

CLACKMANNANSHIRE COUNCIL

Report to Council

Date of Meeting: 17th December 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 Council's Budget Strategy. This report also provides an update on progress with the *Making Clackmannanshire Better* programme, including updates on Budget preparation and the recent Comprehensive Spending Review.

2.0 Recommendations

2.1 It is recommended that Council notes:

- a. the key announcements from the Comprehensive Spending Review (CSR) on 25th November 2015 (paragraphs 3.2, 3.3 and 3.6)
- b. the impact of the UK CSR on Scottish funding (paragraph 3.4 and Table 1)
- c. the planned announcement of the Scottish Budget and individual council settlement figures on the 16th December (Paragraph 3.5)
- d. the modelling of the impact of variation in the assumed level of funding reduction applied to the Council's grant income (Table 2) and on the previously anticipated indicative funding gap (paragraph 4.3)
- e. the intention to provide a verbal update to Council at its meeting, following the announcement of the Scottish Budget on the 16th December (paragraph 4.6)
- f. the classification of Tranche 1 and Tranche 2 Business cases set out at Appendix A and paragraph 4.10
- g. the 'live' consultation activities underway in respect of the 2016/17 Budget (paragraphs 4.11 to 4.15).

2.2 It is recommended that Council:

- a. from the Resources and Audit Committee of 3 December 2015, in relation to the report entitled "Strategy and Customer Services Performance Report, 2nd Quarter 2015/16"

- Approves to vire £203k within Strategy and Customer Services to cover the reported overspend of £203k within Leisure Services (paragraph 4.16)

3.0 Comprehensive Spending Review

- 3.1 On the 25th November, the UK Chancellor announced the Comprehensive Spending Review.
- 3.2 In Scotland, whilst there is an increase of £1billion funding by 2019/20 (cash), this equates to a real terms reduction of over £1.2billion. Within this overall real terms reduction of around 4.1%, the Scottish Government estimates that Scotland's Resource (day to day revenue) Budget will reduce by 5.7% over the next four years.
- 3.3 In respect of capital, there is an increase in funding of £1.9 billion for Scotland. In addition, the Scottish Government is able to borrow up to £2.2bn for capital investment. Therefore, the previously reported trend of continuing pressure on day to day revenue expenditure looks set to continue for the duration of the Spending Review period.
- 3.4 Table 1 shows the impact of the Spending Review funding changes when the Scottish Budget is allocated between the main area of protection (NHS revenue Budget) and all other budgets (including local government). The overall fall of 2.1% over the four years to 2019/20 in the unprotected budget is equivalent to a reduction of almost 10% in real terms.

Table 1: Changes to the Scottish Budget, cash terms

Measure	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16-2019/20
Total Budget (£m)	30,167	30,667	30,867	30,967	31,167	1,000
Change (%)		1.7%	0.7%	0.3%	0.6%	3.3%
NHS Revenue	9,626	10,168	10,503	10,749	11,054	1,428
Change (%)		5.6%	3.3%	2.3%	2.8%	14.8%
Unprotected	20,541	20,499	20,364	20,218	20,113	-428
Change (%)		-0.2%	-0.7%	-0.7%	-0.5%	-2.1%

Source: Fiscal Affairs Scotland, November 2015

- 3.5 The Scottish Budget and individual council settlement figures are due to be published on the 16th December. It is anticipated that only one year's figures will be published at that time. The preceding paragraphs set out the position prior to the policy prioritisation of funding allocations by the Scottish Government.
- 3.6 Other points of relevance to Scotland from the Chancellor's announcement included:
- Tax credit changes will not go ahead. Universal Credit remains unchanged.
 - Department of Work and Pensions budget to be cut by 14% (potential implications for Housing Benefit Administration Subsidy for Scottish Local Authorities).

