

CLACKMANNANSHIRE COUNCIL

Report to Council

Date of Meeting: 22nd October 2015

Subject: Budget Strategy Update

Report by: Depute Chief Executive

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, including recent meetings of the MCB elected member and Trade Union (TU) Forums.

2.0 Recommendations

2.1 It is recommended that Council notes:

- a. that there has been little change to the previously reported financial outlook (paragraphs 3.1 to 3.3)
- b. the three illustrative scenarios provided in relation to the council's net expenditure and indicative funding gap for the period to 2018/19 (Exhibits 1 to 4)
- c. the rationale for, and impact of, the change to the assumption in respect of the grant income level for the Realistic Scenario (paragraph 4.2 and Exhibit 3)
- d. that the Deputy First Minister has indicated his intention to progress the Autumn Spending Review discussions on a **themed** rather than **functional** basis, (paragraphs 4.4 and 4.5)
- e. progress with the preparation and distribution of Business cases and the 10% and 15% modelling exercise (paragraphs 4.6 to 4.9)
- f. the classification of Tranche 1 Business cases set out at Appendix A and paragraphs 4.10 and 4.11
- g. the proposed consultation approach in respect of the 2015/16 Budget (paragraphs 4.12 to 4.16).

3.0 Financial outlook

- 3.1 Council has received regular updates on the medium term financial outlook in its regular Budget Strategy Update reports. Since the August report to Council, there has been little additional information available to update the previously reported financial outlook position.
- 3.2 In the August 2015 Budget Strategy report to Council, key features of the UK Government's July Budget announcement were set out. This included details of anticipated reductions in welfare reform budgets and the announcement of an additional £83billion for public service revenue budgets over the next 4 years. However, since this announcement no further information detailing the anticipated timing and incidence of the additional £83billion for public service revenue budgets has been provided. On this basis, it would suggest that it may be more prudent at a Scotland level to revert to pre-budget assumptions given the difficulties of seeking to accurately reflect/ predict potential settlements for Scotland post the application of Barnett consequentials.
- 3.3 As a consequence of this lack of specific information, some of the assumptions applied in the following section have reverted to a more prudent basis to facilitate the Council's awareness of the position at this point.

4.0 Budget Strategy Implementation

- 4.1 In the August Council Budget Strategy Update report, elected members were provided with three potential scenarios when considering the Council's level of net expenditure in the next few years. The approach aims to recognise the range of potential permutations of the key variables, with illustrative forecasts for a Low, Realistic and High position in respect of the key assumption factors. The underpinning assumptions for the three scenarios are set out in Exhibits 2 to 4 and are summarised in Exhibit 1 below:

Exhibit 1: Underpinning assumptions for scenarios 1 to 3

Assumption	Scenario 1 (Exhibit 2) LOW	Scenario 2 (Exhibit 3) REALISTIC	Scenario 3 (Exhibit 4) HIGH
Income: Grant level	Flat cash to 2016/17 2018/19	Cash reduction 1.3% in 2016/17 and 1.8 % in 2017/18 and 2018/19	Cash reduction 1.3% in 2016/17 and 1.8 % in 2017/18 and 2018/19
Income: Council Tax	0%	0%	0%
Pay inflation	0.5%	1%	1.5%
Inflation	£1m	£1.3m	£1.5m
Demand Pressures	£1m	£1.2m	£1.5m

NB: Shaded boxes reflect assumptions as presented prior to the July 2015 UK Budget announcement.

- 4.2 The only change to the assumptions since the last report to Council has been a change to the anticipated level of grant income in the Realistic Scenario. The assumption has reverted to the previously assumed level of cash reduction given that at this point there has not been any indication of how the additional £83billion announced in July might impact the Scottish Grant or how this might translate post application of the Barnett consequentials.
- 4.3 Exhibits 2 to 4 below set out the three scenarios. These suggest a potential range in the forecast gap of between £8.5m and £11.5m in 2016/17 and £15.5m to £25.3m cumulatively over the period to 2018/19. This range remains unchanged from the previously reported position as only the Realistic Scenario has been updated and this sits mid range on a number of factors. As further information is available from the Autumn Spending Review, forecasts will be rolled out to cover the period to the end of 2019/20.

