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| Report To: | Inverclyde Council | Date: | 16th February 2017 |
| Report By: | Chief Financial Officer | Report No: | FIN/10/17/AP/CM |
| Contact Officer: | Alan Puckrin | Contact No: | 01475 712223 |
| Subject: | Inverclyde Council Budget – 2017/18 | | |

1.0 PURPOSE

- 1.1 The purpose of this report is to provide the necessary information to allow the Council to approve a balanced 2017/18 Revenue Budget, a 2017/20 Capital Programme, approve the 2017/18 Common Good Budget and approve the Band D Council Tax for the Financial Year 2017/18.

2.0 SUMMARY

- 2.1 The Policy & Resources Committee has received various reports on the Budget Strategy and the Budget Settlement throughout the last 12 months. In addition, the Council received updates on the Financial Strategy in June and December, 2016. All the reports have indicated the significant financial challenges the Council faces in the short and medium term.
- 2.2 The draft Local Government Funding Settlement for 2017/18 was announced in December, 2016 with extra funding for the Council announced on 2nd February 2017. The total sum announced is lower than had been reflected in the Financial Strategy. In addition the settlement had various conditions attached. The Council need to confirm at today's meeting whether it intends to reject these conditions as part of the Budget setting process. The conditions are included in the letter from the Cabinet Secretary in Appendix 2.
- 2.3 The draft Settlement also included £120 million extra funding for Schools and Inverclyde schools are due to receive £2.464million from this sum in 2017/18. Details on the use and administration of this funding are still being developed but it has been confirmed that the funding cannot substitute existing Council expenditure.
- 2.4 The overall Scottish Budget included £107million given to Health for Integrated Joint Boards. The Government has advised that in light of this funding, Inverclyde Council can reduce the contribution to the IJB to a minimum of 2016/17 IJB payment less £1.410million. Recommendations in this regard are included in the report. This will require approval by the IJB in March.
- 2.5 The latest position of the Revenue Budget shown in Appendix 3 is that there is a projected Budget deficit of £1.140 million in 2017/18 which increases to £10.560 million for the period 2017/19. This is before any potential increase in Council Tax.
- 2.6 The approved Budget Strategy for the February 2017 Budget meeting is to use Reserves to balance the 2017/18 budget and to meet approximately 33% of the 2017/19 Budget funding gap. This is in lieu of recurring savings, options which are being developed by officers for consideration by the new Council later in 2017. The advice of the Chief Financial Officer on this approach is contained in Section 13 of the report.
- 2.7 On the basis of the figures in Appendix 3 then there is a projected £5.5 million from Free Reserves for the Council to utilise. The recommendations from the Members' Budget Working Group are attached in Appendix 5.

- 2.8 The Council's Common Good Budget has been reviewed to put it on a more sustainable footing and it is proposed to move £21,600 of expenditure back into the General Fund Budget from 2017/18. In this way the Common Good Fund will be able to begin to build up reserves to a more appropriate level.
- 2.9 The draft 2017/20 Capital Programme is attached at Appendix 7 and reflects proposals from the Environment & Regeneration Committee for 3 areas of increased investment, (Roads Assets, Cemetery provision and Open Spaces) plus a proposal from the Members Budget Working Group to set aside match funding for an Indoor Sports Facility for tennis and other sports. The 3 year programme proposed is realistic within the estimated resources available.
- 2.10 Without doubt the Council is facing unprecedented financial challenges and based on the latest information from external commentators and using available internal projections, then the new Council will require to consider significant service reductions in many areas in addition to introducing new and increased charges to the public. A potential scenario for "unprotected" parts of the Council's services is shown in Appendix 8.
- 2.11 It had been agreed that a high level budget consultation take place between November and January via a survey monkey. The purpose of the consultation being to inform the consideration of future years budgets. A summary report on the findings is attached as Appendix 9.
- 2.12 The Council requires to approve the level of Band D Council Tax for 2017/18. The current Band D Council Tax is £1198. Following the end of the 9 year Council Tax Freeze, the Government is allowing Councils to increase Council tax by up to 3% in 2017/18. A 3% increase would raise approximately £862,000 in 2017/18 and would apply to all Bands and be in addition to the "Multiplier" change increases for Bands E-H.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Council consider the recommendations from the Members' Budget Working Group that:
1. The Council does not reject the conditions as set out in the letter from the Cabinet Secretary for Finance and the Constitution dated 15th December, 2016.
 2. The Council approves that the payment from the Council to the IJB in 2017/18 be £47.380 million after taking into account the extra funding allocated to the IJB via the Health Budget.
 3. The Council approves the £59,000 reduction in the Inverclyde Leisure Management Fee due to IL withdrawing from the SLA with the Council's HR service.
 4. The Council approves the 2017/19 Budget adjustments and allowances in Appendix 3 and agree that the resulting deficit in 2017/18 will be funded from reserves in line with the approved Budget Strategy.
 5. The Council approves the use of Free Reserves as detailed in Appendix 5 and notes the advice from the Chief Financial Officer in Section 13 regarding the use of Reserves to fund the Revenue Budget deficit.
 6. The Council approves the 2017/18 Common Good Budget as set out in Appendix 6.
 7. The Council approves the 2017/20 Capital Programme as detailed in Appendix 7.
 8. The Council notes the potential significant reductions in Council services over the medium term.

9. The Council supports the retention of current rates paid to apprentices per paragraph 13.3
10. The Council considers the feedback from the Budget Consultation outlined in Appendix 9 and notes that this information will be used to inform the development of future budget savings.
11. The Council agrees that the level of Band D Council Tax remain at £1198 for 2017/18 and approves the necessary Resolution.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Policy & Resources Committee on 29th September approved the Budget Strategy for the February 2017 Council meeting on the basis of no reductions to service delivery over and above the savings already agreed and that any remaining funding gap in 2017/18 would be met from Reserves. In addition it was agreed in recognition of the difficulty the new Council would face in delivering full year savings in 2018/19, that Reserves would be set aside to fund approximately 33% of the estimated 2017/19 funding gap.
- 4.2 It had been announced earlier by the Scottish Government that they would only be announcing a 1 year settlement covering 2017/18 in December, 2016.
- 4.3 Officers have been progressing the development of savings proposals for consideration by the new Council. These proposals are intended to provide options totalling approximately £20million and are based around Service Reduction, Service Withdrawal and Income Generation.
- 4.4 The Members' Budget Working Group has continued to meet during the development of the proposals to be considered at today's Council Meeting. The recommendations in the report reflect the consensus of the Group.

5.0 LOCAL GOVERNMENT SETTLEMENT

- 5.1 The draft Local Government Settlement was announced on the 15th December and resulted in a lower than anticipated revenue grant settlement. There has been much debate over the level of the settlement due to the ring fencing of extra money for schools, allocation of money to Health for IJBs and the assumptions around Council Tax increases.
- 5.2 As part of obtaining support for the budget through Parliament, the Scottish Government announced £160 million extra funding for Councils on 2nd February 2017. Inverclyde Council's share of this funding is £1.983 million (Revenue) and £0.378 million (Capital).
- 5.3 Appendix 1 shows in summary form the impact on the Council of these factors and it can be seen that the Council is getting approximately £3.7 million less funding in 2017/18 for the services it currently delivers. This is prior to taking into account increased costs arising from Pay Awards, Apprenticeship Levy, Auto-enrolment and general cost and demand pressures.
- 5.4 As in prior years, the Funding Offer has conditions attached and the letter dated 15th December from the Cabinet Secretary, Finance and the Constitution sets these out (Appendix 2). The conditions are:
 1. Maintain the overall pupil teacher ratios at 2016/17 levels.
 2. Secure a place for all probationers who require one under the teacher induction scheme.
 3. Increase Council Tax by a maximum of 3%

Whilst a timescale of 20th January was given for the Council to not accept this offer, the Council Leader advised the Cabinet Secretary that the Council would not be considering this matter until 16th February. The Council therefore requires to agree if it does not want to accept the offer as one of the decisions at today's meeting.

- 5.5 In the event the Council does not accept the offer then it needs to be aware that the Cabinet Secretary has advised that " a revised, inevitably less favourable offer will be made". The timing of this offer is uncertain but would require a special meeting of the Council to consider the implications.
- 5.6 The draft Local Government Settlement also included £120 million extra funding for Schools and Inverclyde schools are due to received £2.464million from this sum in 2017/18. Details on the use and administration of this funding are still being developed but it has been confirmed that the funding cannot substitute this for existing Council expenditure and therefore cannot assist in closing the

budget funding gap.

