
Report To:	Inverclyde Council	Date:	21 December 2017
Report By:	Chief Financial Officer	Report No:	FIN/109/17/AP
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	2018/20 Budget Update		

1.0 PURPOSE

- 1.1 The purposes of this report are to provide updates on the 2018/19 Draft Local Government Settlement and the latest position of the 2018/20 Revenue Budget and to seek decisions in respect of a number of related matters.

2.0 SUMMARY

- 2.1 The Local Government Draft Grant Settlement for 2018/19 was announced on the afternoon of 14 December and the following represents the position at the time of writing the report. There are however several items which are still to be clarified between Cosla and the Scottish Government. The Council will be verbally updated if there are changes to the figures outlined in this report
- 2.2 The overall revenue grant settlement for Inverclyde is £159.87million which includes £2.500million for specific grants (Gaelic and Pupil Equity Funding). On a like for like basis this represents an estimated cash cut of approximately £2.292 million (1.45%) compared to 2017/18 as set out in Appendix 2 but this is £2.308 million better than the position factored into the 2018/20 Budget.
- 2.3 Extra funding nationally of £202million is included for the expansion of early years childcare (£150million Capital and £52.2million Revenue). The Council's share of this sum will be decided in the new year. In addition, officers are continuing to ascertain if any of the other new funding streams can be used to meet existing Council expenditure.
- 2.4 Core Capital Grant was reduced by almost £55million (over 8%) across Scotland. The Council's share of that is being reviewed as this is an area where officers have highlighted a potential error. The impact of this reduction will be factored into the proposed 2018/21 Capital Programme due to be approved as part of the 2018/20 Budget.
- 2.5 Other matters to highlight to Members are the continuation of the 3% cap on Council Tax increases and the potential impact of the announced "public sector pay award". Due to this latter issue officers are recommending that a further £0.5million should be added to the 2018/19 pay inflation allowance.
- 2.6 The Members Budget Working Group (MBWG) has continued to meet weekly to consider reports from officers on a wide variety of matters including Budget Pressures, further detail on saving proposals, current Earmarked Reserves and Funds, potential policy development proposals and the potential use of Reserves as part of a Medium Term Budget Strategy.
- 2.7 As can be seen from Appendix 3 there is a £0.504 million funding gap in 2018/20 even if all the savings proposals were agreed by Members, prior to any increase in Council Tax. When factoring in the need for 30% choice for Members and to allow meaningful public consultation, there is a shortfall in savings options of approximately £2 million.

- 2.8 As was the case with the September 2017 Council report, officers are presenting various adjustments for approval in Appendix 4, which if agreed will close the 2018/20 funding gap by £965,000. Appendix 5 contains a list of the Budget Pressures considered and supported by the MBWG. A more detailed report on the various HSCP pressures will be presented to the January meeting of the Health & Social Care Committee.
- 2.9 Appendix 7 contains 3 new savings proposals supported by the MBWG. These would increase savings options by £109,000. Appendix 8 contains the latest proposed list of savings for public consultation or reports to Committee.
- 2.10 An option to use Reserves to smooth the impact of Budget reductions was developed by officers and considered by the MBWG. Based on the latest information, this would require approximately £5.1million from Reserves and £6.4million of savings over 2018/20 after assuming a 3% annual increase in Council Tax for the next 5 years. The MBWG would recommend that this savings smoothing approach be adopted and will develop the details for consideration by the Council in March 2018.

3.0 RECOMMENDATIONS

It is recommended that the Council:

