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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>15 December 2009</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/76/09/AP/GJ</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>01475 712223</b>
<b>Subject:</b>	<b>2010/11 Budget Settlement and 2011/14 Savings Strategy</b>		

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## 1.0 PURPOSE

1.1 The purpose of this report is to advise Committee of the 2010/11 Financial Settlement received from the Scottish Government on 26 November and confirm the impact this has on figures previously supplied to Committee. In addition the report seeks approval for the main savings work streams identified to significantly contribute to closing the estimated £28 million budget gap in 2011/14.

## 2.0 SUMMARY

- 2.1 The Scottish Government has advised that the Council will receive a Revenue Grant of £184.02 million in 2010/11 provided it agrees to freeze its Council Tax. This figure includes a £2.156 million reduction in grant from the 2010/11 figures announced in February 2008 and represents Inverclyde Council's share of the £131 million announced by the Scottish Government in September 2009 as a result of reduced funding received from Westminster. Overall Grant Funding, ignoring the Council Tax Freeze Grant has increased by £2.1 million (1.2%) from 2009/10.
- 2.2 The Council is due to receive a Capital Grant of £4.951 million in 2010/11 which includes £1.158 million for Private Sector Housing Grant. This overall grant figure includes a reduction of £0.578 million from the 2010/11 figures previously announced and relates to Inverclyde Council's share of the £43 million national reduction in Capital Grant announced by the Scottish Government as a result of the reduction in funding received from Westminster. This represents a reduction in Capital Grant of £0.3 million from 2009/10.
- 2.3 Appendix 1 shows the current position of the 2010/11 Base Budget and this shows a surplus of £356,000.
- 2.4 The figures in Appendix 1 include savings of £416,000 relating to the recently approved management restructure and £400,000 estimated ongoing saving in loans charges arising from debt restructuring carried out during 2009.
- 2.5 It is intended to bring further potential savings for Members to consider when the final 2010/11 Budget report is presented to the Policy & Resources Committee in February 2010. The intention of such action is to ensure that the Council begins to make inroads into the estimated £28 million funding gap for the next spending review period covering 2011/14.
- 2.6 The Committee are asked to consider two specific budgetary pressures previously highlighted to Members via the relevant Service Committees. These two pressures total £300,000 and if approved will be factored into future reports to Members on the 2010/11 Revenue Budget. These pressures will be met from the £500,000 allowance set aside by Members when approving the 2010/11 budget in February 2009.
- 2.7 Section 7 of the report lists the Budget decisions Members will be asked to take at the February 2010 Policy & Resources Committee.

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- 2.8 The Corporate Management Team have identified 12 work streams which are intended to generate a significant proportion of the estimated £28 million savings required over the period 2011/14. As previously outlined to Committee it is intended that these work streams will progress against specific deliverable dates and be reported back to the relevant Committee for Members' consideration. It should be noted however that any shortfall outwith these specific work streams will have to be covered by further savings including Service reduction and withdrawal.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the outcome of the recent 2010/11 Finance Settlement announcement for Inverclyde Council.
- 3.2 It is asked that Committee note the current position of the 2010/11 Base Budget and note that the two savings identified in Section 2.4 have been incorporated within the 2010/11 Base Budget.
- 3.3 It is recommended that the Committee consider and approve the pressures contained in Appendix 2.
- 3.4 It is recommended that Committee note the decisions which will be required from the Policy & Resources Committee at its meeting in February 2010 in respect of the 2010/11 Budget.
- 3.5 It is recommended that the Committee consider and approve the Corporate Saving Work Streams identified in Appendix 3 and note that at the meeting in February 2010 Members will be asked to consider and approve saving targets in respect of each Work Stream.

Alan Puckrin  
Chief Financial Officer

## **4.0 BACKGROUND**

- 4.1 Members have previously been updated in respect of the 2010/11 Revenue Budget. These updates have consistently advised Members that it is believed that there would be no need to open up the 2010/11 Revenue Budget unless Members so wished.
- 4.2 The Committee agreed in November 2009 that there would be a requirement to review the 2010/14 Capital Programme in light to the expected significant reduction in Capital Resources being given to the Council over the next number of years.

