
Report To:	Policy & Resources Committee	Date:	17th November 2015
Report By:	Chief Financial Officer	Report No:	FIN/101/15/AP/CM
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	2016/18 Budget Update		

1.0 PURPOSE

- 1.1 The purpose of the report is to update Committee on the current position of the 2016/18 budget and to seek decisions from Committee regarding savings options to form part of the Budget Consultation exercise to commence in late November.

2.0 SUMMARY

- 2.1 The Committee took a number of decisions at its last meeting which reduced the 2016/18 funding gap to £2.22million after the temporary use of £2.0million of reserves in 2017/18. In addition the Committee agreed uses for some of the Free Reserves but agreed to defer decisions on the remaining balance.
- 2.2 No new information has been received from the Government which will impact on the previously advised funding gap although the latest indication is that the Scottish Government will announce a one year settlement prior to Christmas.
- 2.3 Officers have been meeting with the Members Budget Working Group (MBWG) to develop a package of potential savings for Public Consultation. As part of this exercise a number of proposals which are efficiencies or budget adjustments have been identified and it is recommended by the MBWG that these proposals be applied prior to arriving at the funding gap for Public Consultation. A list of these efficiencies /budget adjustments is shown in Appendix 1.
- 2.4 At the last Policy & Resources Committee it was agreed to allocate £300,000 for Budget pressures in 2017/18 thus freeing up £700,000 of the £1million provisionally allocated in the Budget Strategy. The Committee are advised that other pressures have been identified with Residential Childcare, the Common Good plus issues raised by the MBWG. At this point in time therefore the recommendation from the CMT would be to increase the pressures allowance to £600,000 in 2017/18. The Council would finalise the actual requirement at the Budget Meeting in February.
- 2.5 A summary of the items proposed for consultation is attached as Appendix 2 with the detailed savings sheets having been issued to all members prior to the meeting. It should be noted that the proposals total £2.047million by 2017/18 which means that based on a funding gap of £0.833 million (on the assumption Committee agree the proposals in Appendix1, increasing the 2017/18 pressures allowance by £0.3million and after the use of £2.0 million reserves), then options exceed the target by over 145%.
- 2.6 Following agreement of the list of savings to be subject to public consultation the Budget Simulator will be finalised and then a comprehensive consultation exercise will commence, the details of which have been subject to previous reports to Committee.
- 2.7 In the period to the next Committee in early February officers will be firming up the key budget figures such as the Government Grant settlement, contract and pay inflation plus any conditions associated with the Grant settlement.

2.8 Liaison with the Trades Unions is on-going via the Joint Budget Group and communication with employees potentially impacted by the budget decisions has commenced. It should be noted that the proposals included within this report will be delivered by either deletion of vacancies, redeployment into similar roles, release of temporary employees or Voluntary Early Retiral (VER).

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee approve that the efficiencies/budget adjustments outlined in Appendix 1 be applied.
- 3.2 It is recommended that the Committee agree to increase the 2017/18 Pressures allowance to £600,000 pending final decisions at the February Budget meeting.
- 3.3 It is recommended that the Committee agree the package of savings to be subject to Public Consultation based on the information supplied in Appendix 2.
- 3.4 It is recommended that the Committee otherwise note the contents of the report.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council has agreed a Budget Strategy based on setting a 2016/18 Revenue Budget supported by a temporary use of up to £2.0 million from reserves in 2017/18 if required.
- 4.2 At the last meeting of the Committee various savings proposals were agreed which resulted in 2016/17 showing a surplus of £1.1million and 2017/18 showing a deficit of £2.2million after the temporary use of £2.0million of Reserves, this position being subject to a number of significant assumptions around the Government Grant settlement, inflation and Council Tax.
- 4.3 The Committee have also agreed a number of proposals to use some of the Free Reserves and also agreed that decisions on the use of the balance would be taken later in the budget process.
- 4.4 The Committee has previously agreed a Budget Consultation process which is scheduled to commence later this month.

