

**CLACKMANNANSHIRE COUNCIL**

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**Report to Council**

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**Date of Meeting: 25th June 2015**

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**Subject: Budget Strategy Update**

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**Report by: Depute Chief Executive**

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**1.0 Purpose**

- 1.1. The purpose of this report is to maintain Council's regular update on the medium term financial outlook. This report also provides an update on progress with the *Making Clackmannanshire Better* programme of activity and the revised engagement and implementation arrangements which were implemented in April 2015.

**2.0 Recommendations**

It is recommended that Council notes:

- 2.1 the key political commitments arising from the outcome of the UK Government election in May.
- 2.2 the prevailing ongoing uncertainty impacting medium to long term financial planning and forecasting (paragraphs 3.3 to 3.8) and the consequent intention to provide a range of financial planning 'scenarios' for Council.
- 2.3 the 4th June announcement by the UK Chancellor indicating a further £107m reduction in the Scottish Budget in the current financial year (2015/16).
- 2.4 updates on discussions with elected member and trade union in MCB Forums held in May and June (paragraph 4.1 to 4.3 and Appendix A).
- 2.5 update on progress and plans for scheduled MCB Challenge sessions in June and July (paragraphs 4.4 and 4.5).

**3.0 Financial outlook**

- 3.1 Council has received regular updates on the medium term financial outlook in its regular Budget Strategy Update reports. Following the outcome of the May UK election, the following key impacts on UK departmental spending are clearer.

The key tax commitments are:

- no increase in income tax, NIC and VAT over the term of the new Parliament, guaranteed in law
- an increase in the inheritance tax threshold to £1million
- an increase in the personal tax allowance to £12,500
- an increase in the 40% tax threshold to £50,000.

The key spending cuts/ commitments of the new Government are:

- £12billion reduction in the welfare budget
- £8billion real terms increase in NHS spend by 2019
- a clampdown on tax avoidance that will reduce the need for cuts elsewhere by £5billion.

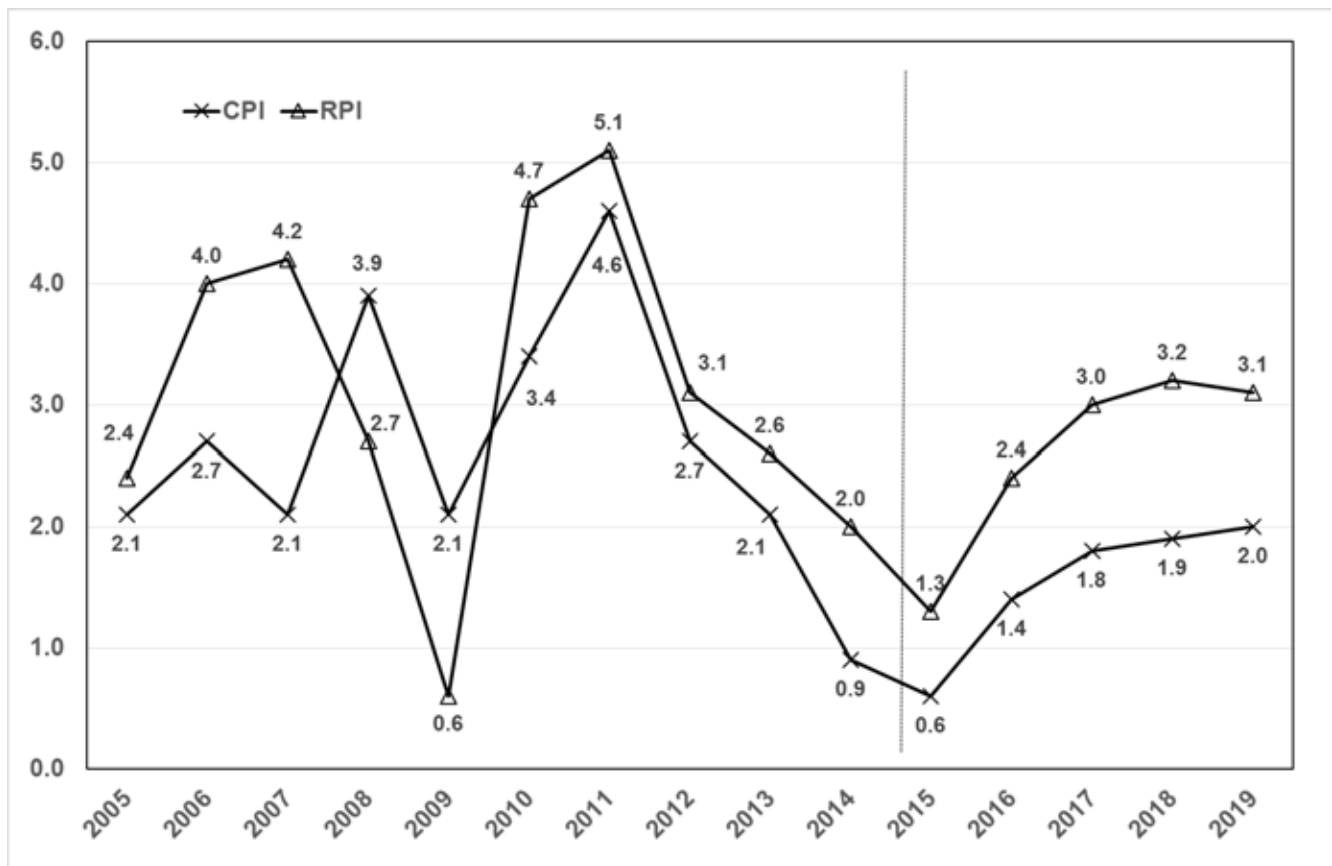
Within these parameters, the key fiscal targets of the new Government are:

