community and Housing

Older Persons' Services - Internal residential care / Reablement  
 Housing General Fund - Supporting People  
 Learning Disability - Residential care and care packages  
 Quality and Commissioning - Remodelling and realigning services  
 Quality and Commissioning - Learning and development  
 Older Persons' Services - change skill mix of social work staff  
 Directorate Management and Social Work posts - Remodelling and realignment  
 Physical Disability - Residential care and care packages  
 Mental Health - Management and staffing  
 Libraries  
 Mental Health - Residential care and care packages  
 Learning Disability - Pulse service  
 Older Persons' Services - Internal home care  
 Directorate - Potential outsourcing of services  
 Older Persons' Services - Residential care and care packages  
 Housing General Fund - Housing development team  
 Race Equality and Communications Service

### Children's Services

Dudley Performing Arts (initial screen)  
 Voluntary/Community Sector Commissioning, Kids  
 Voluntary / Community Sector Commissioning, Barnardo's  
 Administration and Training (Safeguarding Board)  
 Educational Psychology Service  
 Pooled Budget for Children with Disabilities  
 Early Years (initial screen)  
 Children's and Adolescent Mental Health Services  
 Youth Service  
 Connexions  
 Children's Centres

### Urban Environment

Reduced programme of maintenance of the Borough's Public Rights of Way  
 Reduced programme of full or part footway reconstruction  
 Proposed closure of the public convenience block in Court Passage, Stourbridge