- 3.1 notes the 2018/19 draft Grant Settlement for Inverclyde and the conditions attached in Appendix 1 and agrees to defer the decision as to whether to not accept the offer until the final settlement is confirmed later in February;
- 3.2 notes the 2018/20 Revenue Budget funding gap set out in Appendix 3 based on this latest information and agrees to the addition of a further £0.5million to the 2018/19 Pay Inflation allowance;
- 3.3 approves the adjustments set out in Appendix 4 and notes that officers will continue to look for further adjustments which would reduce the funding gap;
- 3.4 approves the Budget Pressures summarised in Appendix 5 and notes that a more detailed report will be presented to the Health & Social Care Committee providing further background on the pressures within Learning Disability, Elderly Care and Children & Families;
- 3.5 notes the latest position in respect of the Council's Free Reserves and approves the write backs from existing earmarked reserves detailed in Appendix 6;
- 3.6 agrees in principle to the use of Reserves to mitigate the impact of budget reductions in 2018/20 on the basis of a medium term strategy set out in section 7 which delivers a recurring balanced budget no later than 2022/23;
- 3.7 agrees to include the consideration of the savings set out in Appendix 7 as part of the 2018/20 Revenue Budget and notes the updated savings options lists contained in Appendix 8;
- 3.8 notes the timescales for the public consultation set out in Appendix 9;
- 3.9 agrees that the date for approving the Council Tax for 2018/19 will be the standing Council meeting of 22 February 2018 whilst the date for agreeing all other aspects of the 2018/20 Revenue Budget will be at a special meeting of the Council to be convened on 15 March 2018.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council and Policy & Resources Committee have received regular reports on the Budget Strategy and have approved various aspects to enable officers to develop proposals for consideration at the MBWG.
- 4.2 To date the Council has agreed to a reduced 2018/20 Funding Gap of £13.0million and has agreed savings proposals to form the Public Consultation in January or be the subject of reports to the relevant Committee in the January/February reporting cycle.
- 4.3 The Policy & Resources Committee agreed at its November meeting to £1.148million of efficiency savings. The Financial Strategy, approved at the November 2017 Council, reflected all these decisions and advised that the 2018/20 Funding Gap now stood at £12.938million prior to any increase in Council Tax.
- 4.4 The Scottish Local Government Draft Settlement was due to be announced on 14 December and in light of this, Members agreed to hold a special Council Meeting on 21 December to consider the most up to date position prior to the Christmas recess.

5.0 LOCAL GOVERNMENT DRAFT GRANT SETTLEMENT - 2018/19

- 5.1 The Local Government Draft Grant Settlement for 2018/19 was announced on the afternoon of 14 December and the following represents the position at the time of writing the report. Overall, the Settlement backing documents were of a higher quality and this helps clearer analysis. There are however several items which are still to be clarified between Cosla and the Scottish Government. The Council will be verbally updated if there are changes to the figures outlined in this report.
- 5.2 Appendix 1 contains the letter received by the Council Leader from the Cabinet Secretary on the day of the announcement. From this it can be seen that certain conditions are attached to the grant offer and that if the Council intends to not accept the offer then a response is to be sent to the Cabinet Secretary by 19 January 2018. Based on the fact that there are areas where Cosla are seeking clarity in respect of the draft settlement and it is clear that some parties wish to see an improved offer to Local Government prior to agreement of the final Scottish Budget, then it is recommended that the Council defers a decision as to whether to not accept the offer from the Cabinet Secretary until these matters are clarified.
- 5.3 The main area of debate between Cosla and the Scottish Government around the revenue grant settlement relates to the fact that Cosla advise that the settlement included £153million for “new costs/pressures” and therefore this sum should be ignored when comparing the 2018/19 settlement with 2017/18.
- 5.4 The overall revenue grant settlement for Inverclyde is £159.87million which includes £2.5million for specific grants (Gaelic and Pupil Equity Funding). On a like for like basis, this represents an estimated cash cut of approximately £2.292 million (1.45%) compared to 2017/18 as set out in Appendix 2 but this is £2.308 million better than the position factored into the 2018/20 Budget. This position is after the Council receiving £0.909million protection from the “Floor” mechanism which limits grant reductions for Councils.
- 5.5 Extra funding is included to meet specific new pressures/requirements in Social Care (£1.14million), the 2017/18 teachers’ pay award (£0.347million), Temporary Accommodation rent subsidy reductions (£0.112million) and a small amount for Sign Language (£0.11million). If any of these sums can be met from existing budgets then this will help close the funding gap and the CMT will continue to examine whether this is possible over coming weeks.
- 5.6 Extra funding nationally of £202million is included for the expansion of early years childcare (£150million Capital and £52.2million Revenue). The Council’s share of this sum will be decided in the new year but it should be noted that this will be less than was included in the plans reviewed by the Education & Communities Committee and therefore revised proposals are being developed.