- to achieve a further £30billion of fiscal consolidation in the next 2 years (2016/17 and 2017/18)
- in 2018/19 overall UK spending will grow in line with inflation which is expected to be close to 2%
- from 2019/20 the fiscal balance is expected to be in surplus .

- 3.2 At this stage, it is not clear how the delivery of these commitments will influence Departmental Budgets in England or the Scottish Block Grant. The second UK Budget for 2015/16 is due on the 8th July. On balance, it seems most likely that this will focus on the detail of proposed spending cuts and commitments to provide some time to prepare for the implementation of these proposals. There is a possibility of some indication of the implications for budget/ grant allocation but it is more likely that this will be clarified at the time of the next Spending Review which is scheduled for the Autumn.
- 3.3 Scottish Budgets will not be known until even later, once the Scottish Government has analysed the implications of the revised Block settlement post the Spending Review and prioritised allocations thereafter. In its recent paper for Directors of Finance, Fiscal Affairs Scotland questions the salience of projections on local government expenditure in Scotland given the variations in the underlying assumptions of commentators.
- 3.4 These principles of variability and uncertainty also extend to forecasts on the broader range of economic and fiscal variables such as economic growth (GDP), inflation (CPI and RPI), pay inflation and interest rates. These are key factors that the Council refers to in establishing its underpinning assumptions, particularly in respect of expenditure pressures for future years. An illustration of the current variability in forecasts is set out in Exhibits 1 and 2 showing the percentage change in inflation forecasts year on year as measured by CPI and RPI.

Exhibit 1: CPI and RPI % change

CPI & RPI Inflation, % change on year earlier (Q4 estimates)



3.5 Exhibit 1 shows that RPI inflation is projected to continue to be higher than CPI. Whilst RPI is still used by the UK and Scottish governments to uprate certain prices, as well as in many council contracts for goods and services, it is no longer considered to be an 'official' statistic, as the methodology used to construct it has been recognised as flawed by the Office for National Statistics.

