

Meeting of the Council – 1st March 2010

Joint Report of the Chief Executive and Interim Director of Finance

Revenue Budget Strategy and Setting the Council Tax 2010/11

Purpose of Report

1. To submit to Council the recommendations of the Cabinet on 10th February 2010 concerning the deployment of General Fund revenue resources, a number of statutory calculations that have to be made by the Council and the Council Tax to be levied for the period 1st April 2010 to 31st March 2011.

Background

2. In considering the Council's Budget Strategy and tax levels for 2010/11, Members will need to consider carefully:
 - (a) the levels of Government support allocated to the Council and Ministerial statements about potential "capping levels" and the tightening of public spending;
 - (b) spending pressures, opportunities to free up resources (including efficiency savings) and Council Plan priorities;
 - (c) the implications of spending levels in later years as part of the Council's medium term financial plan;
 - (d) the views of consultees;
 - (e) the external factors and risks inherent in the Strategy;
 - (f) the impact on Council Tax payers, and particularly balancing what needs to be spent to provide services with what it is reasonable to ask local Council Tax payers to pay.

Revenue Support Grant 2010/11

3. Details of the Provisional Formula Grant Settlement for 2010/11 were announced by the Government on 26th November 2009. The 3% increase for Dudley is as originally indicated two years ago as part of the 3-year settlement. Damping continues to restrict Dudley's Formula Grant to almost £5m per year less than what it would otherwise be.

4. The Ministerial Statement accompanying the provisional Formula Grant Settlement made the following comments in relation to capping:

"I am pleased that the average band D council tax increase this year was 3.0% - the Government expects to see it fall further next year while authorities protect and improve front line services.

We expect the average Band D council tax increase in England to fall to a 16 year low in 2010-11. We remain prepared to take capping action against excessive increases set by individual authorities and requiring them to rebill for a lower council tax if necessary."

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

We are in particular disappointed that no provision has been made for a number of significant pressures facing Local Government - many have which have emerged or been exacerbated since the Formula Grant figures for 2010/11 were "pre-announced" two years ago as part of the 3 year settlement.

Clearly, it is impossible to assert that the above issues are covered by Central Government support - either specifically or generally. Moreover, the majority of these issues arise directly or indirectly from specific Central Government actions, so it is only fair and reasonable that they should be reflected in Formula Grant.

And, whilst we have already made major spending savings from a very low comparative spend position and have significantly exceeded our Gershon Targets; our capacity to make significant future savings we believe to be limited. We are therefore concerned that we are being put in an impossible position of having to deliver the Government's agenda at the same time as protecting essential services to often the most vulnerable members of society with shrinking real levels of resources.

Meanwhile, the inequitable system of damping within the Formula Grant calculations is continuing to take almost £5m per annum away from the Borough - a sum that would go a long way to meeting the pressures set out above.

We therefore call on the Government to review the proposed settlement, and in particular make proper provision for the real costs facing Local Government at this time and over the medium term. We would also point out that not having a further 3 year CSR does not make for efficient financial planning.

6. The final settlement figures have however now been confirmed, and are unchanged from those originally proposed.

7. The Government launched a consultation, in parallel with the Local Government Finance settlement 2010/11, on proposals which would require Councils to provide free personal care at home to clients with the highest needs. This would be implemented from the 1st October 2010 and the proposals state that for the first full year of operation (2011/12) £670m would be made available nationally; £420m from central resources (grant) and £250m from Local Government efficiency savings, although, the consultation does not address the way that free personal care funding will be distributed in the next spending review period. This will be discussed with Councils separately.

The consultation period ran from the 25th November 2009 and ended on the 23rd February 2010 and its results will not be known in time for this year's budget setting.

We do not yet know whether the grant would be sufficient to cover the expected loss of client income and additional demand for services that the proposal may create in Dudley. Therefore at this time it is not possible to assess what, if any, budget provision may be required. Further work is necessary on calculating the loss of income resulting from Fair Access to Care assessments and how we quantify potential future demand. It may therefore become necessary for the Council to find provision for additional costs in the course of the next or subsequent financial years once that work has been completed.

8. As set out in previous reports to Cabinet of the Director of Children's Services, the 16-19 education commissioning functions of the Learning and Skills Council (LSC) will transfer to local authorities on 1st April 2010. We have now been notified of a Special Purpose Grant to meet the pay and associated costs of staff transferring from the LSC. Local authorities will also take on responsibility for payments of participation funding to colleges, schools and other providers (with the exception of Young Offenders' Institutions) from the same time. We still await details of the payments that we will be required to make to education providers and of the funding to support those payments. Those details are expected by mid-March. We will report back to Cabinet as soon as possible on budgetary and any other implications to the Council.
9. The annual financial statements of local authorities are currently produced in line with UK Generally Accepted Accounting Practices (UKGAAP). From 2010/11, in order to bring global consistency and comparability, and follow best practice in the private sector, they will be produced in line with International Financial Reporting Standards (IFRS). While this will largely be a technical exercise, a number of the changes (particularly in the accounting for leases and holiday pay) have potential real effects on the way in which expenditure is charged and income is credited to the Council's revenue accounts. The Government has consulted on changes to the Capital Financing regulations with the intention of effectively overriding IFRS so that there is no real cost or gain to Council Tax payers' funds. We are awaiting the outcome of that consultation. The proposed budget set out in this report has been constructed on the basis that those changes to the regulations come into effect, and there are no other unforeseen consequences of IFRS.
10. The majority of specific grant allocations, including Area Based Grant (ABG), for 2010/11 have also been confirmed broadly in line with the indicative figures given previously. These allocations are reflected in the forecasts set out below.

The Council's Current Financial Position

11. The budget for 2009/10 was set on the then prudent assumption of a pay award of 2.25%. The pay award for 2009/10 has now been agreed at 1% (or 1.25% for employees up to Scale Point 10). Budgets have been adjusted to reflect this agreement, improving the forecast outturn position on the General Fund by £1.7m.
12. As reported to Cabinet in September and December, there have also been favourable variances mainly resulting from:

	£m
Finance, ICT and Procurement	
Forecast improved income, Benefits Subsidy and vacancies	0.2CR
Urban Environment	
Savings in utility costs and VAT refunds, offset mainly by reduction of car parking and building control and planning income.	0.1CR
Total	0.3CR

13. However, as reported to Cabinet in December, there has been a continued increase in referral and assessment and complexity of needs, along with a rising number and costs of Looked After Children, pressures from the courts, conduct of child protection conferences and statutory reviews. Children's Services within Dudley has identified £800,000 of immediate budget reductions and profiled its medium and longer term projections to make savings in areas other than those meeting the direct needs of this new pressure, but even after these actions there is a forecast net overspend of £0.9m in the current year. Cabinet agreed to earmark General Balances to fund this projected overspending if ultimately required.
14. In addition to the above, pressures continue in a number of areas, which directors are currently seeking to manage within their total approved resources:
 - pressures on home care for the elderly and from new placements of people with learning disabilities;
 - pressures in the Directorate of Law and Property from a reduction in income from searches due to the economic downturn and the fact that personal search companies are now only obliged to pay a small statutory fee to the Council.

Latest forecasts suggest that these pressures, together with emerging pressures arising from the colder than average winter, will lead to some overspending of Directorates' approved budgets, particularly in the Directorate of the Urban Environment due primarily to the exceptional out of hours response costs. We are monitoring the position closely, but it is hoped that any overspending will be offset by treasury earnings and favourable variances in other areas where budgets were set at prudent levels.

15. The overall budget position for 2009/10 can therefore be summarised as follows.

	£m
Original total budget	234.694
Pay settlement savings (para 10 above)	-1.713
Other approved variances (para 11 above)	-0.359
Revised total service budget	232.622
Less: Use of Balances	(2.528)
Budget Requirement (unchanged)	230.094

General Fund Balances

16. The latest position, compared to the original Approved Budget for 2009/10, is as follows:

	Original Budget £m		Latest Position £m	
Balance at 31 st March 2009	4.6	CR	4.6	CR
Effect of 2008/9 outturn			0.7	CR
	4.6	CR	5.3	CR
Less: originally estimated use 2009/10	4.6	DR	4.6	DR
Adjustment to budget for pay award 2009/10			1.7	CR
Other favourable variances (as above)			0.3	CR
Earmarked to fund Children's Services overspending if required			0.9	DR
Review of Earmarked Reserves	1.0	CR	1.0	CR
Forecast balance at 31st March 2010	1.0	CR	2.8	CR

Budget Proposals 2010/11 – 2012/13

17. At its meeting on 10th February, the Cabinet confirmed its budget proposals for 2010/11 – 2012/13 which can be summarised as:

	2010/11 £m	2011/12 £m	2012/13 £m
Base Budget Forecast	256.2	262.5	267.8
- including provision for inflation and other commitments			
Extra Funding for Council Plan Priorities & Pressures	4.0	5.9	6.7
- see below			
Efficiency and Other Savings	-7.4	-12.0	-14.4
- see below			
Service Spend	252.8	256.4	260.1
Area Based Grant (inc. Supporting People)*	-20.9	-20.9	-20.9
Net Budget	231.9	235.5	239.2

* Assuming no increase after 2010/11

Base Budget Forecast

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

	2010/11 £m	2011/12 £m	2012/13 £m
2009/10 Adjusted Base (see notes 1 & 2)	252.9	252.9	252.9
Pay & Prices for 2010/11 onwards inc. contingency (see note 3)	2.2 1.0	5.1 1.5	8.6 2.4
Capital Programme			
Local Area Agreement (LAA) Reward Grant (see note 4)	(1.5) 1.6	3.0	3.9
Other Adjustments (see note 5)			
Base Budget Forecasts	256.2	262.5	267.8
% increase year-on-year	+ 1.3%	+ 2.5%	+ 2.0%

Notes:

(1) Gross of Area Based Grant and use of Balances.

