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<b>Report To:</b>	<b>The Inverclyde Council</b>	<b>Date:</b> 20 <sup>th</sup> December 2012
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b> FIN/108/12/AP/LA
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b> 01475 712223
<b>Subject:</b>	<b>2013/16 Budget – Updated Position</b>	

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to update the Council in respect of the latest position of the 2013/16 Revenue Budget following publication of Finance Circular 5/2012 by the Scottish Government and taking account of other developments subsequent to the meeting of the November Policy & Resources Committee.

## 2.0 SUMMARY

- 2.1 At the Policy & Resources Committee on the 13<sup>th</sup> November 2012 the Committee agreed to a number of actions which reduced the estimated 3 year revenue funding gap for the 2013/16 Budget to £8.042 million. At that meeting it was noted that a further update in respect of the 2013/16 Budget would be presented to the Council prior to the Christmas break.
- 2.2 On the 27<sup>th</sup> November the Scottish Government issued Finance Circular 5/2012 which detailed individual Council figures for 2013/14 and 2014/15. It should be noted that these figures are provisional and could be impacted upon by the Chancellor's Autumn Statement. The baseline figures for 2013/15 equate to those announced 12 months ago however there are a number of changes in respect of Police and Fire plus other relatively minor adjustments incorporated within the circular.
- 2.3 At the end of November Cosla made a pay award offer to all Trade Unions for the year 2013/14. The pay award was for a 1% pay award to all employee groups plus the implementation of a living wage of £7.50/hour from the 1<sup>st</sup> April 2013. At the Policy & Resources Committee on the 13<sup>th</sup> November 2012 the Council agreed to implement a living wage of £7.50/hour and back date this to the day of the Committee.
- 2.4 The body of the report contains proposals in respect of the treatment of a number of pay related budget pressures which if approved would reduce the 3 year funding gap by a further £1.16 million. This would leave the Council with approximately 4.7% to meet any pay awards made over the period 2013/16.
- 2.5 As previously advised the Corporate Management Team have also reviewed the Savings Workstreams Programme and recommended that a new Workstream Programme commence for the 2013/16 budget period. This is intended to build on the successful 2010/14 Workstream Programme which is projected to over recover by just under £0.8 million against the £23.56 million savings target. If the new proposals are factored into the current funding gap then this will reduce the savings needed by a further £2.04 million over the period 2013/16.
- 2.6 The initial position in respect of the 2013/16 Capital Programme shows a shortfall in resources of approximately £3.33 million over the 3 year period. Unless extra resources are identified or there are reductions in the annual capital investment then this funding gap will grow by approximately £1.7 million per year from 2015/16 based on the latest Capital Grant

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figures from the Scottish Government. It is proposed by the Corporate Management Team that £2.0 million from "Free" General Fund Reserves be used in 2015/16 to bring the 2013/16 funding shortfall back to an appropriate level.

- 2.7 Based on the 2011/12 out turn the projected surplus in 2012/13 and the current budgeted surplus in 2013/14, the Council will have a significant level of "Free" General Fund Reserves by the 31<sup>st</sup> March 2014. The Corporate Management Team have considered this matter and are recommending that the Council agree that an element of this be allocated to address a number of corporate requirements. These are detailed in Appendix 3 and will leave around £5 million available for Members to invest as part of the 2013/16 budget.
- 2.8 Based on all the above the latest estimated funding shortfall in the 2013/16 Revenue Budget is £4.74 million. Whilst this is a significant sum it represents a 70% reduction from the figure advised to Members in August 2012. Proposals will require to be agreed in February 2013 to fully close the funding gap to allow the Council to set a balanced 2013/16 Revenue Budget. A simple timetable for this is attached as Appendix 5.
- 2.9 A specific issue requires Council approval in respect of the Commissioning workstream where it is requested that Standing Orders be suspended to allow Corporate Directors more flexibility in delivering projects currently funded by the Regeneration Fund. This matter is covered in more detail in section 10 of the report.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Council note the Local Government Finance Settlement announced by the Scottish Government and that the figures are in line with previous information reported to Members.
- 3.2 It is recommended that the Council approve the proposed treatment of 3 pay related budget pressures and agree to these being scored against the pay inflation allowance within the Finance Strategy thus reducing the Funding Gap by £1.16 million.
- 3.3 It is recommended that the Council note the £789,000 over recovery in respect of the 2010/14 Workstream Savings Programme and agree in principle to the proposed Savings Workstreams for the 2013/16 Programme.
- 3.4 It is recommended that the Council note the position in respect of the 2013/16 Capital Programme and agree to use £2 million of General Fund Reserves to reduce the funding shortfall to £1.33 million over 2013/16.
- 3.5 It is recommended that the Council agree to the use of some of the projected "Free" Reserves as recommended by the Corporate Management Team and included in Appendix 3.
- 3.6 It is recommended that the Council note that in order to set a balanced budget in February 2013 for the period 2013/16 that a further £4.74 million savings require to be agreed by the Council and note that work is ongoing in this regard.
- 3.7 It is recommended that the Council agree to suspend Standing Orders in respect of a decision by the Environment & Regeneration Committee on the 25<sup>th</sup> of October 2012 Paragraph 617 (3) and agree that Corporate Directors progress the commissioning and procurement of services currently funded by the Regeneration Fund as detailed in paragraph 10.3 of the report.