3.6 On average, independent forecasters are also anticipating a continued divergence between RPI and CPI (see Exhibit 2), although the wide variation in the forecasts reflects uncertainty, for instance in 2016, forecasts in respect of CPI range between 0.85 and 2.2% and for RPI, between 0.7% and 3.1%.

Exhibit 2: Lowest, Average and Highest forecast (%) for CPI and RPI by Independent Forecasters

<b>Table 3: Lowest, Highest and Average forecasts for CPI &amp; RPI made by Independent forecasters, %</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>CPI</b>					
Lowest	-0.1	0.8	1.4	1.6	1.6
Average	0.6	1.4	1.8	1.9	2.0
Highest	0.8	2.2	2.4	2.5	2.4
<b>RPI</b>					
Lowest	0.5	0.7	1.6	2.2	2.2
Average	1.3	2.4	3.0	3.2	3.1
Highest	1.6	3.1	3.8	4.0	3.6

3.7 As a consequence, it is intended that future forecasts submitted to Council will be based on a spread of potential forecast rates. These will be set out as separate scenarios with the difference in the underpinning assumptions described. This will give a broader range of potential expenditure requirements for the Council.

3.8 The forecasting of income is even more challenging, given the annual notification of individual council settlement figures. At this stage it is unclear whether the Spending Review will provide a basis for the notification of multi/ indicative future year's settlement figures to facilitate medium to longer term financial planning. However, with both Scottish and Local Government elections in the next two years this may be problematic.

3.9 On the 4th June 2015, unexpectedly, the UK Chancellor of the Exchequer, George Osborne announced a further £3bn reduction in public expenditure for 2015/16. Initially this was anticipated to equate to approximately £177m of additional reductions to Scotland's agreed spending plans for the current financial year. The First Minister has subsequently written to the four opposition leaders within the Scottish Parliament asking for their support in responding to the UK Government. In addition she outlined an alternative approach to the UK Government's austerity programme which would deliver modest real terms increases for public spending from 2016/17 to 2019/20, focused on delivering sustainable public finances.

3.10 Following recent discussions between the UK Government's Chancellor and the Deputy First Minister for Scotland, the initial anticipated reduction has been revised to £107m in 2015/16. Beyond this, no further detail is available at present, however, Council will be notified of the implications as further information becomes available.

**4.0 Budget Strategy Implementation Making Clackmannanshire Better : Programme arrangements**

4.1 In May 2015, Council was updated on the revised Programme management arrangements for MCB which included the establishment of Member and Trade Union Forums which meet monthly to receive updates on progress with the strategic development and implementation of MCB and on progress with the agreed

programme of reviews covering both revenue expenditure and capital investment. The first meeting of each Forum took place on the 25th May 2015 and further meetings took place on the 23rd June 2015. Key agenda items to date have included:

- Remit of Forum
- Confirming and Communicating MCB
- Progress on Strategic development and delivery of the Programme
- Learning from others (case studies)
- Strategic review of Income and expenditure (revenue and capital)
- Draft MCB Change Proposal scopes

- 4.2 A key aspect covered in the above discussions has been how to deliver and embed a consistent understanding of MCB and how it fits into both the strategic and operational framework of the Council and MCB Challenge sessions. Selected detail of recent work was shared with elected members and Trade Union representatives and progress in producing a corporate booklet which seeks to facilitate this embedding process were shared. A copy of the recently finalised booklet is included at Appendix A. This will now be cascaded to staff and will be supported by Executive Team attendance at management meetings to help embed understanding of the framework set out.
- 4.3 Another key area of discussion has been the scale of the planned Programme of activity. When the existing MCB Programme and the additional areas for review approved in the February Budget were summarised, a total of 50 review priorities were in place. Management recognised that this is a large number to deliver and that many of the review areas were interrelated. As a consequence, during May and June, work has been taken forward to review, prioritise and consolidate the areas for review. Whilst this work is not yet quite complete, there are now 32 scopes and several have been rewritten to broaden the scope of activity and incorporate those areas previously covered in separate proposals. This process will continue and is expected to be complete by early July. This work is being overseen by the Programme co-ordinator who has been in place since May.
- 4.4 MCB Challenge sessions started on the 24th June 2015. These sessions are being led by Service Committee Conveners with the support of the Executive Team. A strategic review of income and expenditure has been undertaken to assist Conveners in identifying additional areas for review. Details of this were provided to elected members and trade union representatives at this week's MCB Forum sessions. Briefing has also been provided on the format and conduct of the MCB Challenge sessions at the regular Administration Finance Group meetings.
- 4.5 The MCB Challenge sessions will have all been undertaken by the 7th July 2015. Once these have been completed, chief officers will work with their respective management teams to develop and finalise business cases with a view to the first tranche being complete by mid to late August. Details on progress and proposals will then be provided to subsequent meetings of the MCB Forums on the 25th August and 22 September 2015.