4.0 Budget Strategy Implementation

- 4.1 In the October 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. These scenarios suggested 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.
- 4.2 Given the potential impacts of announcements made in the CSR (as outlined above), for this report, greater emphasis has been placed on reviewing the potential impacts for 2016/17 in the first instance. Following the CSR, Scottish councils are anticipating potential reductions in funding of up to 5% for 2016/17. This is significantly higher the Council's previously anticipated reduction of 1.3% in 2016/17. The potential range of impacts for Clackmannanshire are summarised in Table 2 below:

Table 2: Variation in 2016/17 indicative funding gap relative to percentage funding reduction

% reduction in revenue funding	2.00%	2.50%	3.00%	3.50%	4.00%	5.00%
Indicative funding gap in 2016/17	11,272	11,738	12,203	12,668	13,133	14,064

- 4.3 Table 2 indicates that if the Council received a 5% reduction in funding in 2016/17, this would equate to an indicative funding gap in the year of £14.064 million which is £3.443million more than the previously forecast gap of £10.621 million for 2016/17.
- 4.4 Further detail on prioritisation and the incidence and level of reductions in the local government revenue budgets is required to prepare accurate medium term forecasts for future years. In addition, as further information is available from the Scottish Government's Autumn Spending Review, this will potentially provide a more reliable indication of planned prioritisation and also allow forecasts to be rolled out to cover the period to the end of 2019/20.
- 4.5 In the previous report to Council, the Deputy First Minister's indication of his intention to undertake a themed rather than functional approach to the budget was highlighted, with early themes proposed as follows:
- 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.
- 4.6 No additional information has been provided on this prior to issuing Council papers. However, following announcement of the Council's settlement figure on the 16th December, a verbal update will be provided to Council at its meeting on the 17th December.

Making Clackmannanshire Better (MCB)

- 4.7 Since the October Council meeting, there has been one further round of MCB Forums for both elected members and Trade Union representatives. At the meeting which took place on the 3rd November 2015, key agenda items included:
- update on Business Case refinement
 - update on 10% and 15% modelling exercise refinements
 - overview of strategic developments relating to workforce planning and the development of Community hubs
 - update on the consultation approach, including timescales.
- 4.8 At these meetings, copies of all Tranche 1 and 2 Business Cases and the full 10% and 15% modelling exercise 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. During December and early January, a series of meetings have been set up between the main Opposition members and chief officers to facilitate understanding of individual service proposals in advance of budget setting.
- 4.9 A demonstration of the Delib consultation tool for Derby City Council was also provided to highlight how the Council's own tool was being developed, highlighting some of the key features and benefits of the tool.
- 4.10 In the October Budget Strategy Update report to Council, a more refined classification of the Tranche 1 Business case proposals was provided. This has now been updated to include Tranche 2 Business cases and the finalised classifications are attached at Appendix A. A key objective of this classification activity has been to provide a clear focus on those priority and policy decisions which would be required should individual Business Cases be progressed/ accepted by Council.

Consultation

- 4.11 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 has been scheduled and this is detailed in the following paragraphs.
- 4.12 Three broad tranches of consultation activity are in place for:
- Clackmannanshire Residents
 - Targeted Service user groups/ communities
 - Staff.
- 4.13 The consultation objectives were reported to Council in October, and these are:

- 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.

4.14 The Consultation activity went 'live' on the 26th November and will run until 24th January 2016. All activities are prominently headlined on Clacksweb and staff have access via CONNECT. Key activities include:

- a timetable of the key stakeholder meetings is in place. These started on November 24th and are currently scheduled to run to December 18th 2015. These meetings are informed by summary Business Cases which are available on Clacksweb, and the face to face discussions are being augmented by reference to the full Business Cases which are most relevant to the target audience for each session
- the Council has developed and launched its own Budget Simulator tool. As well as residents and stakeholders being able to access this through Clacksweb, officers are facilitating and encouraging service users and stakeholders to complete it through our routine engagement/ meetings.
- staff consultation sessions involving management and trade union representatives have been scheduled for January 2016.

4.15 Following the close of these specific consultations activities, elected members will be briefed and receive details of all of the consultation feedback received in advance of the Budget setting meeting in order that this can be taken into account prior to Council taking decisions.