Alan Puckrin  
Chief Financial Officer

## **4.0 BACKGROUND**

- 4.1 In August 2012 the Policy & Resources Committee were advised of a 3 year potential funding gap of £15.9 million based on a number of assumptions around pay awards, inflation and unavoidable budgetary pressures.
- 4.2 At its meeting on the 13<sup>th</sup> November 2012 the Policy & Resources Committee took decisions in respect of unavoidable budget pressures, a number of budget adjustments and 1% operational/efficiency savings presented by the Corporate Management Team. On the basis of these decisions the 3 year funding gap reduced to £8.042 million.
- 4.3 It was agreed that a further update in respect of the 2013/16 budget would be presented to the Council prior to the Christmas break.

## **5.0 RECENT NATIONAL DEVELOPMENTS**

- 5.1 On the 27<sup>th</sup> November the Scottish Government announced the finance settlement for the financial years 2013/14 and 2014/15. These figures should be treated as provisional as they will not be formally approved by the Scottish Parliament until March 2013.
- 5.2 Members are advised that the baseline figures incorporated within the recent budget announcement are the same as those included in the February 2012 Finance Circular. However it should be noted that there are a number of subsequent adjustments included in the circular in relation to the creation of the single Police Service and Fire Service plus a number of other relatively minor adjustments.
- 5.3 It should also be noted that the announced settlement for the Council includes no allowance for the continuation of £23 million of Council Tax support grant from 2014/15 onwards. Without this continued support the Council will face a further funding gap of approximately £450,000 from 2014/15. In addition £37.6 million has been held back in respect of Probationer Teachers and £33 million in respect of the Scottish Welfare Fund.
- 5.4 As previously advised the Council settlement is based on the assumption that it will agree to abide to certain conditions in respect of maintaining a Council Tax freeze for the period of the spending review, maintaining teacher numbers in line with pupil numbers and securing a place for all probationary teachers who require one. In the event that the Council does not comply with these requirements then as a minimum the Council's funding will be cut by approximately £1.6 million from 2013/14.
- 5.5 On 5<sup>th</sup> December the Chancellor of the Exchequer gave his Autumn Statement. In addition to confirming that the period of austerity is expected to be longer than previously advised he announced extra resources for Capital projects over the 2012/15 period but further reductions in revenue funding. Cosla have estimated that the latter will result in a £74m reduction to the Scottish Block in 2014/15, the impact on Local Government is unknown at this time.
- 5.6 At the end of November Cosla issued a pay award offer to all employee groups as follows:
  - (a) 1% pay award across all pay groups.
  - (b) The implementation of a Living Wage of £7.50 with effect from the 1<sup>st</sup> of April 2013.
- 5.7 At the Policy & Resources Committee on the 13<sup>th</sup> November 2012 the Council agreed to implement a Living Wage of £7.50 with effect from the date of that Committee. The latest estimated cost in 2013/14 to implement the Living Wage within the Council inclusive of seasonals and sessional employees is £450,000.

