
Report To:	Policy & Resources Committee	Date:	13 November 2018
Report By:	Chief Financial Officer	Report No:	FIN/106/18/AP/CM
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Subject:	2019/20 Budget Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to update the Committee on recent developments in respect of the 2019/20 Budget and to seek associated decisions.

2.0 SUMMARY

- 2.1 At its last meeting on 18th September, the Committee agreed the overall 2018/19 Budget Strategy on the basis that the Council would be planning to set a one year Revenue Budget, would undertake a budget consultation exercise prior to Christmas and would not undertake any voluntary severance trawls associated with budget savings until greater clarity on the savings to be progressed had been received from Members. Following decisions taken at that Committee and prior to any decision in respect of Council Tax, the estimated funding gap in 2019/20 was £3.93 million.
- 2.2 The UK Government has announced that it would provide details of the forthcoming year's budget on 29th October. Following this a date of 12th December has now been given by the Scottish Government for the 2019/20 Scottish Budget announcement. Therefore officers are proceeding on the basis that information will be available for Members prior to Christmas which will provide greater clarity on the 2019/20 funding gap.
- 2.3 The Members' Budget Working Group (MBWG) has continued to meet and has agreed to undertake an initial high level review of potential saving options on a political grouping basis prior to Christmas. The intention of this exercise is to remove those savings which all political groups confirm they would not consider progressing as part of the 2019/20 Budget. This will mean that in the new year, Members will be able to concentrate on a smaller number of savings when taking decision as to how to balance the 2019/20 Budget.
- 2.4 In addition, the Members' Budget Working Group agreed that the Policy & Resources Committee should be asked to agree that a letter be sent to the Scottish Government seeking clarity on the implications for the Council were it to increase Council Tax in 2019/20 beyond 3%. The MBWG in asking this, however, wish to make it clear that does not indicate that there is any view that the Council will increase Council Tax beyond 3%.
- 2.5 The Budget Consultation agreed by the Committee on 18th September has commenced by seeking views on how the Council could save money. The results from this consultation will be reported to Members prior to Christmas.
- 2.6 The Environment & Regeneration Committee considered a report on the likely ongoing increases in waste disposal costs following Greenlight entering Administration. It is proposed that the estimated extra annual cost of £300,000 be met from the non-pay inflation provision from 2019/20. This leaves limited scope for any savings at this point in time from the non-pay inflation budget.

- 2.7 Negotiations around the 2018/19 Pay Award are ongoing with ballots being progressed by some Trades Unions. The current offer exceeds the Council's pay inflation provision by £130,000. Additionally a report elsewhere on the agenda contains proposals for a new Pay & Grading model. If agreed and implemented this will exceed the budgetary provision by approximately £80,000. Taken together these increase the 2019/20 estimated funding gap to £4.14 million.
- 2.8 Finally, there are further proposals which if agreed will close the funding gap and these are contained in Appendix 1 to the report. If agreed, then the funding gap would reduce by £772,000 to £3.38 million prior to any increase in Council Tax.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee agrees that a letter be sent to the Scottish Government seeking clarification on the implications for the Council were it to increase Council Tax beyond 3% 2019/20.
- 3.2 It is recommended that the Committee agrees to fund the estimated increase in Waste Disposal costs recently reported to the Environment & Regeneration Committee from the non-pay inflation budget from 2019/20.
- 3.3 It is recommended that the Committee approves the proposals contained in Appendix 1 of the report, subject to the approval of those proposals due to be considered later on in the agenda.
- 3.4 It is recommended that the Committee notes the latest position in respect of the 2019/20 Budget and in particular the emerging significant pay pressure and the approach being taken to have a high level review of savings options prior to Christmas.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 At the meeting of the 18th September 2018 the Committee agreed a number of important aspects of the 2019/20 Budget Strategy. These were that the Budget be developed on the basis of a 1 year (2019/20) Budget but with the opportunity for Members to take decisions beyond that time should sufficient information become available, that no VER trawls or decisions on specific savings be taken until greater clarity on the overall funding gap is known and that Officers progress a budget consultation with the public and employees prior to the Christmas break.
- 4.2 After the application of budget adjustments totalling £331,000, then the estimated funding gap prior to any increase in Council Tax for 2019/20 was £3.93 million.
- 4.3 The Committee also noted that an increased pay award had been offered to both teaching and non-teaching employees and that indications that this improved offer may not be accepted.