## 5.0 Conclusions

- 5.1 Significant work continues to provide a sustainable approach to the Council's financial planning. To facilitate this, MCB programme management arrangements have been implemented with the aim of ensuring that pace and momentum is as a minimum sustained, but wherever possible, is improved. Significant work has been progressed to review, prioritise and consolidate the planned programme of reviews.
- 5.2 The report also indicates the significant uncertainty which continues with regards medium term financial planning. This has been further compounded by the recent announcement that further reductions in the current year's budget are required by the UK Government.

## 6.0 Sustainability Implications

- 6.1. The Council's budget and its approval will allow services to deliver against sustainable outcomes.

## 7.0 Resource Implications

### 7.1. *Financial Details*

- 7.2. Finance have been consulted and have agreed the financial implications as set out in the report. **Yes**

### 7.3. *Staffing*

as above

## 8.0 Exempt Reports

- 8.1. Is this report exempt? **No**

## 9.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

### (1) **Our Priorities**

The area has a positive image and attracts people and businesses  
Our communities are more cohesive and inclusive  
People are better skilled, trained and ready for learning and employment  
Our communities are safer  
Vulnerable people and families are supported  
Substance misuse and its effects are reduced  
Health is improving and health inequalities are reducing  
The environment is protected and enhanced for all  
The Council is effective, efficient and recognised for excellence

**(2) Council Policies** (Please detail)

**10.0 Equalities Impact**

10.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? **Yes**

**11.0 Legality**

11.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. **Yes**

**12.0 Appendices**

12.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A MCB Booklet June 2015

**13.0 Background Papers**

13.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Council Budget 2015/16 February 2015

Fiscal Affairs Scotland May 2015

MCB Programme June 2015

Change Proposal Scopes June 2015

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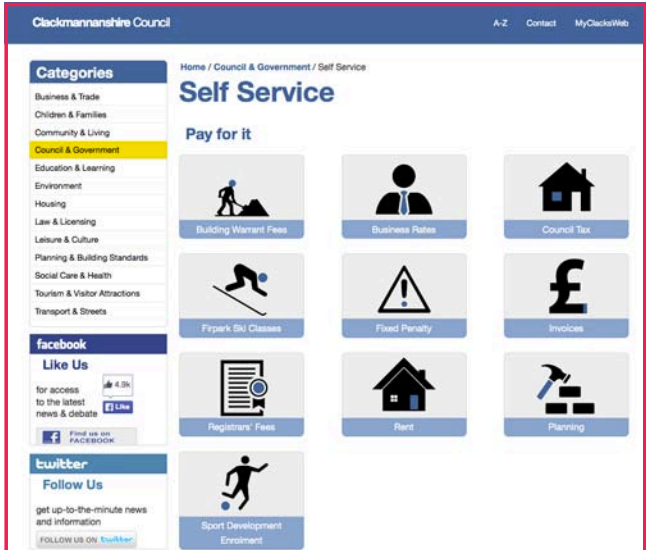


# Making Clackmannanshire Better

## Clear Policy Priorities



## Transforming Services



## Making Efficiencies



## Increasing Income & Savings

# Contexts

The Council is a multi-million pound business which delivers a wide range of services for communities across Clackmannanshire. Clackmannanshire is a growing area where there are many opportunities.

