
Report To:	Inverclyde Council	Date:	19th February 2015
Report By:	Chief Financial Officer	Report No:	FIN/08/15/AP/CM
Contact Officer:	Alan Puckrin	Contact No:	01475 712233
Subject:	2015/18 Budget		

1.0 PURPOSE

- 1.1 The purpose of the report is to provide the Council with necessary information in order that it can approve the Council's Revenue, Capital, Common Good Budgets and agree any use of Reserves. In addition the Council can thereafter confirm the Band D Council Tax for the financial year 2015/16.

2.0 SUMMARY

- 2.1 2015/16 represents the third year of the three year budget agreed by the Council in February 2013. The latest position of 2015/16 reflects the most up to date information received from the Government plus other information in respect of cost pressures and savings.
- 2.2 The Policy and Resources Committee have received a number of reports in recent months regarding the development of future years Revenue and Capital Budgets and this has been subject to extensive public consultation.
- 2.3 Section 5 details the terms of the 2015/16 Scottish Government Grant settlement and especially the recent developments regarding Teacher numbers. A decision is required by the Council on these matters.
- 2.4 A Members Budget Working Group (MBWG) has met on six occasions between the 1st December 2014 and 4th February 2015 to consider all aspects of the Council's budget and to arrive at a consensus on budget matters. The current position of the MBWG is contained in Section 1 of the attached budget booklet.
- 2.5 Based on the position of the MBWG the Council is asked to approve a 2015/17 Revenue Budget and a 2015/18 Capital Budget plus a 2015/17 Common Good Budget. This will however require the interim use of £3.298 million of Revenue Reserves in 2016/17 as detailed in the report and booklet.
- 2.6 The Council has also undertaken a comprehensive budget consultation and the results of this are outlined in Section 2 of the budget booklet. The MBWG considered the results of this consultation prior to arriving at the proposals in Section 1 of the booklet.
- 2.7 In order to ensure that by the time the Council formally approve the 2016/17 Revenue Budget there is no use of reserves then it is recommended that the Council agree to the continuation of the MBWG and that progress on developing the 2016/17 and beyond budgets is reported to the Policy and Resources Committee.
- 2.8 The Council has carried out Equality Impact Assessments where appropriate and these are included in Section 3 of the budget booklet.
- 2.9 As has been the case for the last number of years the Corporate Management Team has met with the four main Trade Unions as part of the budget development process. The views of the Trades Unions have been fed back to the Members via the MBWG and have helped shape the proposals put forward.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Council agrees to the conditions set out in the Scottish Government Finance Circular 9/2014 regarding Council Tax and Probationer Teachers and also agrees that the Council Leader writes to the Deputy First Minister by 20th February 2015 confirming that the Council intends to take up the revised terms outlined in the letter dated 5th February 2015 attached as Appendix 1.
- 3.2 It is recommended that the Council agrees the 2015/17 Revenue Budget as detailed in Section 1 of the Budget Booklet after having taken account of the feedback from the Budget Consultation Exercise.
- 3.3 It is recommended that the Council approves the use of Free Reserves as outlined in Section 1 of the Budget Booklet.
- 3.4 It is recommended that the Council approves the 2015/18 Capital Programme as detailed in Section 1 of the Budget Booklet.
- 3.5 It is recommended that the Council approves the 2015/17 Common Good Budget as detailed in Section 1 of the Budget Booklet.
- 3.6 It is recommended that the Council agrees that the Members Budget Working Group continue to meet to develop future years budgets with the specific target that by February 2016 the use of Revenue Reserves to balance the 2016/17 budget has been eliminated.
- 3.7 It is recommended that the Council notes the success of the Budget Consultation Exercise and agrees that a report on proposals for future years budget consultation be presented to the Policy & Reserves Committee by the Corporate Director Education, Communities & Organisational Development prior to the summer recess.
- 3.8 It is recommended that the Council notes that the formal Council Tax resolution will require to be approved as part of this meeting.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council set a three year Capital and Revenue Budget in February 2013. The three year budget was financially balanced by 2015/16 with surpluses being generated during the financial years 2013/14 and 2014/15.
- 4.2 In February 2014 the Council confirmed a financially balanced 2015/16 Revenue Budget and agreed that in the event the Scottish Government reviewed its grant distribution and that this would allocate further money to Inverclyde Council then £1.1 million of this was to be invested in the School Estate Management Plan.
- 4.3 The Policy and Resources Committee has received a number of reports during 2014/15 in respect of the future years Revenue and Capital Budgets. As part of these reports it was agreed to undertake an extensive public consultation and it was also agreed that a cross party Members Budget Working Group would be formed consisting of the Council Leader, Depute Leader, Leader of the SNP Group, Leader of the Liberal Democrat Group, the Conservative Councillor and the two Independent Councillors. The purpose of this group was to examine budget issues in more detail in a transparent and inclusive manner and where possible to achieve a consensus in respect of all aspects of the budget.