(2) In addition to the lower than expected staff pay settlement in the current year already referred to, it has also been estimated on current trends that general price inflation will be around 1% rather than the 2% budgeted for.

(3) The Council is expecting pay awards for local government may be frozen or settled at very low levels in the next few years consistent with Government announcements about public sector pay in the Chancellor's pre-budget speech. Whilst we are making no specific budgetary provision for pay awards, the Council will honour national agreed settlements. The budget provision for prices assumes that inflation will remain low and that competitive contract management and tendering during the recession should help minimise the impact of price rises on Council budgets. We are therefore proposing a provision of around 1% next year rising by 0.5% per annum until 2012/13. However, when the recession ends there is a real risk that inflationary pressures may escalate very quickly and we are going into a period with no certainty as to the level of government financial support. Therefore, to ensure a prudent approach to budget setting is adopted, a contingency provision of £1m per year cumulatively has also been built into our assumptions in the event inflationary costs exceed expectations, or funding is further restricted during this extremely uncertain period.

(4) This relates to an element of one-off Local Area Agreement reward grant allocated to the Council in recognition of its direct investment in achieving economic development targets and as assumed in previous years in the Medium Term Financial Strategy.

(5) The main items contained within "Other Adjustments" that have increased our spending forecast are increases in Employers' Superannuation and National Insurance costs; the ending of support we have received from Local Authority Business Growth Incentive (LABGI) funding in past years, and further provision in 2012/13 to cover the possible costs of providing for single status (particularly the revenue effects of capitalising equal pay claims). It also includes a number of other smaller items, together with the positive effects of capital borrowing repayments.

Extra Funding

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

	2010/11 £'000	2011/12 £'000	2012/13 £'000	Main Council Plan Theme Supported	Main LAA Priority Supported (**)
<u>Urban Environment</u>					
•Waste Management – inc. environmental regulations for incineration waste; replacement of recycling vehicles; landfill tax pressures & rationalised collection methods	450	1100	1240	Environment	Environment
•Street Lighting* - continued programme of column replacement and mercury lamp replacement	25	440	560	Environment	Environment
•Resurfacing and Potholes	200	200	200	Environment	Environment
•Grounds Maintenance – inc. Japanese knotweed and closed churchyards	25	85	115	Environment	Environment
•Economic Regeneration*	100	50	50	Regeneration	Wealthy
•Stray Dog Control	32	32	32	Environment	Environment
	832	1907	2197		
<u>Children's Services</u>					
•Children's Social Care – mainly increases in no. of Looked after Children inc external residential placements; fostering; school transport; supervised contact and district field workers	1550	1550	1550	Caring	(DCSF (Statutory
•Laming Review outcomes inc. social work training & recruitment; quality assurance; integrated systems; safeguarding; serious case reviews & court fees	200	200	200	Caring	(DCSF (Statutory
	1750	1750	1750		

Adult, Community and Housing

• Increasing no. of Mental Health clients and Older People with dementia	500	800	1000	Caring	Healthy
• Modernise Learning and Disability day services to meet high level needs	470	730	1030	Caring	Healthy
• Archives Relocation*	220	496	496	Learning	Wealthy
	1190	2026	2526		

Finance, ICT and Procurement

• Network and Corporate Desktop Infrastructure	150	150	150	Quality Service	Support to all priorities
	150	150	150		

Law, Property and Human Resources

• Vetting and Barring (Independent Safeguarding Authority)	75	75	75	Quality Service	Support to all priorities
	75	75	75		

Total Proposed Growth	3997	5908	6698		
------------------------------	-------------	-------------	-------------	--	--

Notes: * Includes revenue costs of increased Capital Investment

** The LAA priorities being Wealthy Communities; Healthy Communities; Environmentally Aware; Safe and Cohesive Communities; and the Department for Children Schools and Families (DCSF) statutory indicators.

Efficiencies and Other Savings

20. Following a detailed budget review process, which considered the need to redirect resources to the spending pressures and priorities set out in paragraph 19, a range of efficiency and other savings (including items provisionally agreed as part of the 2009/10 strategy) have been identified from existing budgets as follows.

	2010/11 £'000	2011/12 £'000	2012/13 £'000
<u>Finance, ICT and Procurement</u>			
• Restructuring of Directorate services	674	886	1147
• ICT operational budgets	265	300	310
• Other savings and efficiencies	95	117	140
	1034	1303	1597

Chief Executive's

• Contributions to Third Sector	10	20	135
• Marketing and Communications – printing, graphics, publications	100	112	112
• Maximising External Income (Community Safety and Dudley Community Partnership) by redirecting external grants	95	95	95
• Central Policy and Administration	91	128	185
	296	355	527

Law, Property and Human Resources

• Rationalise constitutional issues	15	15	25
• Licensing Income and Enforcement	56	56	76
• Creation of Corporate Property Division	220	339	439
• Unification of Human Resources	267	362	393
• Rationalise Registration and Citizenship Service	55	90	110
• Efficiencies – Overheads and Administration	20	55	55
	633	917	1098

Urban Environment

• Reduce staffing and overheads	816	894	1050
• Review fees and charges	240	409	494
• Town Centre Management rationalisation	52	52	52
	1108	1355	1596

Adult, Community and Housing

• Reduction in admin and management support and increase in staff turnover	866	706	820
• Older People service redesign	1046	2289	2770
• Review of Supporting People and Voluntary Sector contracts	355	550	705
• Meeting needs of clients with critical and substantial needs	405	780	780
• Physical Disability and Mental Health review	120	220	220
• Other Efficiencies	160	271	217
	2952	4816	5512

Children's Services

• Administration, management and support	636	1417	1509
• Children with Families – inc. discretionary activity	189	786	966
• Educational Play and Learning – inc. discretionary activity	153	460	941
• Quality and Improvement – inc. discretionary corporate / directorate activity and use of Area Based Grant	140	215	215
• Transforming Futures – inc. refocusing and realignment of overall integrated Youth provision	236	406	406
	1354	3284	4037

TOTAL

7377	12030	14367
-------------	--------------	--------------

21. The level of savings proposed is significant on the assumption that Government funding and public spending over the medium term will be tighter.

22. Where savings and efficiencies relate to employee costs they will, as far as possible, be made through not filling vacancies, deleting posts and redeployment. However, given the scale of the savings for 2010/11, our analysis shows that voluntary redundancies may be required in a number of areas. Subject to approval of this budget, the process to seek those redundancies will be coordinated by Corporate Human Resources and the relevant Heads of Service in accordance with the relevant laws and regulations and in consultation with the trades unions. 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 they can be met from balances in the current year.
23. Central Government has set targets of 3% per annum for Value for Money (VfM) efficiency gains for the years 2008-09 and 2009-10 and 4% per annum for 2010-11. Applying this to Dudley equates to cumulative efficiency gains of £8.8m, £17.9m and £29.3m respectively. All such efficiencies must be cashable, i.e. must result in cash savings that may be redirected to other services or used to reduce Council Tax.
24. In 2008/09, partly by being able to utilise carried forward "surplus" Gershon cashable efficiencies from the previous 3 year Comprehensive Spending Review, the Council achieved VfM gains of £11.8m (a surplus of £3.0m). Review of efficiencies is on-going in the current year and the proposals in this report include an additional £6m that can be declared as efficiencies from 2010-11. We will report in due course on our actual cumulative performance up to the current year and our forecast cumulative performance for 2010-11.

