
Report To:	Policy & Resources Committee	Date:	20 June, 2017
Report By:	Chief Financial Officer	Report No:	FIN/28/17/AP/CM
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Subject:	2018/20 Revenue Budget - Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to update the Policy and Resources Committee in respect of the latest position of the 2018/20 Revenue Budget and to seek confirmation of the key aspects of the Budget Strategy.

2.0 SUMMARY

- 2.1 The Council has an established budget process which involves Officers developing proposals with consultation with the Trade Unions via the Joint Budget Group in tandem with Elected Member engagement via the Members' Budget Working Group prior to the budget for the next Financial Year being approved by the Council in February/early March.
- 2.2 During the development the 2017/18 Revenue Budget the SNP Group withdrew from the Members' Budget Working Group but the Group continued to meet and made proposals which the Council approved when setting the 2017/18 Budget. The recent Best Value report recommended that the Council should consider retaining the MBWG post election given the financial challenges ahead.
- 2.3 The approved Budget Strategy is that the Council will aim to set a Revenue Budget covering 2018/20 in February/March 2018. The estimated funding gap over this period per the Financial Strategy due to be reported to the full Council in June 2017 is £21.5 million.
- 2.4 In line with the current approved Budget Strategy Officers have been developing potential savings options over the last six months for the new Council to consider. The savings proposals are largely based on service reduction, service withdrawal and increased fees and charges. The focus on these areas to balance the budget is that after many years of budget reductions it is not practical for the Council to continue to deliver the same levels of service with further reductions in resources. During the development of the savings proposals the Corporate Management Team has engaged with the Trade Unions through the Joint Budget Group in order to identify potential HR implications.
- 2.5 To support the work which the Joint Budget Group is undertaking and in order that the best information can be given to Members, a soft trawl is being undertaken during June to get initial indications of levels of interest for release in those areas where savings proposals exist which have Council employee impacts. The results of the soft trawl will be examined and collated prior to inclusion in the saving information given to Members.
- 2.6 The current intention is that a package of themed savings options will be available for Members to consider in August following which it will be agreed which savings proposals should be subject to further public consultation and refinement during the rest of 2017. In tandem with this and taking account of a recommendation from the Best Value Audit, a detailed review of the Council's reserves will also be progressed and reported to Committee.

- 2.7 At this point in time the expectation is that in December 2017 the Scottish Government may only announce one year settlement figures for the year 2018/19. Based on Local Government settlements for the last few years another challenging settlement is expected and it is therefore important that the Council develops a substantial volume of saving options for consideration in order that a balanced budget can be approved no later than March 2018.
- 2.8 The firm recommendation from the Corporate Management Team is that, in order to assist with savings delivery and to allow those impacted to prepare for the impacts of budget savings, the Council should revert to multi-year budgeting. It is therefore recommended that a 2 year Budget covering 2018/20 should be agreed no later than March 2018.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the current approved Budget Strategy including the current action being taking by Officers to develop saving proposals and the timescale for communication to Elected Members.
- 3.2 It is recommended that the Committee note the comments in the recent Best Value Audit supporting the continuation of the Members' Budget Working Group as the vehicle for collectively considering budgetary issues including the consideration of savings and note that a decision on this matter is sought later on in this agenda.
- 3.3 It is recommended that the Committee confirm the intention of the Council to set a two year Revenue Budget in February 2018 covering 2018/20.
- 3.4 It is recommended that the Committee agree that a detailed review of the Council's Reserves be undertaken as part of the 2018/20 Budget and reported to Committee.
- 3.5 It is recommended that subject to the above being approved, a more detailed timescale covering the 2018/20 Revenue Budget process be brought to a future Committee for consideration.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council has an established budget process which involves Officers developing proposals with consultation with the Trade Unions via the Joint Budget Group in tandem with Elected Member engagement prior to the budget for the next Financial Year being approved in February/early March.
- 4.2 Since the development of the 2015/16 Revenue Budget the Council has operated a Members' Budget Working Group chaired by the Council Leader with representatives from each of the political groupings plus independent Councillors. When the 2017/18 Revenue Budget was being developed the SNP Group withdrew from the Group but the Members' Budget Working Group continued to meet and made proposals which the Council approved when setting the 2017/18 Budget.
- 4.3 The approved Budget Strategy is that the Council will aim to set a Revenue Budget covering 2018/20 in February/March 2018. The estimated funding gap over this period per the Financial Strategy due to be reported to the Council in June 2017 is £21.5 million. The Council has already approved a 3 year Capital Programme covering 2017/20.
- 4.4 In line with the approved Budget Strategy the Corporate Management Team has been developing a substantial volume of savings options based on service reduction, service withdrawal and income generation for the new Council to consider.
- 4.5 The focus on savings which impact on front line service delivery and income levels is two-fold. Firstly, the estimated level of savings required significantly exceeds realistically deliverable efficiency savings and secondly, following many years of reductions in corporate service budgets the CMT would advise that any further material reductions in these areas will expose the Council to risks and costs which would outweigh potential savings. However, the Corporate Management Team is committed to continue to identify opportunities for efficiencies and will progress these where the opportunity arises.