The contexts which the Council operates in are ever-changing: the Council of today is not the same as the Council of five years ago and the Council in five years time will be different to how it is today.

As contexts change, the Council must change with them to make sure that it is doing everything it can to improve people's quality of life and to make Clackmannanshire a better place.

Changes in public sector funding have been a key issue facing local councils for a number of years and will continue to impact on what councils do and how they do it. While financial times are tough, though, it is important to remember that the Council still has a total budget of around £145m and to focus on providing the best services we can with that very significant resource.

Balancing the financial challenges there are also opportunities for real improvement if the Council and its partners work in a more integrated way and pool their resources better. Similarly, changes in legislation are making it easier for communities to become more involved in service delivery.

## Making Clackmannanshire Better

Given the Council's contexts, it is crucial that we get maximum benefit from all our available resources. This means our approach needs to:

- focus on clear priorities and target resources to greatest effect
- transform services so that they best meet user needs, which may mean having different models of delivery and doing things in different ways
- be as efficient and effective as possible in everything that we do and make the best use of our substantial assets
- make sure that we collect all income owed to us, have an appropriate approach to charging for services and get better value for the money we spend on goods and services.

This approach, Making Clackmannanshire Better, is how the Council needs to do things so that it can have a sustainable cost base going forward, sustainable service delivery and, most importantly, achieve the following outcomes which are shared with its community planning partners:

## Delivering Outcomes

- Clackmannanshire has a positive image and attracts business and people
- Communities are more inclusive and cohesive
- People are better skilled, trained and ready for learning and employment
- Communities feel, and are, safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving
- Our environment is protected and enhanced
- Public services are improving

**Issues**

- Statutory requirements
- Demographics
- Societal change
- Reduction in resources
- Ongoing change

**Partnership**

- Citizens and communities
- Public, private and third sector
- Single Outcome Agreement
- Community Plan
- Joint Strategies & Approaches

**Budget Strategy**

- Sustainable service delivery
- Sustainable cost base
- Partnership resourcing
- Increased income
- Reduced expenditure



**Making Clackmannanshire Better**

- get maximum benefit from all available resources
- deliver statutory requirements effectively and efficiently
- make sure all our activities meet priorities
- change how we do business
- make our organisation stronger and sustainable

Clear policy priorities

Transforming services

Making Efficiencies

Increasing Income & Savings

**Council Budget**



**Council Plan, Service Business Plans**



**GOING FORWARD**

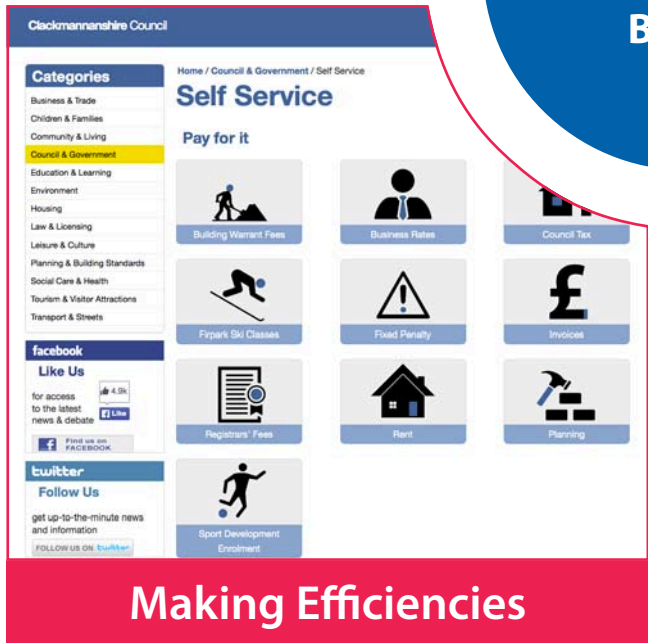
- Meeting Outcomes
- Sustainable service delivery
- Sustainable cost base