Estimates, Assumptions & Risk Analysis

25. It was noted in the relevant reports 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 2010/11 is set, during the course of that year, or indeed over the term of the MTFS. There have been no reasons to adjust the draft budget for 2010/11 in respect of (a) to (h) below, but these issues will need to be kept under regular review throughout the period of the MTFS.
 - (a) Formula Grant is frozen at 2010/11 levels for the remainder of the MTFS period (see below);
 - (b) Single Status and Equal Pay costs are no more than estimated;
 - (c) general levels of inflation, pay and interest rates do not vary materially from current forecasts;
 - (d) there will be no other unplanned expenditure - or shortfalls in income - which cannot be met from reserves;
 - (e) income from fees, charges and other sources are maintained in accordance with current projections;
 - (f) demographic pressures, particularly as they affect services to adults and children, are no greater than currently assumed and estimated;

- (g) the effects of the recession on service demands and cash flow can be managed within proposed budget levels and there is no significant impact on the Council Tax Base;
 - (h) Government “capping levels” are kept within assumed levels.
26. The Chancellor’s 2009 Pre-Budget Report on 9th December announced new efficiencies and reforms across the public sector. The impact upon local authority budgets is unclear, but there has to be a presumption that some of the tightening of public spending proposals referred to in that report may reduce the Council’s available resources in the medium term.
 27. The fact that there has been no announcement about a further 3 year Comprehensive Spending Review (CSR) regime makes it extremely difficult to budget for the medium term in a state of such uncertainty. However it is reasonable to assume that formula grant will be constrained. The assumption that formula grant is frozen at 2010/11 levels is, we believe, prudent given the limited information we currently have.
 28. An impact assessment of the significant risks which Members should consider prior to agreeing a budget and MTFs are set out in Annex D of the proposed MTFs. In mitigation, any unbudgeted costs would have to be met from economies or reductions in planned spending in the year or from balances.
 29. There is a need to build up reserves going into the medium term to deal with the growing uncertainties and pressures facing public spending and to deal with any costs arising from planned service reviews. If current year pressures do not worsen, but we have to release earmarked balances to meet Children’s Services pressures, we will have available around £2.8m in the current year. It is proposed at this stage that this sum be retained to meet spending pressures and risks going forward and the implications of required staffing reductions (see paragraph 22) and that a tight regime of control and review of balances continues to operate throughout the medium term to free up reserves wherever possible. The MTFs assumes that if government funding is not severely curtailed and if spending can be kept in line with projections, then the budget strategy should begin to replenish balances over the next 3 years.
 30. Our budget proposals for 2010/11 assume that an injection of a further £3.5m can be made into the Council’s balances pending the outcome of any announcement later this year about the Government’s public spending proposals. The position in future years is far less certain.

Medium Term Financial Strategy

31. A Medium Term Financial Strategy (MTFS) provides a strategic context for the Council’s budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council’s overall priorities and objectives. It sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties, and the level of Council Tax.
32. The proposed MTFs covering the 4 year period 2009/10 – 2012/13 is set out in detail as Attachment A. This is a comprehensive document and therefore repeats some of the information in this report.

Detailed 2010/11 Budget Proposals

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

Revenue Budget Allocations 2010/11

Service	£m
Children's Services	67.055
Adult, Community and Housing Services	100.573
Urban Environment	55.784
Chief Executive's	10.004
Finance, ICT and Procurement	17.674
Law, Property and Human Resources	1.738
Total Service Allocations	252.828
Less: Area Based Grant	-20.877
Plus: Contribution to General Fund Balances	3.500
BUDGET REQUIREMENT	235.451

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

34. The yield for 2010/11 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 2010, set out as follows. It should be noted that the Fire and Police authorities are entitled to a share of any Collection Fund surpluses relating to Council Tax collection, although for 2010/11 nothing will be payable, as there is no overall surplus.

Estimated Collection Fund Surplus

	£m
Arrears brought forward	5.691
Add: Debit for 2009/10	123.555
	129.246
Less: Forecast collections	124.664
Estimated Bad Debt Provision Required	4.582
Compared with current Bad Debt Provision	4.581
Extra provision required	-0.001
Plus: Adjustment to Surplus arising in 2008/09	0.001
Total Estimated Available Surplus	0.000
Less: Fire and Police Authorities' Share	0
NET SURPLUS AVAILABLE TO DUDLEY	0.000

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

Funding the Revenue Budget Requirement 2010/11

Source of Funding	2009/10 £m	2010/11 £m
Dudley MBC Budget Requirement	230.094	235.451
Less: Revenue Support Grant	(22.862)	(15.923)
Business Rate Contribution	(99.050)	(109.655)
Collection Fund Surplus	-	-
Dudley's Own Requirement from Council Tax Payers	108.182	109.873
Approved Tax base	97580.03	97631.53
COUNCIL TAX (Band D) FOR DUDLEY	£1108.65	1125.39

36. The proposed Dudley MBC Council Tax for a Band D property for 2010/11 of £1125.39 represents an increase of 1.5% compared to 2009/10.
37. The total level of Council Tax now being considered includes the precepts for the Police and Fire and Rescue Authorities which were approved on 18th February and 15th February respectively, as follows.

	2009/10 £	2010/11 £	Change %
Dudley MBC	1108.65	1125.39	+1.5
Police Authority Precept	97.98	99.45	+1.5
Fire & Rescue Authority Precept	46.90	47.83	+2.0
Total Band D Council Tax	1253.53	1272.67	+1.5

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

Consultation on Budget Proposals

41. The results of the public consultation recently undertaken using questionnaires sent to 4,000 random addresses in the Borough are shown at Appendix 5. Just over 500 responses were received. The questions were the same as those used when consulting the Citizens Panel in previous years. The results can be summarised as:
 - (a) most respondents (59%) thought overall spending on services should stay the same, but with a marked fall in the number that felt spending should be increased and a rise in the number that felt spending should be reduced;
 - (b) service spending priorities remained very similar to previous years. With a few exceptions, there was the same general trend of a fall in the number that felt spending should be increased and a rise in the number that felt spending should be reduced;
 - (b) 66% thought that the Council Tax increase should be no more than the rate of inflation, even if this meant significant reductions in spending on services.
42. A statutory consultation meeting was held on 9th February with representatives of Non-Domestic Ratepayers. No specific issues were raised which need to be taken into account. Any relevant issues arising from any written responses subsequently received will be reported orally to the Council.
43. Each Select Committee has considered the provisional budget proposals approved at the meeting of the Cabinet on 13th January. There were no resolutions made that directly affect these budget proposals.
44. The Dudley Community Partnership was invited to comment on the proposals. Any response will be reported orally to the Council.

Finance

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

Law

46. The Council's budget setting process is governed by the Local Government Finance Acts, 1988 and 1992, and the Local Government and Housing Act, 1989, and the Local Government Act 2003.
47. 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.
48. The Local Government Act 2003 requires the Director of Finance to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.

49. The Local Government Finance Act 1992 gives the Secretary of State power to determine that an authority's Budget Requirement is excessive. This may result in "designation" (possibly leading to recalculation of the Budget Requirement and Rebilling) or "nomination" which either pre-sets a Budget Requirement limit for a future year or a notional budget for the current year against which future years' Budget requirements will be measured for capping purposes.
50. The Ministerial Statement accompanying the provisional Formula Grant Settlement made the following comments in relation to capping:

"I am pleased that the average band D council tax increase this year was 3.0% - the Government expects to see it fall further next year while authorities protect and improve front line services.

We expect the average Band D council tax increase in England to fall to a 16 year low in 2010-11. We remain prepared to take capping action against excessive increases set by individual authorities and requiring them to rebill for a lower council tax if necessary."

51. It is important for Members to note that Sections 30(6) and 32(10) of the Local Government Finance Act 1992, impose a statutory duty upon the Council to calculate its budget requirement for 2010/11 and to set its Council Tax for 2010/11 before the 11th March, 2010.

Equality Impact

52. These proposals comply with the Council's policy on Equality and Diversity as far as is possible within existing and future resource levels.
53. With regard to Children and Young People:
- The proposed budget for the Directorate of Children's Services (including the additional spending detailed) will be spent wholly on maintaining and improving services for children and young people. The expenditure of other Directorates' budgets will also have a significant impact on this group.
 - There has been no specific involvement of children and young people in developing the proposals in this report.

Recommendations

54. That the Council approves the following:
- The budget requirement for 2010/11 and service allocations as set out in paragraph 33 of the report.
 - That the statutory amounts required to be calculated for the Council's spending; income and use of reserves; budget requirement and; transfers to and from its collection fund as referred to in Section 67(2)(b) be now calculated by the Council for the year 2010/11 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992 as shown in Appendix 2 of this report.

- That, having calculated the aggregate in each case of the amounts in Appendix 2, the Council, in accordance with Section 30(2) of the Local Government Finance Act, 1992, agrees the following levels of Council Tax for 2010/11:

A	B	C	D	E	F	G	H
£							
848.45	989.85	1131.27	1272.67	1555.49	1838.30	2121.12	2545.34

55. That the Chief Executive and Directors be authorised to take all necessary steps to implement the proposals contained in this report, in accordance with the Council's Financial Management Regime.
56. That the Chief Executive and Directors are reminded to exercise strict budgetary control in accordance with the Financial Management Regime and care and caution in managing the 2010/11 budget, particularly in the context of commitments into later years and the impact that overspending in 2010/11 will have on the availability of resources to meet future budgetary demands.
57. That the Medium Term Financial Strategy (MTFS) set out as Appendix 6 be approved, and that 2009/10 service budgets be revised to reflect the variances set out in paragraphs 10 and 11, and summarised in paragraph 14 of the MTFS.

John Polychronakis

Bill Baker

.....
John Polychronakis
Chief Executive

Bill
Interim

.....
Baker
Director of Finance

Contact Officers: Bill Baker
 Telephone: 01384 814802
 Email: bill.baker@dudley.gov.uk

John Everson
 Telephone: 01384 814806
 Email: john.everson@dudley.gov.uk

List of Background Papers

Final Formula Grant Settlement papers and electronic communications.
 Budget Reports to 13th January and 10th February Cabinet.