- 5.7 Core Capital Grant was reduced by almost £55million (over 8%) across Scotland. The Council's share of that is being reviewed as this is an area where officers have highlighted a potential error. The impact of this reduction will be factored into the proposed 2018/21 Capital Programme due to be approved as part of the 2018/20 Budget.
- 5.8 The Settlement offer also confirmed that the 3% cap on Council Tax increases will remain in force for 2018/19. It should be noted that whilst the Scottish Government has no direct legal power to stop an increase beyond 3%, increasing Council Tax beyond 3% could result in financial sanctions. Colsa is currently clarifying this matter with the Scottish Government.
- 5.9 Another significant factor in the Budget announcement related to Public Sector pay. Whilst Local Government employees pay is determined through negotiations via Cosla it is clear that the pay levels announced by the Scottish Government will set an expectation amongst the Trades Unions. Officers have carried out an initial assessment of the financial implications were the announcement by the Scottish Government replicated in the Local Government pay award. On this basis, officers would recommend increasing the 2018/19 pay award allowance by £0.500 million.
- 5.10 Finally, Members are asked to note that this represents the draft settlement for local government and that the final budget will be agreed later in February 2018. Given the significant improvement in the Local Government settlement negotiated last year, it would be advisable that the Council does not approve the 2018/20 Budget until after the Scottish Government confirm the 2018/19 Local Government Grant Settlement.

6.0 MEMBERS BUDGET WORKING GROUP

- 6.1 The MBWG has continued to meet weekly to consider reports from officers on a wide variety of matters including Budget Pressures, further detail on saving proposals, current Earmarked Reserves and Funds, potential policy development proposals and the potential use of Reserves as part of a Medium Term Budget Strategy.
- 6.2 Weekly meetings of the MBWG are scheduled from 8 January to continue to consider all aspects of the 2018/20 Budget including the Council contribution to the IJB, 2018/21 Capital Programme, 2018/20 Common Good Budget, potential investment proposals and savings.

7.0 PROPOSED MEDIUM TERM BUDGET STRATEGY

- 7.1 It can be seen from Appendix 3 that there is a £0.504 million funding gap in 2018/20 even if all the savings proposals were agreed by Members, prior to any increase in Council Tax. When factoring an element of choice (30%) for Members whilst also allowing meaningful Public Consultation, there is a shortfall in savings options of approximately £2 million.
- 7.2 As was the case with the September 2017 Council report, officers are presenting various adjustments for approval in Appendix 4, which if agreed will close the 2018/20 funding gap by £965,000. Within these proposals is the deletion of the unallocated Budget Pressures contingency. In practice this means that were Members minded to increase recurring spend in any area as part of the budget then this will increase the funding gap shown in Appendix 3.
- 7.3 Appendix 5 contains a list of the Budget Pressures considered and supported by the MBWG. A more detailed report on the various HSCP pressures will be presented to the January 2018 meeting of the Health & Social Care Committee. The Council is asked to approve the proposals.
- 7.4 It had previously been agreed that officers would review all Reserves and Funds as part of this budget and recommend potential areas for write back to the Free Reserves. This exercise has been undertaken and considered by the MBWG and the recommendations of the MBWG are shown in Appendix 6. On the basis this is approved then the Free Reserves are estimated to increase to £6.92million by 31 March 2018.

- 7.5 Appendix 7 contains 3 new savings proposals supported by the MBWG. These would increase savings options by £109,000. Appendix 8 contains the latest proposed list of savings for Public Consultation or reports to Committee. The phasing of savings has also been reviewed and it can be seen that overall options now total £9.661million.
- 7.6 There is understandable concern within the MBWG at the impact on Council service delivery of some of the current proposals for public consultation. In light of this an option to use Reserves to smooth the impact of Budget reductions was developed by officers and considered by the MBWG.
- 7.7 Based on an optimistic scenario and assuming a 3% annual Council Tax increase, a £400,000 annual efficiency saving and using a 5 year period to arrive at the first “revenue balanced budget”, then this required the use of around £5.1million of reserves and savings over the 2018/20 period of £6.4 million. Achieving both of these targets by March, 2018 is challenging but members may view this is preferable to approving up to £10million of savings when setting the 2018/20 Budget.
- 7.8 If this approach is agreed in principle then the MBWG will continue develop proposals around the allocation of reserves and, following the Public Consultation, identify sufficient savings for consideration by the Council at the proposed meeting on 15 March 2018.

