
Report To:	The Inverclyde Council	Date:	28 September 2017
Report By:	Chief Financial Officer	Report No:	FIN/74/17/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	2018/20 Revenue Budget Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to provide an update regarding progress with the 2018/20 Revenue Budget and outline the next steps.

2.0 SUMMARY

- 2.1 Reports have been presented to the Policy & Resources Committee and the Council which have resulted in the agreement that the Council set a 2 year Revenue Budget in February 2018 covering 2018/20, that Members operate a Members' Budget Working Group to act as a sounding board throughout the budget process, that decisions regarding any surplus reserves are taken as part of the overall budget process and that the Council carry out a public consultation to be concluded before Christmas.
- 2.2 The mid range estimated savings gap for 2018/20 reported as part of the June Financial Strategy was £21.5 million. This calculation was based on assumptions around the likely grant settlement for Local Government pay inflation and non pay inflation assumptions plus an allowance for budget pressures and other legislative changes. The Chief Financial Officer supported by the Corporate Management Team (CMT) has been reviewing the assumptions around the mid range savings gap and has developed a revised assessment as outlined in Appendix 1.
- 2.3 The Corporate Management Team developed a comprehensive package of savings totalling £16.1 million based on service reduction, service withdrawal and increases in fees and charges. The Members Budget Working Group have been reviewing these proposals and their appropriateness for public consultation and Appendix 2 contains a summary of those savings which the Members' Budget Working Group (MBWG) propose should form part of the public consultation and incorporated within the Budget Simulator.
- 2.4 In addition there are a number of savings shown in Appendix 3 which the MBWG have proposed are progressed via reports to the relevant Committee on the basis that these are either technical in nature or impact upon the internal operation of the Council. It is proposed that reports are presented to the January/February meeting of the relevant Committee to allow the proposals to be considered as part of the overall budget.
- 2.5 Throughout the savings exercise and as part of the review of the 2016/17 Budget out turn a number of adjustments have been identified which are proposed to be applied now to the 2018/20 Revenue Budget. Appendix 4 contains a summary for approval by the Council.
- 2.6 In light of the current shortfall in savings options in order to approve a 2018/20 Budget it is proposed to delay the Public Consultation until the draft Local Government Grant settlement has been received and analysed by officers. The proposed change in time line will necessitate a special Council Meeting week commencing 18th December to consider proposals which would allow a 2018/20 Budget to be considered in March 2018.

- 2.7 The Integration Joint Board considered a report on the 12th September outlining the proposed process for consideration of Social Care savings. Appendix 6 provides a copy of the process as agreed by the Integration Joint Board.
- 2.8 It is expected that the UK Parliament will consider the Chancellor's Autumn Statement at some point in November and thereafter the Scottish Government will announce the draft Local Government Settlement around mid December. At this point in time looks likely that the Scottish Government will announce a one year revenue settlement.
- 2.9 There is a significant amount of work in progress which will continue over the next 3 months around savings, efficiencies, pressures and policy proposals. All this work will initially be channelled through the Members' Budget Working Group and reported to the Policy & Resources Committee and the Council as required for approval.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Council notes the revised 2018/20 Funding Gap assessment prepared by the Chief Financial Officer and the Corporate Management Team and notes the potential risk for a further savings exercise to take place in 2019 in the event that the funding gap is greater than the £13 million outlined in Appendix 1.
- 3.2 It is recommended that the Council approve the proposals in Appendix 2 to be included in the public consultation on the 2018/20 Revenue Budget and notes that the proposals in Appendix 3 will be reported to the relevant Committee before March 2018.
- 3.3 It is recommended that the Council approves the adjustments in Appendix 4 and that these adjustments be applied to the 2018/20 Budget.
- 3.4 It is recommended that the Council notes the next stages of the 2018/20 Revenue Budget Process and agrees that a special Council Meeting take place in the week commencing 18th December to approve the final public consultation proposals and consider the latest position in respect of the 2018/20 Revenue Budget.
- 3.5 It is recommended that the Council notes that the next report on the agenda covers the public consultation proposals.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 Reports have been presented to the Policy & Resources Committee and the Council which have resulted in the agreement that the Council set a 2 year Revenue Budget in February 2018 covering 2018/20, that Members operate a Members' Budget Working Group to act as a sounding board throughout the budget process, that decisions regarding any surplus reserves are taken as part of the overall budget process and that the Council carry out a public consultation to be concluded before Christmas
- 4.2 It is currently unclear whether the Scottish Government will issue a 2 year or one year budget in December although indications are that it will be for one year only. The UK Government will issue an Autumn Statement during November.
- 4.3 The Council has agreed to set a 2 year Revenue Budget, a 3 year capital budget and a Common Good Budget in February/early March 2018.
- 4.4 Throughout this process the Corporate Management Team continue to engage with the Trades Unions via the Joint Budget Group (JBG) and there are regular communications to all employees regarding progress of the Budget Process.

