
Report To:	Policy & Resources Committee	Date:	18 September 2018
Report By:	Chief Financial Officer	Report No:	FIN/87/18/AP/CM
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Subject:	2019/20 Budget Strategy		

1.0 PURPOSE

- 1.1 The purpose of this report is to ask for Committee approval for various aspects of the 2019/20 Revenue Budget Strategy in order that officers can progress actions and finalise the time table for delivery of the budget.

2.0 SUMMARY

- 2.1 There are a number of inter- related issues on which decisions are required in order that a Budget Strategy can be finalised. These decisions include the period covered by the approved Revenue Budget, the timing of the approval of any potential savings, the progression of any voluntary early release exercise and whether there will be some form of public consultation undertaken.
- 2.2 Strong indications are that once again the forthcoming budget announcement from the Scottish Government will be for a single year. Whilst the UK Government has issued high level spending plan figures for the period to 2022, they have also announced that there will be a comprehensive spending review in 2019 which may impact on figures from 2020 onwards.
- 2.3 The Council has previously agreed that it wishes to view its medium term budget strategy over the length of this current Council ie. up to and including the 2022/23 Revenue Budget with the clear intention that by 2022/23 the Revenue Budget is fully balanced with recurring income matching recurring expenditure.
- 2.4 The Financial Strategy approved in June 2018 included an estimated funding gap in 2019/20 of £4.26 million prior to any decisions being taken on Council Tax increases and prior to agreement of the 2018/19 or 2019/20 pay award. The Financial Strategy also provided 3 potential scenarios for funding gaps over the period 2019/22 ranging from £2.8 million to £31 million.
- 2.5 The key decision which impacts on a number of other tasks is the timing of when Members agree a package of savings on which Officers can take action in relation to consultation with both service users and employees. The timing of this matter is not straightforward and has been made more complex in recent years with significant swings (increases) in the Local Government settlement being announced in late January/early February. Members understandably do not wish to raise unnecessary concerns within the community and the workforce and understandably may wish to delay decisions on budget savings until there is greater certainty on the Council's grant settlement.
- 2.6 The Head of OD, Communications and Policy advises that it takes approximately 190 days from the commencement of a voluntary trawl process to the day by which an employee would be released and as such it can be seen from Appendix 2 that, unless the process commences by September, then a full year saving for those employees released will not be achieved in 2019/20. The knock- on impact of this is that either more savings are required to ensure the 2019/20 Budget is balanced or that reserves are used to fund the budget shortfall prior to the release of the employees. The Members Budget Working Group (MBWG) supports delaying the commencement of any Voluntary Severance Trawl until the savings which are to be progressed are known.

- 2.7 A comprehensive public consultation specific savings proposals was carried out as part of the 2018/19 Budget. The MBWG supports the need for a less specific consultation exercise prior to Christmas including the active promotion of savings ideas from both the public and Council employees. More detail is given in Appendix 3.
- 2.8 Officers continue to identify potential adjustments which would close the funding gap and Appendix 4 contains those identified to date and Committee are asked to approve these. This will reduce the estimated funding gap to £3.93 million.
- 2.9 Negotiations in respect of the 2018/19 pay award are ongoing. The Council's 2018/19 Revenue Budget included sufficient funding to meet the cost of the "National Public Sector Pay Award" announced by the Cabinet Secretary. i.e. 3% increase for those earning under £36,500, 2% increase for those between £36,580 and £80,000 and £1600 for those over £80,000. Since this date, a pay award of 3% for all employees earning up to £80,000 for the Health Service was announced and at least one Trade Union has rejected the CoSLA offer which reflected the Cabinet Secretary's announcement. Any increase for Local Government employees and teachers above the sum announced by the Cabinet Secretary will either have to be funded by the Scottish Government or the funding gap for 2019/20 will increase commensurately.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee considers the contents of this report and agrees:
- a) that the Budget be developed on the basis of a one year (2019/20) budget with the opportunity for Members to take decisions beyond this time should sufficient information become available.
 - b) that no VER trawls or decisions on specific saving be taken until greater certainty on the overall funding gap is known.
 - c) that officers progress a Budget Consultation with the Public and Employees as set out in Appendix 3.
- 3.2 It is recommended that the Committee agrees those adjustments valued at £331,000 contained in Appendix 4.
- 3.3 It is recommended that the Committee notes the current position of the 2018/19 pay negotiations and the potential impact on the 2019/20 Funding Gap.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Policy & Resources Committee has previously confirmed that ideally the Council would set multi-year budgets to provide greater certainty in terms of the Council's finances, certainty to service users and greater certainty to employees. This approach has proven challenging in recent years due to the continuation of single year funding announcements from the Scottish Government. The Scottish Government contends that due to the considerable financial and economic uncertainty in recent years then it has not been possible to provide budget information for more than one year at an individual Council level with any degree of certainty.
- 4.2 The UK Government has provided indicative figures for the Scottish Government's overall settlement for the period to 2022 and these figures have been used within the Scottish Government's own Medium Term Financial Strategy that was reported to the August Policy & Resources Committee. However, it should be noted that the UK Government has indicated it is going to undertake a comprehensive spending review in 2019 which may impact on these figures and as such strong indications are being received from Scottish Government officials that once again Local Government will receive a single year budget settlement for 2019/20.
- 4.3 The Council undertook a significant voluntary early release trawl exercise in 2018, trawling some 700 employees and receiving a number of expressions of interest for release many of which were not able to be accepted as Members did not ultimately approve savings in those areas.
- 4.4 The Council also undertook an extensive Public Consultation exercise in early 2018 with over 1370 responses via the online budget simulator plus other contributions through public drop in sessions or direct correspondence.