## **5.0 GOVERNMENT FINANCE SETTLEMENT ANNOUNCEMENT**

- 5.1 The Scottish Government announced the Local Government Finance Settlement on 26 November 2009. The full Circular is available on the Scottish Government website but the Committee can be advised that there was very little movement from the figures previously advised to Committee over the last number of months.
- 5.2 In respect of Revenue, the Council is due to receive a Revenue Grant of £184.02 million in 2010/11 provided it agrees to freeze Council Tax for which it will receive £1.04 million. Within this grant figure there is a reduction of £2.156 million in respect of Inverclyde Council's share of the £131 million reduction in Revenue Grant support to Councils announced by the Scottish Government in September 2009. This reduction was a direct result of the £500 million reduction in funding received by the Scottish Government from Westminster.
- 5.3 In addition to this reduction there are other movements the most material of which are as follows:
  - a) £4.74 million in respect of the transfer of pension liability and responsibilities from Police and Fire Boards to the Scottish Government. This should have a nil effect on the Council's budget as whilst grant has been reduced it is anticipated there will be a similar reduction in the precept from Police and Fire Boards.
  - b) £1.04 million in respect of the grant due to the Council as a result of it freezing its Council Tax in 2009/10.
  - c) £0.54 million in respect of PPP Grant due to the Council. The previous Local Government Finance Settlements contained a shortfall in the amount of money set aside for PPP Schemes and as a result some Councils were not fully funded in this regard, this adjustment rectifies this matter.
  - d) There are a number of relatively small increases in specific initiatives funding totalling £241,000 as shown in Appendix 4. Members will be asked to confirm whether to allocate this funding to these areas in February 2010.

The movement in Grant funding from 2009/10 to 2010/11 is shown in Appendix 5.

- 5.4 Capital Grant due to the Council in 2010/11 is £4.951 million which includes £1.158 million in respect of Private Sector Housing Grant which is now rolled up into the overall Capital Settlement. Committee should note that this Grant figure has been reduced by £0.578 million as part of the £43 million Scottish wide reduction in Capital Grant again related to Local Government share of the £500 million reduction in funding from the Westminster Government.
- 5.5 There are various other adjustments to the Capital Grant figure which relate to the acceleration of Capital Spend reported to Members earlier in 2009. This Grant spend was effectively advanced from 2010/11 to 2009/10 and now has to be repaid.

- 5.6 The most significant change in respect of the Capital Grant has been the inclusion of Private Sector Housing Grant within the core Capital Grant and effectively removes ring fencing around this area. This means Members will be able to either spend more or less than the amount allocated to Private Sector Housing Grant and weigh up the priority this area of spend has against other areas of Council Capital Spend such as Roads, ICT, Properties and the School Estate.

## **6.0 OVERALL 2010/11 BASE BUDGET**

- 6.1 Appendix 1 contains the latest position of the 2010/11 Base Budget after applying the figures contained in the recent Local Government Finance Settlement. From this it can be seen that there is a surplus of £356,000.
- 6.2 Committee will recall that previous advice from the Chief Financial Officer and the Corporate Management Team has been that there will be no need to reopen the 2010/11 Revenue Budget and this advice remains.
- 6.3 The surplus of £356,000 includes the recently approved Management Restructure Savings of £416,000 and projected ongoing Loans Charges Savings of £400,000 arising from recent borrowing and debt restructuring decisions.
- 6.4 Committee are advised it is the intention of the Corporate Management Team to develop and submit a number of other 2010/11 Budget savings proposals to Members for consideration in February. The purpose of this will be to allow inroads to be made as early as possible into the estimated £28 million funding gap for the period 2011/14.

## **7.0 BUDGET PRESSURES**

- 7.1 Members have previously been advised that it was not the intention of officers to undertake an extensive pressures exercise as part of the 2010/11 Budget as these had been considered when agreeing the 2 Year Revenue Budget in February 2009. However Appendix 2 contains two budgetary pressures which have been subject to reports to the Health & Social Care Committee and the Policy & Resources Committee respectively. These two pressures relate to Fostering/Adoption costs and "Our Corporate Children". The sum total of these two pressures is £300,000 and it is recommended by the Corporate Management Team that Members approve these pressures and note that they can be contained in the previously approved £500,000 Budgetary Pressures Allowance for 2010/11.