5.0 BUDGET SETTLEMENT 2015/16

- 5.1 As has been previously reported to the Policy and Resources Committee, the Scottish Government has announced a single year settlement covering the year 2015/16 and the announced figures were very much in line with those previously reported to Members. As such the start position for the 2015/16 Budget was a surplus £1.9 million.
- 5.2 The Scottish Government has not announced any estimated grant settlement beyond 2015/16 as the UK Government had provided no information to the Scottish Government on future years largely due to the imminent UK Parliamentary election. It is anticipated that following the election in May 2015 the new UK Government will undertake a spending review and make announcements in respect of future years Scottish settlement and this thereafter would allow the Scottish Government to provide information for 2016/17 and beyond to the Council.
- 5.3 The 2015/16 Scottish Government Grant announcement contained conditions as has been the case for the last eight years and the conditions for 2015/16 are that the Council agrees to freeze its Council Tax for 2015/16 and that the Council complies with the conditions outlined in paragraphs 5.6 to 5.8 relating to teaching.
- 5.4 As has been previously reported there are penalties attached to the Council not agreeing to these conditions. Were the Council to increase its Council Tax the penalty is estimated at £1.01 million. If the Council were not to agree to the Council Tax condition then the Council Leader would be required to write to the Deputy First Minister to this effect by 10th March 2015.
- 5.5 In addition, the condition which has been in place for a number of year around Teachers numbers was temporarily suspended pending the development of more outcome focus measures. There have been recent significant developments in this matter and these are detailed below
- 5.6 **Teacher Numbers Developments** – The Scottish Government wrote to Cosla on 5th February 2015 advising that if Councils agree to maintain the total number of Teachers employed by individual Local Authorities and maintain the Pupil Teacher ratio within their Authority at 2014/15 levels then the Council will receive its share of £10 million extra funding later in 2015/16. The Council's share of this funding is estimated to be approximately £150,000.
- 5.7 In the event the Council Leader does not write to the Deputy First Minister by 20th February 2015 accepting the terms of the offer then the Government will withhold the Council's share of £41 million currently built into the 2015/16 settlement. The Council's share of this sum is estimated to be approximately £600,000. In addition, the Council will not receive the £150,000 referred to in 5.6 above.

The full letter from the Deputy First Minister is attached as Appendix 1.

- 5.8 Based on the proposals contained in the Budget booklet then there is a net increase of 3.4 FTE in Teachers expected in 2015/16. Whilst there is a further 1.5 FTE reduction linked to previous decisions in respect of the SEMP, Officers believe the Council can achieve the targets set by the Government.