5.0 CURRENT POSITION

- 5.1 The UK Government has announced a budget date of 29th October 2018. The Scottish Government confirmed that the Scottish Budget will be announced on 12th December and Officers would intend to be in the position to provide an analysis to Members of the implications for Inverclyde Council prior to the Christmas break.
- 5.2 The MBWG has continued to meet and has agreed to undertake an initial high level review of potential saving options prior to Christmas. It is intended that this review will be on a political grouping basis and any savings where there is a unanimous view that the saving should not be progressed as part of the 2019/20 Budget will be removed from further consideration. The intention of this exercise is to ensure that Members can focus on a smaller group of savings early in the New Year.
- 5.3 The MBWG also agreed that it would recommend to the Policy & Resources Committee that further clarity is needed from the Scottish Government regarding the implications for the Council were it to increase Council Tax by more than 3% in 2019/20. In arriving at this decision, the MBWG was clear that in asking this question of the Scottish Government, it does not indicate that the Council is planning to increase Council Tax beyond the 3% level.
- 5.4 The Budget Consultation agreed by the Committee on 18th September has commenced by seeking views on how the Council could save money. The results from this consultation will be reported to Members prior to Christmas.
- 5.5 A recent announcement from HM Treasury regarding teachers' pensions is estimated to lead to an increase in employer's contributions for teachers' pensions of approximately 30%. Based on the current pay offer for teachers for 2018/19 and estimating the award for 2019/20, it is estimated that this could cost the Council a further £1.8 million. At this point in time, this cost is not included within the £3.9 million funding gap and if this increase in cost is confirmed and if the UK and/or Scottish Government does not fund this increased cost for Councils, then the funding gap will increase commensurately.
- 5.6 The Environment & Regeneration Committee considered a report on the likely ongoing increases in waste disposal costs following Greenlight being put into Administration. It is proposed that the extra annual cost of £300,000 be met from the non-pay inflation provision. This leave limited scope for any savings in this budget.
- 5.7 Negotiations around the 2018/19 Pay Award are ongoing with ballots being progressed by some Trades Unions. The current offer exceeds the Council's pay inflation provision by £130,000. Additionally a report elsewhere on the agenda contains proposals for a new Pay & Grading model. If agreed and implemented, this will exceed the budgetary provision by approximately £80,000. Taken together, these increase the 2019/20 estimated funding gap to £4.14 million.

5.8 Appendix 1 contains further savings/adjustments for Committee consideration. On the basis that these proposals are agreed, then this will reduce the current funding gap by £772,000 to £3.37 million before any increase in Council Tax.

6.0 NEXT STEPS

- 6.1 It is intended that all Members will receive a refreshed folder of detailed savings sheets in the middle of November in order that the initial review of savings proposals can be completed prior to the end of the month. Feedback will be given to the Members' Budget Working Group in early December with Officers progressing any further action agreed.
- 6.2 If as expected the Scottish Government announces Local Government Financial Settlement on 12th December, then the intention would be that the Members will receive an All Member Briefing on the Budget settlement the following week.
- 6.3 Finally the 6 monthly review of the Financial Strategy has commenced and will be reported to the Council on the 29th November.

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
Waste Disposal	PTOB	2019/20	300		Funding from Non-Pay Inflation Budget
Various	Various	2019/20	(772)		FYE Saving of £783k See Appendix 1

7.2 Legal

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

7.3 Human Resources

Within the savings proposals in Appendix 1 there is a proposal for voluntary early release. The details of this are contained in papers later in the agenda.

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 the report contains no implications in respect of the Council's policy of encouraging repopulation.

8.0 CONSULTATIONS

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

9.0 LIST OF BACKGROUND PAPERS

9.1 None

**2019/20 Budget
Adjustments as at 31.10.18**

Appendix 1

ERR	Full Year Savings £000	Comments	FTE
1/ Office AMP - Remaining recurring balance	70	Saving arises from the end of the Office AMP Strategy.	-
2/ Food Waste	36	Savings based on prior years out-turn.	-
ECOD	2019/20 £000	Comments	
1/ Ward 7 Community Facility Review	9	Subject of a detailed report to Education & Communities Committee - September, 2018.	-
2/ Children's Counsellor - Change of funding stream	31	Service to be funded from Attainment Fund.	-
3/ EYLC Transport no longer required	34	Impact is net of impact on Internal Transport.	-
4/ Fund Early Years post from 1140 hours grant	63	No impact on Nursery School Management.	-
HSCP	2019/20 £000	Comments	
1/ VER Physical Disability Team	35	Efficiency. More detail in the Private Papers.	1
2/ Older Persons Day Services - Change of Funding Stream	28	Service to be funded from slippage in Waivers.	-
Corporate	2019/20 £000	Comments	
1/ Saving on new Insurance Contract	128	Saving after retaining a £30k contingency for matters yet to be fully clarified.	-
2/ 3x VER Proposals	88	More details in separate report in Private Papers. FYE 2020/21 = £99k saving.	3
3/ Deletion of 11.5 FTE Vacancies	250	More details in separate report on the Agenda.	11
Total	772		15

AP/CM
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