## **8.0 FEBRUARY 2010 POLICY & RESOURCES COMMITTEE BUDGET REPORT**

- 8.1 The Committee will be required to make a number of decisions in respect of the 2010/11 Revenue Budget and 2010/14 Capital Programme when it meets in February 2010. The specific decisions are as follows:
- (a) Consider and approve the 2010/14 Capital Programme.
  - (b) Consider any further savings/adjustments to the 2010/11 Revenue Budget.
  - (c) Consider the treatment of terminating externally funded projects.
  - (d) Approve a 2010/11 Common Good Budget.
  - (e) Consider and approve the use of Reserves.
  - (f) Approve Corporate Work Stream saving targets/timescale.

## 9.0 2011/14 SAVINGS WORK STREAMS

- 9.1 The Committee was advised in November of the proposed use of Corporate Saving Work Streams as the main driver for identifying much of the £28 million projected Revenue funding shortfall for the 2011/14 budget. It is believed that this approach will be more efficient and maximises the chances of identifying the necessary level of savings required.
- 9.2 Appendix 3 contains the Corporate Management Team's recommendations in respect of the Saving Work Streams. It can be seen that each work stream has a lead officer from the Corporate Management Team and that every aspect of the Council's budget is covered in at least one work stream. One of the key challenges in this regard will be to avoid double counting of savings.
- 9.3 At its meeting in February 2010 the Committee will be given high level estimates of the savings targets for each work stream and regular updates in respect of progress towards these targets will be given to the Policy & Resources Committee each cycle.
- 9.4 Committee is advised that it is not anticipated that these work streams will be able to fully deliver a £28 million budget saving however it is anticipated that subject to Members decisions that a significant proportion of the savings gap can be closed using this approach. Any savings gap remaining will require to be closed by other means which will involve Service reduction and withdrawal.

## 10.0 IMPLICATIONS

### 10.1 Financial Implications – Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if Applicable)	Other Comments
Adopting / Fostering	Payments to Providers	1/4/10	£265,000	2010/11 Pressures Contingency	-
Looked After and Accommodated Children	Other Expenditure	1/4/10	£ 35,000	2010/11 Pressures Contingency	-

## 11.0 CONSULTATIONS

- 11.1 The report has been produced in full consultation with the Corporate Management Team.
- 11.2 Unions have also been consulted via the Joint Budget Group who have endorsed the report and its recommendations.

## APPENDIX 1

OBJECTIVE SUMMARY	2010-11 Base Budget	2010-11 Adjustment	2010-11 Inflation	2010-11 Base Est.	Post Est Adjustment	Post Est Inflation	Savings	Budget 2010-11
Chief Executive	320,240	(230)	(6,400)	313,610	-	-	-	313,610
Improvement & Performance Directorate	29,049,900	(4,113,140)	2,381,590	27,318,350	-	-	-	27,318,350
Environment & Community Protection Directorate	18,758,830	(14,650)	(341,740)	18,402,440	-	-	-	18,402,440
Regeneration & Resources Directorate	13,248,220	5,914,860	(392,600)	18,770,480	-	-	-	18,770,480
Education & Social Care Directorate	129,294,200	371,190	(1,469,880)	128,195,510	-	-	-	128,195,510
Circular 12/2009 - To Be Decided	-	241,000	-	241,000	-	-	-	241,000
<b>NET EXPENDITURE</b>	<b>190,671,390</b>	<b>2,999,030</b>	<b>170,970</b>	<b>193,241,390</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193,241,390</b>
Loan Charges (Excluding School Estate Model)	15,500,000	(848,000)		14,652,000				14,652,000
Revenue Support Grant	(140,003,000)	(1,683,000)		(141,686,000)				(141,686,000)
Recharges to STOs & FSF	(278,390)			(278,390)				(278,390)
Council Tax	(32,900,000)			(32,900,000)				(32,900,000)
Share of £70m - Council Tax Freeze		(1,040,000)		(1,040,000)				(1,040,000)
Community Charge	(20,000)			(20,000)				(20,000)
Non Domestic Rates	(34,125,000)	1,800,000		(32,325,000)				(32,325,000)
2010-11 Pre Budget Statement	1,155,000	(1,155,000)		-				-
Contribution to/(from) Reserves	-			-				-
<b>TOTAL EXPENDITURE</b>	<b>-</b>	<b>(516,970)</b>	<b>170,970</b>	<b>(356,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(356,000)</b>

