

**CLACKMANNANSHIRE COUNCIL**

---

**Report to Council**

---

**Date of Meeting: 15<sup>th</sup> December, 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 the fiscal outlook, the UK Chancellor's Autumn Statement, Budget 2017/18 preparations 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 fiscal outlook and information on the incidence of savings across Scottish local government (Section 3)
- b. that recent SPICe analysis suggests that Clackmannanshire is experiencing the greatest budget pressure of all 32 Scottish councils (paragraph 3.6)
- c. key messages from the UK Government's Autumn Statement, made on 23<sup>rd</sup> November (paragraph 3.7)
- d. notes the new financial planning scenario based on the most recent feedback received in respect of financial planning assumptions (Table 4)
- e. the timing of the Scottish Draft Budget on 15<sup>th</sup> December and the members' briefing arranged for the 22<sup>nd</sup> December, 2016.
- f. budget preparation activity detailed in paragraphs 4.4 to 4. 8
- g. those savings proposals which will form the basis of consultation in December and January (Appendix A)
- h. the latest version of the Focus on Finance newsletter (Appendix B)
- i. 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 Fiscal outlook

3.1 There have been several briefings prepared by Fiscal Affairs Scotland during November. This report covers the following:

- Brexit impacts update
- Institute of Fiscal Studies (IFS) analysis of UK Local Government Finance
- Scottish Parliament Information Centre (SPICe) analysis of the social impact of the 2016/17 local government budget
- UK Government Autumn Statement.

3.2 New economic forecasts were published in early November by the Bank of England (BoE) and the National Institute for Economic and Social Research (NIESR). Both highlighted an ongoing Brexit impact on growth and rising estimates of inflation for coming years. On inflation, both bodies have raised their forecast as a consequence of the fall in the value of the pound.

3.3 In late October the IFS published analysis of local government funding over the period 2009/10 to 2016/17. The report concentrates on England, however, the study also includes some analysis of the position in Scotland and Wales. The key findings relevant to Scotland include:

- Over the period reviewed, the real terms cut to service (revenue) spending is forecast to be 22% in England, around 15% in Scotland and 11.5% in Wales
- The main reasons for the lower cuts in Scotland and Wales are attributed to less protection of health budgets and more generous treatment of business rates
- In Scotland, there has been a significant difference reported in respect of the size of cuts made between councils, with the greatest cut reported for Glasgow (-29%) and while East Renfrewshire saw a small real terms increase of 1.6%. This conclusion relates particularly to analysis of the extent to which individual councils are reliant on central government grant for their funding
- The pattern of cuts seen in England, Scotland and Wales is broadly similar, but not identical, across services (Table 1)

**Table 1: Real terms changes in local government spending by service area, 2009/10 to 2016/17**

Service	Scotland	Wales	England
Education	-6%	-6%	n/a
Culture	-24%	-37%	-40%
Social services	-1%	-1%	-10%
Transport	-22%	-21%	-40%
Environmental	-8%	-19%	-15%
Planning	-32%	-52%	-58%
Housing	-36%	-26%	-47%
Central services	-46%	+9.5%	-18%
<b>Total services</b>	<b>-11%</b>	<b>-9%</b>	<b>-</b>
<b>Total exc Education</b>	<b>-15%</b>	<b>-12%</b>	<b>-22%</b>

Source: IFS - 'A Time of Revolution? British Local Government Finance in the 2010's', 2016.

#### 3.4 Table 1 highlights:

- Social Services and Education (in Scotland and Wales) were the most protected services over this period;
- The services seeing the biggest reductions, in all three countries, were Culture, Transport, Planning and Housing;
- The declines in England were greater across the board than in Scotland, with the single exception of Central services, which is the most difficult area to assess due to definitional issues;
- Wales offered significantly greater protection to Housing and Central services than Scotland and significantly less protection to Culture, Environmental services and Planning & Development.

3.5 In late October, SPICe issued a briefing note looking at the social impact of the 2016/17 local government budget. This analysis looked at the savings made in cash terms across services which are predominantly used by poorer, more deprived households, for instance social services and advice services ('pro-poor'), and those which are predominantly used by wealthier households, for instance parking and museums and galleries ('pro-rich'). In between, early years and waste management were classified as 'neutral'. Table 2 provides a summary of the results.