5.0 2018/20 ESTIMATED FUNDING GAP

- 5.1 The mid-range estimated savings gap for 2018/20 reported as part of the June Financial Strategy was £21.5 million. This calculation was based on assumptions around the likely grant settlement for Local Government, pay inflation and non-pay inflation assumptions plus an allowance for budget pressures and other legislative changes. As Members have been advised previously this is not an exact science and as such a broad range of potential figures for 2018/20 ranging from £9.1million to £32.4million was provided in the June Finance Strategy.
- 5.2 Based on updated information on known Budget Pressures, Adjustments and Efficiency Targets plus reviewing other assumptions, the Chief Financial Officer has calculated a reduced funding gap as outlined in Appendix 1.
- 5.3 Even reducing the estimated funding gap by applying these changes and taking a more optimistic view of the Government settlement the 2018/20 funding gap remains £13 million and introduces an underlying risk that a further savings exercise may need to take place in 2019 if the 2018/20 savings gap is greater than the £13.0million outlined. However, setting a provisional 2019/20 Budget based on a £13.0m of funding shortfall will advance the 2019/20 Budget process considerably even in the event the funding gap is underestimated.

6.0 CURRENT POSITION – SAVINGS

- 6.1 The Corporate Management Team (CMT) developed a comprehensive package of savings based on service reduction, service withdrawal and increases in fees and charges. The savings developed totalled £16.1 million and reflected detailed consideration by the CMT over the last 6 months taking into account the Council's Statutory requirements and impact on employees and the local community. What was clear from this exercise is that in order to balance the budget, there will need to be service reduction and withdrawal as, after having removed almost £50million from Council Budgets in the last 10 years there are limited opportunities for efficiency savings.
- 6.2 The Members' Budget Working Group have been reviewing these proposals and their appropriateness for public consultation and Appendix 2 contains a summary of those savings which the Members' Budget Working Group propose should form part of the public consultation and be incorporated within the Budget Simulator. It can be seen that the total number of FTE (Full Time Equivalent) posts impacted by the proposals for consideration is 126.

- 6.3 In addition there are a number of savings shown in Appendix 3 which the CMT have proposed are progressed via reports to the relevant Committee on the basis that these are either technical in nature or largely impact upon the internal operation of the Council. It is proposed that reports are presented to the January/February meeting of the relevant Committee to allow the proposals to be considered as part of the overall budget. The employee impact of these proposals is currently estimated to be 33 FTE.
- 6.4 Throughout the savings exercise and as part of the review of the 2016/17 Revenue Budget out turn a number of adjustments have been identified which are proposed to be applied now in order to reduce the 2018/20 Revenue Budget gap. These currently total £2.9million as listed in Appendix 4 and officers will continue to identify further opportunities to adjust budgets with no impact on service delivery.
- 6.5 Finally the Corporate Management Team are developing proposals to deliver £1.1 million in Efficiency Savings over 2018/20. It is intended that these are reported to the November meeting of the Policy & Resources Committee via the MBWG.
- 6.6 Taking the information in Appendices 1 – 4 into account shows that there are currently not enough savings options, to meet a £13.0m funding gap. This is even after allowing for the maximum 3% annual Council Tax increase.
- 6.7 Appendix 5 shows the summarised position and indicates that in order to give the Public an element of choice when responding to the Budget Simulator and thereafter to give Members an element of choice when approving the 2018/20 Budget a further £4.0 – 5.0 million of savings options require to be developed.