**2010/11 Revenue Budget**

**APPENDIX 2**

**Spending Pressure Pro-Forma**

1. Directorate: **Education & Social Care** Service: **Social Care**

2. Summary of Pressure - (Note 1)

**Requirement to put in place additional support measures for “Our Corporate Children” including employment/training/housing opportunities  
Detail reported to Policy & Resources Committee 22<sup>nd</sup> September 2009**

3. Financial Implications Summary – (Note 2)

<u>Budget</u>	<u>Out-turn</u> <u>2008/09</u> <u>£000</u>	<u>Projection</u> <u>2009/10</u> <u>£000</u>	<u>Impact</u> <u>2009/10</u> <u>£000</u>	<u>Impact</u> <u>2010/11</u> <u>£000</u>	<u>Impact</u> <u>2011/12</u> <u>£000</u>
Child Care – Other Expenditure	Nil	Nil	Nil	£35,000	£35,000

4. Detailed Calculation of Financial Impact – (Note 3)

<b>Provision of additional job/training advice and support</b>	<b>£25,000</b>
<b>Provision of specialist housing advice and support</b>	<b>£10,000</b>

5. Calculations confirmed by Accountancy :

6. Signed: Corporate Director

Notes

- Pressures are limited to Demographic, Legislative or Uncontrollable.
- Service to supply figures based on their detailed calculations of the impact. Any impacts below £50K in any year are to be contained by the Directorate. Impact to reflect, increase over 2007/08 out-turn only.
- Detailed analysis to include evidence of unit rates/costings calculations backed up by evidence of demand. This will require to be reviewed and signed off by your Account Manager.

**2010/11 Revenue Budget**

**Spending Pressure Pro-Forma**

1. Directorate: Education & Social Care Service: Social Work

2. Summary of Pressure - (Note 1)

Looked After & Accommodated Children ; Fostering, adoption and kinship care.

To enable implementation of the strategy for an integrated family placement service for Looked After Children. Pressure associated with Adoption is in relation to current pressure, a review of rates will be presented to the January Social Care Committee.

3. Financial Implications Summary – (Note 2)

<u>Budget</u>	<u>Out-turn</u> <u>2008/09</u> <u>£000</u>	<u>Projection</u> <u>2009/10</u> <u>£000</u>	<u>Impact</u> <u>2009/10</u> <u>£000</u>	<u>Impact</u> <u>2010/11</u> <u>£000</u>	<u>Impact</u> <u>2011/12</u> <u>£000</u>
Fostering, Adoption & Kinship		1,259	179	265	265

4. Detailed Calculation of Financial Impact – (Note 3)

Attached appendix largely as presented to Social Care Committee 22/10/09 and additional workings regarding legal expenses/ section 22 payments.

5. Calculations confirmed by Accountancy : \_\_\_\_\_

6. Signed: Corporate Director: \_\_\_\_\_

Notes



Social Work Services - Fostering/Kinship/Adoption

	Budget 2009/10 £	Projection P4 2009/10 £	Projection Proposals 2009/10 £	Budget 2010/11 £	Projection 2010/11 £	Increase (Decrease) £
<u>Fostering:</u>						
Fee Based	107,320	146,276	146,276	107,320	239,200	131,880
Rates	518,630	494,924	494,924	518,630	456,590	(62,040)
Discretionary	20,280	48,492	48,492	20,280	28,500	8,220
Training	0	0	0	0	15,000	15,000
Respite	0	0	0	0	15,000	15,000
Start Up	0	0	0	0	0	0
Other Fostering Services	116,500	133,075	133,075	116,500	133,075	16,575
<b>Total Fostering</b>	<b>762,730</b>	<b>822,767</b>	<b>822,767</b>	<b>762,730</b>	<b>887,365</b>	<b>124,635</b>
<u>Kinship:</u>						
Rates	122,190	54,720	77,923	207,190	195,500	(11,690)
Training	0	0	4,500	0	9,000	9,000
<b>Total Kinship</b>	<b>122,190</b>	<b>54,720</b>	<b>82,423</b>	<b>207,190</b>	<b>204,500</b>	<b>(2,690)</b>
<u>Adoption</u>						
	131,930	217,784	217,784	131,930	217,784	85,854
<b>Total</b>	<b>1,016,850</b>	<b>1,095,271</b>	<b>1,122,974</b>	<b>1,101,850</b>	<b>1,309,649</b>	<b>207,799</b>