8.0 OTHER MATTERS FOR CONSIDERATION

- 8.1 As indicated in Section 5 above, the Capital Grant settlement for Inverclyde requires to be confirmed but a cut in grant is expected. Officers are developing a draft 2018/21 Capital Programme using the previously approved Asset Management Plan information and continuing with the 5% “over programming” allowance. A draft of this programme will be presented to the MBWG in early February 2018.
- 8.2 Officers are also developing a 2018/20 Common Good Budget. As has been highlighted by the Council’s Auditors, the Common Good finances require to be put on a sustainable footing and officers will develop proposals to achieve this requirement. It is intended that the Common Good Budget will be considered by the Policy & Resources Committee in February 2018.
- 8.3 It is proposed to repeat the process adopted in 2016 of setting Council Tax on a different day from the formal approval of the 2018/20 Budget. This allows the Council to issue Council Tax bills timeously whilst optimising time for Members to consider the other aspects of the Budget. This approach however does require to meet specific requirements which are set out in more detail in 9.2 below.
- 8.4 Were the Council to agree to this approach then it is proposed that Council Tax be approved on 22 February 2018 whilst the 2018/20 Budget be approved 3 weeks later on 15 March 2018.

9.0 IMPLICATIONS

9.1 Finance

The Council is entering the critical phase in the development of the 2018/20 Budget. Unless there is a significant change in the final 2018/19 Local Government Budget then the Council now possesses the vast majority of the information it is likely to have prior to approving its Budget.

The option to use Reserves to help smooth the impact of funding reductions has merit but must be supported by the identification of sufficient Reserves and a clear commitment to increase income/ deliver sustainable savings over the full 5 year period.

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					

9.2 Legal

It is competent to have separate dates in setting the Council Tax for 2018/19 and in approving the Budget and this is covered by the Local Government Finance Act 1992 (Section 93). Council Tax for the forthcoming year must be approved by 11 March and must be set "in relation to the total estimated expenses to be incurred by the Council for the relevant year". Compliance with this requirement will be addressed in the report to the 22 February 2018 Council meeting.

9.3 Human Resources

Communication with all employees will continue as Members make decisions whilst the Joint Budget Group will remain the main conduit for engagement with the Trades Unions.

9.4 Equalities

Has an Equality Impact Assessment been carried out?

Equality Impact Assessments have been carried out where required on individual proposals and are available for Members and the public.

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

The Council's overall grant settlement is once again impacted by Inverclyde's estimated reduction in population levels and this re-emphasises the importance of stabilising and growing the population.

10.0 CONSULTATIONS

10.1 The Budget continues to be developed through the approved framework of Corporate Management Team, Members Budget Working Group and with the Trades Unions via the Joint Budget Group.

10.2 Those employees and external bodies affected by budget proposals have been alerted to the potential impact and this work will continue up to the date of approving the 2018/20 Budget and beyond in order to manage to impact as smoothly as possible.

- 10.3 A report was submitted to the Council meeting on 28 September 2017 which confirmed proposals regarding communication and engagement on the 2018/20 Budget. The Council's public consultation is expected to commence on the 15 January and will run up to the 11 February, 2018. Responses and feedback will be analysed and considered before the Council Budget meeting. Appendix 9 sets out the details.

11.0 CONCLUSIONS

- 11.1 The Draft Local Government Settlement for 2018/19 has been announced and confirms the significant financial challenges which have been the subject of reports and briefings to Members over many months.
- 11.2 Whilst appreciating the difficult decisions that Members face in prioritising areas of spend, the Chief Financial Officer and the CMT stress the need for the Council to develop a sustainable budget which reflects the financial environment within which it is operating.

12.0 LIST OF BACKGROUND PAPERS

- 12.1 Local Government Finance Circular 5/2017

Cabinet Secretary for Finance and the Constitution
Derek Mackay MSP



T: 0300 244 4000
E: scottish.ministers@gov.scot

Councillor Alison Evison
COSLA President
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

Copy to: The Leaders of all Scottish local authorities

14 December 2017

Dear Alison,

Today I set out the Scottish Government's draft spending and tax plans for 2018-19. Further to my announcement I write now to confirm the details of the local government finance settlement for 2018-19.

Details of the indicative allocations to individual local authorities for 2018-19 are also being published today as set out in Local Government Finance Circular No. 5/2017.

This settlement is set against the context of the continuing austerity imposed on Scotland by the UK Government, which means that by 2019-20 the Scottish Government's fiscal block grant allocation will be £2.6 billion (8.0%) lower in real terms than it was in 2010-11.

I have considered carefully the representations and evidence COSLA have presented on behalf of local government and have welcomed the constructive approach with which you have approached our negotiations.

I have noted the issues COSLA have said are important for local government and have tried where possible to address these in this settlement. I recognise the continuing financial pressures local government, along with the rest of the public sector, is facing in a very challenging fiscal environment. However, I believe that the outcome, presented in the measures set out in this letter, is the best that could be achieved in the circumstances and continues to provide a fair settlement for local government to enable them to meet our shared ambitions for the people and communities we serve.