6.0 CURRENT POSITION OF THE 2017/19 REVENUE BUDGET

- 6.1 The proposed 2017/19 Revenue Budget is shown in Appendix 3. From this it can be seen that the 2017/18 funding gap is £1.140million whilst the 2017/19 funding gap is £10.560million.
- 6.2 Both the funding gaps are prior to any increase in the Band D Council Tax. A 3% increase would generate approximately £862,000 for each year it was applied.
- 6.3 The funding gaps reflect the latest projected Council Tax base including the on-going reduction in Council Tax Reduction costs. It also reflects two budget pressures and a reduction to various budgets which are projecting underspends in 2016/17, most of which are continuing on from underspends in 2015/16. The Corporate Management Team have agreed that these can be reduced with no impact on Service delivery. In one case; ASN travel, this requires the creation of a “smoothing” earmarked reserve” in line with the approach taken for Winter Maintenance and Residential Schools, both of which have operated successfully for a number of years.
- 6.4 One adjustment which requires specific approval relates to Inverclyde Leisure who have asked for a £59,000 reduction in their Management Fee on the basis that they will no longer receive (or pay for) services from HR. The financial net effect of these 2 adjustments is neutral.
- 6.5 The largest single adjustment relates to the reduction in the payment to the IJB and this is explained in more detail below.

7.0 CONTRIBUTION TO THE IJB

- 7.1 The Scottish Government allocated a further £107million to Health for IJBs in 2017/18 to add to the £250million allocated in this manner in 2016/17.
- 7.2 The proposed use of this sum is as detailed below:

| | |
|------|---|
| £50m | - Full year effect of 2016/17 Living Wage agreement to pay £8.25/hr from 1/10/16 |
| £20m | - £20m - Increase from £8.25 - £8.45 from 1/4/17 |
| £10m | - Extra funding for sleepovers (initial allowance) |
| £20m | - Sustainability (recognition that not all partners contributed 25% to the 2016 Living Wage Uplift and that this was met by Councils) |
| £5m | - Cost of implementing charging disregards for Veterans War Pensions |
| £2m | - Initial costs in preparing for the Carers Legislation in 2018/19 |

£107m

- 7.3 The Government has advised that Councils can reduce their contribution to the IJBs in 2017/18 to no less than their 2016/17 contribution less their share of £80million. For Inverclyde the share equates to £1.41million.
- 7.4 In light of the extremely challenging financial position faced by the Council it is proposed that the Council reduce the payment to the IJB in 2017/18 as detailed in Appendix 4. The Chief Officer of the IJB has confirmed that this level of payment will still allow the current level of Social Care Services to be delivered by the IJB in 2017/18 and leave a small contingency for pressures and developments.
- 7.5 The Council is however asked to note that the Council’s contribution will require approval by the IJB at its meeting on 14th March 2017.

8.0 GENERAL FUND RESERVES

- 8.1 As indicated above, the approved Budget Strategy is that any funding gap in 2017/18 plus

approximately 33% of the estimated funding gap over 2017/19 should be funded by Reserves on a one off basis. Based on the figures in Appendix 3 this will require £4.63million to be set aside for this purpose.

8.2 Officers had separately identified ways to potentially free up reserves and on the basis the Council approve all the proposals in this report, then there is approximately £5.5 million available for allocation. The Members' Budget Working Group has considered proposals and its recommendations are shown in Appendix 5.

8.3 The Chief Financial Officer previously advised the Policy & Resources Committee regarding the factors which need to be considered when allocating significant sums from reserves to balance the Revenue Budget. That advice is repeated in the Financial Implications section of the report.

9.0 2017/18 COMMON GOOD BUDGET

9.1 The Council was required to review the sustainability of the Common Good Budget due to the on-going pressures on its income and the low level of balances. Officers have carried out a review and propose that the funding of the Christmas Lunch/Vouchers for the elderly be transferred to the HSCP from 2017/18. An equivalent amount of funding has been allocated to the IJB to compensate.

9.2 This action should ensure that the Common Good Fund begins to generate annual surpluses and build up its balances to a more appropriate level.

9.3 Appendix 6 contains the detail of the proposed 2017/18 Common Good Budget.

10.0 2017/20 CAPITAL PROGRAMME

10.1 The Council's current Capital Programme runs to 2017/18. The Policy & Resources Committee agreed that officers develop a draft 2017/20 Capital Programme for consideration as part of the February 2017 Budget.

10.2 Appendix 7 shows the draft 2017/20 Capital Programme. The programme reflects to 2017/18 announced level of capital grant plus an estimate of capital grants for 2018/20 including the return of £1.4million borrowed by the Government from the Council in 2016/17. In addition the programme includes 3 new proposals around continued investment in Roads Assets, expansion of the Cemetery provision and investment in Open Spaces. All of these have been the subject of reports to the Environment & Regeneration Committee in recent months.

10.3 Additionally the Members Budget Working Group propose the inclusion of £350,000 to match fund the creation of an Indoor Sports Facility for tennis and other indoor sports. Officers will report on this in more detail to the appropriate Committee.

10.4 Members are asked to note that there is a 5% over provision of projects against estimated (non-SEMP) resources to allow for either increased resources or cost reductions. In the event neither of these occur then funding from 2020/21 will be required to complete the Programme. Officers will regularly report to Committee on progress.

11.0 MEDIUM TERM FINANCIAL POSITION

11.1 The current Council Budget Strategy was that on the basis that the Council receives more than a one year settlement in December 2017 then it would intend to agree a 2018/20 Revenue Budget in February/March, 2018.

11.2 The Financial Strategy provides some scenarios for the funding gap over the 2017/20 period with the mid-range scenario estimating a funding gap of £22.5million over the period. The proposed budget closes this funding gap by approximately £2.2 million. Now the 2017/18 settlement is known this level of funding gap is still viewed as being realistic especially on the basis that it is estimated that the Scottish Block will reduce in real terms over the next 2 financial years.

11.3 Appendix 8 outlines the potential scenario based on the mid-range assumptions continuing to 2021/22 and assuming the continued protection of Education and Social Care budgets. From this it can be seen that the impact on unprotected budgets is severe and supports the requirement that the new Council will have to have a fundamental review of the services the Council delivers as part of the preparation of the 2018/20 Budget.

12.0 COUNCIL TAX

12.1 Members will be aware of the changes to Council Tax brought in by the Scottish Government from 2017/18 which see increases to the multipliers for Bands E-H and changes to the Council Tax Reduction scheme. The multiplier changes have already been communicated to impacted households.

12.2 In addition the Council has the flexibility to increase Council Tax by up to 3% from 2017/18 with the Government's stated aim being that this arrangement remains in place for the full term of this Parliament. A 3.0% increase in Council Tax is estimated to raise £862,000 net of Council Tax Reduction.

13.0 IMPLICATIONS

13.1 Finance

The Local Authority Accounting Panel (LAAP) Bulletin 99 on Reserves and Balances provides guidance to Chief Financial Officers in the area of using Reserves to fund recurrent expenditure as follows;

"It is not normally prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term. Advice should be given on the adequacy of reserves over the lifetime of the medium term financial plan, and should also take account of the expected need for reserves in the longer term"

This report, supported by the current Reserves Policy, meets the requirements of this guidance but it is important that members understand that the proposed use of reserves as outlined in this Budget Report is a short term, one off measure and is justifiable on the basis of the level of reserves currently held by the Council and that there will be a fundamental review of Council Services, Eligibility Criteria and Charging Policies over the next 12 months.

Financial Implications:

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report £000 | Virement From | Other Comments |
|-------------|----------------|--------------|---------------------------------|---------------|--|
| Reserves | General Fund | 2017/19 | 4630 | | Reserves to be used on a one off basis as part of the budget strategy and prior to any Council Tax increase. |
| | | | 5500 | | Free Reserves available for use as part of the 2017/18 |

| | | | | | |
|--|--|--|--|--|--------|
| | | | | | Budget |
|--|--|--|--|--|--------|

Annually Recurring Costs/ (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact £000 | Virement From (If Applicable) | Other Comments |
|-------------|----------------|------------------|------------------------|-------------------------------|----------------|
| N/A | | | | | |

13.2 Legal

There are no direct legal implications arising from this report.

13.3 Human Resources

The Policy & Resources Committee at its meeting on 15 November 2016 agreed that consideration be given to reviewing hourly rates paid to apprentices within the Council as part of the 2017/18 budget. This matter has been reviewed by the Corporate Management Team and the Members' Budget Working Group and, based on the increased cost and the fact that our modern apprentice rates compare favourable to most other Councils in Scotland, it is recommended that there should not be any increase to apprentice rates at this time. In addition, it is likely that the forthcoming national pay award from April 2017 will be bottom loaded which will result in a higher percentage increase on apprentice rates.

13.4 Equalities

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.

13.5 Repopulation

The impact on the Council's repopulation agenda has been considered when developing the proposals in this budget and in particular the proposals for the use of Free Reserves.

14.0 CONSULTATIONS

14.1 The proposals in this report have been subject to consultation with the Members' Budget Working Group, Corporate Management Team and with the Trades Unions via the Joint Budget Group.