5.0 PROGRESS SINCE THE LAST COMMITTEE REPORT

- 5.1 No new information has been received from the Government which will impact on the previously advised funding gap and the latest indication from the Scottish Government is that a one year settlement is still likely to be announced prior to Christmas.
- 5.2 Committee have previously been advised of the approach to developing savings for 2016/18 whereby all service areas of the Council outlined the implications of a 10% or 25% budget reduction and thereafter the MBWG agreed which of the areas should have more detailed proposals developed. This initial process resulted in 29 detailed savings sheets totalling £4.81 million being developed.
- 5.3 As part of this exercise a number of proposals which are efficiencies or budget adjustments have been identified and it is recommended by the MBWG that these proposals be applied prior to arriving at the funding gap for Public Consultation. A list of these efficiencies /budget adjustments is shown in Appendix 1 and totals £1.691 million by 2017/18.
- 5.4 The MBWG thereafter considered the remaining detailed proposals and have refined these proposals down to £0.766million covering 9 service areas within the Council.
- 5.5 In tandem with this Officers have been progressing detailed reports in respect of savings which were not taken in the February 2015 budget round but on which the MBWG requested further information. Having considered this further detail, these options have been reduced to 3 service areas totalling £0.531million savings by 2017/18. MBWG also recommend that consultation take place on an increase in Council Tax.
- 5.6 Therefore taking both savings groups together the MBWG would propose that Committee agree to consult upon a total of 13 options with a potential total saving of £2.047million by 2017/18. These are summarised in Appendix 2. All members have been issued the detailed savings sheets for these items in advance of today's meeting.
- 5.7 Following agreement on the list of savings to be subject to Public Consultation, the Budget Simulator will be finalised and then a comprehensive consultation exercise will commence, the details of which have been subject to previous reports to Committee
- 5.8 At the last Policy & Resources Committee it was agreed to allocate £300,000 for Budget pressures in 2017/18 thus freeing up £700,000 of the £1million provisionally allocated in the Budget Strategy. The Committee are advised that other pressures have been identified within Residential Childcare, the Common Good plus issues raised by the MBWG. At this point in time therefore the recommendation from the CMT would be to increase the pressures allowance to £600,000 in 2017/18. The Council would finalise the actual requirement at the Budget Meeting in February.

5.9 Appendix 3 tracks the reduction in the funding gap from that included in the June 2015 Finance Strategy.

6.0 NEXT STEPS

- 6.1 Aside from the extensive Public Consultation exercise, the period to the next meeting of the Committee will focus on removing as much uncertainty around the 2016/18 budget as possible. This will include clarifying the Government Grant detail and any associated conditions plus firming up on inflation projections and any emerging pressures/budget reduction opportunities.
- 6.2 Communications with employees will continue and this will consist of consultation with employee groupings directly affected by the savings proposals but also the wider workforce.

7.0 IMPLICATIONS

7.1 Finance

The savings options in Appendix 2 exceed the projected funding gap of £0.833million by over 145% This should provide sufficient flexibility for a legally balanced 2016/18 budget to be set in February.

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					

7.2 Legal

There are no legal implications arising from this report.

7.3 Human Resources

The proposals in Appendix 1 and Appendix 2 have very limited impact on employees within the Council and Officers are confident that all can be managed via deletion of vacancies, release of temporary employees, turnover or VER.

7.4 Equalities

The need for Equality impact assessments has been clearly identified on the appropriate detailed savings sheets. These are being progressed in tandem with the Budget Consultation.

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

7.5 Repopulation

The savings have been designed to limit the impact on the Council's Repopulation agenda.

8.0 CONSULTATIONS

8.1 Consultation with the Trades Unions via the JBG is an on-going process and the Trades Unions have fed comments into the savings consideration process.

8.2 The Budget Consultation process will reach all parts of the community and a report on the consultation responses will be presented to the Council in February.

