

CLACKMANNANSHIRE COUNCIL

Report to Council

Date of Meeting: 8th September, 2016

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 implementation of workforce related savings agreed in the Council's Budget on the 23rd February 2016, revisions to approved 2016/17 savings and the latest information on the timing of the Draft Scottish Budget announcement.

2.0 Recommendations

2.1 It is recommended that Council notes:

- a. the potentially revised timing of the Scottish Spending Review (paragraph 3.2)
- b. early information on key aspects of the Scottish Spending Review and local government settlement (paragraph 3.3)
- c. the intention to refresh financial planning assumptions and scenario planning for October Council meeting (paragraph 4.1)
- d. progress with implementing 2016/17 planned savings (paragraph 4.2)
- e. arrangements for reporting recent discussions with trade union representatives in respect of Redeployment Policies and Procedures and Unsocial Hours (paragraph 4. 4)
- f. the current position with regards both Targeted Voluntary Redundancy and Voluntary Severance (paragraphs 4.5 to 4.7 and Exhibits 1-4).

2.2 It is recommended that Council approves:

- a. the proposed amendments to the 2016/17 Budget as detailed in paragraph 4.3

3.0 Economic and Fiscal outlook

3.1 The latest information available on the UK economic and fiscal outlook continues to focus on potential post Brexit impacts. The central message appears to remain the same as that reported to Council on 11th August: the economic implications are likely to remain highly uncertain and will take time to become clear. In the intervening period ongoing volatility is to be anticipated.

3.2 In the last Budget Strategy Update report to Council, the latest information on the likely timing of the announcement of the Draft Scottish Budget was provided. More information has now been received which suggests that whilst the Cabinet Secretary had indicated a preference for a date after the announcement of the UK Government's Autumn Statement, the Scottish Parliament Finance Committee has indicated its concern at the potential risk of this timescale severely restricting the time and scope of parliamentary scrutiny. On this basis, it is now suggested that there is a possibility of a Scottish Spending Review announcement at the end of October/ beginning of November. Further information will be provided to Council as it becomes available.

3.3 Early information on the 2017/18 local government settlement is starting to emerge and is summarised as follows:

- The financial settlement may be of a similar order to that for 2016/17 Budget setting (in 2016/17 this equated to a 3.5% reduction nationally and 5% reduction for Clackmannanshire Council)
- Pay negotiations have opened for 2017/18 and the opening position would, if agreed, represent a significantly greater increase than that currently assumed within the Council's financial planning scenarios
- It is expected that The Programme for Government will reflect the manifesto commitments, for instance spend on early years childcare, protection for health and police etc
- The £250 million allocated to Health and Social Care Integration terms and conditions will be discussed between Scottish Government and COSLA. There is therefore, the potential for these to be varied from those applied in 2016/17. Additionally, the funding of full year costs associated with the cost of implementing the Living Wage will also form part of these negotiation discussions
- The £100 million funding to schools arising from council tax band multiplier changes is expected to be routed via councils with the requirement for this to be passported to schools. It has also been suggested that the £100 million should not be used to offset savings but should be in addition to what would otherwise have been spent in schools
- The Council Tax Freeze will end in 2017/18 allowing councils to increase Council Tax by up to 3% per annum to fund service delivery
- Revenue cost pressures arising from PPP school debt has been noted. It has also been highlighted that Scottish Futures Trust is seeking to concentrate PPP financing on fewer schemes by adopting a combined financing arrangement. The potential implications of this are being reviewed for Clackmannanshire.

4.0 Budget Strategy Implementation

4.1 On the 11th August 2016, Council was presented with an updated financial planning scenario which adjusted assumptions in respect of council tax income. Now that additional information is available (paragraph 3.3), this will be used to refresh the financial planning scenarios previously presented to Council. The outcome of the review will be reported to the October 2016 Council meeting. Given the nature of the current information, it is likely to result in a wide range of potential financial impacts. However, it is a useful guide and helpful to plan for the potentially most challenging scenario in terms of 2017/18 Budget setting.