7.0 PROPOSALS

- 7.1 In light of the current shortfall in savings options in order to approve a 2018/20 Budget it is proposed to delay the Public Consultation until the draft Local Government Grant settlement has been received and analysed by officers.
- 7.2 The proposed change in time line will necessitate a special Council Meeting week commencing 18th December to consider proposals which would allow a 2018/20 Budget to be approved in February/March 2018.
- 7.3 There is a significant amount of work in progress which will continue over the next 3 months around savings, efficiencies, pressures and policy proposals. All this work will initially be channelled through the Members' Budget Working Group and reported to the Committee and the Council as required for approval.

8.0 OTHER ISSUES & NEXT STEPS

- 8.1 A report elsewhere on the agenda outlines the proposals for the Public Consultation. In addition the Integration Joint Board considered a report on the 12th September outlining the proposed process for consideration of Social Care savings. Appendix 6 provides a copy of the process as agreed by the Integration Joint Board.
- 8.2 The Head of Human Resources, OD & Communications has developed a timetable for consultation and potential release of employees. This has been agreed with the Joint Budget Group.

9.0 IMPLICATIONS

9.1 Finance

A significant amount of work by officers is ongoing to develop proposals and respond to questions/challenges by the Members' Budget Working Group and a significant time commitment

is required by Members on the MBWG. Work over the next 3 months will focus on Budget Pressures, detailed consideration of savings and the use of Free Reserves. It is intended that a further update will be provided to the November Policy & Resources Committee.

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
Various	Adjustments	2018/19	(2900)		See Appendix 4

9.2 Legal

There are no legal implications arising from this report.

9.3 Human Resources

Communications with employees and Trades Unions is crucial and regular meetings of the JBG and updates for employees are taking place.

9.4 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.

9.5 Repopulation

There are no implications for Repopulation from this report.

10.0 CONSULTATIONS

10.1 The report has been considered by the Members Budget Working Group who support the proposals in this report.

10.0 LIST OF BACKGROUND PAPERS

10.1 None.

Revised Funding Gap

Appendix 1

Area	Current Assumption 2018/20 £m	Potential Assumption 2018/20 £m	Comments
Block Grant Reduction	7.2	5.4	Difficult to see much improvement due to policy commitments to Health & Schools. At best assume a 25% reduction in grant cut
Depopulation Cut	2.0	2.0	Unlikely to be any change over 2018/20. Inverclyde's share of the overall grant reduces annually due to depopulation.
Inflation - Pay	4.2	4.2	Allowance funds a 3.5% 2 year payaward. Unions will expect more than this but take a view that the Government will fund anything over 3.5%
- Non Pay	3.0	3.0	Based on the last 2 years it is proposed to reduce this figure by £1m - See adjustment below.
Pressures - Auto-enrolment	0.6	0.6	Based on 75% take up by employees not currently enroled. Implement 1/1/18.
- Increased Pension Costs	1.6	-	Ignore at present as not confirmed who is to fund but could result in a significant cost pressure in 2019/20 which would need to be addressed at that time.
- General Pressures	2.0	2.0	For unavoidable or already approved pressures only. £310k already approved by Council and further £1.2 million identified by CMT. Council funding for HSCP pressures will be finalised once Social Care Fund detail for 2018/20 is known. Unallocated £0.5m shown in adjustments below.
- 2017/18 Funding Gap	1.1	-	Based on a "rolling" year end surplus. Would need reserves to be set aside from 2019/20.
Savings already approved	(0.2)	(0.2)	
Adjustments	-	(2.9)	To be under continual review as opportunities arise - See Appendix 4.
Proposed Efficiency Target	-	(1.1)	CMT Proposals to November Policy & Resources Committee.
	21.5	13.0	Figures before 3% Council Tax increase