**Table 2: Share of Scottish local government expenditure and savings by category of service**

Category of service	Expenditure	Savings 2016-17	Savings as a % of expenditure
Pro-Rich	2	6	12
Neutral-Rich	6	13	7
Neutral	10	16	5
Neutral-Poor	18	9	2
Pro-Poor	41	27	2
Very Pro-Poor	10	12	4
Back Office	3	14	17
Non-service	10	3	1

Source: SPICe, 'The social impact of the 2016-17 local government budget', 2016.

3.6 The analysis was further broken down to look at how patterns in savings changed relative to: deprivation, population density, population size and 'budget pressure' across councils. The findings included:

- most councils are making similar decisions about how to distribute cuts across services but 'very pro-poor' and 'pro-poor' services are being reduced at a relatively greater rate in councils facing the most budget pressure. Clackmannanshire is classified as having the greatest budget pressure of all 32 councils in Scotland
- 'pro-rich' and 'neutral' services together only account for 8% of expenditure which means that where councils require to find significant savings, there is little option but to reduce funding to services used by lower income groups. In Clackmannanshire, these categories account for 6% of expenditure creating greater pressure to reduce funding in services which support lower income groups
- services across Scotland are dominated by the 'pro-poor' category which accounts for 40-45% of spending in most councils. As a consequence, the largest contribution to savings comes from this category. In Clackmannanshire, this classification accounts for 36%
- for many councils, the 'neutral' or 'back office' services provide the greatest contributions to savings. The analysis particularly flags Clackmannanshire and West Lothian in this regard, with savings in back office in excess of 50% (56% in Clackmannanshire, the second highest in Scotland)
- the most deprived councils are making the most savings from 'very pro-poor' services, while the least deprived councils are making the lowest percentage of savings in this area. Clackmannanshire is ranked as the ninth most deprived area in Scotland for the purposes of the analysis
- by population density, those less dense have a higher percentage of savings

from 'pro-poor' services. Councils with smaller, dense populations also make a higher percentage of savings from back office services

3.7 FAS has also provided an analysis of the Autumn Statement. The key messages are as follows:

- the UK economy will grow at a slower rate than previously assumed and inflation will be higher
- public finances have worsened but this has been compensated for by increased borrowing rather than by further public spending cuts
- the UK Government has adjusted pre-Brexit fiscal targets and allowed for a longer (as yet unspecified) period to reach fiscal balance
- 2017/18 is the best settlement year for the Scottish Budget over the three year period to 2020/21
- Barnett formula consequential means that the Scottish Block Budget will receive extra funds over the next three years compared to what was outlined in last year's Draft Budget 2016/17
- the main areas of uncertainty in respect of the Scottish Budget relate to the use of borrowing powers and new tax powers, the degree of NHS protection, public sector pay policy, and Council Tax and Business Rates policy.

3.8 The Scottish Budget and Local Government Settlement will be issued on the 15<sup>th</sup> December. An all member briefing is scheduled for the 22<sup>nd</sup> December 2016 to update elected members on the impact of the settlement for the Council.

#### **4.0 Budget Strategy Implementation**

4.1 On the 13<sup>th</sup> October and 10<sup>th</sup> November, elected members were presented with revised financial planning assumptions and refreshed financial scenarios for 2017/18 to 2019/20. At this stage the only changes which have been made are to add a fourth scenario to reflect emerging negotiation themes. The changes are largely a refinement of the median assumptions plus an assumption of additional income in respect of adult social care pressures to fund the full year costs of Scottish Living Wage.

**Table 3: Financial Planning Scenarios: Assumptions for 2017/18, 2018/19 and 2019/20**

<b>Assumptions</b>	<b>Low Value</b>	<b>Median Value</b>	<b>High Value</b>	<b>New scenario</b>
Reduction in General Revenue Grant	2%	5%	7%	3.5%
Pay award (teaching and non-teaching staff)	1%	2%	4%	1.25%
Council tax Income increase	1%	3%	3%	3%
Social Services Growth 17/18	£2m	£3m	£4m	£2m
Fees and Charges	1%	2%	3%	2%

4.2 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 15<sup>th</sup> September and approved by Council on 13<sup>th</sup> 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.

4.3 Using the assumptions detailed above, Table 4 sets out an indicative funding gap of £10.5m for 2017/18 and a cumulative gap of £26.7m over the next three years based on the New scenario assumptions. This represents the most up to date information ahead of the announcement of the Scottish Budget and Local Government Settlement on 15<sup>th</sup> December.