15.0 LIST OF BACKGROUND PAPERS

15.1 None

2017/18 Funding Settlement
Like for Like Comparison

| | <u>£m</u> | <u>Notes</u> |
|--|--------------------|-----------------------------------|
| General Revenue Grant | 134.586 | Per Circular |
| Non-Domestic Rates | 20.804 | Per Circular |
| Extra Funding 2/2/17 | 1.983 | Per letter from Cabinet Secretary |
| | <u>157.373</u> | |
| <u>Add=Estimated Funding to be Distributed</u> | | |
| Discretionary Housing Payments | 0.668 | 2016/17 Sum - Note 1 |
| Council Tax Reduction-Held back | 0.683 | Based on 1.9% Share |
| | <u>158.724</u> | |
| Equivalent Figure for 2016/17 | <u>163.553</u> | |
| Reduction in Government Grant | (4.829) | Excludes Ring Fenced Grants |
| Add = Impact of Band E-H Changes | <u>1.140</u> | Net of CTR |
| | <u>(3.689)</u> | Notes 2/3 |

Notes

- 1 Excludes Council share of funding previously met by DWP. In 2016/17 this amounted to £232,000. There is also new funding of £22.5 million for Temporary Accommodation transferred from DWP not yet allocated.
- 2 Excludes additional funding of £107 million allocated to IJB
- 3 In addition there is £2.464 million for Attainment allocated to schools. This cannot be used to substitute existing spend and therefore does not help offset other pressures.

AP/LA
3/2/17

Cabinet Secretary for Finance and the Constitution
Derek Mackay MSP



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Appendix 2

Councillor David O'Neill
COSLA President
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

Copy to: The Leaders of all Scottish local authorities

15 December 2016

Dear David

Thank-you to you, Cllr Cook and the COSLA political leadership for participating in negotiations over recent weeks on the shape of the Local Government settlement for 2017-18. I have sought to engage with you and your team on the basis of openness and mutual respect and with the intention of building relationships around shared ambitions for people and communities.

As a result of these negotiations, I am able to set out the package of proposals below which I believe are a fair and reasonable offer that delivers on our shared ambitions. This letter, therefore, contains proposals for the local government finance settlement for 2017-18 resulting from the 2016 Budget process.

While the terms of the settlement have been negotiated through COSLA on behalf of its member councils, the same proposal is being offered to those councils who are represented by the Scottish Local Government Partnership. I believe this proposal opens the way for a new partnership between the Scottish Government and COSLA and, from that, the wider benefits of partnership working, including joint work on public service reform.

The Scottish Government and local government share the same ambitions for stronger communities, a fairer society and a thriving economy. This funding proposal delivers a fair financial settlement for local government, which will be strengthened by our joint working to improve outcomes for local people by improving educational attainment and through health and social care integration.

Following the work of the joint Settlement and Distribution Group, details of the indicative allocations to individual local authorities for 2017-18 are also being published today as set out in Local Government Finance Circular No. 9/2016.

I have carefully considered the representations made to me by COSLA and this is reflected in the detail of the settlement and the package of measures included in this letter.

My aim throughout our extensive discussions has been to reach an agreement with councils around the implementation of these commitments. I now invite local authorities to agree the terms of the settlement which are set out below.

Under the settlement we will look to all local authorities to work in partnership with the Scottish Government in pursuit of our Joint Priorities, including delivery of the Government's programme as set out in *A Plan For Scotland: The Scottish Government's Programme For Scotland 2016-17* published on 6 September and the *Draft Budget 2017-18*.

Renewing our partnership approach will enable close working on public service reform building on recent joint political and joint officer discussions.

On key priorities and following consideration of specific points you have raised I propose the following:

Public Service Reform

As an essential partner in the delivery of public services, the Cabinet sub-committee on Public Service Reform prioritised early discussion with COSLA to explore how we might work together around our shared priorities of health & social care, education attainment & governance, tackling inequalities & inclusive growth and enterprise, innovation, skills & employability. This political engagement and the productive discussions which followed at official level, including SOLACE, is an example of what we can achieve through a re-setting of partnership working at national level.

The Cabinet sub-committee anticipates further dialogue with COSLA on these emerging themes early in the New Year.

Health and Social Care

In 2017-18 an additional £107 million will be transferred from NHS Boards to Integration Authorities to protect our collective investment in social care. Of which, £100 million will support continued delivery of the Living Wage, sleepovers and sustainability in the care sector, and £7 million to disregarding the value of war pensions from financial assessments for social care and pre-implementation work in respect of the new carers legislation. This is additional to the £250 million added in the 2016-17 budget, bringing the total support available from the NHS through Integration Authorities to protect social care to £357 million. NHS contributions to Integration Authorities for delegated health functions will be maintained at least at 2016-17 cash levels. The provision included for sleepovers (£10 million) will be reviewed in year to consider its adequacy, with a commitment to discuss and agree how any shortfall should be addressed. To reflect this additional support local authorities will be able to adjust their allocations to integration authorities in 2017-18 by up to their share of £80 million below the level of budget agreed with their Integration Authority for 2016-17 (as adjusted where agreed for any one-off items of expenditure which should not feature in the baseline). Taken together, these measures will enable Integration Authorities to ensure the collective overall level of funding for social care is maintained at £8 billion. I am sure you would agree that that would be a significant achievement and reflects the shared priorities of local government, the NHS and the Scottish Government.

Education (including the Attainment Fund)

I have considered the representations made on the Scottish Government proposals to adjust the local government settlement to pave the way for an additional £100 million investment per year, generated through reform of council tax, to go directly to schools to close the gap in the educational attainment of young people from Scotland's most and least deprived areas.

I can now confirm that provision for the additional funding to meet our commitments on the Attainment Fund will be met directly from the resources available to the Scottish Government at a national level, rather than from an adjustment to the local government finance settlement.

As the next step towards investing £750 million over the life of this Parliament we will go further than our manifesto commitment and will increase the additional resource to be made available directly to schools through the Attainment Scotland Fund from £100 million to £120 million in 2017-18. This will be paid as a ring fenced grant and distributed on the basis of P1 to S3 pupils known to be eligible for free school meals, as part of the local government settlement.

It is a condition of this agreement that this funding is additional to each council's individual spending on schools rather than substitutional and is to be used at the discretion of schools to close the attainment gap between children from the least and most deprived areas within their communities. This is on top of the existing £50 million Attainment Scotland funding that will continue to provide targeted support for those authorities and schools supporting children and young people in greatest need.

In addition, we will continue to require local authorities to maintain the overall pupil:teacher ratio at 2016-17 levels as reported in the Summary of School Statistics published on 13 December 2016, and secure places for all probationers who require one under the teacher induction scheme. This is supported by a continued funding package of £88 million, made up of £51 million to maintain teacher numbers and £37 million to support the teacher induction scheme.

As previously made clear, all of the additional £111 million of Council Tax income raised by the Council Tax banding reforms we have implemented will be retained by each local authority area and, as a result of these decisions, the allocation of that funding will be for councils themselves to take based on their own local needs and priorities.

Local Taxation

2016-17 was the ninth consecutive year of the Council Tax freeze. As we have made clear this will be lifted from 2017-18, when Councils will have greater flexibility and may choose to increase Council Tax by up to a maximum of 3%. This local discretion will preserve the financial accountability of local government, whilst also potentially generating up to £70 million to support services.

Our reforms of Council Tax are only the first steps, and the Scottish Government is fully committed to further engagement with COSLA as we seek to make local taxation as a whole fair and progressive. We will work with COSLA to consider your objectives for local tax reform as set out in the Local Government Funding Review.

We will also deliver our commitment for local government to retain the net incomes from the Crown Estate for the benefit of island and coastal communities. In addition we will explore with authorities other opportunities for the development of fair and equitable local taxation that supports economic growth and public services.

Overall Settlement

As a result of the measures above, the total revenue funding for 2017-18 will be £9,496.4 million, which includes non-domestic rates incomes in 2017-18 of £2,605.8 million.

Capital funding is set at £756.5 million and delivers on our agreed commitment to maintain the local government share of the overall Scottish Government capital budget. I can also reaffirm the commitment to repay £150 million of re-profiled 2016-17 capital with an additional allocation in the period 2018-20.

The total funding which the Scottish Government will provide to local government in 2017-18 through the settlement, including the £120 million of additional support for educational attainment, is £10,252.9 million.

This is a fair settlement for Local Government.

With the addition of the real spending power that comes from the opportunity to raise up to an additional £181 million from Council Tax plus an additional £107 million to support the integration of Health and Social Care, the total spending power available to local authorities from the Scottish Government, and through local taxation will be up to £10,541 million, a total of £241 million more than was available in 2016-17, an increase of around 2.3%.

The difference between the figures reported in the Draft Budget in 2016-17 and 2017-18 will be potential spending on local government services of an increase of £266.8 million, or 2.6%.

In return for this settlement and in pursuit of our Joint Priorities, individual local authorities will deliver the specific commitments set out above.