## **6.0 2013/16 REVENUE BUDGET DEVELOPMENTS**

- 6.1 At the November Policy & Resources Committee a number of pay related budgetary pressures were agreed to be funded from the Corporate Budget Pressures allowance. These were the implementation of the Living Wage, incremental drift in 2014/15 and the impact of auto enrolment to Pension Schemes. The estimated total annual cost of these pressures by 2015/16 was £1.16 million.
- 6.2 The current 2013/16 budget includes 2% per year over the 3 year period for pay inflation. It is recommended by the Corporate Management Team that the 2% annual allowance be used to fund all increases in the Council's pay bill and therefore it is proposed to transfer the £1.16 million mentioned above from Corporate Pressures to the Pay Inflation Allowance. The impact of this proposal would be to free up £1.16 million within the Budgetary Pressures Allowance and thus reduce the 3 year revenue funding gap by a similar amount.
- 6.3 If the Council were to agree to this recommendation then this would leave £5.03 million to fund pay inflation over the 3 year period. This would equate to an approximate 4.7% increase over the 3 year period.
- 6.4 The Corporate Management Team had previously undertaken to review the Workstreams Programme and recommend a new Workstreams Programme for implementation over the 2013/16 budget period.
- 6.5 Members are asked to note that latest projections are that the current 2010/14 Workstream Programme will over recover by £789,000 against the target of £23.56 million. This over recovery has already been built in to the 2013/16 budget figures.
- 6.6 Appendix 1 contains the proposed workstream programme for 2013/16 and it is recommended by the Corporate Management Team that the Council agree in principle to these workstreams and note the proposed savings target of £2.04 million over the 2013/16 period. As part of the February Council Budget report scoping papers for each of the new workstreams will be presented to the Council for consideration in order to provide more detail to Members.

## **7.0 DRAFT CAPITAL POSITION 2013/16**

- 7.1 Appendix 2 contains a summary of the draft 2013/16 Capital Programme on the basis of the latest Capital Grant figures announced by the Scottish Government and previously approved projects by the Council. It has been assumed for 2015/16 that the previously approved annual allowances for Roads, Property, ICT and Scheme of Assistance will continue.
- 7.2 It can be seen that over the 3 year period there is a funding shortfall of £3.36 million. It should be noted that £1.7 million of this increase occurs in 2015/16 and based on latest Government Grant figures and the Council's asset investment requirements the Council will have a recurring shortfall of £1.7 million thereafter.
- 7.3 Whilst phasings of projects specifically in 2013/14 require to be robustly reviewed by Officers it is not expected that the shortfall in the 2013/16 Capital Programme will reduce significantly prior to the February Council Committee. It is therefore proposed that the Council agree to £2 million of the "Free" General Fund Reserve being used to fund the 2013/16 Capital Programme and thus reduce the funding shortfall to an appropriate shortfall of £1.36 million.

## **8.0 GENERAL FUND RESERVES POSITION**

- 8.1 Appendix 3 contains the latest projected position in respect of the General Fund Reserves as at the 31<sup>st</sup> March 2014. It should be noted that this figure will move based on movements in the 2012/13 budget and also decisions in respect of the 2013/14 budget which is already sitting with a projected surplus of £3.26 million.

8.2 The Corporate Management Team have considered the significant projected “free” General Fund Reserves and are recommending an early decision in respect of a number of matters. These matters are outlined in Appendix 3 and would leave approximately £4.5 million of “free” General Fund Reserves for Members to agree a use as part of the 2013/16 budget. This sum will increase if Members approve the contents of this report.

## **9.0 OVERALL BUDGETARY POSITION**

9.1 Based on all the matters outlined above being agreed by the Council then Appendix 4 contains a high level overview of the 2013/16 position as follows:-

- 2013/14 - £4.032 million surplus
- 2014/15 - £0.532 million deficit
- 2015/16 - £4.742 million deficit

9.2 The funding gap of £4.742 million represents a 70% reduction from the position reported to the Council in August 2012. The remaining funding gap will require to be closed at the meeting on the 14<sup>th</sup> February 2013 on the basis of savings options which are being prepared by officers and which will thereafter be approved by Members.