Exhibit 2: Scenario 1-LOW Indicative budget Gap based to 2018/19

	2016/17	2017/18	2018/19
	£000	£000	£000
Net expenditure	124,165	127,898	131,288
Net Funding	(115,630)	(115,677)	(115,724)
Cumulative indicative Funding Gap	8,535	12,221	15,564
Indicative Annual Gap	8,535	3,686	3,343

Exhibit 3: Scenario 2- REALISTIC Indicative budget Gap to 2018/19

	2016/17	2017/18	2018/19
	£000	£000	£000
Net expenditure	125,042	129,662	133,950
Net Funding	(114,421)	(112,814)	(111,238)
Cumulative indicative Funding Gap	10,621	16,848	22,712
Indicative Annual Gap	10,621	6,227	5,864

Exhibit 4: SCENARIO 3- HIGH Indicative budget Gap to 2018/19

	2016/17	2017/18	2018/19
	£000	£000	£000
Net expenditure	125,918	131,413	136,571
Net Funding	(114,421)	(112,814)	(111,238)
Cumulative indicative Funding Gap	11,498	18,598	25,333
Indicative Annual Gap	11,498	7,100	6,735

4.4 At the time of writing, no further information was available on the likely timing of the Council receiving the details of its individual funding settlement for 2016/17. However, a recent COSLA paper on the Spending Review indicated that the Deputy First Minister has indicated his intention to undertake a themed approach to the budget instead of a functional approach. In a letter to the COSLA Vice President, the Deputy First Minister has set out Scottish Government's early thinking on the potential themes for discussion which include:

- opportunities from the integration of health and social care
- the learning journey, including schools education, tackling inequality, early years/ childcare
- further reform of the Justice system
- Employability programmes delivered by multiple agencies and portfolios, and
- Efficiency and prioritisation within renewables and energy efficiency programmes.

4.5 Beyond this information, there is no detail on how the spending review discussions between COSLA and the Scottish Government will progress around these potential themes. Council will be updated once further information is available.

Making Clackmannanshire Better (MCB)

4.6 Since the August Council meeting, there have been two further rounds of MCB Forums for both elected members and Trade Union representatives. At the meetings on the 25th August 2015 key agenda items included:

- Tranche 1 and 2 Business case development
- 10% and 15% modelling exercise
- Workforce Planning

- Capital Budget planning
- Tullibody Pilot.

At the meetings on the 22nd September, key agenda items included:

- 10% and 15% modelling exercise update
- Business cases: Tranches 1 and 2 update
- Workforce Planning and Strategy development

- 4.7 At these meetings, copies of Tranche 1 Business Cases were also circulated and both elected members and TU representatives have been encouraged to review these and seek further clarity/ information and provide feedback as appropriate. Through these discussions the Trade Unions also agreed to a period of consolidated consultation on the Workforce Strategy and supporting HR policies and procedures in order that they could be submitted to this Council meeting for approval. These documents appear as a separate item on this meeting agenda.
- 4.8 Work is currently ongoing to refine the 10% and 15% modelling exercise and Tranche 1 Business cases. This work includes checking for cross service impacts, ensuring that potential risks are identified and mitigated and that the initiatives put forward are achievable and deliverable within the specified timescales. Once this work is completed it will also be shared with elected members and TUs through the regular MCB Forums and/or the Administration Finance Group.
- 4.9 The second tranche of Business cases were submitted on the 30 September. As these are reviewed and amended, as with Tranche 1, they will also be shared at the monthly MCB Forum meetings with elected members and Trade Union representatives. From October onwards, proposals will be considered within political groups as appropriate.
- 4.10 In February 2015, as part of the Council's Budget decisions, 40 areas were identified for further review during 2105/16 to establish their potential to provide budget savings and efficiencies in future years. These areas were taken forward as Tranche 1 Business Cases for development.
- 4.11 Having now completed reviews of all of the areas set out in the Council Budget, a more refined classification of the proposals is possible. As anticipated the Business cases fall into a number of categories as follows:
- **Policy decision required:** those cases which have the potential to realise savings and which require Council consideration/ approval.
 - **Implemented, Underway or Completed:** those cases which have subsequently been subject to committee/ Council consideration or which represent operational management efficiencies.
 - **Accommodated elsewhere:** those cases which have been subsumed within other Business Case reviews as a consequence of the consolidation review

undertaken in the summer

- **Management efficiencies:** those reviews which represent operational management efficiencies and which can be progressed without changes to Council policy
- **No savings identified:** those cases which having been reviewed do not deliver material/any savings
- **Deferred:** those cases which have been deferred given interdependencies with other key strategic/policy initiatives.

The full list is set out at Appendix A. This will also be discussed at the next meeting of the MCB Forum on 3rd November. It is also intended that this schedule will be updated once the review of the Tranche 2 Business cases has been completed.

Consultation

4.12 As previously indicated to Council, this year, efforts have been made to sustain contact with key partners, service users and stakeholders with regards business case developments and budget proposals. There has also been ongoing engagement with staff who can submit efficiency/savings proposals via their line management at any time. It is not intended that a schedule of individual officer proposals will form the basis of this year's consultation. However during the Autumn, further targeted activity is planned and this is detailed in the following paragraphs.

4.13 Three broad tranches of consultation activity are planned for:

- Clackmannanshire Residents
- Targeted Service user groups/ communities
- Staff.