**Table 4: New Scenario: 2017/18 to 2019/20**

<b>Year</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Net expenditure</b>	120,607	126,911	132,988
<b>Net funding</b>	110,128	108,213	106,305
<b>Annual Indicative funding gap</b>	<b>10,479</b>	<b>8,219</b>	<b>7,985</b>
<b>Cumulative Indicative funding gap</b>	<b>10,479</b>	<b>18,698</b>	<b>26,683</b>

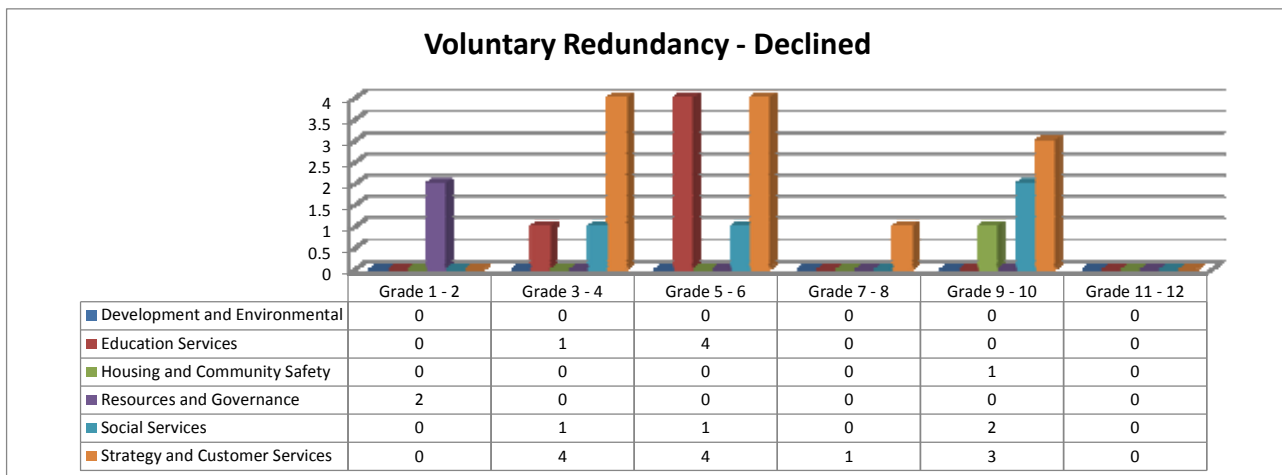
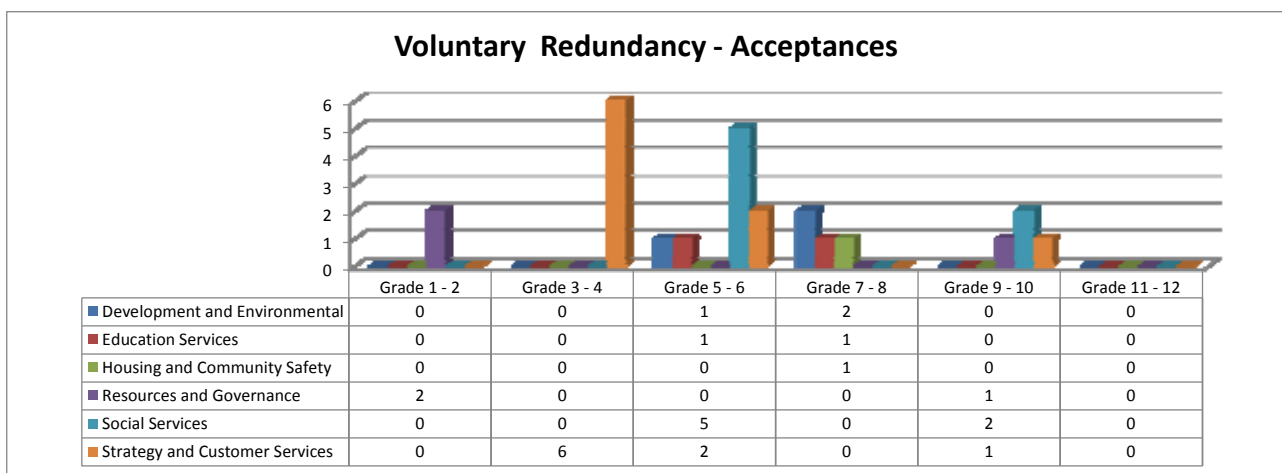
**Budget preparation 2017/18**