Analysis of Provisional 2010/11 Budget by Division of Service

	£000
Children's Services	
Schools (Depreciation charges & Strategy costs etc. not funded by DSG)	23,758
Youth Service	6,442
Children & Families Social Services	35,104
Other Children's Services	1,751
	<u>67,055</u>
Adult, Community and Housing Services	
Care & Support for Older People	41,840
Care & Support for People with a Physical or Sensory Disability	9,054
Care & Support for People with a Learning Disability	24,675
Care & Support for People with Mental Health Needs	6,247
Libraries, etc.	5,515
Other Adult and Community Services, inc. Neighbourhood Management	1,872
Private Sector Housing	10,617
Homelessness & Welfare	435
Contribution to Housing Revenue Account for Community Expenditure	318
	<u>100,573</u>
Urban Environment	
Environmental Health & Consumer Protection	3,698
Street Cleansing	2,580
Waste Collection & Disposal	16,310
Cemeteries & Crematoria	-702
Traffic Management & Road Safety	2,007
Flood Defence & Land Drainage	195
Highways Maintenance (inc. capital charges, etc.)	14,500
Other Engineering & Transportation Services	-382
Planning, Building and Development Control	2,424
Economic Regeneration	2,680
Environmental Initiatives	516
Culture and Heritage	2,384
Recreation & Sport and Open Spaces	9,574
	<u>55,784</u>

£000

Chief Executive's

Elections & Electoral Registration	739
Economic & Community Development	557
Community Safety	1,492
Corporate & Other Costs	7,216
	<u>10,004</u>

Finance, ICT and Procurement

Tax Collection & Benefits	3,522
Transport Authority Levy	16,464
Flood Defence Levy	101
Treasury, etc.	-4,473
Corporate & Other Costs	2,060
	<u>17,674</u>

Law and Property

Licensing, Registration & Courts	431
Democratic Costs	1,418
Other Legal & Property Services	-111
	<u>1,738</u>

TOTAL	252,828
--------------	----------------

Details of Calculations to be Determined by the Council

1. That the following amounts be now calculated by the Council for the year 2010/11 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
 - (a) £700.963000m being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act (*The Council's spending and contribution to reserves*)
 - (b) £465.512000m being the aggregate of the amounts which the Council estimates for the items set out in Sections 32(3)(a) to (c) of the Act (*The Council's income and use of reserves*)
 - (c) £235.451000m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year (*The Council's budget requirement*)
 - (d) £125.577559m being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates or revenue support grant [increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with Section 97(3) of the Local Government Finance Act 1988] or [reduced by the amount of the sums which the Council estimates will be transferred in the year from its General Fund to its Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1988] and [increased by the amount of any relevant sum which the Council estimates will be transferred from its collection fund to its general fund pursuant to the directions under section 98(4) of the Local Government Finance Act 1988] or [reduced by the amount of any relevant sum which the Council estimates will be transferred from its general fund to its collection fund pursuant to the directions under section 98(5) of the Local Government Finance Act 1988].
 - (e) £1125.3889 being the amount at (c) above less the amount at (d) above i.e. £109.873441m all divided by the Council Tax base of 97631.53, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year (*The Council's basic amount of tax*)

(f) Dudley Council Tax for each Valuation Band

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
750.26	875.30	1000.35	1125.39	1375.48	1625.56	1875.65	2250.78

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

(g) Precepts for each Valuation Band

That it be noted that for the year 2010/11, the major precepting authorities have issued the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

	A	B	C	D	E	F	G	H
	£							
West Midlands Police	66.30	77.35	88.40	99.45	121.55	143.65	165.75	198.90
West Midlands Fire & Rescue	31.89	37.20	42.52	47.83	58.46	69.09	79.72	95.66

WEEKLY EQUIVALENT COUNCIL TAX INCREASES 2009/10 – 2010/11

Tax Band	No. of Properties	Council Tax 2009/10			Council Tax 2010/11			Weekly Equivalent Increase		
		Dudley £	Police £	Fire £	Dudley £	Police £	Fire £	Dudley £	Police £	Fire £
A	40,000	739.10	65.32	31.27	750.26	66.30	31.89	0.21	0.02	0.01
B	36,500	862.28	76.20	36.48	875.30	77.35	37.20	0.25	0.02	0.01
C	28,100	985.47	87.09	41.69	1000.35	88.40	42.52	0.29	0.03	0.02
D	15,300	1108.65	97.98	46.90	1125.39	99.45	47.83	0.32	0.03	0.02
E	6,300	1355.02	119.75	57.32	1375.48	121.55	58.46	0.39	0.03	0.02
F	2,300	1601.39	141.52	67.74	1625.56	143.65	69.09	0.46	0.04	0.03
G	900	1847.75	163.30	78.17	1875.65	165.75	79.72	0.54	0.05	0.03
H	100	2217.30	195.96	93.80	2250.78	198.90	95.66	0.64	0.06	0.04
Total	129,500									

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

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

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

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

The estimated level of unearmarked balances at 31st March 2010 is £2.8m. The budget proposals for 2010/11 will add a further £3.5m.

The following table summarises the total level of estimated General Fund earmarked reserves at 31st March 2010.

	Forecast Balance 31.3.10 £m
Working Capital	2.0
Single Status	11.1
Insurance Fund	6.0
Other Corporate	0.6
Total Corporate Reserves	19.7
DGfL & Paragon equalisation	1.8
School Balances	7.1
Directorate Reserves	2.0
Total Earmarked Reserves	30.6

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

The Single Status Reserve reflects funding set aside to meet the costs of implementing the results of the current Job Evaluation exercise.

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 31st March 2011 is estimated to be about £9m, largely as it is anticipated that the Single Status reserve will have been fully expended by then.

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



Bill Baker
Interim Director of Finance

Budget 2010/11 Questionnaire Results (2009/10 & 2008/09 in brackets)

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

Be increased 27% (32,34)	Stay the same 59% (60,59)	Be reduced 14% (9,8)
------------------------------------	-------------------------------------	--------------------------------

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

	Spend should increase	Spend should stay the same	Spend should be reduced	Ranking
Schools	27% (36,35)	65% (60,61)	8% (4,3)	9 (7,9)
Support to Schools	23% (31,36)	63% (61,56)	14% (8,8)	14 (11,11)
Youth Service and Community Centres	29% (37,45)	55% (56,50)	16% (7,5)	11 (8,6)
Adult Education	13% (16,18)	62% (70 (71)	25% (14 (13)	16 (16 (16)
Libraries / Archives	11% (18,19)	69% (72,70)	20% (10,10)	15 (15,15)
Refuse Collection, Disposal & Recycling	26% (39,39)	70% (58,59)	4% (3,2)	8 (6,7)
Street Cleaning & Litter Removal	44% (45,50)	53% (53,49)	3% (2,1)	6 (4,5)
Maintenance of Roads & Footpaths	69% (59,59)	28% (38,39)	3% (3,2)	1 (2,3)
Reducing Traffic Congestion	39% (38,42)	44% (51,51)	17% (11,8)	7 (10,8)
Arts & Entertainment	4% (6,6)	49% (60,62)	47% (34,32)	18 (18,18)
Museums & Heritage	5% (7,8)	60% (66,68)	34% (27,23)	17 (17,17)
Parks & Open Spaces	24% (27,30)	63% (66,66)	13% (8,4)	12 (14,12)
Sports Facilities & Leisure Centres	26% (30,31)	59% (62,60)	15% (8,8)	13 (12,13)
Helping Create New Jobs & Businesses	56% (40,41)	34% (49,45)	9% (11,11)	4 (9,10)
Care & Support for Children & Families	28% (29,31)	58% (61,58)	14% (10,10)	10 (13,14)
Care & Support for Older People	61% (53,60)	36% (44,38)	3% (3,2)	3 (3,2)
Care & Support for People with Mental Health Problems, Learning or Physical Disabilities	48% (45,51)	46% (52,47)	6% (3,2)	5 (5,4)
Crime Prevention & Public Safety	65% (63,65)	32% (35,34)	3% (2,1)	2 (1,1)

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

- a. Overall spending on services should be maintained or increased even if this means an increase in Council Tax well above the rate of inflation. **14%** (16,17)
- b. Spending on important services should be maintained at the expense of other services, even if this means a Council tax increase above the rate of inflation. **20%** (26,31)
- c. The Council Tax increase should be no more than the rate of inflation, even if this means significant reductions in spending on services. **66%** (58,52)

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

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

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

Your age: 18-24 **0%** (2,2) 25-44 **17%** (22,24)
 45-64 **39%** (47,45) 65+ **43%** (28,28)

Where you live: Central Dudley **15%** (19,18) Brierley Hill **21%** (21,21)
 Halesowen **23%** (23,23) Stourbridge **22%** (25,23)
 North Dudley **19%** (12,14)

Is your Council Tax bill reduced by Benefit? Yes **23%** (17,17) No **77%** (83,83)

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

Dudley MBC

Medium Term Financial Strategy

**2009/10 -
2012/13**

Purpose of Medium Term Financial Strategy

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

Financial Background

6. The Council's External Auditor issued an unqualified opinion on the Council's 2008/09 Statement of Accounts, and commented in the most recent Annual Audit Letter that "The Council financial position continues to be well managed."
7. Cabinet members met informally several times during the summer and autumn to formulate, in consultation with Directors, prioritised spending pressures and savings proposals for 2010/11 – 2012/13 to be submitted to the Cabinet.
8. Spending pressures and desirable service developments likely to arise over the next 3 years were considered which would result from:
 - Legislative pressures;
 - Demographic pressures;
 - Customer Driven;
 - Performance Standards / Government Targets;
 - Fall-out of Specific Grants.

Each pressure was 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.