Turning now to the detail of the package of measures, the total revenue funding to be provided through the settlement for 2018-19 will be £9630.8 million, which includes distributable non-domestic rates incomes of £2,636 million.

The core Capital funding is set at £726.4 million but with the inclusion of the expansion of Early Years provision as set out below this increases the Capital funding within the settlement to £876.4 million.

The total funding which the Scottish Government will provide to local government in 2018-19 through the settlement is therefore £10,507.1 million. This includes;

- Baseline from 2018-19 of the £130 million additional revenue investment I announced earlier this year at Stage 1 of the Budget Bill for 2017-18;
- £52.2 million revenue and £150 million capital to deliver on our joint agreed ambitious programme for the expansion of Early Years provision;
- £11 million of revenue to support the initial expansion of Early Years set out in the 2014 Act provisions;
- £24 million for the full year cost of our contribution to the Teachers' pay offer; and
- £66 million to support additional investment in social care in recognition of a range of pressures local authorities are facing.

I have also had to look very seriously at the capital allocation to Local Government, in particular the calculation of the share commitment which guarantees that Local Government will receive a fixed percentage of the overall Scottish capital budget each year until 2019-20, based on the position as at the 2015 Spending Review. However, I believe that the context has changed since this commitment was originally made, including the introduction of additional funding streams outwith the settlement which local authorities will directly benefit from.

For 2018-19 the calculation of the capital share allocation takes into account, at least in part, the additional funding streams outwith the settlement, except in the case of Early Years which is additional to the share allocation. The value of the capital funding I have made available to local government exceeds the percentage commitment made and equates to 31 per cent. Taking into account the Early Years grant, the percentage increases to 36 per cent.

The commitment to repay £150 million of re-profiled capital from an earlier settlement remains and this will be repaid in full in 2019-20.

For 2018-19 local authorities will continue to have the flexibility to increase Council Tax by up to a maximum of 3%. This local discretion will preserve the financial accountability of local government, whilst also potentially generating around £77 million to support services.

The revenue allocation delivers a flat cash settlement for local government for 2018-19 compared to 2017-18, including the additional resources to meet our commitments on the expansion of Early Years, teachers pay and support for social care. Taken together with the additional spending power that comes with the flexibility to increase Council Tax (worth around £77 million next year) the total funding (revenue and capital) delivers an increase in the overall resources to support local government services of 1.6%.

In my response on 12 September to the Barclay Review of non-domestic rates I made clear that there were certain recommendations that I wished to engage further on before coming to a conclusion, including the removal of charity relief for council arm's-length external organisations (ALEOs). In these discussions I heard a strong and consistent message from local government and other stakeholders about the importance of this benefit, to sports, leisure and culture facilities in particular, and of keeping the costs of these services affordable especially in disadvantaged and vulnerable communities.

As a result I confirmed on 28 November that charity relief will continue to be applicable to qualifying properties currently occupied by council ALEOs. However I am aware that some

councils are planning to increase the numbers of ALEOs or the number of properties occupied by existing ALEOs. To mitigate against this it is my intention to offset any further charity relief benefit awarded in respect of both new council ALEOs and additional properties occupied by existing ALEOs since my announcement, by implementing an equal compensating reduction in General Revenue Grant for the councils in question.

In addition, a new relief for public sector and private sector day nurseries is proposed. This will offer 100% relief for properties wholly or mainly used to provide day nursery care for pre-school children. The relief will be applicable under EU State aid rules.

We will require local authorities to achieve a pupil:teacher ratio of 13.7, and ensure that places are provided for all probationers who require one under the Teacher Induction Scheme. This is supported by a continued funding package of £88 million, made up of £51 million to maintain teacher numbers and £37 million to support the Teacher Induction Scheme. In order to support delivery of this commitment the Scottish Government will work with COSLA to consider how the use of existing or additional data on unfilled posts and teacher vacancies could be better utilised to inform how delivery of this commitment is measured. As in previous years teachers whose posts are funded through the Attainment Scotland Fund, including Pupil Equity Funding, are additional and do not contribute towards the delivery of this commitment. An additional £24 million is also be included in the settlement to cover the additional full year cost of the teachers' pay offer for 2017-18.

We have committed to provide certainty to local authorities over the quantum of multi-year funding for the expansion of early learning and childcare to support authorities in planning for and implementing the delivery of the commitment.

