

CLACKMANNANSHIRE COUNCIL

Report to Council

Date of Meeting: 13th October, 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 approved Budget Strategy. This report also provides an update on financial planning assumptions and the associated potential impact on the indicative funding gap in 2017/18, and progress with the implementation of workforce related savings agreed in the Council's Budget on the 23rd February 2016.

2.0 Recommendations

2.1 It is recommended that Council notes:

- a. the potential timing of the Scottish Draft Budget (paragraph 3.4)
- b. information on key aspects of the Scottish Government's Programme for Scotland 2016/17 which provides an indication of budget priorities (paragraphs 3.6 and 3.7)
- c. the refresh of financial planning assumptions and the indicative funding gap impacts in 2017/18 (Tables 1 and 2 and paragraphs 4.1 to 4.5)
- d. the proposals in respect of implementing Community Matters, Clackmannanshire Council's participatory budgeting pilot (paragraphs 4.6 to 4.9)
- e. progress in the discussions with trade union representatives on the implementation of unsocial hours changes in terms and conditions which were agreed as part of the 2016/17 Budget (paragraphs 4. 10 to 4.12)
- f. progress with regards the implementation of workforce related savings in 2016/17 in respect of Targeted Voluntary Redundancy and Voluntary Severance (paragraphs 4.13 to 4.16).

2.2 It is recommended that Council approves:

- a. delegation of authority to senior managers to identify and include additional posts in the TVR pool during 2016/17 to provide potential compensatory

savings for those not implemented to date (paragraph 4.16)

- b. capital funding of £69k to establish Community Matters, the Council's Participatory Budgeting pilot (paragraph 4.9).

3.0 Economic and Fiscal outlook

3.1 The latest information update provided by Fiscal Affairs Scotland covers:

- Brexit and Budget implications
- Scottish Government's Programme for Scotland 2016/17
- Fraser Allander Institute report on Scotland's Budget 2016.

3.2 Whilst it remains relatively early days following the outcome of the EU Referendum, the general impression from economic data and surveys published during August is that the UK economy has, at this stage, not been as badly affected as anticipated, if at all. Share prices remain relatively positive and sterling has recovered a little against the dollar.

3.3 Since Parliament reconvened, little detail has emerged from the UK Government on future budget plans. It is likely that the information will not now come forward until the UK Autumn Statement which has been confirmed for 23rd November.

3.4 The Scottish Cabinet Secretary for Finance has indicated that he 'would work incredibly hard to produce a draft budget in those three weeks after the Autumn Statement'. This would suggest that the Draft Scottish Budget would be published the week commencing 19th December. However, the Cabinet Secretary has not ruled out a possible delay until early January 2017.

3.5 As previously suggested, at this time, Council budget preparations will be well advanced, making any significant negative changes in the anticipated levels of funding challenging to accommodate.

3.6 In early September, the Scottish Government's programme of work, including its legislative programme was published. This provides some early indication of budget priorities. Key issues include:

- the top priority is to raise standards in schools and close the attainment gap
- a new £500m Scottish Growth Scheme is being established to support economic growth via small and medium sized enterprises over a three year period.
- Health budget to grow by £500m above inflation over the Parliament
- Police Budget to grow by £100m in line with inflation over the Parliament
- £572m of investment in affordable housing supply to be delivered in partnership with councils and housing associations.

- 3.7 There is little information on local government, though key issues raised are:
- the Council Tax freeze ends from April 2017
 - the Government intends to produce a Bill to decentralise local authority functions and budgets and democratise oversight to local communities, including delivery of 1% of council budgets being subject to Community Choices Budgeting.
- 3.8 On the 13th September, the Fraser Allander Institute (FAI) published its first annual briefing on the Scottish Budget. This report sets out a range of possible scenarios for the Scottish Budget under alternative outcomes for UK and Scottish fiscal policy. Some of its main findings are:
- Further real terms cuts to the Scottish Resource (Revenue) Budget between 2016/17 and 2020/21
 - Unprotected Budgets (of which local government is the largest) would experience a greater proportionate reduction in their Resource Budgets over this period
 - the outlook for capital spending is more positive.
- 3.9 Overall the report emphasises the difficulties anticipated with regards to Local Government funding in the future and concludes:

'Negotiations over the local government settlement are likely to be particularly challenging. The local authority funding settlement is thus likely to be a focus of political debate, not just over the level of resource but the future of local government generally and the relative balance of central government accountability and local autonomy.'