Engagement

In line with our partnership approach we will work jointly with local government to support delivery of these commitments and undertake a review to monitor progress at an agreed mid-point in the year.

The measures set out in the settlement offer must be viewed as a package to protect our shared priorities and intensify a journey of reform. In order to access all of the benefits involved, including those priorities supported by specific financial benefits, local authorities must agree to deliver all of the measures set out in the package and will not be able to select elements of the package.

Any individual authority not intending to agree the offer and accept the full package of measures and benefits should write to me by no later than **Friday 13 January 2017**. For those authorities not agreeing the offer a revised, and inevitably less favourable, offer will be made.

Local government is essential to the health, wellbeing and prosperity of every community in Scotland. The Scottish Government are committed to work together in partnership with local authorities to do all that we can to support local authorities to ensure that the full package of agreed measures is delivered.

Derek Mackay



DEREK MACKAY

REVENUE BUDGET 2017/19

APPENDIX 3

Committee: All
 Corporate Director: All
 Service: All
 Division: All

| OBJECTIVE SUMMARY | 2017/18 Base Budget | 2017/18 Adjustment | 2017/18 Inflation | 2017/18 Base Est. | 2018/19 Adjustment | 2018/19 Inflation | Budget 2018/19 |
|---|------------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|-------------------|
| Chief Executive Services | 414,140 | (4,000) | - | 410,140 | - | - | 410,140 |
| Environment, Regeneration & Resources Directorate | 30,281,200 | (104,800) | 515,000 | 30,691,400 | (75,000) | - | 30,616,400 |
| Education, Communities & Organisational Development Directorate | 92,652,800 | (560,630) | (41,300) | 92,050,870 | (64,000) | - | 91,986,870 |
| Health & Social Care Partnership Directorate | 48,386,650 | (151,900) | (3,900) | 48,230,850 | - | - | 48,230,850 |
| Directorate Sub-Total | 171,734,790 | (821,330) | 469,800 | 171,383,260 | (139,000) | - | 171,244,260 |
| Miscellaneous | 6,348,170 | 51,180 | (423,200) | 5,976,150 | 4,900,000 | - | 10,876,150 |
| Loan Charges | 12,860,040 | 35,850 | | 12,895,890 | (41,500) | | 12,854,390 |
| Contribution to / (from) Statutory Funds | (240,000) | | | (240,000) | | | (240,000) |
| Contribution to / (from) Reserves | (2,805,000) | 2,805,000 | | - | | | - |
| Unallocated Savings | (600,000) | 600,000 | | - | | | - |
| Total Expenditure | 187,298,000 | 2,670,700 | 46,600 | 190,015,300 | 4,719,500 | - | 194,734,800 |
| Financed By: | | | | | | | |
| General Revenue Grant/ Non Domestic Rates | (160,452,000) | 1,774,000 | | (158,678,000) | 4,700,000 | | (153,978,000) |
| Council Tax | (26,846,000) | (1,920,000) | | (28,766,000) | | | (28,766,000) |
| Contribution from IJB £107m | 0 | (1,431,000) | | (1,431,000) | | | (1,431,000) |
| Net Expenditure | - | 1,093,700 | 46,600 | 1,140,300 | 9,419,500 | - | 10,559,800 |

REVENUE BUDGET 2017/19

| Notes: | <u>£</u> |
|--|--------------------------|
| a) 2017/18 Budgeted Funding Gap | 2,805,000 |
| Additional Council Tax due to Increase in Band D Properties and Reduction to CTR | (676,000) |
| Additional Council Tax due to Second Home Discount | (14,000) |
| CCTV Pressure Saving | (62,610) |
| Budget Adjustments (IRI, Apprenticeship Levy and Waterloo Road, Xmas Meals, SWF, Girfec) | 125,000 |
| Assumed Band Changes (net of Council Tax Reduction changes) | (1,140,000) |
| Additional Grant Cut 2017/18 (Note 1) | 2,074,000 |
| Previously Approved Savings - 2017/18 Impacts | (23,000) |
| Tobacco Officer Post - Grant Funded | 20,000 |
| 2 Additional Councillors (Part Year) | 40,000 |
| RVJB & SPT Increased Saving | (17,000) |
| Saving on Audit Fee 2017/18 | (20,000) |
| Release of Pressures Funding (Note 2) | (142,000) |
| Additional Teacher Turnover (Net) | (143,270) |
| ASN Transport Budget Realignment (Note 3) | (90,000) |
| Additional Probationer Teachers Funding | (140,000) |
| Contribution from IJB - Share of £107 million | (1,431,000) |
| Shortfall in Pay Inflation Contingency | 270,000 |
| Increased Turnover in line with Projections | (294,820) |
| Budget 2017/18 | <u>1,140,300</u> |
| | |
| Previously Approved Savings - 2018/19 Impacts | (178,500) |
| Pay Inflation Allowance - Per Finance Strategy | 1,800,000 |
| Non Pay Inflation Allowance - Per Finance Strategy | 1,500,000 |
| Auto Enrolment - Per Finance Strategy | 600,000 |
| General Pressures Allowance - Per Finance Strategy | 1,000,000 |
| Anticipated Grant Cut - Per Finance Strategy | 4,700,000 |
| 2 * Additional Councillors FYE | 3,000 |
| RVJB Increased Saving | (5,000) |
| | |
| Budget 2018/19 | <u>10,559,800</u> |
| | |
| Previously Approved Savings - 2019/20 Impacts (Loans Charges) | (30,000) |
| | |
| Budget 2019/20 | <u>10,529,800</u> |

b) Assumes no further prudential borrowing for RAMP/AMP investment.

Notes

1 Grant reduction is inclusive of extra funding announced February 2017

2 Original pressure allowance was £300k. An allocation of £158k for waste disposal and Letting Officers has been made against the pressure funding, releasing £142k of a saving.

3 The ASN transport budget is demand led, based on current expenditure levels the budget has been reduced. It is proposed to create an earmarked reserve to smooth out demand.

Proposed Council Contribution to IJB - 2017/18

1. Minimum amount Council can pay per SG/Cosla guidance

| | <u>£m</u> |
|----------------------------|----------------|
| 2016/17 Contribution | 48.768 |
| less: Share of £80 million | <u>(1.410)</u> |
| | <u>47.358</u> |

2. 2017/18 Proposed Contribution

| | <u>£m</u> | |
|--|---------------|--------|
| 2017/18 Base Budget per Appendix 3 | 48.231 | |
| Add: Estimated allowance for : Pay Award | 0.310 | |
| : Apprenticeship Levy | 0.130 | |
| : Auto-enrolment | <u>0.140</u> | |
| | 48.811 | Note 1 |
| Contribution per 1 above plus £21,600 for costs transferred from the Common Good | <u>47.380</u> | |
| Amount met by IJB Social Care Fund | 1.431 | Note 2 |

Notes

- Over and above this the IJB will fund the first 4% of the National Care Home Contract 2017 uplift, cost of Providers uplifts relating to the Living Wage plus other costs pressures.
- After this contribution and other allowances there remains £479,000 for recurring pressures/projects within the Social Care Fund held by the IJB.

AP/LA
30/01/2017

Use of Reserves

| | <u>£m</u> | <u>£m</u> |
|---|----------------|---------------------|
| Projected Free Reserves Balance 31.3.17 | | 1.323 |
| Add: Proposed Write Backs: | | |
| - Depot AMP | 0.400 | |
| - Capital Fund | 0.500 | |
| - SEMP | 0.800 | 1.700 |
| | | <u>3.023</u> |
| Less: Current allowance for Reserves in Budget Strategy | 7.100 | |
| Latest estimated allowance required | <u>(4.630)</u> | 2.470 |
| Amount available for allocation | | <u><u>5.493</u></u> |

Proposals

| | <u>£m</u> | |
|--------------------------------------|-------------|--------|
| a) Town & Village Centres | 2.50 | |
| b) Employability/Apprenticeships | 0.50 | |
| c) Early Retiral/Voluntary Severance | 2.00 | Note 1 |
| d) Autism Friendly Community | 0.15 | |
| e) Anti-Poverty Fund | 0.20 | Note 2 |
| f) Grants to Voluntary Organisations | 0.15 | Note 3 |
| | <u>5.50</u> | |

Notes:

- 1/ The projected fund balance at 31.3.17 is approximately £2.5 million. This will be insufficient to meet the costs of the early release/voluntary severance required to balance the 2018/20 budget.
- 2/ This sum to be added to the Welfare Reforms Policy Earmarked Reserves to create a £1 million fund and renamed the Anti-Poverty Fund.
- 3/ To include support for Community Ownership/Transfer proposals.