**Note:**

Budget and projection excludes legal expenses and section payments. 2009/10 budget £62,790 with projected outturn at Period 7 £120,000 (projected overspend of £57,210).

CMT report excluded other fostering services, therefore assumed projected spend to continue although report mentions potential to save, this is not quantified.

Projected increase on 10/11 budget is £207,799 however projected overspend for 2009/10 is currently £106,124

2010/14 Budget  
Savings Workstreams

Work stream

- 1/ Restructures – J Mundell  
Senior Management  
Middle Management
  
- 2/ FOM / Modernisation – P Wallace  
Customer Services Creation  
Back Office Reconfiguration }  
  
Less:  
Savings already earmarked  
System Specific:  
  - E-Planning }
  - E-Minutes }
  - E-Procurement }
  
- 3/ AMP – A Fawcett  
Offices  
Depot  
Other Operational  
FM/Cleaning Savings  
Utility Cost Reduction/Energy Management  
SEMP (Includes Refinancing)
  
- 4/ Procurement – A Puckrin  
Category A & B Spend  
Commodity Review
  
- 5/ FSF – Commissioning Model – P Wallace  
2010/11 Reduction  
Commissioning Savings  
(Includes Money Advice, Drugs/Alcohol, Youth/Community Work, Supporting People & Former FSF Projects)
  
- 6/ Conditions of Service – A Moore  
Impact of 37 hr week  
Sick Pay Policy  
New Starts Working Week
  
- 7/ New Models of Delivery – J Mundell  
External Shared Services  
Arms Length Companies
  
- 8/ Corporate Savings – A Puckrin  
Inflation Review - Pay  
- Other  
Top Slice/ Annual Efficiency Exercise  
Centralise Specific Spend  
Streamline Cost of Democracy (J Mundell)  
Initiative / Measurement Streamlining (J Mundell)

- 9/ Income – A Puckrin  
New Income Sources  
Increased Charges  
Council Tax Income
  
- 10/ Policy – CMT  
National Policies  
Concordat Commitments  
Policy Areas 2004 to date  
Externally Funded Projects  
Policy Pressure Allowance
  
- 11/ Other Specific Proposals – CMT  
Roll Reduction (2011/12 – 2013/14)  
Other Savings
  
- 12/ Service Reviews – CMT  
Home Care  
Planning  
Street Scene  
Waste Strategy  
Early Years

Increases in Government Funding – November 2009

<u>Revenue</u>	<u>£000</u>	<u>Comments</u>
Respite Care	25	£70,000 extra built into 2008/2009 budget.
S.E. Regeneration	146	
SNH Transfer	12	£81,000 extra built into 2008/9 budget.
Zero Waste Fund	53	£71k removed from 2010/11 budget as part of the 1% Efficiency Savings.
Child Trust Funds	<u>5</u>	
	<u>241</u>	
 <u>Capital</u>		
Zero Waste Fund	<u>79</u>	

Appendix 5

Local Government Finance Settlement  
Government Grant Movement  
2009/10 - 2010/11

<u>Revenue</u>		<u>£m</u>
February 2008	- Year on Year movement in grant	4.613
	- Ignore ringfenced PPP funding uplift	(0.647)
November 2009	- Share of £131 million funding cut	(2.156)
	- New funding (not ringfenced)	0.241
	Increase	2.051

Represents 1.19% Increase

Note - Council's inflation allowance in 2010/11 is £5.287 million

<u>Capital</u>		<u>£m</u>
	09/10 Capital Grant	4.847
	10/11 Capital Grant (Ex PSHG)	4.598
	Decrease	(249)