4.0 Budget Strategy Implementation

- 4.1 On the 8th September, elected members were informed that financial planning assumptions were being reviewed and that a refresh of the financial planning scenarios would be reported to the October 2016 Council meeting. The September Council report highlighted the following information that has been used as a reference point for the recent activity to refresh the financial planning assumptions set out in Table 1:
- 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.

4.2 Table 1 sets out the High, median and low scenarios' financial planning assumptions in each of the Council's key income and expenditure streams.

Table 1: Financial Planning Scenarios: Assumptions for 2017/18

Assumption	Low value	Median value	High Value
Reduction in General Revenue Grant	2%	5%	7%
Pay award (teaching and non-teaching staff)	1%	2%	4%
Council tax Income increase	1%	3%	3%
Social Services Growth 17/18	£2m	£3m	£4m
Fees and Charges	1%	2%	3%

4.3 Additional assumptions include the following for all scenarios:

- an annual allowance of £1.3m for contractual inflation and £1.2m for general pressures
- continuation of the Council's share of the additional £250 million funding in respect of HSCI
- an increase in the assumed Council Tax base of 150 properties
- estimates of growth for Social Services are based on current projected outturn. The 'Low' scenario assumes that as a minimum the additional £2million recommended by the Audit and Finance Committee of 15th September would need to be built into the base budget, then median scenario a potential £1million growth, then High value a potential £2 million growth

- in the absence of information on the impact of the scheduled Revaluation in 2017/18, NDR income is assumed to increase in line with the 3 year average increase in the poundage since 2013/14.

4.4 Table 2 below sets out the three scenarios. These suggest a potential range in the forecast gap of between ££7.5 million and £17.6 million for 2017/18. Whilst this briefing focuses on the potential range for 2017/18, work is also currently being undertaken to apply the same assumptions over the three year period to 2019/20 and this will be presented to Council in November.

Table 2: Summary of H, M and L financial planning assumption variables for 2017/18

Scenario	Low	Median	High
Net expenditure	118,572	122,188	124,705
Net funding	111,061	108,854	107,071
Indicative funding gap 2017/18	7,511	13,334	17,634

4.5 Realistically, it is highly unlikely that the actual outcome will reflect all high, median or low variables in a single option. However, it is considered prudent to plan for the most challenging scenario given the level of uncertainty and lack of detailed information at this stage.

Participatory Budgeting

4.6 In 2016/17, the Scottish Government introduced a Community Choices Fund to promote innovative approaches to Participatory Budgeting. Participatory Budgeting is recognised internationally as a way for local people to have a direct say in how, and where, public funds can be used to address local needs. Following application to the fund, the Council has been awarded £37,000 revenue funding (£6,000 of which is for support costs) to run a pilot, known as 'Community Matters'. The intention is to set up a Community Matters coordinating group to include community representatives and Council officers. The coordinating group will agree, guide and oversee the allocation of Community Choices funding to community projects using Participatory Budgeting principles..

4.7 For the purposes of the pilot, there will be 5 ward based localities each with their own Community Matters (CM) leads who will co-ordinate implementation. The coordinating groups will comprise representatives of the community council, other local groups and Clackmannanshire Council. Communities would be able to bid for capital for improvements to community assets as per current Community Development Fund guidelines, however, the £31,000 could be used much more flexibly dependant on community priorities, for instance to fund new equipment for toddlers groups, local youth clubs or teams, or for assistance with lunch clubs or activities for older people. Given the proposed blend of revenue and capital resourcing, Council officers would advise the co-ordinating groups to ensure that expenditure is correctly classified as either revenue or capital.

- 4.8 The grant award requires Clackmannanshire Council to match the £31,000 of funding allocated by the Scottish Government. In February 2016, the Council agreed £775,000 of capital funding for the Community Development Fund over the next five years. In 2016/17 £100,000 was budgeted against which applications could be made. To date, approximately half of the budgeted sum has been disbursed.
- 4.9 It is proposed that Council approves a sum of £69,000 of capital funding to add to the £31,000 revenue funding awarded by the Scottish Government. This would establish a substantial fund of £100,000 for Participatory Budgeting, potentially £20,000 per ward, to stimulate and encourage community engagement. The £69,000 would be funded by the balance of uncommitted funds on the Community Development Fund and the general underspend projected on the General Services capital programme for 2016/17. It is intended that an evaluation report will be presented to the Scrutiny Committee in 2017/18 detailing both the activity and impact of the arrangements implemented.