9. Likewise, savings options were considered which might result from:

- Efficiencies from Value for Money comparison work;
- Other cash efficiency savings;
- Additional income from fees and charges;
- Additional external funding;
- Review of low priority spending.

Each saving was considered in the light of:

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

The Proposed Budget and MTFS

2009/10

10. The budget for 2009/10 was set on the then prudent assumption of a pay award of 2.25%. The pay award for 2009/10 has now been agreed at 1% (or 1.25% for employees up to Scale Point 10). Budgets have been adjusted to reflect this agreement, improving the forecast outturn position on the General Fund by £1.7m.
11. As reported to Cabinet in September and December, there have also been favourable variances mainly resulting from:

	£m
Finance, ICT and Procurement	
Forecast improved income, Benefits Subsidy and vacancies	0.2CR
Urban Environment	
Savings in utility costs and VAT refunds, offset mainly by reduction of car parking and building control and planning income.	0.1CR
Total	0.3CR

12. However, as reported to Cabinet in December, there has been a continued increase in referral and assessment and complexity of needs, along with a rising number and costs of Looked After Children, pressures from the courts, conduct of child protection conferences and statutory reviews. Children's Services within Dudley has identified £800,000 of immediate budget reductions and profiled its medium and longer term projections to make savings in areas other than those meeting the direct needs of this new pressure, but even after these actions there is a forecast net overspend of £0.9m in the current year. Cabinet agreed to earmark General Balances to fund this projected overspending if ultimately required.

13. In addition to the above, pressures continue in a number of areas, which directors are currently seeking to manage within their total approved resources:
- pressures on home care for the elderly and from new placements of people with learning disabilities;
 - pressures in the Directorate of Law and Property from a reduction in income from searches due to the economic downturn and the fact that personal search companies are now only obliged to pay a small statutory fee to the Council.

Latest forecasts suggest that these pressures, together with emerging pressures arising from the colder than average winter, will lead to some overspending of Directorates' approved budgets, particularly in the Directorate of the Urban Environment due primarily to the exceptional out of hours response costs. We are monitoring the position closely, but it is hoped that any overspending will be offset by treasury earnings and favourable variances in other areas where budgets were set at prudent levels.

14. The overall budget position for 2009/10 can therefore be summarised as follows.

	£m
Original total budget	234.694
Pay settlement savings (para 10 above)	-1.713
Other approved variances (para 11 above)	-0.359
Revised total service budget	232.622
Less: Use of Balances	(2.528)
Budget Requirement (unchanged)	<u>230.094</u>

General Fund Balances

15. The latest position, compared to the original Approved Budget for 2009/10, is as follows:

	Original Budget £m		Latest Position £m	
Balance at 31 st March 2009	4.6	CR	4.6	CR
Effect of 2008/9 outturn	4.6	CR	0.7	CR
Less: originally estimated use 2009/10	4.6	DR	4.6	DR
Adjustment to budget for pay award 2009/10			1.7	CR
Other favourable variances (as above)			0.3	CR
Earmarked to fund Children's Services overspending if required			0.9	DR
Review of Earmarked Reserves	1.0	CR	1.0	CR
Forecast balance at 31st March 2010	1.0	CR	2.8	CR

There is a need to build up reserves going into the medium term to deal with the growing uncertainties and pressures facing public spending and to deal with any costs arising from planned service reviews. If current year pressures do not worsen, but we have to release earmarked balances to meet Children's Services pressures, we will have available around £2.8m at 31st March 2010 (which includes £1m that has been freed up as a result of an in year review of balances in hand). It is proposed at this stage that this sum be retained to meet spending pressures and risks going forward and the implications of required staffing reductions, and that a tight regime of control and review of balances continues to operate throughout the medium term to free up reserves wherever possible.

2010/11 – 2012/13

16. The following table summarises the current budget proposals for 2010/11 – 2012/13, as detailed in the relevant Budget & Council Tax setting reports.

	2010/11	2011/12	2012/13
	£m	£m	£m
Base Budget Forecast	256.2	262.5	267.8
Council Plan Priorities & Pressures	4.0	5.9	6.7
Efficiency & Other Savings (net)	-7.4	-12.0	-14.4
Service Spend	252.8	256.4	260.1
Area Based Grant (inc. Supporting People)*	-20.9	-20.9	-20.9
Net Budget	231.9	235.5	239.2
	+0.1%**	+1.6%	+ 1.6%

* Assuming no increase after 2010/11

** Compared with adjusted 2009/10 base

The broad implications of this proposed budget for each main Service Area are detailed at Annex C.

17. If government funding is not severely curtailed and if spending can be kept in line with projections, then the budget strategy should begin to replenish balances over the next 3 years. Our budget proposals for 2010/11 assume that an injection of a further £3.5m can be made into the Council's balances pending the outcome of any announcement later this year about the Government's public spending proposals. The position in future years is far less certain.
18. The MTFs is based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended over the term of the MTFs. Changes to the assumptions may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources. These assumptions include:
- (a) Formula Grant is frozen at 2010/11 levels for the remainder of the MTFs period;
 - (b) Single Status and Equal Pay costs are no more than estimated;
 - (c) general levels of inflation, pay and interest rates do not vary materially from current forecasts;

- (d) there will be no other unplanned expenditure - or shortfalls in income - which cannot be met from reserves;
- (e) income from fees, charges and other sources are maintained in accordance with current projections;
- (f) demographic pressures, particularly as they affect services to adults and children, are no greater than currently assumed and estimated;
- (g) the effects of the recession on service demands and cash flow can be managed within proposed budget levels and there is no significant impact on the Council Tax Base;
- (h) Government "capping levels" are kept within assumed levels.

19. A summary risk assessment is set out at Annex D.

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

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

- (i) Pressures on services are likely to continue;
- (ii) Inflationary pressures will continue to affect the level of future pay awards and spending levels, and are likely to be more volatile than in previous years;
- (iii) The MPC will continue to use interest rates to manage the economy, and actual levels of interest rates are difficult to forecast accurately, particularly in the current circumstances;
- (iv) The continued use of balances to support ongoing spending is not sustainable in the medium to long term.

21. Although increases in the projected Budget Requirement in 2011/12 and 2012/13 are we believe within possible capping criteria, the implied levels of annual increase may, in due course, be considered unreasonably high and, depending on prevailing economic and other conditions at the time, may not be politically acceptable. Any further increased spending pressures and/or significant adverse variations from key budget and forecast assumptions which cannot be met from balances will, of course, either increase the level of savings required or further increase the pressure on council tax levels. The Council has to balance a low Council Tax increase next year against the possibility that spending pressures and reduced government funding may push future years' forecasts into deficit.

22. In order to ensure that the Council can properly manage its financial affairs over the medium term, 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.

Partnerships

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

	Contribution		
	2010/11	2011/12	2012/13
	£m	£m	£m
Safe & Sound (Crime Reduction Partnership) - partnership with Police, PCT, Voluntary and Private Sector responsible for Community Safety issues.	0.4	0.4	0.4
Black Country Consortium - partnership of the 4 Black Country Councils to co-ordinate sub-regional strategies and areas of common working.	0.2	0.2	0.2
Substance Misuse - partnership with PCT to provide rehabilitation services for adults with misuse needs.	0.1	0.1	0.1
Community Equipment Store - partnership with PCT to provided aids for intermediate care and rehabilitation.	0.9	0.9	0.9
Learning Disability - partnership with PCT to improve quality of life for people with severe learning disabilities.	1.7	1.7	1.7
Children's Placements Pooled Budgets - partnership with PCT to commission placements for children with severe disabilities who require an Out of Borough or Voluntary / Independent sector placement	1.0	1.0	1.0
Health Promoting Schools - partnership with PCT to promote healthy living to children.	0.2	0.0	0.0

24. The Council will use its Partnership Evaluation Tool to ensure that these and other partnerships continue to be appropriate means of delivering its aims and objectives in a value for money manner.

Links with other Strategies

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

Sustainable Community Strategy and Council Plan

26. As described above, all proposals to increase or reduce spending have been specifically considered in the light of their impact on *Council Plan* priorities, the Council Plan's key themes having been devised to meet the aspirations of the *Sustainable Community Strategy* (taking into account the 2010-2013 update, approved by Cabinet in December 2009). The Council Plan detailed targets will be updated in due course to reflect the resources allocated to services as part of the MTFs.

Human Resources

27. The Council's Human Resources Strategy reflects a number of key challenges identified in the MTFs, including implementation of the national Single Status agreement and development of a new pay and reward strategy.

Information & Communication Technology (ICT)

28. Further implementation, development and exploitation of the Council's ICT capabilities as identified in the *ICT Strategy* will play a key role in delivering transformed and more efficient services within the resource constraints of the MTFs. The resources allocated to ICT within the MTFs in turn reflect the need for such development, with efficiencies resulting from improved performance of the ICT Services Division being utilised to increase capacity to deliver an increasing range of ICT enabled services on which the Council is increasingly dependent.

Procurement

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

Capital Strategy and Asset Management

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

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

Underlying Principles of the Medium Term Financial Strategy

General

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

Reserves and Balances Policy

11. In consultation with the Interim Director of Finance, Directorates may establish earmarked reserves from within their cash-limited budgets to fund future service developments (in line with Council priorities) or expenditure of an uneven nature (e.g. renewal of equipment).
12. Services operated on a trading basis (internal or external) may also establish reserves to balance profits and losses over the medium term.
13. As part of each year's budget review process, all earmarked reserves will be reviewed. 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 Interim Director of Finance will report to the Council (when considering the budget for the following financial year) on the adequacy of the proposed levels of reserves.