I understand the Deputy First Minister has been very encouraged by the constructive discussions which are taking place through the Early Learning and Childcare Finance Working Group to reach a shared understanding of the costs arising from the expansion. It is right and proper that Scottish Government and local authority colleagues take the time to challenge and refine cost estimates for this significant investment in the education and care of our youngest children, so that we can all be assured that we make best use of public funds.

On that basis, we are content to agree to the proposal made by COSLA leaders that we should agree revenue and capital funding for 2018-19 (adds £52.2 million and £150 million respectively) in our draft spending plans announced today and to continue to work closely together to agree funding levels for 2019-20 onwards in early 2018. For 2018-19 the £52.2 million includes revenue funding for free lunches and implementation of the additional graduate commitment (from August 2018). There is also a further additional £11 million included in 2018-19 for implementation of the 2014 Act provisions.

In 2018-19 an additional £66 million is included in the settlement allocations to support additional expenditure by local government on social care in recognition of a range of pressures they and integration authorities are facing, including support for the implementation of the Carers (Scotland) Act 2016, maintaining our joint commitment to the Living Wage (including our agreement to now extend it to cover sleepovers following the further work we have undertaken) and an increase in the Free Personal and Nursing Care payments. This funding is provided directly to local authorities and is in addition to the £355 million baselined provision transferred from NHS Boards to Integration Authorities. I will look to local authorities to continue to prioritise their financial support for social care.

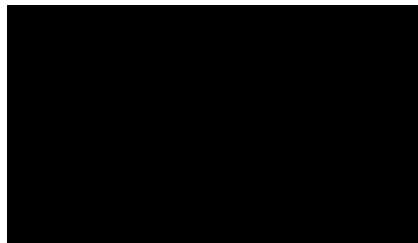
The Scottish Government is fully committed to further engagement with COSLA as we seek to make local taxation as a whole fair and progressive. We will work with COSLA to consider your objectives for local tax reform and our commitments for local government to retain the net incomes from the Crown Estate for the benefit of island and coastal communities.

I can also restate my commitment to our partnership working and can confirm my intention that this will again be a sanction free settlement.

The measures set out in the settlement offer must be viewed as a package to protect our shared priorities. In order to access all of the benefits involved, including those priorities supported by specific financial benefits, local authorities must agree to deliver all of the measures set out in the package and will not be able to select elements of the package.

Any individual authority not intending to agree the offer and accept the full package of measures and benefits should write to me by no later than 19 January 2018. For those authorities not agreeing the offer a revised, and inevitably less favourable, offer will be made.

I have carefully considered the representations made to me by COSLA and this is reflected in the detail of the settlement and the package of measures included. My aim throughout our discussions has been to reach an agreement with councils around the implementation of these commitments. I now invite local authorities to agree the terms of the settlement which I consider delivers the best outcome for local government that can be achieved in the circumstances.



DEREK MACKAY

2018/19 Funding Settlement
Like for Like Comparison

	<u>£m</u>	<u>Notes</u>
General Revenue Grant	139.007	Per Circular
Non-Domestic Rates	18.363	Per Circular
	<u>157.370</u>	
Less: Ring Fenced/New Funding	1.610	See Note 1 Below
	<u>155.760</u>	
2018/19 Core Funding	<u>155.760</u>	
Equivalent Figure for 2017/18	158.052	Finance Strategy less DHP
Reduction in Government Grant	<u>2.292</u>	£4.6 million cash reduction estimated per the Finance Strategy

2018/19 Draft Funding Settlement is £2.308 million better than estimated in the Budget Strategy.

<u>Note 1</u>	<u>£m</u>
a/ Teachers 1% Pay Increase 2017/18.	0.347
b/ Temporary Accommodation	0.112
c/ Social Care Funding.	1.140
d/ Sign Language Initiative	0.011
	<u>1.610</u>

AP/CM
18/12/17

Latest Estimated Funding Gap

	2018/19 £m	2019/20 £m
	<hr/>	<hr/>
Funding gap per November Financial Strategy	7.465	12.938
Impact of draft LG Settlement (Appendix 2)	(2.308)	(2.308)
Adjustments (Appendix 4)	(0.724)	(0.965)
Increased pay award allowance	<hr/> 0.500	<hr/> 0.500
New estimated Funding Gap	4.933	10.165
Public Consultation Options (Appendix 8a)	(4.486)	(6.324)
Service Committee Reports (Appendix 8b)	(1.881)	(3.337)
Shortfall if 100% of savings are agreed (Note 1)	<hr/> (1.434)	<hr/> 0.504

Note 1

Figures exclude the impact of a 3% Council Tax increase which would raise a further £0.86 million in 2018/19 and £1.75 million by 2019/20.