REVENUE BUDGET 2018/20

List of Savings proposed for Consultation

Appendix 2

Ref	Directorate	Service	Saving Description	2018/19 £'000	2019/20 £'000	FTE
Promoting Population, Economic Regeneration and Employability:						
ECOD/ODHR/34/2018	Education, Communities & ODHR	ODHR	Reduction in support from Council for local events.	40	40	0.5
ECOD/INC/15/2018	Education, Communities & ODHR	Inclusive Education, Culture & Corp Policy	Reduction to opening hours within Museum and carry out service review of staffing.	70	70	2.5
ER&R/RPS/04/2018	Environment, Regeneration & Resources	Regeneration & Planning	15% reduction in employability contracts with external providers.	398	398	1.0
ER&R/RPS/05/2018	Environment, Regeneration & Resources	Regeneration & Planning	Reduction in annual funding to Riverside Inverclyde and reduction in economic regeneration funding.	209	209	0.0
ER&R/ECS/15/2018	Environment, Regeneration & Resources	Environment & Commercial Services	Increase daily parking charges from £1 to £2 and introduce new parking charges in currently free car parks	84	180	0.0
Subtotal				801	897	4.0
Successful Communities:						
ECOD/SAF/01/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Closure of public space CCTV system.	188	188	6.5
ECOD/SAF/02/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	50% reduction in the community warden service.	357	357	14.0
ECOD/SAF/03/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Reduction to Grants to Voluntary Organisations budget of £114k (47%).	129	129	0.0
ECOD/SAF/05/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Transfer of Whinhill Golf Club to a third party. Saving as a result of efficiencies or income generation.	0	20	0.0
ECOD/SAF/06/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Closure of a number of underused community facilities and the removal of a number of Primary Schools from community letting.	194	194	6.0
ECOD/SAF/06b/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Remove funding from Youth Connections and dispose of redundant property	120	120	0.0
ECOD/SAF/07/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Removal of the under 19 sports subsidy.	160	160	0.0

ECOD/SAF/08/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Reduction in funding for community work, adult learning, adult literacies, youth work, administration and a reduction in senior posts.	320	320	11.5
ECOD/SAF/09/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	End Care and Repair contracted service , bring grant support service for adaptations in house and create a single small repairs service within Inverclyde.	193	193	-2.5
ECOD/SAF/11/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	10% increase on school let income.	20	20	0.0
ECOD/INC/16/2018	Education, Communities & ODHR	Inclusive Education, Culture & Corp Policy	Reduction in Central Library opening times, transfer of Inverkip and Kilmacolm to community groups, and closure of South West Library.	302	302	11.4
Subtotal				1,983	2,003	46.9
Tackling Health Inequality/Alcohol Mis-use:						
ECOD/SAF/13/2018	Education,Communities & ODHR	Safer & Inclusive Communities	Withdraw Free Swimming to the Over 60s	62	62	0.0
ECOD/SAF/14/2018	Education,Communities & ODHR	Safer & Inclusive Communities	35% reduction in fee to Inverclyde Leisure resulting in reduced opening hours, increased charges & potential closure of some facilities	327	491	0.0
HSCP/CC&H/10/2018	HSCP	Community Care & Health	Increase charges for Meals on Wheels, Meals at Day Centres andSupport at home by 10%	18	18	0.0
HSCP/CC&H/11/2018	HSCP	Community Care & Health	Introduce a Weekly Charge for Community Alarms in line with all other Scottish Councils. Proposed charge is £3.50	314	314	0.0
Subtotal				721	885	0.0
Best Start in Life:						
ECOD/INC/19/2018	Education, Communities & ODHR	Inclusive Education, Culture & Corp Policy	Reduction to musical instruction services and increase music instruction fees.	105	158	2.6
ECOD/EDU/27/2018	Education, Communities & ODHR	Education	Remove provision of centrally funded breakfast clubs in primary schools.	103	154	6.5
ECOD/EDU/28/2018	Education, Communities & ODHR	Education	Reduction to the devolved school management budget for consumables (25%).	147	220	0.0
ER&R/ECS/20/2018	Education, Communities & ODHR	Education	Reduction in cleaning frequency in non-hygiene areas within Schools	250	374	22.6
Subtotal				605	906	31.7
Protecting Our Environment:						