# Making Clackmannanshire Better

Making Clackmannanshire Better is the Council's approach to delivering outcomes in a way that is financially sustainable and which gets maximum benefit from all its resources. There are four key strands to Making Clackmannanshire Better:

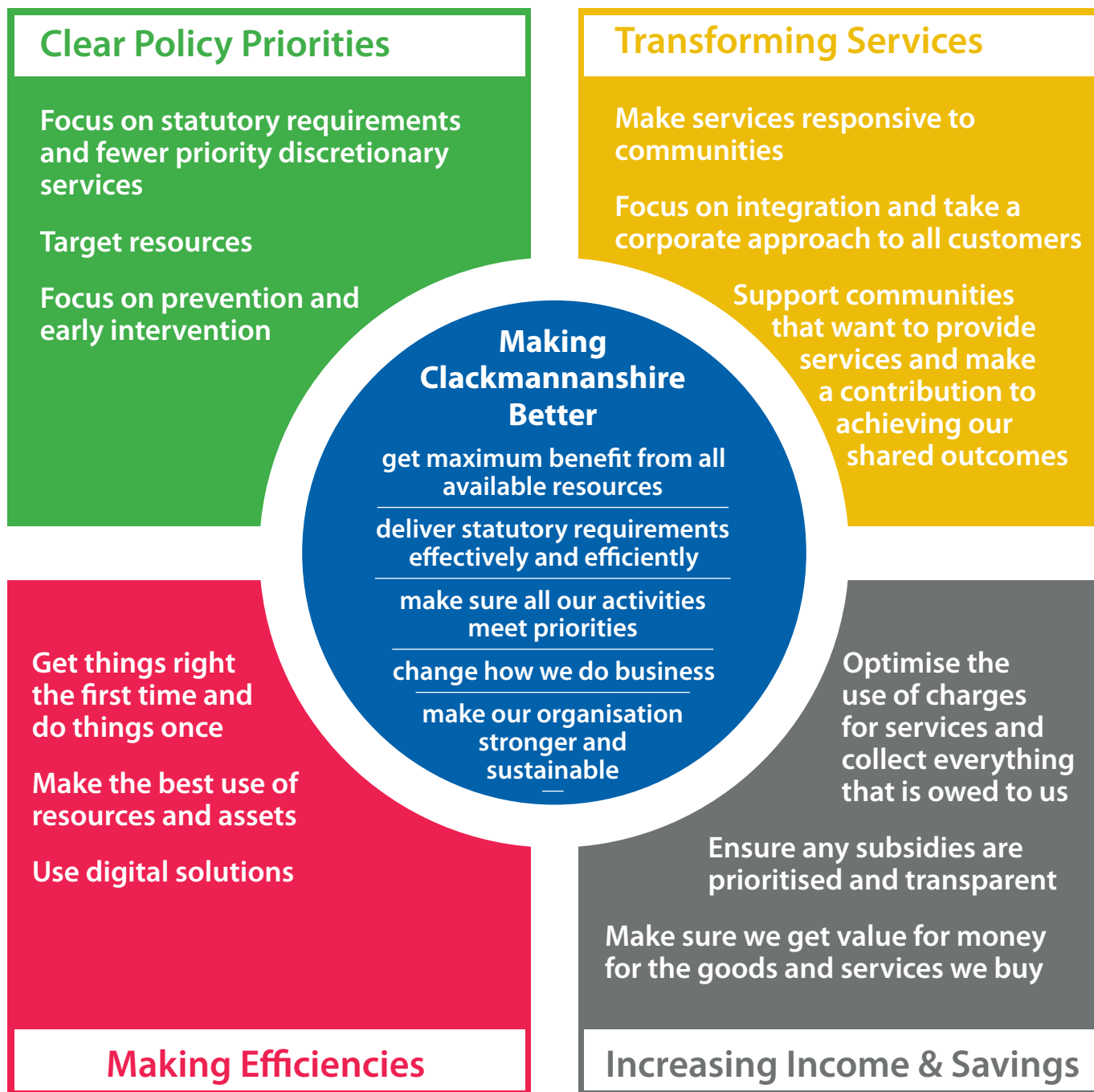


**Making Clackmannanshire Better**



**Meeting Outcomes  
Sustainable Service Delivery  
A Sustainable Cost Base**

Taking forward these four strands will assist the Council to get maximum benefit from all the resources available to it and deliver priority services effectively and efficiently.



# Making Clackmannanshire Better



# Making Clackmannanshire Better

At its budget meeting in February, 2015, the Council agreed to take forward a number of reviews. These are set out below alongside existing Making Clackmannanshire Better initiatives. In addition, all services have their own programmes of work under the four strands of Making Clackmannanshire Better.

## Clear Policy Priorities

- Ongoing review of care packages
- Prepare business case for housing with care in Tillicoultry
- Development of settlement hubs
- Develop safer routes for communities to access services
- Review the full business case for shared education and social service
- Improve community planning governance and joint resourcing of shared priorities
- Maximise community use of secondary schools
- Development of corporate and service workforce plans
- Develop social services workforce strategy
- Review of school estate

## Transforming Services

- Review of day care provision at Ludgate
- Review of residential provision for adults at Menstrie House
- Develop feasibility study for a shared residential childcare facility
- Review of leisure services
- Review of sport and youth services
- Maximise options for redesign from health and care integration
- Prepare business case for shared regulatory services
- Options appraisals for Resources & Governance delivery models
- Review of roads service structure
- Review of street lighting management and operations
- Review of working week, role flexibility and other employee terms and conditions
- Review of advice, information and guidance
- Update approach to customer contact management
- Develop approach to open data
- Review of management tiers

## Making Efficiencies

- Realign secondary school timetables
- Review of school crossing patrols
- Review of respite for children
- Review cemetery strategy
- Review of fleet
- Review of social services transport