AP/LA
18/12/17

**2018/20 Budget
Adjustments as at 18.12.17**

Appendix 4

ERR	Savings 2018/19 £000	Savings 2019/20 £000	Comments
1/ Forecast 2% reduction in SPT Requisition in 2018/19	32	32	Subject to formal approval by SPTA
2/			
ECOD	£000		Comments
1/ NDR Exemption for Council Early Years Facilities	120	120	This saving is subject to a State Aid assessment.
2/ Letting Officer 2017/18 Budget Pressure	51	51	Following review officers assess that the full pressure is not required
3/ Adjust Community Waivers Budget to reflect prior years spend	21	21	Report to go to E&C Committee in January on proposal for a further £19,000 saving
4/ Remove corporate relocation expenses budget	5	5	Services will require to fund from service budgets but demand is historically very low
5/ Reduce SSSC Qualifications Budget	5	5	Reflects current demand
HSCP	£000		Comments
1/			
Corporate	£000		Comments
1/ Loans Charges- 2018/19 reduction	300	300	Per November Finance Strategy
2/ Reduce Pressures allowance over 2018/20 See Appendix 5	190	431	Based on the pressures highlighted in this report. Any further investment proposals will require further savings.
Total	724	965	

AP/CM
18/12/17

Budget Pressures - 2018/20

<u>Directorate</u>	<u>Area</u>	<u>2018/19 £000</u>	<u>2019/20 £000</u>
HSCP	Learning Disabilities - Demographic Pressure	292	292
	Elderly Care - Demographic Pressure	146	305
	Elderly Care - Ethical Care Visits	72	72
	Children & Families - Continuing Care (Note 1)	200	200
	Care Leavers - Council Tax Exemption (Note 2)	50	50
ECOD	Increased Funding for The Beacon	150	150
		<u>910</u>	<u>1069</u>
	less: Allowance in 2018/20 Draft Budget	<u>1100</u>	<u>1500</u>
		<u>(190)</u>	<u>(431)</u>

Note 1

HSCP	Council create a contingency from Reserves	500	-
------	--	-----	---

Note 2

HSCP	There is no specific funding in the settlement for this Government Policy.		
------	--	--	--

AP/LA
18/12/17

Use of Reserves - 2018/20 Budget

<u>Available Reserves</u>	<u>£m</u>	
- Earmarked for 2017/18 Budget	1.14	
- Earmarked for 2018/19 Budget	3.49	
- P6 Surplus (net of £1.14m)	0.31	
- Free Reserves at 1.4.17	1.95	
- Freed up in Review of Reserves/Funds (Note 1)	2.29	
 Reserves available for 2018/20 Budget	 <u>9.18</u>	 A

<u>Calls of Reserves</u>	<u>£m</u>	
1/ Allocated to new Budget Pressures (Note 2)	0.50	
2/ LED Lighting (Approved 14.11.17 P&R)	0.62	
3/ Revolving "Underspend" Reserve	1.14	
	<u>2.26</u>	B

Surplus Reserves (A - B) = £6.92 million

<u>Note 1 - Proposed Write Backs</u>	<u>£000</u>
a) Developing Young Persons Workforce (Unallocated)	22
b) Rankin Park Bike Track Programme (Not Taken Up)	43
c) Primary School Swimming (Underspend)	15
d) 2017 Summer Playschemes (Underspend)	18
e) Schools Credit Union Pilot (Underspend)	7
f) Equal Pay - Contingency Review	1790
g) TS Queen Mary Loan (Not taken up)	30
h) 2018 Power Boat Grand Prix - Cancelled	108
i) AMP Depots - Release contingency	250
j) Welfare Reforms Operations (Underspend)	11
	<u>2294</u>

Note 2 - Continuing Care Young Persons. In addition to £200k/year recurring costs budget pressure.

