

CLACKMANNANSHIRE COUNCIL

Report to Council

Date of Meeting: 10th November, 2016

Subject: Budget Strategy Update

Report by: Chief Accountant

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 cumulative indicative funding gap from 2017/18 through to 2019/20, 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 timing of the Scottish Draft Budget (paragraph 3.1).
- b. the impact of the refreshed financial planning assumptions for the financial years 2017/18, 2018/19 and 2019/20 (Tables 1 to 4 and paragraphs 4.1 to 4.5).
- c. the update on 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 4.6 to 4.8).
- d. progress with regards the implementation of workforce related savings in 2016/17 in respect of Targeted Voluntary Redundancy and Voluntary Severance (paragraphs 4.9 to 4.12).

3.0 Scottish Draft Budget

- 3.1 Following the UK Government's announcement that the UK Autumn Statement will be issued on the 23rd November, the Scottish Budget and Local Government Settlement will be issued on the 15th December. It is anticipated that an all member briefing will be held on the 22nd December 2016 to update elected members on the impact of the settlement for the Council.

4.0 Budget Strategy Implementation

- 4.1 On the 13th October, elected members were presented with revised financial planning

assumptions for 2017/18. These assumptions have now been rolled forward to provide an estimate of the position for 2018/19 and 2019/20. The assumptions used in the October report for 2017/18 remain the same and these along with the assumptions for future years are detailed below and summarised 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.

4.2 Table 1 sets out the low, median and high scenarios' financial planning assumptions in each of the Council's key income and expenditure streams across the financial years 2017/18 to 2019/20.

Table 1: Financial Planning Scenarios: Assumptions for 2017/18, 2018/19 and 2019/20

Assumptions	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 £1.2 million 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;
- an estimate of the effect of the increase in the Council Tax multiplier of approximately £1million;
- estimates of growth for Social Services based on current projected outturn. The ‘Low’ scenario assumes that as a minimum the additional £2 million recommended by the Audit and Finance Committee of 15th September and approved by Council on 13th October, would need to be built into the base budget, then median scenario a potential £1million growth, then High value a potential £2 million growth; and
- 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 Using the assumptions detailed above, Tables 2 to 4 set out the indicative annual and cumulative funding gap across the three scenarios; low median and high. These suggest a potential range in the cumulative indicative funding gap of between £22.5 million and £49.1 million for the three years to 2019/20.

Table 2: Summary of Low financial planning assumption variables for 2017/18 to 2019/20

Year	2017/18	2018/19	2019/20
Net expenditure	120,493	125,678	131,134
Net funding	110,997	109,850	108,611
Annual Indicative funding gap	9,496	6,332	6,695
Cumulative Indicative funding gap	9,496	15,828	22,523

Table 3: Summary of Median financial planning assumption variables for 2017/18 to 2019/20

Year	2017/18	2018/19	2019/20
Net expenditure	122,188	130,097	137,805
Net funding	108,790	105,652	102,627
Annual Indicative funding gap	13,398	11,047	10,733
Cumulative Indicative funding gap	13,398	24,445	35,178

Table 4: Summary of High financial planning assumption variables for 2017/18 to 2019/20

Year	2017/18	2018/19	2019/20
Net expenditure	124,659	136,140	147,030
Net funding	107,007	102,299	97,899
Annual Indicative funding gap	17,652	16,189	15,289
Cumulative Indicative funding gap	17,652	33,841	49,130