ER&R/ECS/13/2018	Environment, Regeneration & Resources	Environment & Commercial Services	Increase commercial waste charges, withdrawal of kerbside glass recycling and move to 3 weekly Residual Waste uplift.	289	289	9.0
ER&R/ECS/14/2018	Environment, Regeneration & Resources	Environment & Commercial Services	Increase to burial and cremation charges.	210	210	0.0
ER&R/ECS/16/2018	Environment, Regeneration & Resources	Environment & Commercial Services	Reduction in Roads, Winter & Verge Maintenance	212	212	2.0
ER&R/ECS/19/2018	Environment, Regeneration & Resources	Environment & Commercial Services	Reduction to front line street sweeper and clean up operatives.	379	379	16.0

Subtotal				1,090	1,090	27.0
Delivering Excellent Services:						
HSCP/PHIC/19/2018	HSCP	Health Inequalities	Redesign of Advice Services Team resulting in a reduction to staffing. Use Anti-Poverty Reserve to smooth impact of saving over a 3 year period.	210	210	6.0
ER&R/FIN/08/2018	Environment, Regeneration & Resources	Finance	Reduction of posts within Benefits Service.	137	168	5.5
ER7R/FIN/10/2018	Environment, Regeneration & Resources	Finance	Increase Registrar's non-statutory charges by 10%	5	5	0.0
ER&R/FIN/11/2018	Environment, Regeneration & Resources	Finance	Closure of Port Glasgow Customer Service Desk and reduce resources at Greenock Customer Service Centre.	120	120	5.0
Subtotal				472	503	16.5
Council Tax:						
	Corporate	Finance	3% increase in Council Tax, 2018/19 & 2019/20	860	1,750	0.0
Subtotal				860	1,750	0.0
Overall Total				6,532	8,034	126.0

2018/20 Budget
Saving Proposed to be considered by Service Committee

Delivering Differently Programme		18/19	19/20	Est
		£000	£000	FTE
HSCP	- Housing Wardens Service	93	93	0
	- Long Term Care Placements	528	528	0
	- Learning Disabilities	139	500	8.5
	- Mental Health & Addictions - Redesign	162	162	0
ECOD	- ASN Service Review	245	367	7.2
	- Safer Communities Restructure	189	189	4
	- PPP Unitary Charge	100	100	0
	- Leisure Strategy AMP	87	87	0
ERR	- Regeneration & Planning Restructure	192	192	4
	- Roads Service Review	103	103	0.6
Chief Exec	- Management Restructure	450	450	9.0
	Totals	2288	2771	33.3
Other Savings (by Committee)		18/19	19/20	Est
		£000	£000	FTE
HSCP	- Sundry minor proposals	69	69	0
E&C	- Sundry minor proposals	17	17	0
P&R	- NDR Discretionary Relief Policy	26	26	0
	- Unallocated Welfare Reforms Funding	266	266	0
	Totals if all approved	2666	3149	33.3