Implementation of 2016/17 Budget

4.2 The August report to Council indicated that the recent review of progress in implementing approved 2016/17 budget savings has identified unachievable savings. Greater detail has already been provided to elected members at the Members Forum held on 23rd August on these. However, for completeness, the position reported is summarised as follows:

- Total forecast deliverable savings for 2016/17 of £5.490million against approved savings of £7.501million
- Unachievable savings of £2 million
- Potential compensatory savings of £575k, some of which would require Council approval in order to be progressed
- Social Services has the highest level of unachievable savings (£1.2 million)
- Corporately, a significant factor in the level of unachievable savings relates to the lack of take up of Targeted Voluntary Redundancy (TVR) and Voluntary Severance (VS) (paragraphs 4.5 to 4.7).

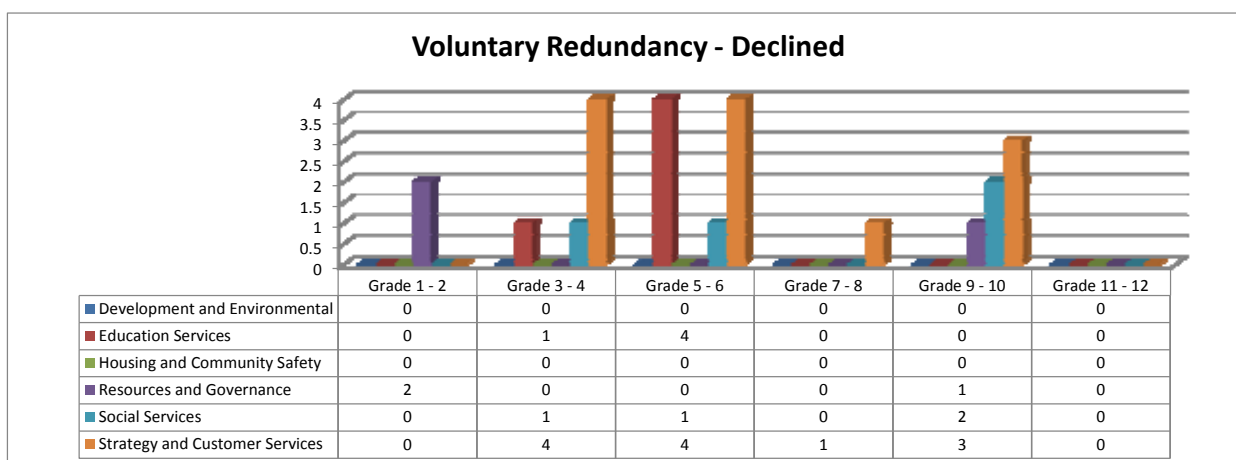
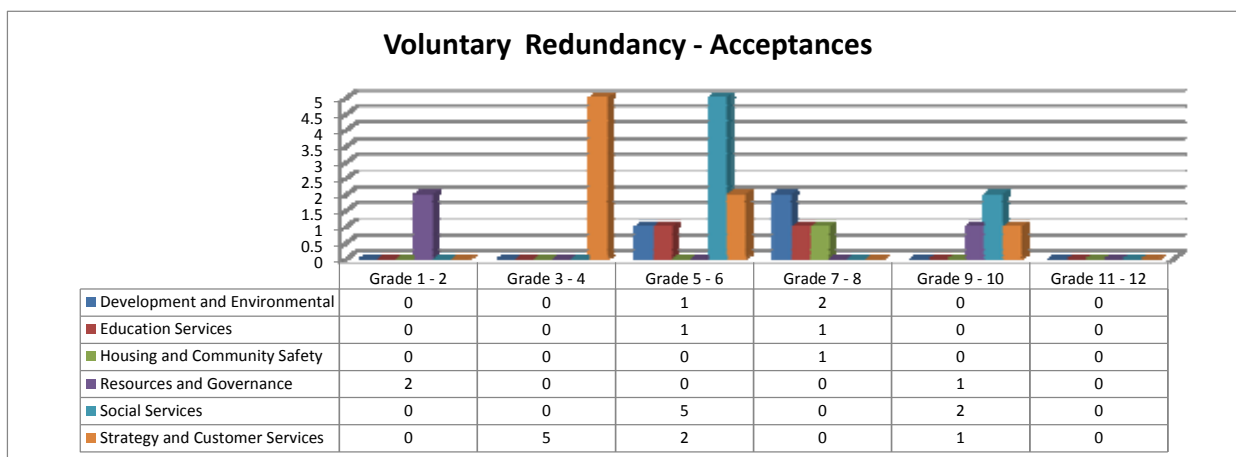
4.3 Recent discussions with the Administration have highlighted the following proposed amendments to the 2016/17 Budget:

- Remove saving MCB061 (Home to school transport move to statutory school limits). This will reduce approved revenue savings of £139k in 2017/18 and £84k in 2017/18
- Remove A9 (Heritage improvements) from the approved Capital Programme. This reduces planned capital investment in the Alloa Cluster by £330k in 2016/17 and £11k in 2017/18.

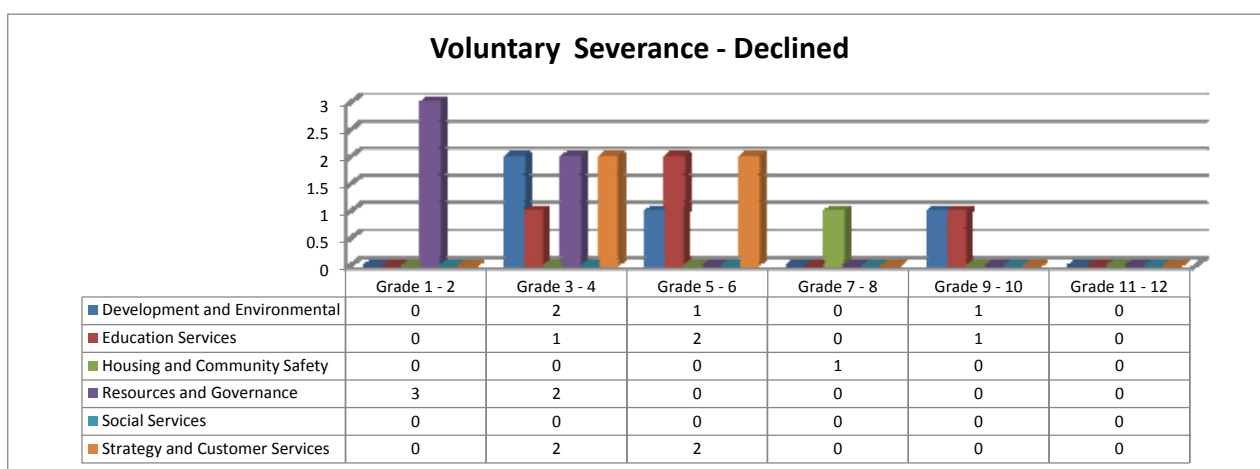
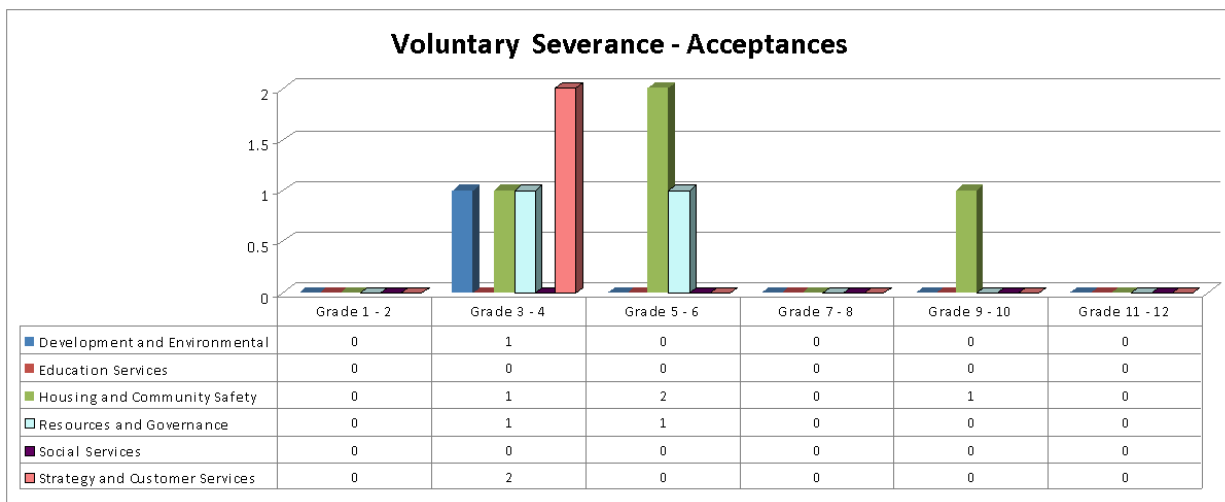
4.4 Discussions with Trade Unions in respect of the Redeployment Policy and Procedures and Unsocial Hours have continued during August. The outcome of the process with regards the Redeployment Policy and Procedures, and progress with Unsocial Hours negotiations, will both be presented in separate reports to Council in October 2016.