Risk Assessment and Management

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

Income

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

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

Value for Money - Efficiency Review

24. All services will be subject to regular efficiency reviews to ensure the best use is being made of resources across the Council.
25. Savings identified as part of the budget review process together with redirections within services, including the HRA and Capital spend, will contribute to any targets set for the Council.

Budget Realignment - Other Savings

26. 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.
27. As a result of the above, proposals will be brought forward for resources to be redirected to higher priority services over the medium term in the light of the Council's overall financial position. A risk assessment will be made of the potential impact of all such proposals (in terms of service outputs, and achievability), and considered by members prior to approval.
28. Once approved, the implementation of any budget reductions will be monitored as part of normal budget and output monitoring processes.

Budget Realignment - Pressures and Growth

29. As part of the annual budget review, proposals will also be considered for additional expenditure to meet spending pressures and service development in line with the Council's priorities.
30. 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.
31. A growth package will be agreed in the light of overall resource availability.
32. The impact of agreed budget increases on service outputs will be monitored as part of the Council's overall performance monitoring processes to ensure that the intended outputs have been achieved.

Capital Programme

33. 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.
34. All known revenue costs arising out of capital spend will be included in the revenue budget.
35. 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

36. All borrowing and/or investment activity will be carried out in accordance with the approved Treasury Policy and Treasury Strategy and, and within the Prudential Indicators set annually by the Council.
37. 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

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

External Funding and Partnerships

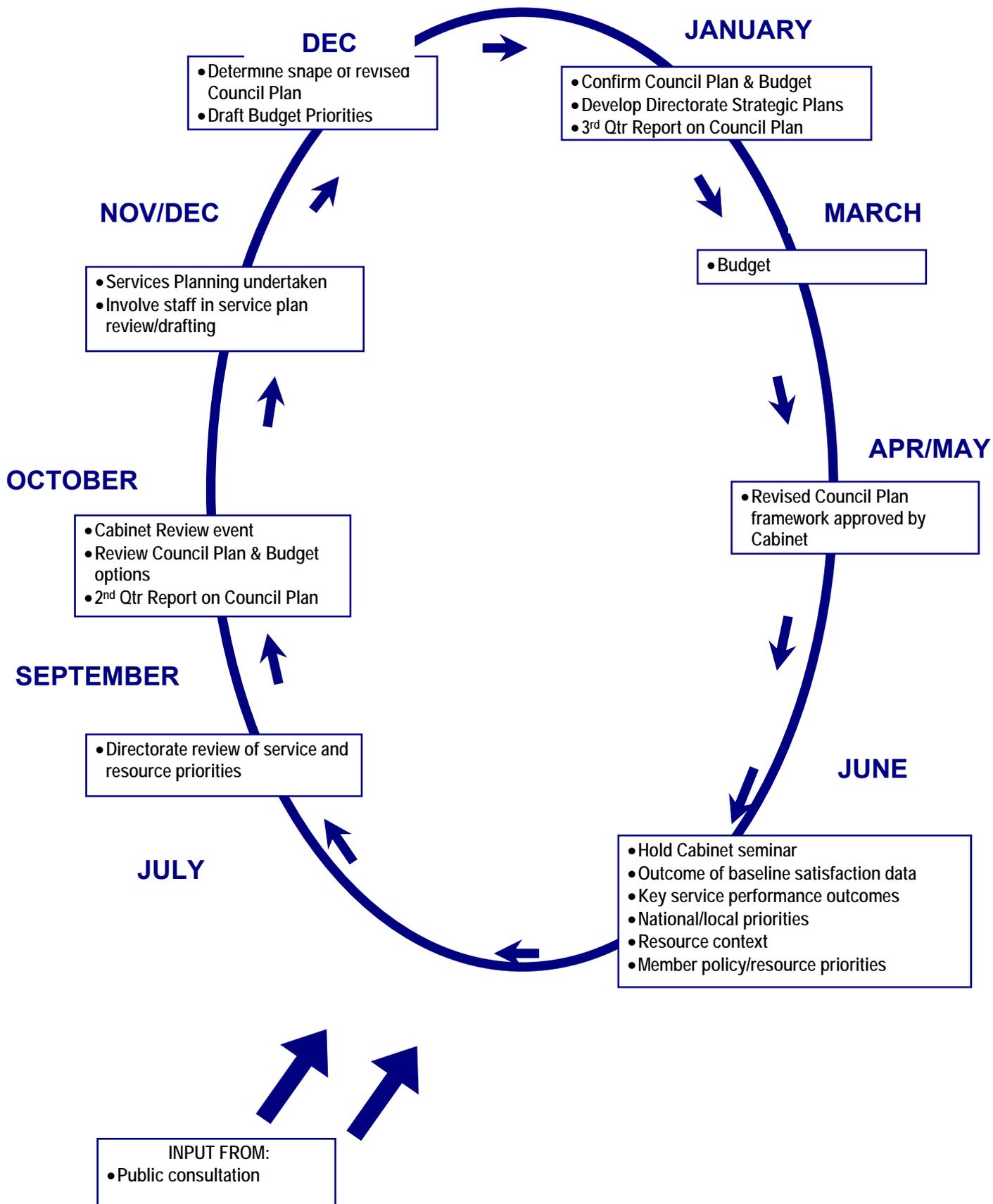
40. In addition to income from fees and charges discussed above, the Council will maximise external funding in the form of specific grants from the Government and other sources towards expenditure which will enable its aims and objectives to be achieved.
41. With regard to specific grants, the anticipated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

42. 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.
43. 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.
44. For all time-limited sources of funding or partnership support, an exit strategy will be put in place.

Consultation

45. 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.
46. In addition, public consultation will be undertaken as appropriate during the budget process.
47. In accordance with the Council's Constitution, the Select Committees are consulted on the Cabinet's budget proposals and any related specific issues relevant to their Council Plan and service responsibilities in the January cycle. In framing their responses, the Select Committees are asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.
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.

Corporate Planning Cycle - Overview



Implications of Proposed Budget for Main Service Areas

Community Safety and Community Services

Chief Executive's

1. The Community Safety budget continues to support the Council's obligation and duty under section 17 of the Crime & Disorder Act 1998, which requires the Council to consider the implications for Crime and Disorder in the borough of every decision it makes. In effect, no such decision should have the effect of worsening the safety of local people, and, wherever possible should improve their safety. It supports the integrated functions of Crime & Disorder and Substance Misuse under the auspices of the Safe and Sound Partnership.

The Community Safety budget is directed largely by the priorities expressed within the Borough's Community Safety Strategy. The core priorities within the Strategy are included within the Borough Local Area Agreement, including a number of areas with stretched targets, progress against which is reported to members each quarter in the performance management report. The Borough continues to be the safest place in the West Midlands and has sustained a reduction in the overall level of reported crime throughout the last three years. Funding for the locks and bolts scheme has been secured until at least March 2011, while partnership funding has also been approved to extend support for the Alcohol Arrest and Referral Scheme. For 2010/11 it is proposed to reduce the revenue commitment falling to the Council for Community Safety by £35,000 through ensuring that external grants from Central Government cover the appropriate share of core Council and partnership costs in delivering the Community Safety and Substance misuse programme. In addition, there is a proposed saving of £30,000 from the Area Based Grant which is currently unallocated, and will not therefore impact on the proposed range of partnership actions in this area. (These savings form part of the overall **£95,000** Chief Executive's saving from **Maximising External Income**.)

During 2010/11 the Authority has been allocated £230,000 as part of the national PREVENT programme, and has been asked to act as the accountable body for the RecoRa training programme by Government Office – West Midlands. There is no indication of how much if any further PREVENT funding under will be available after this time March 2011.

Through the Civil Contingencies Act, the Government has given local authorities a clear set of roles and responsibilities. The annual report on the role and activities of the Council's Disaster and Emergency response service was presented for consideration to the last meeting of the Community Safety and Community Services Committee.

Regeneration, Culture and Adult Education

DUE:

Pressures:

Support to Economic Regeneration

1. **£100,000** growth in 2010/11 reducing to **£50,000** growth in the following years is aimed at attracting inward investment to the borough in terms of employment, commercial space and the wider cultural, housing and retail opportunities.

A new post would be created to target potential key markets looking at the growth sectors where the borough is best placed to compete and identifying the infrastructure the borough has in terms of supply chains; in addition supporting those companies which are growing and opening channels of communication with potential investors. There would be other related and ongoing activity including support to existing businesses and exploring 'one off' relocations that might include government departments, matching needs with large areas of vacant accommodation such as at the waterfront.

In addition in 2010/11 there would be a need to market Dudley Borough, possibly via a promotional CD and display material for conferences etc. in liaison with our marketing and communications team, hence the additional £50,000 growth in the first year

The initial year 1 marketing costs would not follow through to future years; however the new post would remain to provide an ongoing inward investment focus.