AP/CM
18/12/17

1/ **Additional Saving for Public Consultation**

Appendix 7

Ref	Directorate	Service	Description	2018/19 £000	2019/20 £000
ERR&R/FIN/22/2018	ER&R	Finance	Increase the LTE Council Tax levy from 130% to 150%	50	50

2/ **Saving to be considered by Service Committee**

Directorate	Description	2018/19 £000	2019/20 £000	Est FTE
HSCP	Addictions Service Review	10	40	1.0
ECOD	Community Waiver	10	19	-
		20	59	1.0

AP/CM
18/12/2017

REVENUE BUDGET 2018/20

List of Savings proposed for Consultation as at 18.12.17

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.	36	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.	36	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.	159	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	42	180	0.0
ER&R/FIN/22/2018	Environment, Regeneration & Resources	Finance Services	Increase LTE Property Council Tax levy from 130% to 150%	50	50	0.0
Subtotal				721	947	4.0
Successful Communities:						
ECOD/SAF/01/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Closure of public space CCTV system.	141	188	6.5
ECOD/SAF/02/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	50% reduction in the community warden service.	268	357	14.0
ECOD/SAF/03/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Reduction to Grants to Voluntary Organisations budget of £114k (47%).	114	114	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.	145	199	3.5
ECOD/SAF/06b/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Remove funding from Youth Connections and dispose of redundant property	90	120	0.0

ECOD/SAF/07/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	Removal of the under 19 sports subsidy.	107	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.	240	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.	0	193	-2.5
ECOD/SAF/11/2018	Education, Communities & ODHR	Safer & Inclusive Communities.	10% increase on school let income.	15	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.	184	302	11.4
Subtotal				1,304	1,993	44.4
<i>Tackling Health Inequality/Alcohol Mis-use:</i>						
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	246	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%	13	18	0.0
HSCP/CC&H/11/2018	HSCP	Community Care & Health	Introduce a Weekly Charge for Community Alarms in line with other Scottish Councils. Proposed charge is £3.50	235	314	0.0
Subtotal				556	885	0.0
<i>Best Start in Life:</i>						
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	234	374	22.6
Subtotal				589	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.	217	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	206	212	2.0
ER&R/ECS/19/2018	Environment, Regeneration & Resources	Environment & Commercial Services	Reduction to front line street sweeper and clean up operatives.	233	379	16.0

Subtotal				866	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.	121	168	5.5
ER7R/FIN/10/2018	Environment, Regeneration & Resources	Finance	Increase Registrar's non-statutory charges by 10%	4	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.	115	120	5.0
Subtotal				450	503	16.5
Savings Subtotal				4,486	6,324	124
Council Tax:						
	Corporate	Finance	3% increase in Council Tax, 2018/19 & 2019/20	860	1,750	0.0
Overall Total				5,346	8,074	124

2018/20 Budget
Saving Proposed to be considered by Service Committee as at 18.12.17

Delivering Differently Programme		18/19 £000	19/20 £000	Est FTE
HSCP	- Housing Wardens Service	35	93	0
	- Long Term Care Placements	250	528	0
	- Learning Disabilities	139	500	8.5
	- Mental Health & Addictions - Redesign	162	162	0
	- Addictions Service Review	10	40	1
ECOD	- ASN Service Review	249	373	7.2
	- Safer Communities Restructure	129	195	5.2
	- PPP Unitary Charge	100	100	0
	- Leisure Strategy AMP	87	87	0
ERR	- Regeneration & Planning Restructure	172	192	4
	- Roads Service Review	103	103	0.6
Chief Exec	- Management Restructure (£675k by 2020/21)	74	572	12.6
Totals		1510	2945	39.1
Other Savings (by Committee)		18/19 £000	19/20 £000	Est FTE
HSCP	- Sundry minor proposals	69	69	0
E&C	- Sundry minor proposals	0	12	0
	- Community Waivers Policy	10	19	0
P&R	- NDR Discretionary Relief Policy	26	26	0
	- Unallocated Welfare Reforms Funding	266	266	0
Totals if all approved		1881	3337	39.1

AP/CM
18/12/17

Proposed Budget Consultation Timeline

Date	Action
21 December 2017	Special Council meeting confirming savings proposals for public consultation
Week commencing 8 th January 2018	Prepare promotional material for Public Consultation. Finalise content and format for Budget Simulator
15 th January 2018 – 11 th February 2018	Budget Consultation
12 th February 2018 - 23 rd February 2018	Analysis of feedback from consultation and preparation of report and presentation for Elected Members
22 February 2018	Full Council meeting – Setting Council Tax
Week commencing 26 th February 2018	Briefing to Members - Savings considered in tandem with consultation results and use of reserves / policy priorities
Week commencing 5 th March 2018	Members Budget Working Group to agree final savings and content of Council report
6 th & 7 th March 2018	Engage with staff potentially impacted and Trade Unions
8 th March, 2018	Council Report issued
15 th March 2018	Special Council Meeting to Agree Budget