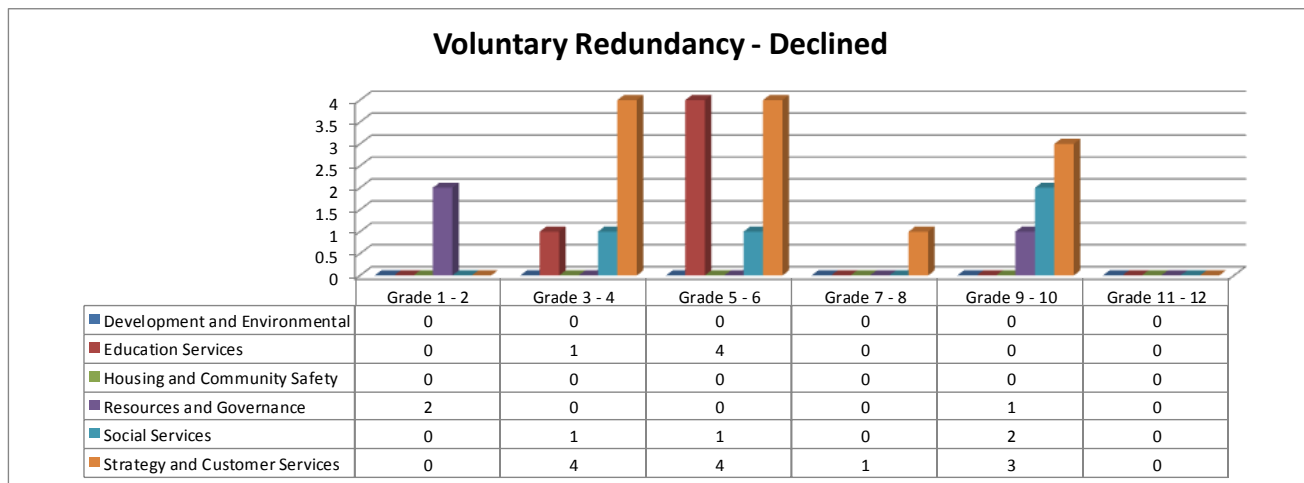
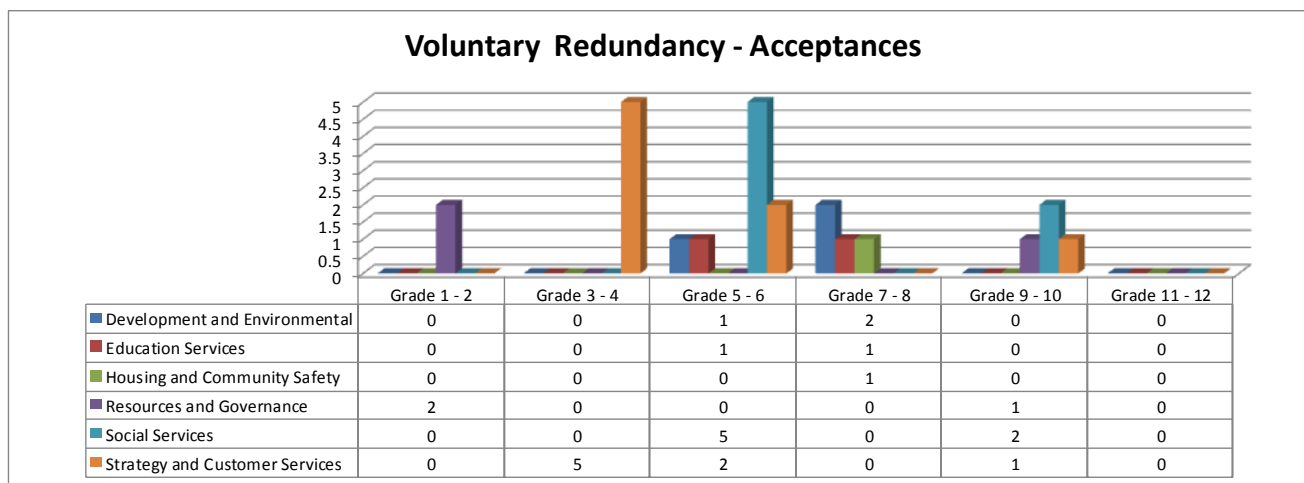
- 4.5 Realistically, it is highly unlikely that the actual outcome will reflect all high, median or low variables in a single option. However, it is considered prudent to plan for the most challenging scenario given the level of uncertainty and lack of detailed information at this stage.

Terms and Conditions

- 4.6 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 agreed (Business case reference MCB 039).
- 4.7 Discussions have been taking place since October 2015. During the intervening period, management has presented a clear proposal which has been discussed with trade union representatives. This has now been discussed and presented by trade union representatives to their members at meetings on 20th October 2016 at Alloa Town Hall.
- 4.8 Following these sessions, the trade unions have provided a formal response to the proposal and a separate paper on this is included on the agenda for this meeting.