Savings:

Town Centre Management

2. **£52,000** would be saved by reducing from the 4 current town centre managers to 3 with a proposal for 2 managers covering two main townships each and the other concentrating on events management and co-ordination of activities. Additional sponsorship will be sought to help fund key events and the displaced manager will be redeployed.

Reducing staffing and overhead costs

3. Reductions in support staff, directorate overheads and revised staffing arrangements are targeted to save **£ 1,050,000** over the next 3 years. This will be achieved through a mixture of prudent vacancy management, voluntary redundancies and significant overhead reductions in areas such as overtime, front line sickness costs and spend on office equipment. In addition restructuring and reductions in the number of engineering posts arising from reduced capital funds will take place. Duplicated services or shared service options will also be explored.

Review of Fees, Charges and Income

4. **£494,000** would be generated over the next 3 years. The proposals do include increasing some Bereavement Service charges to help meet pressures in terms of the Councils statutory requirement to maintain closed churchyards and to fund planned improvement works at the borough's two crematoria. However the proposed increases will still mean Dudley remains the cheapest of the four Black Country Boroughs in terms of its burial and cremation fees. All other additional income proposals do not impact on the general public.

Chief Executive's:

Savings:

Savings on Marketing and Communications activities

5. Reduce marketing and communications costs through the non filling of staff vacancies, reducing the numbers of publications, and greater use of electronic channels. Saving **£100,000** in 2010/11, rising to **£112,000** in 2012/13.

Maximising external grant income accessed by the Council

6. Reduce revenue commitment to Community Safety and Dudley Community Partnership by redirecting external grants from Central Government. Saving **£95,000** per year.

Reducing Council contribution to Third Sector

7. Phased reductions in contributions to third sector. It is intended to work with the third sector organisations supported through Chief Executive's to maximise alternative income from other external sources, and/or achieve compensatory efficiency savings. Saving **£10,000** in 2010/11, rising to **£135,000** in 2012/13.

Reduction in central policy and administration costs

8. Achieve efficiency savings in the administration costs of the Chief Executive's Directorate, with expected savings arising from the centralisation of administration services and increased income from external sources. Saving **£91,000** in 2010/11, rising to **£185,000** in 2012/13.

DACHS:

Pressures:

Archives relocation

9. This is a continuation of the scheme approved as part of the 2009/10 budget review and will see a purpose built Archive facility constructed on the site of the Black Country Museum. Revenue funding of **£220,000** in year 2010/11 rising to **£496,000** in 2012/13 will be required to fund prudential borrowing costs.

Savings:

Efficiency savings following service review

10. This proposal is the expected efficiency savings to be delivered across Libraries and Adult Learning and from the Housing General Fund. It includes savings from modernisation and benchmarking in Libraries and Adult Learning together with the deletion of one head of service post, maximising grant funding and income from the Housing General Fund. Savings in 2010/11 will amount to **£160,000** rising to **£217,000** in 2012/13.

Finance, ICT & Procurement:

Pressures:

Network and Corporate Desktop infrastructure provision

11. The Council has to continuously to update its core infrastructure, particularly its communications network to offices and Council buildings across the Borough in order to meet demands on the wide area network. We also need to modernise our desktop machines as they become obsolete and to provide central server and system upgrades to ensure we have supported products. **£150,000** per year is to be invested to enable phased implementation.

Savings:

Other savings and efficiencies

12. This is a combination of items. The Directorate is already seeing higher ongoing income from collection costs; benefit subsidy, and purchasing rebates in the current year and is confident that this can now be built into base budgets. Value for money reviews being undertaken by a now dedicated resource within Audit Services is not only self funding but providing returns greater than costs (e.g. review of VAT). **£95,000** rising to **£140,000** net of further investment into VfM reviews is expected over the medium term.

Restructuring within the Directorate

13. This is an efficiency review and includes a number of service areas across the Directorate from the senior management team down to individual services and reflects:
- the new Corporate Resources Directorate will see savings at the top of the office with one less Director and a review of the senior management team to effect efficiency savings;
 - benefits of new technology, homeworking and office automation, absorption of work within existing resources. These business process reviews utilising recent investment in technology (e.g. document management and Agresso) will enable streamlining of working methods. Homeworking in Benefits is already bringing improved performance and better work life balance for those staff involved;
 - review of processes and service requirements for example, better contract management, reduced overtime;
 - centralisation of administrative functions rationalise and streamlining services largely within back office functions e.g. ICT administrative functions, review of overall staffing levels, and ICT support requirements due to greater capacity within other Directorates

These proposals will generate savings rising from **£674,000** to **£1,147,000** over 3 years .

ICT Operational budgets

14. **£265,000** rising to **£310,000**. Review of ICT operational budgets, including vehicle fleet usage (achievable through better use of technology including remote support capabilities); review of need for current level of development budget and revised accommodation needs.

Review of Council Tax discount on empty properties

15. The Council is keen to bring back into use some 1800 domestic properties throughout the Borough which are currently unoccupied and considers that the current 50% council tax discount is not helping to encourage property owners/landlords to release unoccupied properties which could, if occupied, help stimulate the local economy during the recession. Cabinet agreed at it's meeting on 10th February to remove the discount altogether on long-term (for more than 6 months) unfurnished unoccupied properties from April 2011 to give property owners time to adjust to the new arrangements, and to reduce to 25% the discount on furnished but unoccupied properties from April 2010. This will also bring in much needed council tax income to help keep council tax increases down and to contribute towards key services.

Law, Property and Human Resources:

Pressures:

Introduce ISA registration

16. **£75,000** per year for administration of new legislation requiring ISA registration for all staff working with vulnerable people.

Savings:

Rationalise Constitutional issues

17. Reduce advertising, room hire and catering costs – saving **£15,000** in 2010/11, rising to **£25,000** in 2012/13.

Changes to Licensing income & enforcement

18. Achieve income from fees and partnership training activities. Refocus enforcement activity. Saving **£56,000** in 2010/11, rising to **£76,000** in 2012/13.

Savings from creation of Corporate Property division

19. This division was created in January 2009 and the following planned savings have now been identified as achievable: rental savings on surplus operational property & end of leases on industrial estates; reprioritisation of non statutory low risk works & reduce R&M budget by 1%, achieve income from outstanding rent reviews, restructuring of services to achieve surveyor and administrative savings. Saving **£220,000** in 2010/11, rising to **£439,000** in 2012/13.

Realise efficiencies from unification of HR function

20. Creation of this division in April 2009 has identified achievable savings over the 3 years in: reduction of the recruitment advertising budget through the use of internet advertising & improvements to the online application process; removing duplications in learning & development provision; improvements in IT to enable reduction in administration of recruitment processes & more self service for staff & managers. Saving **£267,000** in 2010/11, rising to **£393,000** in 2012/13.

Rationalise Registration & Citizenship Service

21. Implement changes to fees to cover administrative costs and increase fees for celebratory services. Saving **£55,000** in 2010/11, rising to **£110,000** in 2012/13.

Achieve savings in overhead costs and administrative efficiencies

22. General reduction in overhead & administrative support costs. Saving **£20,000** in 2010/11, rising to **£55,000** in 2012/13.

Children's Services

Pressures:

Laming Review Outcomes

1. **£200,000** will commence the implementation of the recommendations arising from the 2009 Lord Laming Review. The DCSF commissioned a progress report on how local authorities are implementing the effective arrangements for safeguarding children following the case of Baby P. The report was issued in March 2009 and the recommendations cover: social work training & recruitment; quality assurance; integrated children's systems; safeguarding; court fees and serious case reviews.

Children's Social Care

2. An additional **£1.55m** in 2010/11 will enable the Directorate to meet the ongoing budget pressures identified during 2009/10 for children's social care arising from the increase in numbers of looked after children - which is a national trend. The pressures include external residential placements, fostering allowances, leaving care grants, transport for children to school and supervised contact sessions, and additional district field workers necessary to support the increased rate of referral and assessments.

Savings:

Administration, Management and Support

3. Children's Services initiated a realignment programme (Cabinet Report 09/09/09) to ensure fitness for purpose and maximum emphasis upon outcomes for children and young people. Saving **£636,000** in 2010/11, rising to **£1,509,000** in 2012/13.

Children with Families

4. In order to comply with responsibilities to ensure safeguarding and child protection, a programme of refocusing and realigning provision, reducing discretionary activity and promoting appropriate alternative provision in mainstream and voluntary sectors. Saving **£189,000** in 2010/11, rising to **£966,000** in 2012/13.

Educational Play and Learning

5. In order to comply with responsibilities to ensure support and challenge for schools, a programme of refocusing and realigning provision, reducing discretionary activity and promoting appropriate alternative provision in mainstream and external sectors. Saving **£153,000** in 2010/11, rising to **£941,000** in 2012/13.

Quality and Improvement

6. In order to comply with responsibilities to ensure safeguarding and supporting schools, a programme of refocusing and realigning provision, reducing discretionary activity and promoting appropriate alternative provision via Area Based Grant (ABG), and in the mainstream and external sectors. Proposed increases in funding within the ABG will be addressed within present resources as efficiency savings. Saving **£140,000** in 2010/11, rising to **£215,000** in 2012/13.