6.0 MEMBERS BUDGET WORKING GROUP

- 6.1 The Members Budget Working Group (MBWG) has met with the Corporate Management Team on six occasions since 1st December 2014 to review all aspects of the budget including the Capital Programme, Budget Pressures, Income and Charging, all 122 Revenue Budget Savings Proposals, the Common Good Budget, the Council's Revenue Reserves position and the results of the overall budget consultation.
- 6.2 The results of these deliberations are included in Section 1 of the attached budget booklet. The Council is asked to consider the contents of Section 1 of the budget booklet and intimate whether it wishes any amendments to be made.
- 6.3 As all Members have previously received a folder containing all 122 detailed saving sheets prepared by the Corporate Management Team, then those savings not proposed by the Members Budget Working Group are not all included in the Budget Booklet.
- 6.4 It can be seen from the proposals submitted that in 2015/16 there is now a projected surplus of £2.587 million whilst in 2016/17 there is a deficit of £3.298 million. There is also a recommendation that in 2016/17 that General Fund Reserves are used as a temporary measure to balance the 2016/17 Revenue Budget in lieu of clarification of a number of issues in respect of the 2016/17 budget including the grant level, further information in respect of inflation pressures including pay inflation and further information relating to some of those savings advanced by the Corporate Management Team.
- 6.5 If this approach is approved by the Council then it would be logical for the Members Budget Working Group to continue to meet throughout 2015/16 to develop proposals to ensure by February 2016 the 2016/17 Revenue Budget is balanced without the use of reserves. Regular updates would be given to the Policy and Resources Committee and service committees as appropriate throughout 2015/16.
- 6.6 Appendix 5 of Section 1 of the Budget Booklet outlines the significant amount of work officers will require to undertake in the next 12 months. The initial action will be to create a timed Work Plan, taking account of available capacity and report this to the Members Budget Working Group by the end of May 2015.

7.0 BUDGET CONSULTATION

- 7.1 The Policy and Resources Committee approved a budget consultation strategy which was the most comprehensive yet undertaken by the Council.
- 7.2 The results of this budget consultation are included in Section 2 of the budget booklet and have been considered by the Members Budget Working Group prior to arriving at the proposals in Section 1 of the booklet.
- 7.3 A further report highlighting any lessons learned and proposals for future years' budget consultations will be presented to the Policy and Resource Committee prior to the summer recess by the Corporate Director Education, Communities and Organisational Development.
- 7.4 In addition to the public consultation, the Joint Budget Group which comprises the Corporate Management Team and the four main Trades Unions has continued to meet as has been the case for a number of years. The Joint Budget Group continues to provide a valuable forum for the development of saving proposals and the Joint Budget Group has been able to provide some

feedback to the Members Budget Working Group which has also helped shape the proposals put forward.

8.0 BUDGETS BEYOND 2016/17

- 8.1 As it has been indicated above, it is expected that the UK Government will carry out a spending review in summer of 2015 and thereafter there should be a multi-year budget announcement from the UK Government. It should be noted however that this does not guarantee that the Scottish Government will carry out a similar multi-year announcement given the proximity of the Scottish Parliament elections in May 2016.
- 8.2 The Corporate Management Team would strongly recommend that the Council should continue to prepare multi-year Revenue budgets to aid policy development, service planning and delivery and to minimise the impact on the employees and service users who may be adversely effected by the expected further reduction in public sector funding in coming years.
- 8.3 Throughout this, the Members Budget Working Group could have a pivotal role in continuing the development of multi-year budgets within the Council.

9.0 IMPLICATIONS

Finance

- 9.1 The financial implications are outlined in report and the booklet.

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
N/A					

Legal

- 9.2 It is a legal requirement for the Council to agree a balanced budget and Council Tax for the forthcoming financial year.

Human Resources

- 9.3 Any approved reduction in employee numbers will be managed through existing HR policies and procedures and be subject to the relevant consultation.

The Council has a Redundancy Policy, however as has been the case in previous years, a key objective is to avoid the need for compulsory redundancies, if at all possible.

Equalities

- 9.4 It is a legal requirement that appropriate equality impact assessments are carried out and this has been done by officers. The resultant equality impact assessments are attached in Section 3 of the budget booklet and no issues are highlighted in respect of the proposed savings.

Repopulation

- 9.5 The continuing annual reduction in Council grant largely arising from reductions in population emphasise the need for the Council to arrest the decline of the area's population.

10.0 LIST OF BACKGROUND PAPERS

10.1 Scottish Finance Circular 9/2014

10.2 Inverclyde Council detailed savings sheets issued November 2014.

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Copy to: The Leaders of all Scottish local authorities

5 February 2015



TEACHER NUMBERS 2015-16

Further to my letter of 9 October 2014 setting out the terms of the local government finance settlement for 2015-16, I write now to confirm the terms of a revised offer and commitment with regard to teacher numbers.

