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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>22 September 2009</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/53/09/AP/LS</b>
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<b>Subject:</b>	<b>2010/2011 Revenue Budget</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee in respect of the current position of 2010/2011 Revenue Budget for the Council and to ask Committee to agree to the 1% efficiency savings totalling £1.56 million recommended by the Corporate Management Team.

## 2.0 SUMMARY

- 2.1 The Council approved a balanced 2010/2011 Revenue Budget on 12 February 2009. This budget included a number of assumptions around the level of Government grant income and future levels of inflation.
- 2.2 In February 2009, the Council approved a large number of detailed savings in respect of 2010/2011 and these savings are in the process of being implemented. In addition, the Council agreed that services should be set a 1% efficiency target and the detail of how this target would be achieved was to be reported back to the Policy & Resources Committee in September 2009.
- 2.3 A summarised list of the efficiency savings proposed is attached as appendix 1 to this report and all members have received detailed backup in respect of the proposed savings at a separate briefing held on 8 September 2009.
- 2.4 It is not expected that the 2010/2011 grant settlement for Inverclyde Council will be announced until November 2009. However, it is expected that the grant settlement will be less than that anticipated when members approved the 2009/2011 Revenue Budget in February 2009.
- 2.5 Despite the anticipated reduction in Government grant funding for 2010/2011 the Chief Financial Officer and the Corporate Management Team do not expect members to have to consider any extra saving proposals over and above those savings already agreed in February 2009 and the 1% efficiency savings which form part of this report.
- 2.6 There are a number of issues which remain to be resolved at both national and local level in respect of 2010/2011 budget. These are outlined in section 6.0 of the report.
- 2.7 The Council will be required to formally approve a 2010/2011 Revenue Budget in February 2010. However, focus over coming months will need to be put on 2011/2012 and beyond revenue budgets and officers will develop proposals as to how this will be advanced over the next month or so.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that Committee note the latest information in respect of the 2010/2011 Revenue Budget.

- 3.2 It is recommended that the Committee consider and approve the 1% efficiency savings advanced by Corporate Management Team.
- 3.3 It is recommended that the Committee note that proposals in respect of developing the 2011/2013 Revenue Budget will be brought back to members in the near future.

**Alan Puckrin**  
**Chief Financial Officer**

## **4.0 BACKGROUND**

- 4.1 The Council approved a two-year Revenue Budget covering the period 2009/2011 in February 2009. This was the first time the Council has agreed a two-year Revenue Budget and within this the Council approved a balanced budget for the year 2010/2011.
- 4.2 In agreeing the 2010/2011 Revenue Budget members agreed a large number of detailed savings in addition to which it is agreed that officers develop proposals to achieve 1% efficiency savings during 2010/2011 and report these to the Policy & Resources Committee in September 2009 for approval.
- 4.3 The Scottish Government did not announce the revenue grant settlement for Councils for 2010/2011 due to the fact that its funding from Westminster was under review following the pre-budget statement from the Chancellor of the Exchequer in November 2008. When the Council agreed its 2010/2011 Revenue Budget there was an estimated allowance of £1.4 million for a reduction in Government grant funding arising from the pre-budget efficiency target.

## **5.0 CURRENT POSITION**

- 5.1 The Corporate Management Team and Heads of Service have developed sufficient efficiency proposals to achieve the £1.55 million 1% efficiency target for 2010/2011. These proposals are summarised in appendix 1 and all members have received detail behind each of these proposals at a special members briefing held on 8 September 2009.
- 5.2 Latest information indicates that the Scottish Government should be in a position to announce individual Council grant settlements in November 2009 and once this information is received then Committee will be advised of the outcome. However, based on the latest information received by Cosla and intimated by the Government, it is expected that the efficiency target included within the 2010/2011 Inverclyde Council Revenue Budget will not be sufficient and as a result the grant received by the Council in 2010/2011 will be less than budgeted.
- 5.3 However, after considering the number of significant matters requiring to be resolved in respect of the 2010/2011 including the non-teaching pay award, other inflation issues and the projected position of the 2009/2010 budget, then it is recommended by the Chief Financial Officer and the Corporate Management Team that there is no need to consider further savings for the 2010/2011 Revenue Budget.

## **6.0 2010/2011 ISSUES REQUIRING RESOLUTION**

- 6.1 Over and above the need to confirm the 1% efficiency savings put before Committee today there a number of items which the Committee are advised still require to be resolved in respect of the 2010/2011 budget:

- (a) Pay Award for non-teaching staff

The 2010/2011 Revenue Budget includes an allowance of 2.5% for non-teaching staff. However, based on the current economic climate and statements made from within Cosla and the Scottish Government it is anticipate that the final pay award for non-teaching staff should be less than the 2.5% budgeted.

- (b) Fairer Scotland Fund

From 2010/2011 the Fairer Scotland Fund is to be un-ringfenced and include within the general revenue grant settlement for the Council. At this point in time it is not possible to confirm the level of funding which the Council will receive in lieu of the former Fairer Scotland Fund grant and as such the Council will need

to await its overall grant settlement for 2010/2011 before it can begin to form a view as to how much it can afford to invest in the outcomes previously supported by the Fairer Scotland Fund.

(c) **Concordat Commitments**

Given that there is likely to be a substantial reduction in the level of 2010/2011 funding from that which was announced in December 2007, when the Concordat was signed, then there is bound to be some debate over where this leaves the Concordat commitments. Depending on the level of grant funding which the Council ultimately receives there may be elements of expenditure included in the 2010/2011 budget relating to the Concordat which the Council may decide to revisit.

## **7.0 NEXT STEPS**

7.1 Based on the advice of the Chief Financial Officer and the Corporate Management Team that the actions approved in February 2009 should be sufficient to ensure a balanced 2010/11 budget then focus needs to turn towards future years budgets.

7.2 It is the firm recommendation from officers that the Council's multi-year budgeting approach should continue and as a result focus over coming months should be on the 2011/2012 and beyond Revenue Budget.

7.3 Based on the financial strategy there is a projected funding gap of £7.3 million in 2011/2012 with a further £6.8 million worth of savings required in 2012/2013. This represents a substantial reduction in the Council's budget which cannot be achieved by efficiencies alone and officers will develop proposals prior to the next Policy & Resources Committee for a process which will clarify how the 2011/2012 and beyond budget could be developed.

## **8.0 CONCLUSIONS**

8.1 Officers have developed and submitted 1% efficiency savings for 2010/2011 in line with the timetable agreed in February 2009.

8.2 Despite the uncertainty over levels of grant funding and other factors such as pay awards in 2010/2011 it is the recommendation of the Chief Financial Officer and the Corporate Management Team that the 2010/2011 budget remains fixed in line with the decisions taken in February 2009 and that focus should now turn towards developing a 2011/2012 and beyond Revenue Budget.

## **9.0 CONSULTATIONS**

9.1 This report has been produced in consultation with the Corporate Management Team.

9.2 The Unions via the Joint Budget Group have been consulted on the 1% efficiency savings proposals.