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**Report To:** Policy & Strategy Committee      **Date:** 17 November 2009

**Report By:** Chief Financial Officer      **Report No:** FIN/69/09/AP/LM

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**Subject:** 2010/14 General Fund Revenue Budget and Capital Programme

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to update committee in respect of the 2010/14 Budget Process and to seek approval for the proposed process and timetable.

## 2.0 SUMMARY

- 2.1 Presentations have been given to all members, senior officers and Trade Unions outlining the extremely serious financial situation which faces Inverclyde Council in line with all other councils in Scotland and indeed the public sector as a whole in the UK.
- 2.2 The Scottish Government have confirmed that the 2010/11 settlement for individual councils will not be announced until week commencing 23 November 2009 and as such it is intended to separately provide members with information once the detail has been received. However it is reconfirmed that the advice of the Chief Financial Officer is that there is no need for members to reopen the 2010/11 revenue budget.
- 2.3 The scale of the financial challenges facing the Council over the next four years is such that a new approach to achieving savings is proposed involving a programme of savings work streams many of which will release savings over a number of years.
- 2.4 It is envisaged that this will mean that savings proposals will be reported to Committee when they are ready to be considered rather than having a single set piece debate on the budget on an annual basis.

Progress against targets which will be set for each workstream will be incorporated into regular updates to the Policy and Resources Committee.

- 2.5 Appendix 1 contains a draft timetable covering the period to February 2011 which covers the period up to the approval of the first budget following the 3 year spending review announcement of 2011/14.
- 2.6 Officers recommend that in view of significant expected reductions in capital funding from the Government that the current 2010/13 capital programme be reviewed as part of the current budget process and approved in February 2010.

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### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee endorse the Programme based savings process outlined in the report and agree to receive a report detailing the proposed work streams and savings targets to the next Policy & Resources Committee in February 2010.
- 3.2 It is recommended that the Committee agree that a 2010/14 Capital Programme be prepared in light of the expected reduction in resources in order that it can be approved at the next Policy and Resources Committee in February 2010.

Alan Puckrin  
Chief Financial Officer

## **4.0 BACKGROUND**

- 4.1 Inverclyde Council approved a 2 year revenue budget covering the year 2009/11 in February 2009. At the same time it approved a 4 year capital programme covering the period 2009/13.
- 4.2 The Committee have been advised on a regular basis of the significant downturn in global economic performance which commenced in the summer of 2008 the result of which is that it is anticipated that local government will receive a reduction in funding of around 12% over the period 2011/14.
- 4.3 Presentations on the Council's medium term financial position have been provided to all members, all senior officers of the council and all trade union stewards. These presentations focused on a projected reduction in funding totalling £28m by the end of 2013/14. In addition it is anticipated that over the same period there will be a minimum £5m cumulative reduction in size of the capital resources received from the Scottish Government.

## **5.0 LATEST POSITION**

- 5.1 It had been anticipated that the Scottish Government would have announced the 2010/11 individual council settlement by the end of October. Latest indications are that this information will be announced on week commencing 23<sup>rd</sup> November 2009. Members will receive a detailed analysis of the settlement and a confirmation of the settlements impact on the already approved 2010/11 budget via a report to a special Policy & Resources Committee in December.

## **6.0 PROPOSED BUDGET STRATEGY 2010/14**

- 6.1 Work has been ongoing over the last few months developing a strategy by which the Council could realistically approach the expected extremely significant reductions in funding over the period 2010/14. The Corporate Management Team have considered this matter and have agreed that a programme based approach is the best way ahead covering all Council budgets. This moves away from the time consuming traditional individual service budget reductions approach which Inverclyde Council has adopted since reorganisation.
- 6.2 In order for this approach to be effective the Corporate Management Team has agreed that targets should be set for individual workstreams with lead officers, clear milestones and delivery dates but most importantly a clear understanding of how individual workstreams interact with one another.
- 6.3 Adopting this approach will also allow what will undoubtedly be a resource intensive exercise for the Council to be spread over the next 18 to 24 months with reports being brought forward to members as and when work is concluded. This will involve the Council moving away from the traditional annual set piece budget debate but not the Council's requirement to set a Council Tax level each February.

## **7.0 TIMETABLE**

- 7.1 Appendix 1 contains a draft timetable covering the major reports/milestone between now and mid February 2011 by which time it is expected that the outcome of the spending review will have been announced allowing the Council to set a budget in February 2011.

## **8.0 2010/14 CAPITAL PROGRAMME**

- 7.1 In the presentations given to members it was estimated that the reduction in capital funding over the four year period 2010/14 will be at least £5m (15%). Given the significant pressures on the Revenue Budget going forward it would not be recommended that this gap in capital funding be closed via prudential borrowing and as such it is recommended that members review the current capital plans and agree a new 2010/14 Capital Budget in February 2010.

## **9.0 PROPOSALS**

- 9.1 It is proposed that the Committee approve the recommended new approach to managing and delivering the significant savings required for the 2010/14 Revenue Budget.
- 9.2 It is recommended that the Committee consider and agree the timetable included in Appendix 1.
- 9.3 It is recommended that the Committee agree to review the 2010/14 Capital Programme at its meeting in February 2010.

## **9.0 CONSULTATIONS**

- 9.1 This report had been produced after full consultation with the Corporate Management Team and the principles contained within this report have been discussed with the Union Representatives in the Joint Budget Group.

2010/14 Budget  
High Level Timetable

15 <sup>th</sup> December 2009	Special Policy & Resources Committee	<ul style="list-style-type: none"> <li>▪ 2010/11 Settlement</li> <li>▪ 2009/17 Financial Strategy</li> </ul>
2 <sup>nd</sup> February 2010	Policy & Resources Committee	<ul style="list-style-type: none"> <li>▪ Agree 2010/14 Saving Workstreams and Savings Targets</li> <li>▪ Confirm 2010/11 Revenue Budget</li> <li>▪ Approve 2010/14 Capital Programme.</li> </ul>
18 <sup>th</sup> February 2010	Full Council	<ul style="list-style-type: none"> <li>▪ Set 2010/11 Council Tax</li> </ul>
March 2010 – December 2010		<ul style="list-style-type: none"> <li>▪ Reports back to appropriate Committee on specific saving workstream progress and decisions.</li> <li>▪ Overall summary of progress reported to Policy &amp; Resources Committee.</li> <li>▪ On going liaison with Unions via Joint Budget Group.</li> <li>▪ On going liaison with Senior Offices via ECMT</li> <li>▪ Ongoing communications to employees.</li> </ul>
December 2010		<ul style="list-style-type: none"> <li>▪ Expected timescale for 2011/14 Settlement announcement.</li> </ul>
February 2011		<ul style="list-style-type: none"> <li>▪ Council approves 2011/13 firm revenue budget and 2013/14 indicative revenue budget.</li> <li>▪ Council reviews and confirms 2011/14 Capital budget.</li> </ul>