- Review of social services equipment store
- Review of play areas strategy
- Review of waste collection service
- Review of community meal service
- Review the scheme for devolved school management
- Review and disposal of surplus assets
- Review of equipment and information management

## Increasing Income and Savings

- Review of third sector commissioning (grant funded)
- Review enforcement activity for litter and dog fouling
- Develop business case for differential charging for car parking
- Review financing model of secondary schools
- Review telephone and mobile device provision
- Increase digital transactions and workflows
- Ongoing review of charging and subsidy levels
- Implement approach to corporate funding
- Maximise staff attendance
- Pursuit of debtors
- Review of social services commissioning

# Management Charter

The focus of Council's senior management within the context of Making Clackmannanshire Better is on people, performance and place. The priorities under these three themes represent senior management's shared commitments, priorities, expectations and approaches.

## People

### Leadership Development

Leading by example, developing leadership capacity in others and in ourselves, demonstrating confidence in the future and modelling positive leadership behaviours

### Supporting Staff Through Change

Managing performance through staff review and development, implementing the attendance management policy and effectively communicating expectations

## Performance

### Service Excellence

Delivering services to agreed standards, effective performance reporting and focus on customer service

### Financial stability and good health

Managing resources within budget, engaging proactively in Making Clackmannanshire Better and budget challenge

### Communication

Ensuring consistent, clear and timely engagement with all staff and all stakeholders

### Governance

Upholding and implementing the highest standards of governance in line with Council policies and modelling conduct and behaviours which promote good governance

### Ongoing review of service models

Improving the effectiveness and efficiency of services by adopting different approaches to processes, structures and management

## Place

### Total Place

Working effectively with partners across Clackmannanshire for the good of the area and behaving corporately

### Promoting Clackmannanshire

Promoting the positive opportunities Clackmannanshire offers and the excellent services the Council provides