5.0 DECISIONS REQUIRED

- 5.1 The Council has previously agreed its intention to ensure that by the end of this current Council period i.e. 2022/23 the Council has a fully balanced Revenue Budget whereby recurring income matches recurring expenditure i.e. no use of Reserves to finance ongoing service delivery. An approach whereby Reserves could be used to smooth the impact of any savings over the period to 2022/23 was agreed in principle as part of last year's budget process and £3 million of Reserves have been set aside to support this strategy within the Earmarked Reserves.
- 5.2 In light of the strong likelihood that the Scottish Government will only announce a single year's Grant Settlement figure in December 2018 then the Committee is asked to agree that the Council mirror this approach within its budget setting deliberations but with the option to take formal decisions covering a longer period should sufficient robust information come available.
- 5.3 The Committee is advised that there were approximately £4.7 million savings which were subject to Public Consultation which were not agreed by the Council as part of the 2018/19 Revenue Budget. In addition there were a further £6.95 million of savings for which a detailed savings sheet was prepared by Officers but which at the time the MBWG did not agree to include within the Public Consultation exercise. The MBWG has also asked Officers to investigate a number of other savings opportunities whilst officers continue to progress projects within the Delivering Differently programme to identify further potential savings.
- 5.4 The MBWG plans to review all these savings over coming months and as was the case with last year's budget, arrive at a view on which could form the basis of a balanced 2019/20 Budget. The intention at present being to report this to the Full Council on 21 February 2019.
- 5.5 Related to the identification of potential savings is the need to address any employee implications which may arise from savings ultimately agreed. Appendix 2 of the report indicates that once any areas where trawls are to be carried out are confirmed, there is a period of up to 196 days before employees are released. It can therefore be seen that unless decisions are taken in the very near future, then it would not be possible to get a full year's saving in 2019/20.

- 5.6 The net effect of this is that the Council would require to use one off funding from Reserves to fund the resultant budget shortfall until the employee could be released and the saving realised. It should be noted that this same impact will occur for those savings which do not involve employees but for which there is an unavoidable lead time in terms of their delivery.
- 5.7 The Head of OD, Communications and Policy would advise of the impact on employee morale of seeking expressions of voluntary early release interest and then advising employees that their expression of interest is not going to be progressed. Last year this situation occurred with over 100 employees and managers have reported examples where demotivation has occurred. Having considered this the MBWG would recommend that any trawl should only commence once there is far greater certainty on the savings being agreed. This clearly will have an impact on the timescale for delivering savings in 2019/20 and also the level of reserves which will need to be allocated to meet any funding gap.
- 5.8 A comprehensive public consultation on specific savings proposals was carried out as part of the 2018/19 Budget. The Members Budget Working Group supports the need for a less specific consultation exercise prior to Christmas including the active promotion of savings ideas from both the public and Council employees. More detail is given in Appendix 3.

6.0 OTHER INFORMATION

- 6.1 Officers continue to identify potential adjustments which would close the funding gap and Appendix 4 contains those identified to date and the MBWG support these proposals. If agreed, these adjustments will reduce the estimated funding gap to £3.94 million
- 6.2 One of the major unknowns in respect of both the 2018/19 Budget and also the 2019/20 Budget is in respect of the pay award. Whilst the Council made an allowance within its 2018/19 Revenue Budget to meet the "Public Sector Pay Award" announced by the Cabinet Secretary in January 2019, this pay award has not been accepted by any of the Trade Unions to date. Any increase in this sum will increase the funding gap in 2019/20.
- 6.3 As was highlighted to the Policy & Resources Committee in August, the Scottish Government's pay policy included in its Medium Term Financial Strategy indicated a continuation of the 2018/19 Pay Award as its medium assumption. It is important that Members are aware that this is greater than the amount built in to the mid-range savings gap previously reported in the Financial Strategy.