Managed contraction in the cost of employment

4.5 Since the last meeting of Council, all of the details on pension costs and entitlements have been received from Falkirk Pensions in respect of those staff who expressed an interest in Targeted Voluntary Redundancy (TVR). At present, 55 out of 56 TVR proposals have been approved by Executive Team for discussion with members of staff. These approved expressions of interest have now all been discussed with individual members of staff and this has resulted in 24 acceptances, 24 rejections, seven members of staff are still to advise of their intentions and one is with the Council's Accountancy Section to determine financial viability. A breakdown of the acceptances and rejections by service and grade is set out in Exhibits 1 and 2 below.



4.6 With the majority of TVR having been processed, the next batch of forms (numbering 158) have been issued to Falkirk Pensions. These relate to expressions of interest in Voluntary Severance (VS). To date, 43 VS applications have been approved for discussion with members of staff and to date there have been nine acceptances and 18 rejections. A further 69 forms are due to be returned by Falkirk LGPS and the remainder are at various stages of the VS Process. The breakdown of VS acceptances and rejections by service and grade are set out below.



4.7 In summary, at this stage 55 TVR and 43 VS applications have been approved for discussion with members of staff. To date this has resulted in 33 acceptances (24 TVR and 9 VS) and 42 refusals (24 TVR and 18 VS). This means that at this stage, based on leaving dates of staff, the Council has secured £359,684.17 of TVR savings and £127,379.00 VS savings against the budget savings of £1.154m and £400,000 respectively.

5.0 Conclusions

5.1 The report highlights new information on the likely timing of the announcement of the Draft Scottish Budget. It also sets out a range of recently received information on the local government settlement 2017/18. This information will be used to provide a more fundamental refresh of scenarios to be presented to Council at the next scheduled meeting in October.

5.2 The report also provides an update on the implementation of the Council's agreed 2016/17 savings, including the most up to date information on workforce related savings compared to Budget. This suggests approximately £2 million of unachievable savings in 2016/17. Management have identified some compensatory savings and

continue to progress work to maximise the savings that will be delivered in the year.

- 5.3 Approval is also sought from Council to remove some planned savings from 2016/17 and 2017/18 approved Budgets. These changes will have the impact of reducing approved revenue savings by £139k in 2017/18 and £84k in 2017/18 and reducing planned capital investment in the Alloa Cluster by £330k in 2016/17 and £11k in 2017/18.

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 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)

Budget 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

NONE

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 2016/17	February 2016
Fiscal Affairs Scotland	August 2016
CIPFA DoFs Executive Briefing	August 2016
TVR/VS	August 2016

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