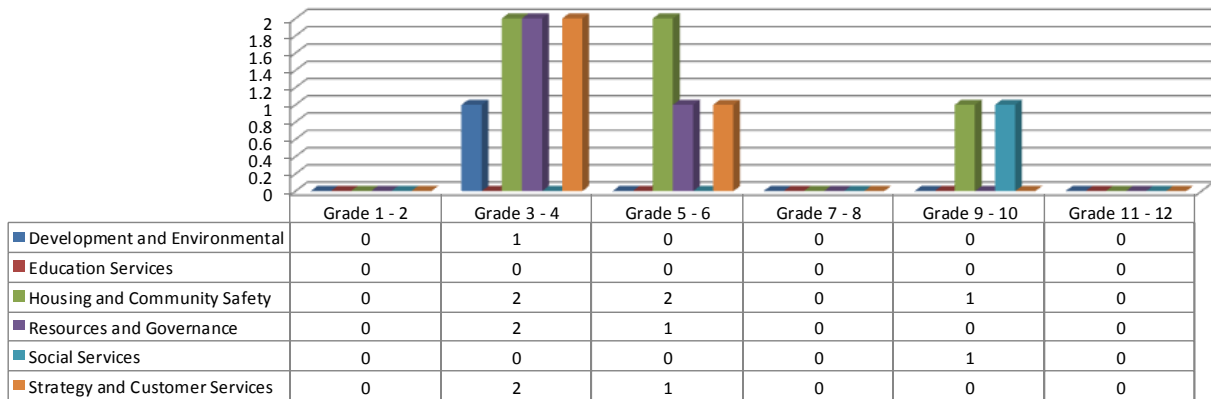
Managed Contraction in the Cost of Employment

- 4.9 At present, 57 out of 58 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), 9 members of staff are still to advise of their intentions. A breakdown of the acceptances and rejections by service and grade is set out in Exhibits 1 and 2 below.

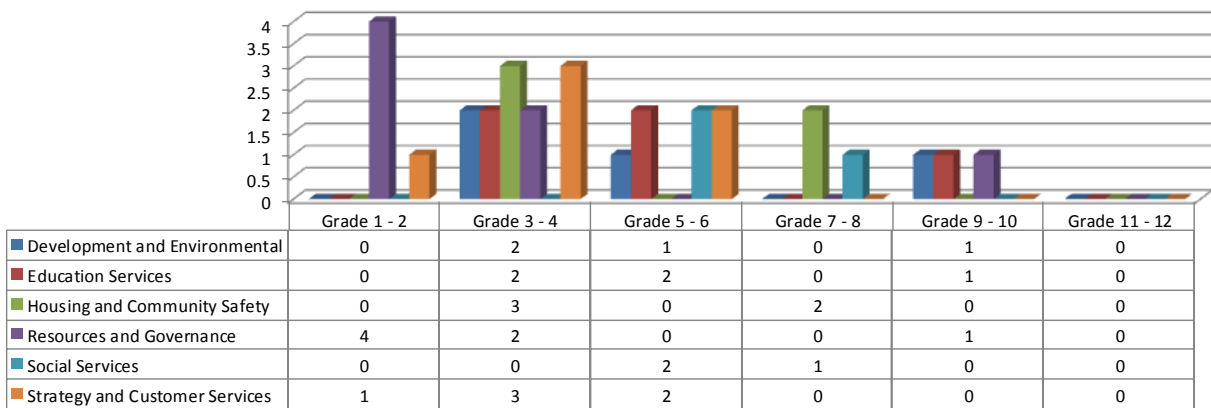


- 4.10 With the majority of TVR having been processed, the next batch of forms (numbering 166) are being processed. These relate to expressions of interest in Voluntary Severance (VS). To date, 72 VS applications have been approved for discussion with members of staff and to date there have been 13 acceptances (7 Full Time and 6 Part Time) and 30 rejections (16 Full Time and 14 Part Time). A further 47 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 - Acceptance



Voluntary Severance - Declined



4.11 In summary, at this stage 57 TVR and 72 VS applications have been approved for discussion with members of staff. To date this has resulted in 37 acceptances (24 TVR and 13 VS) and 54 refusals (24 TVR and 30 VS). This means that at this stage, based on leaving dates of staff, the Council has secured £355,580 of TVR savings and £189,206 VS savings against the budget savings of £1.154m and £400,000 respectively.

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 scenarios for the financial years 2017/18 to 2019/20. The updated financial planning scenarios suggest a potential cumulative funding gap of between £22.5 million and £49.1 million for the three years to 2019/20.
- 5.2 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 October report to Council.

6.0 Sustainability Implications

6.1. N/A

7.0 Resource Implications

7.1 *Financial Details*

7.2 Accountancy has been consulted and has agreed the financial implications as set out in the report.

7.3 *Staffing* – the financial impact of planned savings not being delivered in respect of the managed contraction in the workforce is detailed within the report.

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

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