4.14 The consultation objectives will be:

- to raise awareness of the Council's current and forecast financial context and the ambitions of Making Clackmannanshire Better
- to establish the relative priorities of services, based on feedback from our residents and service users
- to consider relevant business cases with specific service user groups and/or communities of interest to raise awareness of what is being considered
- to provide information about potential impacts of proposals for service users and/or communities. Such engagement would also seek to understand whether there are measures that can be taken to mitigate potential impacts and still

realise the necessary reductions in expenditure

- to provide the opportunity for key stakeholders and staff to clarify their understanding of the financial context and specific proposals and make additional suggestions for where savings and efficiencies can be made
- to consider workforce planning proposals and impacts with staff
- to provide the opportunity for staff to consider the potential for redesigning how services are delivered, consider new models of working and consider staff terms and conditions.

4.15 Work is currently being taken forward to:

- assess the feasibility of Clacks 1000 panel being used to provide a representative sample of Clackmannanshire's resident population
- develop a timetable of the key stakeholder meetings that will take place from November 2015 to January 2016
- to prepare key Business Cases to be placed on Clacksweb to inform consultation discussions
- investigate the online analytical packages available to undertake the prioritisation activity e.g. budget simulator tool
- explore the feasibility of further Management/ Trade Union face to face consultation sessions.

4.16 It is intended that consultation activity will commence in November and run to January 2016. As proposals for each of the tranches of activity are firmed up, details will be widely publicised to maximise engagement and involvement.

5.0 Conclusions

5.1 Significant work continues to provide a sustainable approach to the Council's financial planning. Recent activity has focused on reviewing and distributing the final Tranche 1 Business cases. Work is in hand to further refine the output of the 10% and 15% modelling exercise and Tranche 2 Business cases are now being reviewed and refined prior to distribution to elected members and trade unions.

5.2 The report also sets out the reclassification of the Tranche 1 Business cases to provide clarity over where future governance may be required and where management efficiencies are currently already being progressed. The schedule also highlights those business cases which were found not to deliver material savings.

5.3 Consultation remains a significant priority focus of budget preparations. This year's approach signals a further development of previous year's approaches to maximise

the engagement and benefit of consultation responses in supporting Council in its decision making.

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) Council Policies (Please detail)

Financial Strategy

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? **N/A**

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 Schedule of Reclassified MCB Projects

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	August 2015
COSLA Spending Review	September 2015
MCB Forums	August and September 2015
MCB Business Cases	August/September 2015
10% and 15% exercise	September 2015

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6. Summary of MCB Programme for Budget Report October 2015 (as at 02.09.15)

APPENDIX A

6.1 Policy decision required

001	Comprehensive review of high cost care packages
002	Review of Day Care Provision and Community Supports for Older People
003	Re-design of Intermediate and Residential Care Services for Older People
005	Feasibility Study for a Shared Residential Child Care Facility
006	Development of settlement hubs (inc. utilisation of CAPs)
011	Review full business case for shared education and social services
012	Prepare business case for shared Regulatory Services
013	Realignment of Secondary School timetables
014	Review of third sector commissioning (grant funded)
019	Roads & Transportation Future Delivery Model
021	Develop cemetery strategy
022	Review of Fleet
024	Review of Social Services Equipment
028	Management of Car Parking in Alloa
035	Workforce Development Strategy and Supporting Policies
039	Review of working week, role flexibility and other terms and conditions
051	Homelessness Security and Access

6.2 Implemented, Underway or Completed

026	Review of waste collection service (Underway - approval given at Council Budget Meeting, Feb 2015)
033	Review of staff efficiency proposals (Completed - management efficiency)
034	Review of surplus assets and disposal strategy (Continuously underway - approval given at Council Meeting, 14 May 2015 for most recent assets identified for disposal; all new assets for disposal will continue to be considered by Council as the opportunity arises.

6.3 Accommodated elsewhere

004	Business case for Housing with care in Tillicoultry (003)
009	Safer routes for communities (006)
015	Joint resourcing and service redesign by Clacks Alliance (014)
020	Review of street lighting management and operations (019)
023	Review of social services transport (022)
030	Maximise use of current annual investment in PPP schools (006)

6.4 Management Efficiencies

016	Review of school crossing patrols
018	Options appraisals for Resources & Governance delivery models and structures
027	Review of enforcement activity (litter, dog fouling)
034	Review of surplus assets and disposal strategy
036	Social Services Workforce Strategy
037	Review of telephone and mobile device provision
038	Increasing digital transactions and workflows
040	Review of equipment and information management

6.5 No savings identified

017	Review of respite for children
027	Review of enforcement activity (litter, dog fouling)

6.6 Deferred

010	Maximise options for redesign from health and care integration
025	Review of play areas and development of strategy