- 4.4 Work is progressing to develop the Council's proposed Budget for next year. Given that the Council has made £29 million of savings in the last five years, it is proving extremely challenging to identify new savings proposals. To date officers have identified £0.5 million of efficiency / management proposals and £2.6 million of proposals which would require policy change. These proposals are in addition to the £1.2 million of savings approved during 2016/17 budget setting which will deliver savings in 2017/18. However, this position means that there remains a significant savings balance to find. On this basis, managers are also developing service redesign proposals and their consequential restructure proposals in order that Council can consider these proposals alongside other efficiency related savings. Once proposals are available, they will be shared with elected members and trade union representatives.
- 4.5 All elected members and trade union representatives have received copies of the schedule of officer saving proposals prior to this Council meeting. The Administration has requested that consultation takes place on the proposals detailed at Appendix A, all of which would require policy approval should they be taken forward. The consultation will take place during December and January and will be undertaken through face to face meetings with key stakeholders and service users, and online. Clackmannanshire Third Sector Interface (CTSI) will assist with the facilitation of targeted service user consultation. The consultation will 'go live' on 19<sup>th</sup> December and will run until 20th January 2017.
- 4.6 As part of the Budget consultation process, the agenda for this meeting of Council also includes a separate paper on the changes to Council Tax arrangements for the coming financial year. Part of the consultation approach will, therefore be to raise awareness of the changes and the implications for householders.
- 4.7 At service level, all services have now submitted their requests for additional funding to offset demands and new duties. These are currently subject to review by management and will be agreed or rejected as appropriate as part of the budget setting process.
- 4.8 The most recent edition of Focus on Finance was prepared in November and this is attached at Appendix B for information. This edition focuses on:

- Outturn monitoring of the 2016/17 budget
- Budget 2017/18
- An update on the implementation of Tech One, the Council's new finance system.

### Managed Contraction in the Cost of Employment

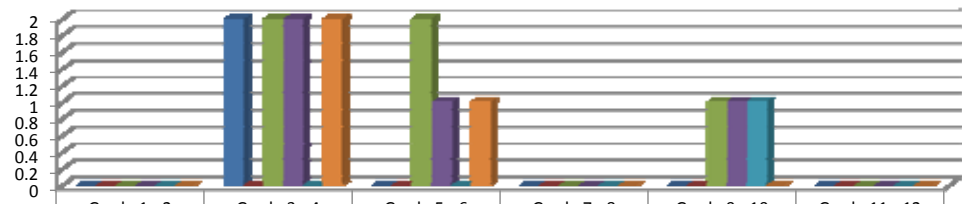
4.9 At present, 56 out of 58 TVR proposals have been approved by Executive Team for discussion with members of staff. These approved expressions of interest have now all been discussed with individual members of staff and this has resulted in 25 acceptances (10 Full Time and 15 Part Time), 24 rejections (18 Full Time and 6 Part Time), 7 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 169) are being processed. These relate to expressions of interest in Voluntary Severance (VS). To date, 85 VS applications have been approved for discussion with members of staff and to date there have been 15 acceptances (9 Full Time and 6 Part Time) and 37 rejections (20 Full Time and 17 Part Time). A further 41 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.

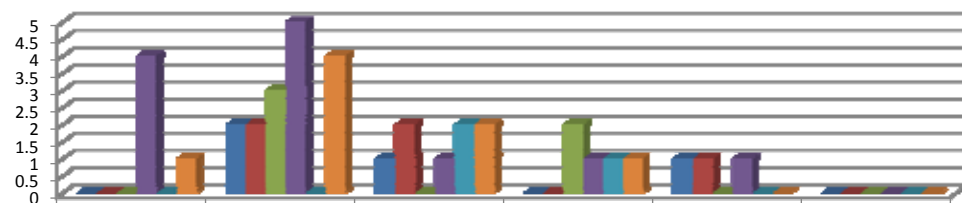


### Voluntary Severance - Acceptance



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

### Voluntary Severance - Declined



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

4.11 In summary, at this stage 56 TVR and 85 VS applications have been approved for discussion with members of staff. To date this has resulted in 40 acceptances (25 TVR and 15 VS) and 61 refusals (24 TVR and 37 VS). This means that at this stage, based on leaving dates of staff, the Council has secured £478,034 of TVR and VS savings against the budget savings of £1.554m.