AP/CM

3/2/17

COMMON GOOD FUND
REVENUE BUDGET 2017/18

| | Projected 2016/17 | Budget 2016/17 | Adjustment 2017/18 | Budget 2017/18 |
|--|----------------------|-------------------|-----------------------|-------------------|
| PROPERTY COSTS | 21,000 | 21,000 | A (2,000) | 19,000 |
| Repairs & Maintenance | 9,000 | 9,000 | | 9,000 |
| Rates | 11,000 | 11,000 | (2,000) | 9,000 |
| Property Insurance | 1,000 | 1,000 | | 1,000 |
| ADMINISTRATION COSTS | 8,700 | 7,700 | 0 | 7,700 |
| Sundries | 2,500 | 1,500 | | 1,500 |
| Commercial Rent Management Charge | 2,200 | 2,200 | | 2,200 |
| Recharge for Accountancy | 4,000 | 4,000 | | 4,000 |
| OTHER EXPENDITURE | 100,700 | 100,700 | B (21,600) | 79,100 |
| Christmas Lights Switch On | 10,500 | 10,500 | | 10,500 |
| Christmas Dinners/Vouchers | 21,600 | 21,600 | (21,600) | 0 |
| Christmas Decorations | 0 | 0 | | 0 |
| Gourock Highland Games | 29,400 | 29,400 | | 29,400 |
| Armistice Service | 8,300 | 8,300 | | 8,300 |
| Comet Festival | 13,300 | 13,300 | | 13,300 |
| Fireworks | 12,600 | 12,600 | | 12,600 |
| Rent Relief (Society of the Innocents) | 5,000 | 5,000 | | 5,000 |
| INCOME | (132,510) | (139,010) | C 6,570 | (132,440) |
| Gross Rent | (187,470) | (187,470) | 18,520 | (168,950) |
| Void Rents | 55,460 | 50,460 | (13,450) | 37,010 |
| Internal Resources Interest | (500) | (2,000) | 1,500 | (500) |
| NET EXPENDITURE | (2,110) | (9,610) | (17,030) | (26,640) |

Projected Fund Balance as at 31st March 2017 **£4,040**

Projected Fund Balance as at 31st March 2018 **£30,680**

Notes:

A Property Costs

Adjust Rates budget based on current level of voids (2,000)

(2,000)

It is proposed any underspends in the annual Repairs & Maintenance budget would be added to the Repairs & Renewals fund.

B Other Expenditure

Reduction in Events spend to restore reserves balance (21,600)

(21,600)

C Income

Adjust Income to bring in line with latest projections 5,070

Projected Reduction in Internal Resources Income 1,500

6,570

Total Adjustments

(17,030)

D Occupancy assumptions:

Projected Income (& Rates) assumes full occupancy with the exception of:

- 10 Bay St (assumed 50% occupancy on short term charity leases)
- 4 John Wood St (vacant, no interest)
- 17 John Wood St (vacant & unfit for occupation)

3 other properties (8, 12 & 14 Bay St) currently vacant but anticipated these will be occupied sometime during 2017/18.

E Recommended Fund Level

The recommended minimum overall fund level is £100,000.

General Fund Capital Programme - 2017/20

Available Resources

| | <u>2017/18</u> | <u>2018/19</u> | <u>2019/20</u> | <u>Total</u> |
|--|----------------|----------------|----------------|---------------|
| | £000 | £000 | £000 | £000 |
| Government Capital Support (Note 1) | 9,560 | 8,700 | 8,700 | 26,960 |
| Less: Allocation to School Estate | (4,300) | (4,300) | (4,300) | (12,900) |
| Capital Receipts | 435 | 134 | 336 | 905 |
| Capital Grants | 174 | - | - | 174 |
| Prudential Funded Projects | 17,885 | 7,720 | 2,531 | 28,136 |
| Balance B/F From 16/17 (Exc School Estate) | (1,994) | | | (1,994) |
| Capital Funded from Current Revenue | 1,012 | 3,784 | 406 | 5,202 |
| School Estate Management Plan Funding (Note 2) | 14,373 | 17,815 | 5,193 | 37,381 |
| | <u>37,145</u> | <u>33,853</u> | <u>12,866</u> | <u>83,864</u> |
| | | | | |
| <u>Total Expenditure</u> | <u>32,629</u> | <u>37,646</u> | <u>15,883</u> | <u>86,158</u> |

(Shortfall)/Under Utilisation of Resources

(2,294)

Notes

Note 1: Government Capital Support

The Scottish Government have indicated that a further £1.443million in grant originally due in 2016/17 has been rephased to 2017/20. This has been included in the estimated 2018/19 & 2019/20 Capital Grant.

Note 2: Further Breakdown of SEMP Expenditure

| | <u>2017/18</u> | <u>2018/19</u> | <u>2019/20</u> | <u>Total</u> |
|---|----------------|----------------|----------------|---------------|
| | £000 | £000 | £000 | £000 |
| St Patricks PS New Build | 400 | - | - | 400 |
| Kilmacolm PS - Refurbishment | 300 | - | - | 300 |
| Balance of Lifecycle Fund | 1,079 | 1,427 | 1,773 | 4,279 |
| Moorfoot PS Refurbishment | 2,313 | 2,610 | 123 | 5,046 |
| Lady Alice PS - Refurbishment * | 1,929 | 1,677 | - | 3,606 |
| St Ninians PS - New Build * | 4,735 | 4,261 | 108 | 9,104 |
| Gourock PS - Extension * | 126 | 1,297 | 281 | 1,704 |
| St Mary's PS - Refurbishment & Extension * | 150 | 3,224 | 1,917 | 5,291 |
| Bluebird Family Centre - Refurbishment | 1,000 | 110 | - | 1,110 |
| Greenock West Early Years Facility - New Build | 1,500 | 1,400 | 140 | 3,040 |
| Glenbrae Children's Centre - Aberfoyle Road Refurbishment | 700 | 380 | - | 1,080 |
| Hillend Children's Centre - Refurbishment | 96 | 700 | 235 | 1,031 |
| Larkfield Children's Centre - Upgrade | - | - | 350 | 350 |
| Demolition of Sacred Heart PS | - | - | 266 | 266 |
| Complete on Site | - | 602 | - | 602 |
| Other Projects < £250K | 45 | 127 | - | 172 |
| | <u>14,373</u> | <u>17,815</u> | <u>5,193</u> | <u>37,381</u> |

* Advanced as part of School Estate Acceleration

General Fund Capital Programme - 2017/20

Approved Programme

| | 2017/18 | 2018/19 | 2019/20 | Total |
|---|---------------|---------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| <u>Policy & Resources</u> | | | | |
| Annual Allocation (ICT) | 282 | 543 | 363 | 1,188 |
| Modernisation Fund | 42 | 90 | - | 132 |
| <u>Policy & Resources Total</u> | <u>324</u> | <u>633</u> | <u>363</u> | <u>1,320</u> |
| <u>Environment & Regeneration</u> | | | | |
| Completion of Existing Programme (Property Services) | 869 | 322 | - | 1,191 |
| Annual Allocation (Property Services) | 750 | 2,255 | 2,000 | 5,005 |
| Feasibility Studies/Pre-contract Work | 75 | 75 | 75 | 225 |
| Regeneration of Port Glasgow Town Centre | - | 235 | - | 235 |
| Broomhill regeneration/Bakers Brae Re-alignment | 1,000 | 371 | - | 1,371 |
| Regeneration Capital Grant Fund Port Glasgow | - | 350 | - | 350 |
| King George VI Refurbishment | 450 | 490 | 10 | 950 |
| Asset Management Plan - Offices | 1,900 | 405 | - | 2,305 |
| Asset Management Plan - Depots | 1,470 | 1,874 | - | 3,344 |
| Capital Works on Former Tied Houses | 75 | 195 | 300 | 570 |
| Completion of Existing Programme (Roads) | 100 | 59 | - | 159 |
| Roads Grant Funded Projects (SPT/CWSS/Sustrans/Electric) | 109 | - | - | 109 |
| Flooding Works | 1,457 | 1,000 | - | 2,457 |
| Roads Asset Management Plan | 4,210 | 5,875 | 2,819 | 12,904 |
| Greenock Parking Strategy | 20 | - | - | 20 |
| Vehicle Replacement Programme | 1,000 | 1,761 | 1,442 | 4,203 |
| Play Areas/Park Assets | 150 | 80 | - | 230 |
| Indoor Sports Facility for Tennis | - | 30 | 320 | 350 |
| Park, Cemeteries & Open Spaces AMP | 200 | 200 | 250 | 650 |
| Annual Allocation (Zero Waste Fund) | 50 | 110 | 80 | 240 |
| <u>Environment & Regeneration Total</u> | <u>13,885</u> | <u>16,187</u> | <u>8,296</u> | <u>38,368</u> |
| <u>Education & Communities</u> | | | | |
| Scheme of Assistance/Aids & Adaptations | 1,000 | 1,312 | 906 | 3,218 |
| Contribution to Watt Complex Refurbishment | 1,000 | 693 | - | 1,693 |
| Primary School Pitch Upgrading/MUGA's | 45 | - | - | 45 |
| Inverkip Community Facility | 100 | - | - | 100 |
| New Community Facility Broomhill | 252 | 50 | - | 302 |
| Birkmyre Park, Kilmacolm Pitch Improvements | 200 | 125 | - | 325 |
| Clune Park | - | - | 1,000 | 1,000 |
| School Estate Management Plan | 14,373 | 17,815 | 5,193 | 37,381 |
| <u>Education & Communities Total</u> | <u>17,120</u> | <u>19,995</u> | <u>7,099</u> | <u>44,214</u> |
| <u>CHCP</u> | | | | |
| Neil St Childrens Home Replacement | 550 | 81 | - | 631 |
| Crosshill Childrens Home Replacement | 750 | 750 | 125 | 1,625 |
| <u>CHCP Total</u> | <u>1,300</u> | <u>831</u> | <u>125</u> | <u>2,256</u> |
| <u>Total Expenditure</u> | <u>32,629</u> | <u>37,646</u> | <u>15,883</u> | <u>86,158</u> |