9.0 LIST OF BACKGROUND PAPERS

9.1 Detailed savings sheets issued to all members prior to Committee.

Budget Adjustment/Efficiencies

Type	Detail	Impact	
		2016/17 £000	2017/18 £000
a) Adjustment	Reduction in CCTV Budget Pressure - Detail in report to November Education & Communities Committee.	47	47
b) Efficiency	Negotiated reductions in payment to 4 major commissioned Social Care Services. Confirmed there is no impact on Services delivered.	-	222
c) Efficiency	Reduction in client package within Physical Disabilities due to change in clients circumstances. Already in place.	50	50
d) Efficiency	Planned negotiated reduction in commissioned services within Physical Disabilities with no impact on Service users.	-	48
e) Adjustment	Reduction in unallocated Welfare Reform recurring funding. Use of the remaining £160,000 will be the subject of a report to the February P&R Committee.	60	60
f) Adjustment	Realigning the Winter Maintenance budget based on recent years expenditure.	70	70
g) Efficiency	Environmental Services Management Restructure.	36	100
h) Efficiency	Full implementation of LED Lighting technology will release energy and maintenance savings of £267,000 by 2018/19.	-	194
i) Efficiency	Restructure within Internal Audit.	19	19
j) Adjustment	Increase Prior Years Council Tax to match 2014/15 performance.	80	80
k) Efficiency	Renegotiate Council mobile telephony contract and review ICT maintenance agreements.	52	52
l) Efficiency	Procurement savings target.	14	28
m) Adjustment	Review Planning overheads budgets.	-	16
n) Efficiency	Minor reduction in Safer Communities overtime budget.	-	2
o) Adjustment	Remove over recovery from earlier HSCP Learning & Development restructure.	4	4
p) Efficiency	Merge Corporate & Registrars reception desk.	-	17
q) Adjustment	10% reduction in Property Planned Maintenance budget.	-	180
r) Efficiency	ICT Restructure	23	23
s) Adjustment	Other Education - Substitute funding for employee costs and over heads.	33	33
t) Efficiency	Delete 2 vacant Education HQ Clerical posts.	35	35
u) Efficiency	Accountancy Restructure.	-	40
v) Adjustment	Correct Early Years budget to reflect capacity and timing of cohorts.	200	200
w) Efficiency	Increase turnover target by 10%.	130	130
x) Efficiency	Safer Communities Restructure.	41	41
Total		894	1691

Savings Proposals for Public Consultation

Type	Detail	Impact		
		2016/17 £000	2017/18 £000	
a) Income	Increase daily parking charge to £2.	-	70	
b) Income	10% increase in cremation charges and 2% increase in burial charges	-	54	
c) Service Reduction	Review NDR Discretionary Relief Policy .	-	20	
d) Service Reduction	Reduce contribution to Valuation Board by 5%.	-	25	
e) Service Reduction	Reduction in Regeneration Revenue funding.	-	77	
f) Income	Reduction in Free Swimming subsidy of up to £242,000 (3 options to be consulted upon).	-	242	
g) Service Reduction	Cease small repairs service.	-	52	
h) Service Reduction	Reduce corporate advertising net spend.	-	23	
i) Income	Implement £2.35/week charge for Community Alarms.	-	203	
j) Service Reduction	School Transport (2 options)	-	140	*
k) Service Reduction	Kirn Drive (2 options)	-	140	
l) Income	Waivers (2 options)	-	111	
m) Income	Council Tax Increase	-	750	
Total		-	1907	

* This is a part year impact which will increase to £200,000 over a full year.

2016/18 Funding Gap
Updated Position

Issue	2016/17 £m	2017/18 £m	Note
Finance Strategy Funding Gap	3.3	9.3	
2015/17 Pay Inflation Saving	(2.0)		1
2015/17 Non-Pay Inflation Saving	(0.8)		2
2016/17 Lower Grant Reduction	(0.2)		3
2016/17 Contracting Out Cost Reduction	(0.2)		4
2017/18 Lower Grant Reduction		(1.0)	5
2017/18 Use of Reserves		(2.0)	6
Position August P&R	0.1	6.3	
Loans Charge Savings	-	(2.02)	
SEMP - Loans Charge Reduction	-	(0.20)	
2% Budget Top Slice	(0.82)	-	
2% Income Inflation	(0.11)	(0.11)	
Realign School Transport Budget	(0.22)		
2017/18 Pressures not required	-	(0.70)	
Position September P&R	(1.05)	3.27	
<u>Efficiencies & Adjustments</u>			
Proposed - Appendix 1	(0.89)	(0.80)	
Increased Pressures		0.3	
Position November P&R	(1.94)	2.77	

Funding Gap 2016/18 = £0.833 million

1/ Based on 2.75% pay award over 2015/17 including further Living Wage Uplift. Leaves 2.0% allowance in 2017/18

2/ Based on allocations known to date extrapolated forward.

3/ Assumes a 1% Cash cut for Local Government adjusted for NDR but £1 million loss due to depopulation.

4/ Based on current payroll.

5/ Assumes 1.5% GRG cut and £1 million depopulation cut.

6/ Use of Reserves on a temporary basis could be considered however the intention is that this is fully eliminated by the time the 2017/18 budget is formally approved in February 2017. Proposal equals 1% of Budget.

A Puckrin
November 2015