**2018/20 Budget
Adjustments as at 20.9.17**

ERR	Full Year Savings £000	Comments
1/ Winter Maintenance	55	Smoothing Reserve in place
2/ Council Tax - Prior Year Collection	50	Based on prior year performance
3/ Statutory Additions Income - Council Tax	20	Based on prior year performance
4/ Planning/Building Standards Income	33	New fees implemented, summer 2017
5/ Scottish Welfare Fund	51	Error in Base Budget
ECOD	2018/19 £000	Comments
1/ Curriculum for Excellence	58	Time limited budget removed
2/ Reduction in Facility Time - Teachers Tus	23	Replace 0.9 FTE with 0.4 FTE
3/ Environmental Health Sampling Budget	25	Based on prior year out-turn
4/ HR - Loss of IL SLA Income	19	1 x FTE from 2017/18
5/ Reduced costs of new H&S System	18	Using existing Insurance System - Cost £2k/year
6/ SEMP Model Review	200	Remove unused contingency in Unitary Charge & Loans Charge Savings
HSCP	2018/19 £000	Comments
1/ WRVS - Meals on Wheels	45	Historic Underspend
2/ Fostering/Adoption/Kinship	195	Underspend and Smoothing Reserve
3/ Client Treatment	2	Historic Underspend
4/ ASN Respite	28	Historic Underspend
5/ Housing Support	27	Historic Underspend
6/ Older Persons Respite	16	Fund from new Carers Funding
7/ Dementia Strategy	38	Fund post from Resource Transfer
Corporate	2018/19 £000	Comments
1/ Increase Council Tax Base	200	Based on 16/17 Out-turn & September 2017 Position
2/ Loans Charges	300	From 2019/20 per June Finance Strategy
3/ Reduce Non-Pay Inflation allowance over 2018/20	1000	Based on prior years out-turn
4/ Reduce Pressures allowance over 2018/20	500	Based on Pressures over 2018/20 identified by the CMT
Total	2903	

Current Position - 2018/20 Budget

	2018/20 Budget £m
	<hr/>
Revised Funding Gap (Appendix 1)	13.0
Consultation Savings (Appendix 2)	(6.3)
Committee Savings (Appendix 3)	(3.1)
Council Tax (Assumes 3% Annual Increase)	(1.8)
Shortfall in Options	<hr/> 1.8
Add up to 25% for choice	3.1
Further Savings Required for Consultation	<hr/> <hr/> 4.9

Social Care 2018/20 Budget Process

- 1) The Integrated Joint Board require to formally approve any savings/adjustments which impact on the Social Care budget.
- 2) The Council will decide on 22nd February 2018 how much funding it is going to give to the IJB in 2018/19 plus an indicative figure for 2019/20. This figure will be based on Council consideration of Pressures, Savings and Adjustments plus any other matters which emerge from the Scottish Government Budget Settlement eg: further resources for Social Care Fund routed through Health.
- 3) Proposed process for Council and IJB:

<u>Action</u>	<u>When By?</u>
a) Report to IJB outlining Council budget process	12 th September
b) MBWG review detailed Social Care Options	15 th September
c) Council papers recommending Consultation proposals printed	21 st September
d) IJB Briefing on high level Savings Options	21 st September
e) Employees/Organisations included in Savings Options briefed	21 st September
f) Council considers Budget Consultation	28 th September
g) Consultation starts	15 th October
h) Consultation ends	26 th November
i) Consultation results reported to Members	20 th December
j) IJB advised of Consultation results	30 th January
k) Council agrees contribution to IJB for 2018/20	22 nd February
l) IJB approves 2018/19 Budget and amount delegated budget to the Council	20 th March

- 4) It is envisaged that between December and February engagement may take place between the Council/IJB on the savings options to ensure that the final decision making process runs smoothly.

Note – This timetable will be reviewed in light of the decisions to delay Public Consultation and to route some of the changes via Service Committee reports.