Budget Virements

4.16 As reported to Resources and Audit Committee on 3 December 2015, the outturn position projected to the end of the financial year 2015/16 for Leisure Services as at August was an overspend of £203k. It was referred to in the report (paragraph 3.4)

that this overspend is unlikely to be reduced and would be referred to Council for consideration. Council is requested to approve to vire £203k from within Strategy and Customer Services to cover this overspend in the current financial year. Strategy and Customer Services as a whole is currently projecting an underspend of £222k of which the overspend in Leisure is included. Further actions to reduce this overspend in future years are being developed by the Service.

5.0 Conclusions

- 5.1 The key features of the UK Government's CSR announcement are summarised in the report, alongside the impact on the Scottish Budget. Whilst the details of the Scottish Government's prioritisation of their spending plans will not be known until the 16th December, it seems likely that the levels of reduction in funding to Scottish councils will be greater than originally anticipated. The report sets out the potential impact of differing levels of reduction in grant income to assist elected members with planning and decision making.
- 5.2 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 and Tranche 2 Business cases and the 10% and 15% modelling exercise to elected members and trade union representatives..
- 5.3 The report also sets out the reclassification of the Tranche 1 and 2 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.
- 5.4 Consultation remains a significant priority focus of budget preparations. This year's approach is now 'live' and a range of significant activity is planned over the next two months to augment the engagement which has already taken place during the year.
- 5.5 Within Strategy and Customer Services, Leisure Services is reporting a projected underspend of £203k. A virement is requested from within the Service to cover this overspend.

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	November 2015
COSLA Spending Review	November 2015
MCB Forums	November 2015
MCB Business Cases	November 2015
10% and 15% exercise	November 2015

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Summary of MCB Programme at 7 November 2015

1.1 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)
008	Redesign sport and youth services
012	Shared Regulatory Services
013	Realignment of Secondary School timetables
014	Review of third sector commissioning (grant funded)
019	Roads & Transportation Future Delivery Model
022	Review of Fleet
024	Review of Social Services Equipment
029	Review of community meal service
032	Review the scheme for devolved school management
039	Review of working week, role flexibility and other terms and conditions
051	Homelessness Security and Access
052	Housing stock options
053	Renewable Energy
057	Secondary Management Review
058	ABC Nursery Income Generation
061	Secondary Pupil Bus Transfer
065	Roads - Capitalisation Options
066	Roads - Advertising Hoardings
067	Assets Review - Cleaning Service
071	External Foster Care Options Appraisal
074	Implementation of Multi-Systemic Therapy
078	Homeless Temporary Accommodation

1.2 Implemented, Underway or Completed

021	Develop cemetery strategy (underway)
026	Review of waste collection service (underway)
033	Review of staff efficiency proposals (completed)
034	Review of surplus assets and disposal strategy (underway)
035	Workforce Development Strategy and Supporting Policies (underway)
050	Review of social services commissioning (completed)

1.3 Management Efficiency / Activity

016	Review of school crossing patrols
018	Options appraisals for Resources & Governance delivery models and structures
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
042	Review of advice, information and guidance
046	Income optimisation
048	Maximise staff attendance
049	Pursuit of Debtors
054	Energy costs and awareness-raising
055	Review of printing
063	Digital Learning Technology Options
070	Social Services Charging and Recovery

1.4 Accommodated elsewhere

004	Business case for Housing with care in Tillicoultry (003)
007	Review of leisure services (006)
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)

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030	Maximise use of current annual investment in PPP schools (006)
031	Review of (PPP) Financing Model of Secondary Schools (007)
041	Review of School Estate (006)
043	Update approach to customer contact management (006)
044	Develop approach to open data (038)
045	Review of management tiers (035)
047	Implement approach to corporate funding (018 and 035)
059	Join / Coordinate with Social Services re Children's Residential Unit (005)
060	Sports and Youth (008)
068	Asset Review (007)
069	Asset Review unknown (018)
075	Review of Education Transport (022)
076	Increase availability of pool vehicles (022)
077	Fleet workshop (022)

1.5 For future consideration

010	Maximise options for redesign from health and care integration
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1.6 No savings identified

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

1.7 Unachievable

011	Shared education and social services
025	Review of play areas and development of strategy
062	Shared Service Redesign Options (Education)
072	Shared Service Redesign Options (Social Services)

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Status:

Active

Version 0.1