General Fund Capital Programme - 2017/20

Movements and Proposed Projects

| | New 2017/18 £000 | New 2018/19 £000 | New 2019/20 £000 | Total £000 |
|--|------------------------|------------------------|------------------------|----------------|
| Current Deficit | | | | (178) |
| Increase in 17/18 Grant ** | 2,260 | | | 2,260 |
| amended 2016/18 position | | | | 2,082 |
| Assumed ongoing grant* | | 8,700 | 8,700 | |
| <u>Annual Core allocations:</u> | | | | |
| ICT | | 363 | 363 | |
| Roads | | 1,400 | 1,400 | |
| Zero Waste | | 80 | 80 | |
| Property | | 2,000 | 2,000 | |
| Scheme of Assistance | | 500 | 500 | |
| SEMP | | 4,300 | 4,300 | |
| Total Core Allocation | | 8,643 | 8,643 | |
| Net "Surplus" on annual grant/allocations | | 57 | 57 | 114 |
| Additional Funded allocations: | | | | |
| <u>Scheme of Assistance:</u> | | | | |
| "Revenue" Allocation | | 406 | 406 | |
| CFCR Funding | | (406) | (406) | |
| <u>Vehicle Replacement Programme:</u> | | | | |
| Annual Programme | | 582 | 1,442 | |
| Annual Receipts | | (134) | (336) | |
| Prudential Borrowing | | (448) | (1,106) | |
| <u>Cycling Walking & Safer Streets:</u> | | | | |
| 2017/18 Allocation | 109 | | | |
| Specific Capital Grant | (109) | | | |
| | - | - | - | - |
| Revised Projected Surplus | | | | 2,196 |
| <u>Proposed write backs:</u> | | | | |
| ICT Core | (152) | | | |
| Scheme of Assistance | (250) | (250) | | |
| Zero Waste Fund | (60) | | | |
| | (462) | (250) | - | (712) |
| <u>Future Projects not yet formally approved:</u> | | | | |
| RAMS *** | | 1,283 | 1,419 | |
| Cemeteries (est) | | 1,000 | 500 | |
| Open Spaces AMP | 200 | 200 | 250 | |
| Indoor Sports Facility for Tennis | | 30 | 320 | |
| | 200 | 2,513 | 2,489 | 5,202 |
| Deficit including future projects prior to confirmation of funding **** | | | | (2,294) |
| Recommended maximum overcommitment (5% of General Fund Resources) | | | | 2,324 |
| Minimum funding required to be identified/(Remaining acceptable overcommitment) | | | | (30) |

Notes:

* Inclusive of return of £1.4m reprofiled monies

** £1.54m of flooding projects confirmed as receiving 80% grant intervention. £372k of this confirmed for 2016/17, remaining £860k confirmed as being contained in the 2017/18 settlement.

*** RAMS report recommends:

| | Total | Core Allocation | Shortfall |
|---------|--------|--------------------|-----------|
| 2018/19 | 2,683 | 1,400 | 1,283 |
| 2019/20 | 2,819 | 1,400 | 1,419 |
| 2020/21 | 2,959 | 1,400 | 1,559 |
| 2021/22 | 3,107 | 1,400 | 1,707 |
| 2022/23 | 3,262 | 1,400 | 1,862 |
| | 14,830 | 7,000 | 7,830 |

**** Feasibility work is currently being carried out with regards to the replacement of Cremators, while costs (both Capital and Revenue) are not known at this stage it is anticipated there will be no call on the Capital Grant for this project.

Squeeze on Unprotected Areas - "Realistic " Scenario

| | 17/18 £m | 18/19 £m | 19/20 £m | 20/21 £m | 21/22 £m |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Core Education | 70.6 | 70.6 | 70.6 | 70.6 | 70.6 |
| Inclusive Education | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 |
| Social Care | 47.4 | 47.4 | 47.4 | 47.4 | 47.4 |
| Loans Charges | 12.9 | 12.9 | 12.9 | 12.9 | 12.9 |
| Pensions/Audit Fees | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Pay Inflation | 1.2 | 3.0 | 5.4 | 7.2 | 9.0 |
| Other Inflation | 1.0 | 2.5 | 4.5 | 6.0 | 8.0 |
| Pressures | 1.6 | 3.6 | 5.0 | 6.4 | 7.8 |
| 1% Efficiency (Protected Areas) | - | (1.3) | (2.6) | (4.0) | (5.4) |
| Use of Reserves | (1.4) | (3.7) | (0.2) | (0.2) | (0.2) |
| Available Funding | (187.4) | (182.7) | (179.2) | (175.7) | (172.3) |
| Non Protected Budgets | 41.8 | 35.4 | 23.9 | 17.1 | 9.9 |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

AP/CM
3/2/17

| | | | |
|-------------------------|---|--------------------|-------------------------|
| Report To: | Inverclyde Council | Date: | 16 February 2017 |
| Report By: | Steven McNab, Head of Organisational Development, Human Resources and Communications | Report No: | IC/02/17/SMcN/KB |
| Contact Officer: | Karen Barclay, Corporate Policy Officer | Contact No: | 01475 712065 |
| Subject: | Analysis of the Results from the Budget Consultation 2017/18 | | |

1.0 PURPOSE

1.1 The purpose of this report is to inform the Council of the analysis of the results from the Budget Consultation 2017/18.

2.0 SUMMARY

2.1 A total of 970 people responded to the Budget Consultation 2017/18.

2.2 The Consultation focussed on the following topics:

- discretionary service provision
- enhanced service provision - reduce/stop
- charging for services – increase/introduce
- Council Tax
- the Council's role as a service provider
- profile questions.

2.3 A number of significant points emerged from the survey:

- discretionary services: breakfast clubs in schools – 62% of respondents do not want to change this service
- enhanced service provision: roads and lighting maintenance – 86% of respondents wish to maintain current service provision
- charging for services: wheeled bins – 79% of respondents said that charges for additional wheeled bins should be introduced
- more than two thirds (68%) of respondents agreed that in the current financial environment there should be an increase in Council Tax in Inverclyde
- 84% of people said it was acceptable for the Council not to deliver some services directly.

2.4 It is important to take into consideration the profile of those people who responded to the survey when reading the results. The majority of respondents were employed home owners of working age.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Council:

- a. considers the results from the Budget Consultation 2017/18; and
- b. notes that the feedback will be used to inform the development of future budget savings.

Wilma Bain

Corporate Director

Education, Communities and Organisational Development

4.0 BACKGROUND

- 4.1 Inverclyde Council, like many other public sector organisations, is facing a very difficult and challenging financial situation. As a result of reductions in Government funding and increasing demand for certain services, the Council needs to make substantial savings over the next three years. A number of recent events have further increased the uncertainty around public finances and the potential impact on the Council's budget; these include the outcome of the European Referendum and how the Scottish Government will use its new tax raising powers.
- 4.2 The current estimate indicates that the Council will need to make savings of £22.5 million during the period 2017/20. Given the scale and pace of the savings required, the Council will have no option but to reduce spending in some areas of service delivery. This means that some front-line services currently delivered to Inverclyde residents will either be reduced or stopped altogether. The reason that front-line services are the main focus of potential savings is because those services cost the most money to deliver. The areas covered in the Consultation are a representative sample of the choices about budgets savings which the Council will face in the coming months and years.
- 4.3 We launched our Budget Consultation 2017/18 on 16 November 2016 and closed it on 9 January 2017. A total of 970 people responded to the Consultation during that period.
- 4.4 A presentation on the Budget Consultation 2017/18 process was delivered to a special meeting of the Alliance Board on 13 January 2017. To allow members of the Board to participate in the consultation process, the survey was temporarily reopened on 13 January 2017 and closed for the last time at midnight on 15 January 2017. The final number of respondents was unchanged at 970.
- 4.5 A number of stakeholder groups were invited to participate in the Consultation including Inverclyde residents and visitors; Council employees and trades unions; the local business community; the Citizens' Panel; and the Alliance Board.
- 4.6 A presentation on the headline results was delivered to the Elected Members on 1 February 2017.