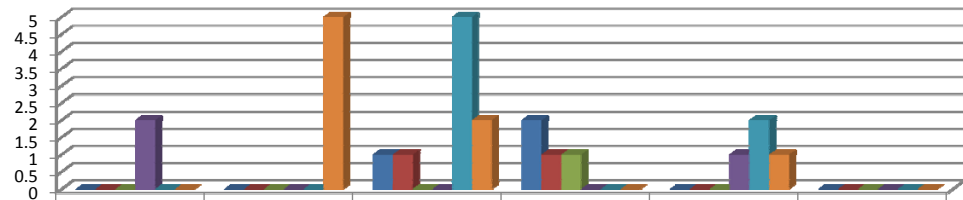
Terms and Conditions

- 4.10 In the 2015/16 Budget setting process, Council approved the commencement of formal negotiations with trade union representatives on redefining the working week. Council approval was additionally confirmed in the 2016/17 budget setting process when £363k of savings relating to redefining the working week, role flexibility and other terms and conditions were specified (Business case reference MCB 039).
- 4.11 Discussions have been taking place since October 2015. During the intervening period, management have presented a clear proposal which has been discussed with trade union representatives and is due to be discussed and presented by trade union representatives to their members at meetings which have been scheduled for 20th October 2016 at Alloa Town Hall.
- 4.12 Following these sessions, the trade unions will provide a formal response to the proposal and a paper will be submitted to Council detailing next steps. In the meantime, management have alerted staff to the potential changes in an article published on CONNECT on 20th September.

Managed contraction in the cost of employment

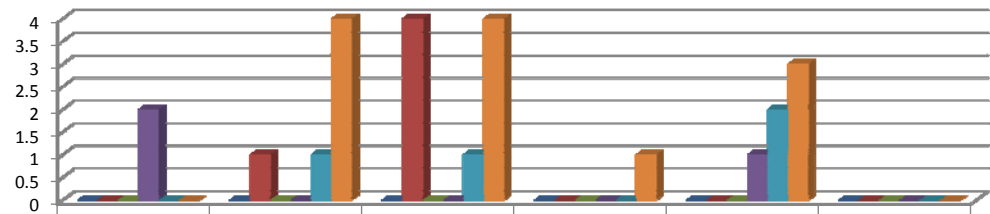
- 4.13 At present, 56 out of 57 TVR proposals have been approved by Executive Team for discussion with members of staff. These approved expressions of interest have now all been discussed with individual members of staff and this has resulted in 24 acceptances (10 Full Time and 14 Part Time), 24 rejections (18 Full Time and 6 Part Time), 8 members of staff are still to advise of their intentions and 1 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.

Voluntary Redundancy - Acceptances



	Grade 1 - 2	Grade 3 - 4	Grade 5 - 6	Grade 7 - 8	Grade 9 - 10	Grade 11 - 12
Development and Environmental	0	0	1	2	0	0
Education Services	0	0	1	1	0	0
Housing and Community Safety	0	0	0	1	0	0
Resources and Governance	2	0	0	0	1	0
Social Services	0	0	5	0	2	0
Strategy and Customer Services	0	5	2	0	1	0