9.3 Appendix 5 shows the high level timetable for events post New Year.

## **10.0 OTHER MATTERS**

10.1 At the meeting of the Environment & Regeneration Committee on the 25<sup>th</sup> October 2012 it was agreed in respect of the Regeneration Fund Programme that “delegated authority be granted to the Corporate Director Environment, Regeneration and Resources to develop specifications and tender packages post April 2013”. This proposal was in the context of delivering the £200,000 saving approved by the Council in February 2012 and which formed part of the Commissioning workstream savings.

10.2 This matter has been further discussed at the Commissioning Officer Working Group and it is believed that the £200,000 could be more effectively achieved by transferring the funding streams to the relevant Corporate Director and thereafter allowing Corporate Directors flexibility to decide whether to continue in house service provision, extend existing contracts for a limited period of time to review the most appropriate way forward or to adhere to the original timetable for new tenders being in place by April 2013.

10.3 The Corporate Management Team recommend that the Council suspend Standing Orders and substitute the decision made by the Environment & Regeneration Committee of 25<sup>th</sup> October 2012 as outlined in paragraph 10.1 above with the following “that the current Regeneration Fund budget be transferred to the relevant Corporate Directors who thereafter will review the projects under their remit and either continue the in house service provision with a view to potential mainstreaming or extending existing contracts to allow time to review current arrangements or proceed to tender for work packages for implementation in April 2013”.

## **11.0 CONSULTATION**

11.1 The Corporate Management Team continue to meet with the Trade Unions via the Joint Budget Group and they have been consulted on the contents of this report. It is clear that the future savings proposals to close the remainder of the budget gap will require detailed discussions with the Trade Unions prior to the budget setting day of the 14<sup>th</sup> February.

11.2 Discussions are commencing with relevant partners regarding potential savings and these will continue as proposals are further developed.

- 11.3 A Community Council Budget briefing is due to take place on the 17<sup>th</sup> December 2012 and the output from that meeting will be fed back to Members.
- 11.4 The Citizens Panel Budget Questionnaire responses have now been received and are currently being examined by Lowland Market Research. The results of these returns will again be made available to all Members.

## **12.0 EQUALITIES**

- 12.1 The equalities assessment for the 1% savings exercise has been completed by the Corporate Director Education, Communities and Organisational Development. It is clear that the next stage of savings will require a robust. Equalities Impact Assessment and again this work will be led by the Corporate Director Education, Communities and Organisational Development.

## **13.0 REPOPULATION**

- 13.1 Government Grant is influenced by the level of population and as such it is critical that Inverclyde stabilises its population to maintain its budget share and fund services to its citizens.
- 13.2 The elimination of the 3 year budget gap will enable the Council to demonstrate to its citizens that it is appropriately managing the Council's resources and that the Inverclyde Council has a sustainable future.
- 13.3 In considering the use of the "free" General Fund Reserves it is recommended that Members consider the use of some of the reserves to address the repopulation agenda.

Appendix 1

**Workstreams 2013/16**  
**Proposed Programme**

	2013/16 Target £000	New £000
	<hr/>	<hr/>
a) Utility Cost Reductions	163	-
b) AMP - Efficiencies	160	160
c) School Estate Plan - Efficiencies	190	190
d) Procurement	337	40
e) Home Care - Electronic Management System	200	100
f) 2015/16 - Operational/Efficiency Savings Target	750	750
Sub Total	<hr/>	<hr/>
	1800	1240

**New Workstreams**

Charging Policy	}	
Shared Services		
Modernisation		
Social Transport		800
Terms & Conditions		
Sessional Budgets		
		<hr/>
		2040

1/ **Current Workstreams applied to specific budgets but yet to be fully delivered (2013/16)**

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	£000
a) Senior Management Restructure	370
b) HR/Finance - November 2011 Savings	379
c) Commissioning	204
d) Local Environmental Teams	16
e) Roll Reduction	200

Finance Services  
December 2012

**2013/16 Capital Programme  
Summary**

<u>Funding</u>	<u>£million</u>
Government Capital Grant	19.116
Allocation to SEMP	(13.600)
Capital Receipts	1.792
Other Capital Grants	0.393
Prudential Funding	34.871
Balance Brought Forward	(0.037)
Use of Reserves	10.528
SEMP	35.969
Total Resources	<u>89.032</u>
 <u>Programme</u>	 <u>£million</u>
Policy & Resources	2.620
Environment & Regeneration	46.285
Education & Communities (Ex SEMP)	7.349
SEMP	35.969
CHCP	0.135
	<u>92.358</u>