5.0 METHODOLOGY

- 5.1 The Survey Monkey questionnaire was the only method available to people who wished to make their views heard on the Council's Budget 2017/18. The benefits of utilising an electronic questionnaire include:
- it is user friendly – quick to complete
 - the response rate can be easily monitored and publicity tailored to suit
 - sustainable option – zero print and postage costs.
 - supports the Council's digitalisation agenda.
- 5.2 Additionally, as reported to the Policy and Resources Committee in 2015, during the Budget Consultation 2016/17 process, electronic means were a popular method used by respondents; 43% of people expressed their views via the on-line budget simulator while just over a fifth (20.2%) sent an email to yoursay@inverclyde.gov.uk.

6.0 KEY AREAS OF THE CONSULTATION

6.1 The key areas of the consultation were:

- discretionary service provision
- reducing/stopping services
- enhanced service provision
- charging for services – increase/introduce
- Council Tax
- models of service provision
- profile questions.

6.2 The contents of this report will be used by Officers to inform the development of future budget savings.

7.0 SURVEY RESULTS: DISCRETIONARY SERVICES

7.1 The first question of the survey asked about nine discretionary services and whether or not people thought the Council should continue to provide those services, either at the current level or at a reduced level, or whether they should cease altogether.

7.2 The top five discretionary services that respondents said should be reduced or stopped altogether are:

| | |
|---|-----|
| Support for businesses, for example, marketing support and business grants • £0.21 million | 76% |
| Physical regeneration including a payment to Riverside Inverclyde • £0.34 million | 72% |
| Subsidised team sports for under 19 year olds • £0.16 million | 61% |
| Support for getting people into work and job retention • £2.53 million | 56% |
| Grants to voluntary organisations • £0.3 million | 54% |

7.3 In contrast, the top three discretionary services which the greater number of respondents said should not be changed were:

| | |
|---|-----|
| Breakfast clubs in schools • £0.15 million | 62% |
| School clothing grants • £0.21 million | 54% |
| Public conveniences • £0.17 million | 53% |

7.4 • **Commentary**

Respondents saw the value of subsidising team sports for under 19 year olds but it was suggested that the qualifying criteria be reviewed. Likewise, grants to voluntary organisations were valued but respondents thought the qualifying criteria could also be revamped and targeted at projects which would perhaps not exist without grants from the Council.

As some parents/carers used breakfast clubs as a form of child care, it was suggested that provision could be increased and a charge introduced for the additional service.

8.0 SURVEY RESULTS: ENHANCED SERVICES

8.1 The second question in the survey asked people whether or not they thought the Council should continue to provide the 19 services listed at the current enhanced level or whether service delivery should be reduced.

8.2 The top five services that people thought should be maintained at the current enhanced level were:

| | |
|---|-----|
| Roads and lighting maintenance • £1.1 million | 86% |
| Older persons' care at home services • £9 million | 85% |
| Adult mental health services • £1.23 million | 83% |
| Refuse collection and disposal • £4.7 million | 78% |
| Physical and sensory disability services • £2.07 million | 78% |

8.3 In contrast, the top five services that respondents said should be provided at a reduced level were:

| | |
|--|-----|
| Customer Service Centres • £0.64 million | 64% |
| Community Wardens • £0.71 million | 62% |
| Addictions services • £1.04 million | 53% |
| School transport • £1.3 million | 52% |
| Community learning and development • £1.3 million | 50% |

8.4 • **Commentary**

High numbers of respondents – between 78% and 86% - opted to maintain the top five services at the current enhanced level. In contrast, however, in terms of the top five services that people said should be provided at a reduced level, the response rates were lower (between 50% and 64%).

It is encouraging that the majority of respondents expressed support for the enhanced level of roads and lighting maintenance provided by the Council; this could reflect the fact that the Council has made roads maintenance a priority, funded by significant investment.

In terms of services for vulnerable people – including older persons' care at home services – respondents suggested that perhaps such services could be means-tested. However, people were generally keen that services for vulnerable people were protected as those local residents are most in need of protection.

A number of respondents suggested introducing a charge for using the Recycling Centres at Pottery Street and Kirm Drive, as well as for additional wheeled bins.

The Community Warden service was the subject of a number of comments made at several points during the survey; respondents made a variety of suggestions including stopping the service completely, reviewing the role and remit of the Wardens, as well as Police Scotland assuming responsibility for the service provided by the Wardens.

A number of respondents said there should be a reduction in the use of taxis as a means of transporting children to school, with exceptions, as appropriate. Others also suggested introducing a charge for school transport.

9.0 **SURVEY RESULTS: CHARGES - INCREASE**

9.1 The third question in the survey asked about services that the Council currently charges for. Respondents were asked if they thought charges for the six services listed should remain the same or be increased. (The services listed comprise only those areas where the Council raises in excess of £50,000 of income per year.)

9.2 The top three services that respondents indicated that charges should be increased by up to 10% were:

| | |
|---|-----|
| School lets • £0.2 million | 50% |
| School meals • £0.94 million | 41% |
| Pre-5 care - extra hours • £0.19 million | 40% |

9.3 When asked what other services the Council should charge for, respondents made a number of suggestions, examples of which include school meals, swimming, school transport, music tuition, breakfast clubs and public conveniences. A number of other suggestions for charging were made - for instance, planning applications and licences for the sale of alcohol - but the Council already charges fees for those services.

9.4 • **Commentary**

In addition to the percentages outlined at section 9.2, a further 17% of respondents said charges for school lets could be increased by more than 10% while 13% of people said

daily parking charges could also be increased by more than 10%. Very small numbers – ranging from 6% to 9% - thought that charges for the other services listed should increase by more than 10%.

A number of respondents indicated that a charge should be introduced for pupils who currently receive a free school meal. However, there may be a lack of awareness around the eligibility for free schools meals. For example, from January 2015, free school meals were made available to all Primary 1-3 children in Scottish local authority schools and the initiative is fully funded by the Scottish Government.

10.0 SURVEY RESULTS: CHARGES - INTRODUCE

10.1 The fourth question in the survey asked people's views on services the Council does not currently charge for. Respondents were asked if the six services listed should continue to be free or whether a charge should be introduced.

10.2 The top three services that respondents indicated the Council could introduce a charge for were:

| | |
|--------------------------------|-----|
| Additional wheeled bins | 79% |
| Swimming for over 60 year olds | 60% |
| Primary school music tuition | 55% |

10.3 In contrast, respondents indicated that the other three services listed should continue to be free of charge:

| | |
|--|-----|
| Physical aids and equipment to support people to live independently at home, for example, hand rails | 75% |
| Older persons' community alarms | 69% |
| Swimming for under 16 year olds | 49% |

10.4 • **Commentary**

Earlier in the survey, more than three quarters (78%) of respondents opted to continue with the current enhanced level of service in terms of refuse collection and disposal. There appears to be further support for this enhanced level of service as a similar number of people (79%) said that the Council should consider introducing a charge for additional wheeled bins.

In terms of free swimming, 60% of respondents opted to introduce a charge for swimming for over 60 year olds; this may reflect the very small number of people aged over 65 years who completed the survey. In contrast, 49% of respondents said that swimming for under 16 year olds should continue to be free while the same number said that a charge should be introduced for this service. A nominal or means-tested charge for swimming was also suggested.

In terms of older person's community alarms, more than two thirds (69%) of respondents would like this service to continue to be provided free of charge. This is in contrast to the Budget Consultation 2015/16 when 59% of people agreed that a weekly charge for community alarms should be introduced. It should be noted, however, that in 2015/16, alarms were listed simply as *Community Alarms* and not alarms for elderly people; this may have influenced people's responses.

Other services that people thought charges could be introduced for are school transport, music tuition and breakfast clubs. Respondents also made a number of suggestions about how the Council could be more efficient including increasing automation, reducing the number of managerial positions and switching off street lighting.

10.5 The next part of the survey asked for views on any other services provided to local residents which were not included in Questions 1-4 of the questionnaire and which they thought the Council should reduce or stop providing. A number of themes emerged when this question was answered, including:

- music tuition
- environmental issues
- Libraries and the McLean Museum
- Council events.

10.6

• **Commentary**

A number of suggestions were made about music tuition including introducing charges, perhaps on a means-tested basis; other respondents said the service should remain free. It was also suggested that the number of instruments pupils receive tuition on should be reduced from three to two as the Scottish Qualifications Authority examinations only require knowledge of two instruments. Another respondent also pointed that, other than music, no other subject benefits from specialist tuition.

A number of people said a charge could be introduced for using public conveniences while others said charging could be introduced for internet use in local libraries.

11.0 SURVEY RESULTS: COUNCIL TAX

11.1 The Council Tax section of the survey was introduced by providing the following background information:

- current Government Policy is to allow increases in Council Tax to a capped maximum of 3% per year;
- a 3% increase in Council Tax would generate £810,000 of income each year for Inverclyde Council which would reduce the amount of cuts required; and
- an increase of 3% would add between £24 (Band A) and £88 (Band H) per year to the Council Tax Bill for a property in Inverclyde.