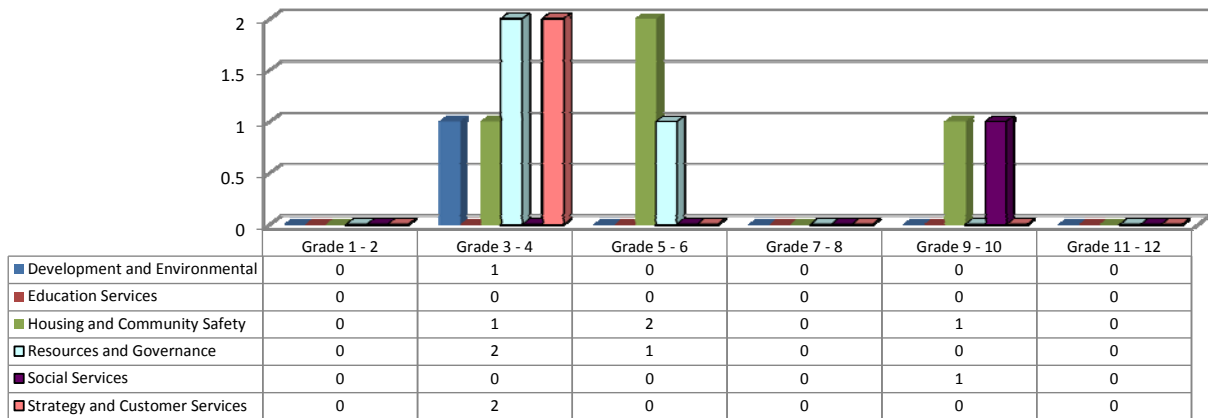
Voluntary Redundancy - Declined



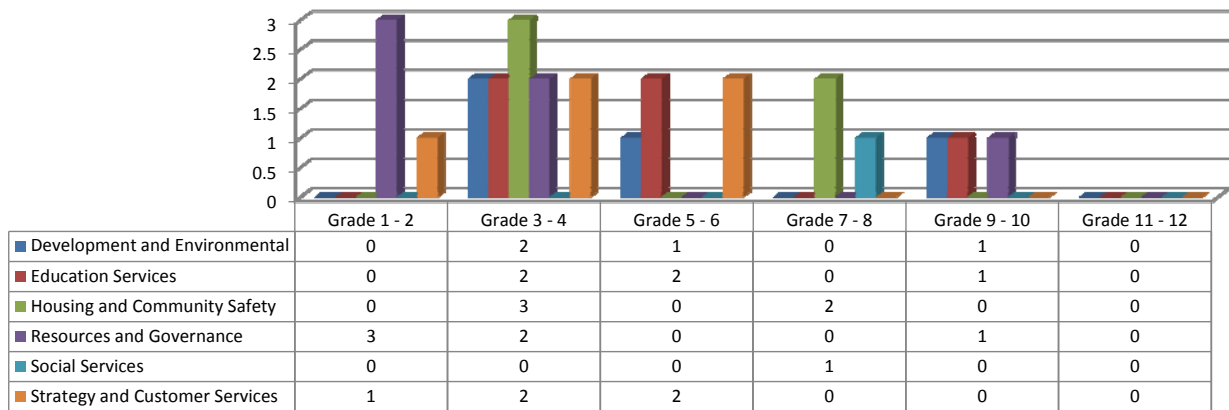
	Grade 1 - 2	Grade 3 - 4	Grade 5 - 6	Grade 7 - 8	Grade 9 - 10	Grade 11 - 12
Development and Environmental	0	0	0	0	0	0
Education Services	0	1	4	0	0	0
Housing and Community Safety	0	0	0	0	0	0
Resources and Governance	2	0	0	0	1	0
Social Services	0	1	1	0	2	0
Strategy and Customer Services	0	4	4	1	3	0

4.14 With the majority of TVR having been processed, the next batch of forms (numbering 162) has been issued to Falkirk Pensions. These relate to expressions of interest in Voluntary Severance (VS). To date, 55 VS applications have been approved for discussion with members of staff and to date there have been 11 acceptances (6 Full Time and 5 Part Time) and 26 rejections (15 Full Time and 11 Part Time). A further 62 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.

Voluntary Severance - Acceptances



Voluntary Severance - Declined



4.15 In summary, at this stage 56 TVR and 55 VS applications have been approved for discussion with members of staff. To date this has resulted in 35 acceptances (24 TVR and 11 VS) and 50 refusals (24 TVR and 26 VS). This means that at this stage, based on leaving dates of staff, the Council has secured £360,643.17 of TVR savings and £171,227.50 VS savings against the budget savings of £1.154m and £400,000 respectively.

4.16 In light of the failure to deliver planned savings in 2016/17 to date, management has identified the potential to identify additional posts which could be considered for TVR. Council is, therefore, requested to delegate authority to senior managers during 2016/17 to identify additional posts for inclusion in the TVR pool. Consideration of such posts would be subject to the same 'clearing house' scrutiny as posts identified at the start of the year.

5.0 Conclusions

5.1 The report provides an update on the likely timing of the announcement of the Draft Scottish Budget. It also sets out the range of recently refreshed financial planning

assumptions which underpin the Council's financial scenario planning. The updated financial planning scenarios suggest a potential range of between £xm and £xm indicative funding gap for 2017/18. Work is currently being undertaken to extrapolate these assumptions over the three year financial planning period to provide a cumulative indicative funding gap for the November Council meeting.

- 5.2 The report also provides details of the Council's proposed Participatory Budgeting pilot, Community Matters and requests approval from Council for £69k of capital funding to add to the £31k revenue funding awarded by the Scottish Government.
- 5.3 A further update on the implementation of the Council's agreed 2016/17 workforce related savings is also provided. This has shown little movement since the September report to Council. On this basis, management has requested that Council delegates authority to officers to identify additional posts which might be included in the 'corporate pool' for TVR during the current financial year.
- 5.4 An update is also provided in respect of the ongoing discussions between management and trade union representatives to take forward the implementation of agreed savings in respect of unsocial hours and the associated terms and conditions.

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
Fiscal Affairs Scotland
TVR/VS

February 2016
September 2016
September 2016

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