The Scottish Government has been consistent in our commitment to maintain teacher numbers in line with pupil numbers as a central part of our priority to raise attainment and we have provided significant additional funding through the settlement specifically to support that commitment.

As part of this year's budget process we agreed to enter discussions with COSLA on moving towards an outcomes based approach to educational including teacher numbers. However, as a result of the disappointing results of the Pupil and Teacher census published in December, which saw the number of teachers decline last year and the ratio of pupils to teachers rise, the Scottish Government advised COSLA that we had cause to review our approach.

As I was at pains to stress in my statement to Parliament yesterday in the debate on the Budget Bill, we have worked successfully in partnership with local authorities through COSLA and the Government remains fully committed to that partnership.

In recent discussion with COSLA, and in line with our objective to maintain teacher numbers, I have offered to suspend the penalty for 2014-15 that the Government would otherwise have been entitled to apply as a result of the rise in Pupil – Teacher Ratio (PTR) shown in the Pupil Teacher Census published in December 2014. I also offered to provide a further £10 million, the amount requested by COSLA, in 2015-16 on top of the £41 million already included in the settlement allocation to support the employment of teachers.



However, so far, COSLA Leaders have collectively been unable to agree what I consider to be a fair and generous offer of funding support from the Government to maintain teacher numbers.

Given that I was addressing the final stage of the Budget Bill in Parliament yesterday, I therefore had no alternative, in order to protect teacher numbers and deliver the educational standards we want to see, but to make that funding available on a council by council basis to those who are prepared to sign up to a clear commitment to protect teacher numbers.

Specifically, individual local authorities are invited to agree formally for 2015-16 to protect the number of teachers within their authority in order to secure:

- The maintenance as a minimum of the total number of teachers employed by individual local authorities at 2014-15 levels and also the maintenance, as a maximum, of Pupil Teacher Ratio for schools within their authority at the 2014-15 levels, for each individual local authority both as reported in the Pupil and Teacher Census published in December 2014; and
- Places for all probationers who require one under the teacher induction scheme.

In return, provided local authorities sign up to the terms of the offer the £41 million already included in the settlement will continue to be available from the start of the new financial year as planned. Provided the commitment is met, as confirmed in the publication of the annual Pupil Teacher Census statistics in December 2015, the Scottish Government will make available a share of an additional £10 million for 2015-16 to those authorities in recognition of the general budget pressures authorities are facing to help ensure the delivery of the teacher numbers commitment. A failure to deliver will also result in a further clawback in relation to the £41 million funding currently included in the settlement.

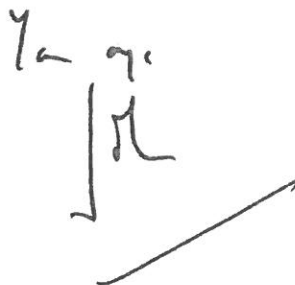
Delivery of this commitment will be monitored and the Scottish Government will gather updated information on teacher numbers at an individual local authority level in March, June and August 2015. This may be subject to review if this information identifies a potential failure to deliver.

However, any council which does not formally make that commitment and demonstrate that it can be achieved will have their share of the £41 million removed from their settlement allocation before the start of the new financial year.

I will require all Council Leaders to write to me confirming that they intend to take up the terms of this revised offer and agree to deliver the revised teachers commitment set out above by no later than 20 February in order to enable appropriate funding to be available.

Looking ahead, work on an educational outcome based approach which we have embarked on jointly to consider a broader range of indicators of improvement, and which would also include teacher numbers as an important contributory factor, will continue over the course of 2015-16 and continue to engage other parties, in particular trade unions, parent bodies and others with an interest in educational outcomes.

All other terms of the local government finance settlement offer for 2015-16, including the commitment to deliver a council tax freeze, as set out in my letter of 9 October 2014 remain unchanged.

Handwritten signature of John Swinney, consisting of a stylized 'J' and 'S' with a long horizontal stroke extending to the right.

JOHN SWINNEY