11.2 When asked if they agreed that in the current financial environment there should be an increase in Council Tax in Inverclyde, people responded as follows:

| | |
|-----|-----|
| Yes | 68% |
| No | 32% |

11.3 The next question asked how much people thought the Council Tax should be increased by, respondents provided the following answers:

| | |
|----|-----|
| 1% | 24% |
| 2% | 28% |
| 3% | 48% |

11.4 A number of themes emerged regarding Council Tax, including:

- miscellaneous comments regarding a Council Tax increase;
- Council Tax Bands; and
- Council Tax arrears.

11.5

- **Commentary**

Just over two thirds (68%) of people agreed that in the current financial environment there should be an increase in Council Tax in Inverclyde. Of those respondents, fairly equal numbers (24% and 28%) said that the Council Tax should be increased by 1% and 2% respectively while just under half (48%) said that the increase should be 3%.

The majority of respondents indicated that they view an increase in Council Tax as now being acceptable if it would reduce the amount of budget cuts required and enable service provision to be protected. There were also a number of comments relating to charges for higher Banded properties, some of which may refer to the changes to Council Tax by the Scottish Government which are effective from April 2017.

12.0 SURVEY RESULTS: THE COUNCIL'S ROLE AS A SERVICE PROVIDER

12.1 We started this part of the questionnaire by advising respondents that, like other Councils across Scotland, Inverclyde Council does not directly deliver all the services it provides for people in the local area. The following models were provided as examples of alternative ways in which services can be delivered:

- shared services with one or more council
- an arm's length external organisation, for example, the Inverclyde Leisure Trust
- delivered by the private sector
- services are delivered in partnership with community groups or charitable organisations.

12.2 When asked if they thought it was acceptable for Inverclyde Council not to deliver some services directly, the responses were as follows:

| | |
|--|-----|
| This is an acceptable option to me | 38% |
| This may be acceptable but I have reservations | 46% |
| This is not an acceptable option to me | 17% |

12.3 The next question in this section of the survey asked people if they thought the Council should increase the number of services it does not deliver directly, if it would save money; the responses were as follows:

| | |
|-----|-----|
| Yes | 69% |
| No | 31% |

12.4 Alternative delivery models themselves were the focus of the next question. When asked if they thought the models were an acceptable option, people responded as follows:

| | This is an acceptable option to me |
|---|---|
| Shared services with one or more council | 48% |
| Services are delivered in partnership with community groups or charitable organisations | 44% |
| An arm's length external organisation, for example, the Inverclyde Leisure Trust | 38% |
| Services are delivered by the private sector | 17% |

12.5 However, the order of preference for the above models changed, when people provided their views on the models that were acceptable but they had reservations about them:

| | This may be acceptable but I have reservations |
|---|---|
| An arm's length external organisation, for example, the Inverclyde Leisure Trust | 41% |
| Services are delivered in partnership with community groups or charitable organisations | 39% |
| Shared services with one or more council | 38% |
| Services are delivered by the private sector | 31% |

12.6 The next question about service delivery models asked respondents what models they thought were not acceptable to them; in this case, the responses were:

| | This is not acceptable to me |
|---|-------------------------------------|
| Services are delivered by the private sector | 49% |
| An arm's length external organisation, for example, the Inverclyde Leisure Trust | 16% |
| Services are delivered in partnership with community groups or charitable organisations | 12% |
| Shared services with one or more council | 11% |

12.7 The last question in this section of the survey asked people how important an issue the potential impact of alternative service delivery options on local jobs would be, given that the Council is the single biggest employer in Inverclyde; the responses to this question were:

| | | | | |
|----------------|------------------|-------------|---------------|----------------------|
| Very important | Fairly important | Neither/nor | Not important | Not at all important |
| 70% | 18% | 6% | 3% | 3% |

12.8

• **Commentary**

Services delivered by the private sector is the least popular alternative delivery model with just under half (49%) of respondents stating that this option is not acceptable to them. This may reflect the fact that local people have trust and confidence that the Council to deliver services in a fit and proper manner.

Meanwhile, there were similar answers – 48% and 44% respectively - regarding the acceptability of sharing services with one or more local authority, as well as service delivery in partnership with community groups or charitable organisations.

A number of people expressed support for alternative service delivery models, tempered by concerns around the quality of service provided and the terms and conditions of employees. Additionally, the Council's role as the single biggest employer is seen as being important to respondents with more than three quarters (78%) of people stating this as a very important or fairly important issue when alternative service delivery models are being considered.

A number of related issues regarding local jobs emerged from other parts of the survey: 76% of respondents opted to reduce or stop support for businesses (for example, marketing support and business grants) while just over half (56%) of people chose to reduce or stop support for getting people into work and job retention.

A fairly substantial number of comments were made by respondents regarding alternative delivery models.

13.0 OTHER COMMENTS ABOUT THE COUNCIL'S BUDGET

13.1 The final part of the survey invited respondents to make any other comments they may have about the Council's budget; full details of these comments have been published on the Council's website and are available to view via this web link: [Your Council, your say](#). A number of themes emerged, including the following:

- education - miscellaneous
- Council employees and Council structure
- efficiency
- vulnerable people
- alternative service delivery models
- miscellaneous
- parking
- Elected Members.

13.2

• **Commentary**

A number of respondents suggested that a restructure of the Council should be carried out with the aim of reducing employee numbers. Others made suggestions about how efficiency could be improved, including an increase in digitalisation; reducing the need for travelling by making more use of video conferencing; and using fleet hire vehicles.

Parking was the focus of a number of comments with people saying the scheme should be reviewed to encourage people to shop locally; others called for a return of Traffic Wardens.

A number of people made comments about Elected Members, suggesting the level of their expenses should be reviewed. There appeared to be some confusion around the increase in Elected Members from 20 to 22; this, of course, is not a decision taken directly by Inverclyde Council.

Means-testing was a recurring theme throughout Consultation responses with a number of people suggesting it should be introduced for a variety of services, including swimming, music tuition and breakfast clubs.

14.0 PROFILE QUESTIONS

14.1 So that we can best respond to the needs of different local residents, a set of profile questions was included in the survey, the responses to which will help the Council to ensure it treats everyone fairly and equitably.

14.2 Gender

Just over half (53%) of all respondents were female, with the corresponding 47% being male.

14.3 Age

The greatest number of respondents (29%) was from the 45-54 years age group. A quarter of respondents (25%) are in the 35-44 years age bracket while just over a fifth (21%) are aged 55-64 years. Very small numbers of young and elderly people responded to the consultation: 16-24 years – 3%; and 1% for those aged 75+.

14.4 Employment status

The majority of people (83%) who provided their views on the Budget Consultation 2017/18 are in employment: 66% and 14% are employed full and part time respectively, while 3% are self-employed. Retired people made up 10% of the respondents while small numbers (2% each) are students; looking after home or family; or not working due to long term illness. One per cent of respondents are unemployed.

14.5 Property type

Most respondents (81%) own their own home while the same number of people (7%) live with relatives or rent from a private landlord. A smaller number (5%) rent from a private housing association.

14.6 Geographical area

People living in Inverclyde's three towns made up the majority of respondents:

- Greenock – 56%
- Gourock – 20%; and
- Port Glasgow – 12%.

Smaller numbers of respondents (6%, 5% and 2% respectively) come from Kilmacolm, Wemyss Bay and Bridge of Weir (Quarrier's Village).

15.0 IMPLICATIONS

15.1 Financial implications - one-off costs:

| Cost centre | Budget heading | Budget year | Proposed spend this report | Virement from | Other comments |
|-------------|----------------|-------------|----------------------------|---------------|----------------|
| n/a | n/a | n/a | n/a | n/a | n/a |

Financial implications - annually recurring costs/(savings):

| Cost centre | Budget heading | With effect from | Annual net impact | Virement from | Other comments |
|-------------|----------------|------------------|-------------------|---------------|----------------|
| n/a | n/a | n/a | n/a | n/a | n/a |

15.2 Human Resources: There are no direct human resources implications arising from this report.

15.3 Legal: There are no direct legal implications arising from this report.

15.4 Equalities: There are no direct equalities implications arising from this report.

15.5 Repopulation: Provision of Council Services which are subject to close scrutiny with the aim of delivering continuous improvement for current and potential citizens of Inverclyde support the Council's aim of retaining and enhancing the area's population.

16.0 CONSULTATION

16.1 There was no requirement to consult on the contents of this report.

17.0 BACKGROUND PAPERS

17.1 Budget Consultation 2017/18 survey.

18.0 CONCLUSION

18.1 The results of the Budget Consultation 2017/18 are presented for consideration by the Council with the request that it is noted that the feedback will be used to inform the development of future budget savings.