5.0 CURRENT POSITION

- 5.1 Initial savings proposals were drafted in January/February and through an iterative process the proposals have been refined and where appropriate combined with other related proposals.
- 5.2 In order to provide further context to the review of the proposals which the Joint Budget Group is undertaking and in order that the best information can be given to Members, a soft trawl is being undertaken during June to get initial indications of levels of interest for release in those areas where savings proposals have Council employee impacts. The results of the soft trawl will be examined and collated prior to inclusion in the saving information given to Members.
- 5.3 The current intention is that a package of themed savings options will be available for Members to consider in August following which it will be agreed which savings proposals should be subject to further public consultation and refinement during the rest of 2017. In tandem with this and taking account of a recommendation from the Best Value Audit, a detailed review of the Council's reserves will also be progressed and reported to Committee.
- 5.4 At this point in time the expectation is that in December 2017 the Scottish Government will only announce one year settlement figures for the year 2018/19. Based on Local Government settlements for the last few years another challenging settlement is expected and it is therefore important that the Council develops a substantial volume of saving options for consideration in order that a balanced budget can be approved no later than March 2018.

6.0 NEXT STEPS

- 6.1 A key consideration in respect of the development of the 2018/20 Budget will be the engagement with Elected Members. In recent years the forum of the Members' Budget Working Group (MBWG) has proven successful and allowed officers to explain issues in more detail and also receive feedback which has assisted in the development of proposals. The recent Best Value report recognised the benefits of the Members' Budget Working Group and recommended the Council should consider the continuation post election given the financial challenges ahead. Confirmation from the Committee that this approach is maintained would be of great assistance.
- 6.2 If agreed then it would be proposed that an early meeting of the MBWG be arranged to refresh the terms of reference and to agree the timings for the sharing of budget information.
- 6.3 In the event that Committee cannot agree to the continuation of the MBWG then separate discussions will be needed with the Administration regarding the budget process and the timing of when matters are consulted upon/shared wider.
- 6.4 Once this matter is confirmed then a more detailed timetable can be drafted for consideration at a future Policy & Resources Committee.

7.0 IMPLICATIONS

7.1 Finance

The Financial Strategy is due to be reported to the next meeting of the Council later this month and within that the mid-range estimated funding gap for the period 2018/20 is £21.5 million prior to any increase in Council Tax. Whilst officers will continue to work to reduce this gap over coming months it is clear that there will be a significant impact on a number of front line service areas without a substantially improved settlement for Local Government.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

7.2 Legal

There are no legal issues relating to this report.

7.3 Human Resources

Liaison with the Trades Unions via the JBG will continue and the results of the soft trawl will be reviewed and included in the proposals given to Members in August.

7.4 Equalities

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

7.5 Repopulation

There are no specific repopulation issues arising from this report.

8.0 CONSULTATIONS

8.1 The report has been reviewed and approved by the Corporate Management Team and the Trades Unions via the Joint Budget Group.

9.0 LIST OF BACKGROUND PAPERS

9.1 None