7.0 IMPLICATIONS

7.1 Finance

The financial implications are as outlined in the body of the report.

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	Various	2019/20	(325)		See Appendix 4

7.2 Legal

The legal implications are as outlined in the body of the report.

7.3 Human Resources

In order to close a funding gap of the scale of that indicated within the Financial Strategy there will undoubtedly be implications for the Council's workforce and these need to be considered at this point in time to ensure that employees are consulted with appropriately and that savings are delivered timeously. The CMT continue to meet with the Trade Unions via the Joint Budget Group.

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

At this point in time this report contains no implications in respect of the Councils Policy of encouraging repopulation.

8.0 CONSULTATIONS

8.1 The contents of this report have been endorsed by the Members Budget Working Group and have been discussed with the Trade Unions via the Joint Budget Group.

9.0 LIST OF BACKGROUND PAPERS

9.1 None

2019/20 Budget
Proposed Key Dates

Date	Action
18 th September	P&R Committee approve budget period, savings strategy, approach to budget consultation & budget adjustments.
October/November	Officers progress a general public and employee consultation as per the proposal in Appendix 3.
October - December	Officers update the previously discounted 2018/19 savings proposals, new potential savings and Delivering Differently projects and report as required to the MBWG.
w/c 17 th December	Expected week for the Local Government budget announcement.
January/mid- February	MBWG review all savings areas and identify options to balance the 2019/20 Budget.
21 st February	Council to approve Band D Council Tax for 2019/20 and intended Budget Setting Day.
March - June	Officers undertake VER trawls and implement approved savings.

AP/CM
14/08/18

Potential Trawl Timeline

Timescale	Proposed Action
Day 1	Proposed formal voluntary severance trawl in targeted areas. Communications out to staff.
Day 15	Responses Received from Formal Trawl
Day 22	Provisional figures requested from SPFO.
w/c day 64	Provisional figures to employees asking if they wish to proceed (subject to final budget decisions?)
Day 65 - 99	Responses from Staff confirming they wish to be released.
w/c day 106	Formal notice issued to employees (provisional?) stating release <date>
Day 196	Earliest release date for employees

Employee and Community Budget Engagement Autumn/Winter 2018

The following process is proposed to engage with and gather feedback from council employees and the wider community as part of the 2018 budget consultation.

Employee Engagement

- Develop feedback form on ICON to allow employees to submit their budget saving suggestions
- Tie in with Your Council, Your Say branding
- Request will go out to Service Managers and Team Leaders to have budget savings as a topic on all meetings, especially for those who do not have ICON access
- 4-6 week push to ask employees to submit their suggestions
- Suggestions gathered and sorted into service areas
- Corporate Directors review and filter suggestions
- CMT consider suggestions
- List submitted to Members Budget Working Group for consideration
- Potential for incentives or a new Pride of Inverclyde category for best idea, or idea which saved the most money

Public Engagement

- Review of previous budget engagement which has taken place with key themes and issues highlighted (potentially linked to Corporate Priorities)
- Suggestion form to be developed and set up on Council Website, with list of the key themes that communities have already told us of in previous engagement
- Question would be to ask 'What other ideas do you have to help us save money?'
- Suggestions gathered and sorted into service areas
- Corporate Directors review and filter suggestions
- CMT consider suggestions
- List submitted to Members Budget Working Group for consideration

Promotion & Timescales

It is proposed that both processes would be completed and reported to the MBWG in December 2018.

Mechanisms to promote the budget engagement will be similar to previous years and will include:

- Website – 'Yoursay' Branding
- Advertise in InView
- Circulate information to local organisations via CLD and CVS Inverclyde.
- Inverclyde Alliance Board
- Link with services to make sure we reach the 'hard to reach' groups and their customer base.
- Business Community

**2019/20 Budget
Adjustments as at 17.08.18**

ERR	Full Year Savings £000	Comments
1/ Vehicle Replacement Programme	26	Saving from buying 17 Electric vehicles.
2/ New Corporate Calls Contract	33	Saving per contract entered into in 2018.
	2019/20 £000	Comments
ECOD		
1/ 1 + 2 Languages	35	In core budget in error.
2/ Catering Provisions	35	Reflects 2017/18 Out-turn.
3/ Leisure Inflation Allowance	25	In core budget in error.
	2019/20 £000	Comments
HSCP		
1/		
2/		
	2019/20 £000	Comments
Corporate		
1/ Former Employee Pensions	40	Reflects 2017/18 Out-turn.
2/ Bad Debt Provision	20	Delete Sundry Debt general provision.
3/ Internal Resources Interest	100	Reflects 2017/18 Out-turn.
4/ Revised Turnover	17	Reflects review of Corporate target.

Total 331

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31/8/18