**Shortfall £3.326 million**



**General Fund Reserves - Proposals**

	<u>£million</u>	<u>£million</u>
Projected Balance 1.4.13 (November P&R)		9.15
less :Error in Period 7 Waste Projection	(0.28)	
:Backdated Living Wage to 13.11.12	(0.13)	
add :Projected Surplus 2013/14 (November P&R)	3.26	<u>2.85</u>
		12.00
Recommended minimum level of "Free" Reserves		<u>(4.00)</u>
Estimated balance available for use by 31.3.14		8.00

**Corporate Management Proposals**

	<u>£million</u>
a) Adoption earmarked reserve (Approved November P&R)	0.3
b) 2013/16 Revenue Contingency (Approved November P&R)	0.6
c) Contribution to 2013/16 Capital Programme	2.0
d) Increased Costs - Inverkip Community Facility	0.25
e) Increased Officer Capacity - Corporate Projects	<u>0.35</u> (see over)
	<u>3.5</u>

On the basis of the above this leaves £4.5 million for Members to identify uses as part of the 2013/16 budget.

Finance Services  
December 2012

**CAPACITY EMR**

			<b><u>£000</u></b>
<b>1</b>	<b>Equalities Co-ordinator</b>	<p>To provide advice and support to the Council on promoting equality of opportunity to reduce the risk of unlawful discrimination in service delivery. Working cross the Council the role will ensure that statutory requirements relating to equality and diversity are achieved and to progress the Council's commitment to equalities across all services. The postholder will provide support to management across the Council, prepare statistical reports and returns on behalf of the Council and liaise with appropriate community groups to inform them of our policy development.</p> <p>The grade will be grade I for a 2 year period</p>	<b>85</b>
<b>2</b>	<b>Information Governance Policy Officer</b>	<p>To assist in the development and implementation of the Council's approach to information governance, records management and data protection. To support the Corporate Director CHCP in his role as information governance champion and service the Information Governance Group, to review all Council procedures, draft policies and guidelines in respect of information governance.</p> <p>The grade will be grade I for a 2 year period.</p>	<b>85</b>
<b>3</b>	<b>External Funding Officer</b>	<p>To lead on behalf of the Council in obtaining external funding. To work with services and external agencies and partners to prepare external bids to obtain funding. The post holder will require to keep abreast with how and where external funding can be obtained from a variety of sources including lottery, government and other agencies and be able to co-ordinate bids on behalf of the Council.</p> <p>The grade will be grade I for up to 3 years.</p>	<b>125</b>
<b>4</b>	<b>Communications Assistant</b>	<p>To support the Communications Officer (Media) in delivering a effective press and media function for the Council including developing Social Media communication options, assist in the review of the Council's Website, the In View publication, assist with the events programme and assist in a review of the Council's website. The post will also assist Council Services to create and maintain own online content.</p> <p>The grade will be Grade F for a 2 year period.</p>	<b>55</b>

**Revised Base Budget**  
**2013/14 - 2015/16**

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cumulative Budget Gap - November 2012	(3,263)	2,182	8,042
<b><u>Adjustments:</u></b>			
Rephasing of existing workstreams	136	60	0
Proposed & New Workstreams 2013/16	(85)	(470)	(2,040)
Additional GRG - Police & Fire Ongoing Costs	(50)	(50)	(50)
Transfer of pay pressures to Pay Inflation Allowance	(720)	(1,140)	(1,160)
Other Adjustments	(50)	(50)	(50)
<b>Revised Base Budget 2013/2016</b>	<b>(4,032)</b>	<b>532</b>	<b>4,742</b>

Budget Timetable Post New Year

3/1/13 - Municipal Buildings Re-open

8/1/13 - Joint Budget Group Signed Off Savings Options

10/1/13 - Savings Options issued to all Members



- Engagement with Political Groups/Trades Unions/Partners etc.

7/2/13 - Budget Report Issued.

14/2/13 - Special Council Meeting.

AP/LA  
20/12/12

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AP/LA  
20/12/12