Transforming Futures

7. In order to comply with responsibilities to ensure an integrated youth offer, a programme of refocusing and realigning provision, reducing discretionary activity and promoting appropriate alternative provision in the mainstream and voluntary sectors. Saving **£236,000** in 2010/11, rising to **£406,000** in 2012/13.
8. Decisions relating to the need to make savings from Children's Services will be made in line with the outcomes of the directorate realignment programme that ensures fitness for purpose and the need to comply with all related statutory responsibilities, i.e.:
 - (i) safeguarding, looked-after children and child protection;
 - (ii) support, monitoring and challenging for schools and other learning providers;
 - (iii) sufficiency and place planning for all children and young people 0-19 (25 for SEN);
 - (iv) ensuring the effective delivery of an integrated youth offer.

Environment

DUE:

Pressures:

Waste Management Pressures

1. A net growth of **£1,240,000** over coming years is achieved from the savings arising from reducing a recycling team given a global drop in demand and proposals to deliver black sacks twice yearly rather than weekly which would also assist in issues surrounding black sacks being left in hedges etc .The savings are offset by growth funding to meet increased government landfill tax pressures and new statutory environmental pollution directives related to the incinerator.

Street lighting improvements

2. Up to **£560,000** of growth would provide £3.6m worth of investment in new street lights throughout the borough by utilising prudential borrowing. This growth also enables the phased replacement of mercury lamps soon to become obsolete under new European legislation.

Additional Pothole filling and road surfacing

3. **£200,000** growth would enable more potholes and road repairs to be undertaken to mitigate against significant reduced government funding in road maintenance grants in recent years.

Grounds Maintenance pressures

4. Up to **£115,000** net growth will help support closed churchyard maintenance and deal with Japanese knotweed on key regeneration sites.

Stray Dog Control Service Pressures

5. **£32,000 growth** would be targeted at preventative initiatives in addition to rising collection costs. The “out of hours” duty was passed on by Police with only £20,000 to deliver the service. Over 500 stray dogs have been collected with over 30% collected out of hours costing around £50,000 so there is a £30,000 shortfall and rising.

Savings:

Reducing staffing and overhead costs

6. Reductions in support staff, directorate overheads and revised staffing arrangements are targeted to save **£ 1,050,000** over the next 3 years. This will be achieved through a mixture of prudent vacancy management, voluntary redundancies and significant overhead reductions in areas such as overtime, front line sickness costs and spend on office equipment. In addition restructuring and reductions in the number of engineering posts arising from reduced capital funds will take place. Duplicated services or shared service options will also be explored.

Review of Fees, Charges and Income

7. **£494,000** would be generated over the next 3 years. The proposals do include increasing some Bereavement Service charges to help meet pressures in terms of the Council's statutory requirement to maintain closed churchyards and to fund planned improvement works at the boroughs two crematoriums. However the proposed increases will still mean Dudley remains the cheapest of the four Black Country Boroughs in terms of its burial and cremation fees.
All other additional income proposals do not impact on the general public.

DACHS:

Savings:

Efficiency savings following service review

8. This proposal is the expected efficiency savings to be delivered across Libraries and Adult Learning and from the Housing General Fund. It includes savings from modernisation and benchmarking in Libraries and Adult Learning together with the deletion of one head of service post, maximising grant funding and income from the Housing General Fund. Savings in 2010/11 will amount to **£160,000** rising to **£217,000** in 2012/13.

Health and Adult Social Care

1. The next three years will again present challenges for Adult Social Care in meeting demographic challenges and the expectations of both Central Government and the residents of the Borough. The Directorate will have to address a number of identified pressures for which additional net funding has been identified.

Pressures:

Increasing number of Mental Health clients and Older People with dementia

2. This proposal identifies resources of **£500,000** in 2010/11 rising to £1m in 2012/13 to meet the demographic and service pressures for older people and clients with Mental Health needs. The additional resources, as well as meeting the needs of a larger proportion of the population, also includes recognition of the higher costs of these specialist services and includes an amount in recognition of this.

Modernisation of Learning Disability Day services and additional investment to meet high levels needs

3. This proposal continues the investment into Learning Disability services to meet high level need. In addition it includes a number of initiatives to modernise services as well as changing commissioning practices to achieve better value for money. It will see additional net investment of **£470,000** in 2010/11 rising to **£1.030m** in 2012/13.

Savings:

4. The cost pressures identified will be funded from a range of initiatives which support modernisation of services and maximising efficiency savings. The following initiatives have been taken:

Reduction in administrative and management support and increase in staffing turnover

5. The streamlining of existing administrative and management processes with increased use of ICT and appropriate staffing adjustments, together with an additional turnover percentage of 2% on non front line staffing budgets, taking the turnover percentage on these budgets to 5% which will be achieved through vacancy management for one year only. Overall these packages will deliver savings of **£866,000** in 2010/11; this will reduce to **£820,000** in 2012/13.

Older People's services redesign

6. This proposal identifies savings of **£1.046m** rising to **£2.770m** resulting from planned changes in service provision in order to support modernisation and become a provider of specialist services only. This represents the next proposed stages of the Extra Care Housing initiative and includes re-provision of residential homes to coincide with Housing Association and Local Authority investment in Extra Care Housing. Specialisation by Local Authority Home Care services in reablement and dementia care will be developed alongside the transfer of hours to the independent home care providers.

Alignment of service delivery to meet the eligibility needs of clients with critical and substantial needs

7. The widespread use of assistive technology will be crucial in supporting more people to continue to living independently and will play an important part in meeting those needs more cost effectively. The Directorates Fair Access to Care Services criteria would move to substantial and critical from moderate in keeping with other West Midland Authorities. Efficiency savings of **£405,000** rising to **£780,000** are planned as a result of changes to the Fair Access to Care Services criteria with the care needs of those eligible clients being met in more cost effective ways as part of the personalisation agenda over the next 3 years

Review of Supporting People and voluntary sector contracts

8. Review of contracts to target Supporting People and other Grant funding to areas of greatest need. This will generate savings of **£355,000** in 2010/11 rising to **£705,000** in 2012/13.

Physical disability and mental health staffing reviews

9. This proposal covers savings of **£120,000** in 2010/11 rising to **£220,000** in 2012/13 across Physical Disabilities and Mental Health following reviews of staffing levels required to support service provision within each of the clients groups. Savings in Mental Health will be achieved as a result of joint working with the PCT and within Physical Disabilities as a result of rationalisation.

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
<ul style="list-style-type: none"> Single Status and Equal Pay Back Pay 	<p>Figures included in spending forecasts are based on best estimates at this time, but the impact may be significantly different once details emerge and negotiations commence. It has been assumed that all Equal Pay Back Pay costs can be capitalised.</p>
<ul style="list-style-type: none"> General inflation and staff pay awards higher than budgeted 	<p>The Council is expecting pay awards for local government may be frozen or settled at very low levels in the next few years consistent with Government announcements about public sector pay in the Chancellor's pre-budget speech. Whilst we are making no specific budgetary provision for pay awards, the Council will honour national agreed settlements. The budget provision for prices assumes that inflation will remain low and that competitive contract management and tendering during the recession should help minimise the impact of price rises on Council budgets. We are therefore proposing a provision of around 1% next year rising by 0.5% per annum until 2012/13. However, as the Country emerges from recession there is a real risk that inflationary pressures may escalate very quickly and we are going into a period with no certainty as to the level of government financial support. Therefore, to ensure a prudent approach to budget setting is adopted, a contingency provision of £1m per year cumulatively has also been built into our assumptions in the event inflationary costs exceed expectations, or funding is further restricted during this extremely uncertain period. A 1% increase in inflation would cost (excluding Schools) around £1.3m extra per year in respect of pay and £1.1m in respect of prices.</p>
<ul style="list-style-type: none"> Interest rates higher / lower than expected 	<p>The draft budget assumes interest rates remain similar to current levels during 2010/11. A 1% change either way in interest rates would not have a material impact as the majority of borrowing is at fixed rates, and estimates of interest earnings are cautiously prudent.</p>
<ul style="list-style-type: none"> Income levels not achieved 	<p>A 1% loss of income (excluding grants & interest) would cost the Council around £0.5m per year.</p>
<ul style="list-style-type: none"> Other unplanned events, or assumptions not in line with forecasts 	<p>Unforeseen costs or costs greater than estimated - including those arising from demographic pressures and the effects of the recession.</p>

<ul style="list-style-type: none"> • Capping 	<p>It is impossible to know in advance of setting any future budget what the capping criteria will be, as they are not pre-set and have varied in previous years. The Council can, at best, take a view as to whether its future spending plans are potentially excessive year-on-year. The Minister for Local Government indicated when announcing the provisional Formula Grant Settlement for 2010/11 that the Government expects to see the average band D council tax increase fall below last year's 3%.</p>
<ul style="list-style-type: none"> • Formula Grant and ABG for 2011/12 onwards lower than assumed 	<p>A 1% shortfall in Formula Grant would reduce resources by £1.3m. A 1% shortfall in Area Based Grant (ABG) would reduce resources by £0.2m.</p>

2. Any unbudgeted costs, or shortfalls in income, would have to be met from economies or reductions in planned spending in the year or from balances. If it is necessary to make additional calls on general balances in 2009/10, this will reduce the amount available to support budgetary pressures in later years.
3. There are £2m in working balances to meet unforeseen events and it is considered that many of the remaining balances, including balances built up in 2010/11 resulting from the proposed budget could be used in the short term to cover unforeseen budget pressures. These may need to be replenished in future years.