## 5.0 Conclusions

5.1 This report provides an update on the fiscal outlook, the UK Chancellor's Autumn Statement, Budget 2017/18 preparations and progress with the implementation of workforce related savings agreed in the Council's Budget on the 23rd February 2016.

5.2 The report provides an update on the timing of the announcement of the Draft Scottish Budget and sets out a new financial planning scenario based on recently received information ahead of the Budget announcement. This new scenario results in an indicative funding gap of £10.5 million in 2017/18 and £26.7 million cumulatively to the end of 2019/20

5.3 Recent SPICe analysis suggests that Clackmannanshire experienced the greatest budget pressure in 2016/17 of all 32 Scottish councils and has made amongst the highest reductions in back office services in Scotland. The report sets out those savings proposals identified by officers to date which would require policy approval as the basis of consultation activity which will take place in December and January.

## 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

**Appendix A** 2017/18 Schedule of policy saving proposals for 2017/18 Consultation

**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 November 2016  
 Fiscal Affairs Scotland Autumn Statement Briefing , November 2016  
 SPICe The social impact of the 2016/17 local government budget

**Author(s)**

<b>NAME</b>	<b>DESIGNATION</b>	<b>TEL NO / EXTENSION</b>
Lindsay Sim	Chief Accountant	01259 452078
Nikki Bridle	Depute Chief Executive	01259 452373

**Approved by**

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>
Nikki Bridle	Depute Chief Executive	Signed: N Bridle
Elaine McPherson	Chief Executive	Signed: E McPherson



Covalent Code (Reference)	Saving Description	Year One Saving (201718)	Year Two Saving (201819)	Year Three Saving (201920)	Cumulative Saving (2017-22)	Post Reduction	Service Comments / Impact
EDU 178 001	Nursery Teachers	£115,000	£0	£0	£115,000	Yes	Move from teacher in each Nursery to peripatetic model of service delivery.
EDU 178 003	Parent Councils	£5,000	£0	£0	£5,000	No	Providing adequate funding to Parent Councils is a statutory responsibility under the Parental Involvement Act.
COU 178 013	Capital Programme	£129,000	£0	£0	£129,000	No	Reduction in level of capital programme leading to a consequent reduction in loan charges (revenue)
DAE 178 011	Review of Council Depots	£200,000	£0	£0	£200,000	Yes	Consolidation of Forthbank and investment in Kelliebank to achieve one depot that meets current and future needs.
COU 178 019	Refresh Income and Charging Strategy and Rates	£60,000	£39,000	£39,000	£138,000	No	Options on the rate of increase to charges levied by the Council for services it provides generate additional income.
EDU 178 006	Sports Development Charges (academic year)	£18,750	£11,250	£0	£30,000		A 10% increase in the charges applied to these services
RAG 178 006	School meals	£40,000	£0	£0	£40,000		Increase the rate of school meals from £0.10 in 2017/18 to £0.20
HCS 178 001	Reduction of 6 B&B Places	£78,000	£0	£0	£78,000	No	Reduction in local B&B provision leading to Budget Realignment
DAE 178 001	Glenochil Prison Partnership Working.	£6,000	£0	£0	£6,000	No	working on partnership for procurement of goods and services manufactured by prison.
DAE 178 008	Supported Buses	£175,880	£0	£0	£175,880		cease funding

EDU 178 009	Review of management posts and additional teacher support across education services	£558,000	£323,000	£0	£881,000		Partially dependent on teacher number commitment.
RAG 178 011	Toilets	£26,923	£0	£0	£26,923		Close Maple Court, Toilets, Super loos & West End Park Toilets
EDU 178 011	Music Tuition Fees	£4,227	£2,473	£0	£6,700	Yes	For 2017/18 the Service is proposing a 15% increase in fees
	School efficiencies	£200,000			£200,000		Primary and Secondary school efficiency targets
	Creation leisure and sports trust		£991,000		£991,000		Development of community facilities consolidated in 7 key locations including secondary schools (rates saving)
HCS 178 008	Stop funding full time union official(s)	£28,090	£0	£0	£28,090		Cease funding
		£1,644,870	£1,366,723	£39,000	£3,050,593		



# Focus on Finance

Issue 5

November 2016



**Nikki Bridle**

Depute Chief  
Executive and  
Section 95 Officer

## Introduction

This is a very busy time of year for us all. Before we all finish for a well deserved break over the Christmas period, there is a lot of work we need to complete as we move towards the Council's budget setting for 2017/18.

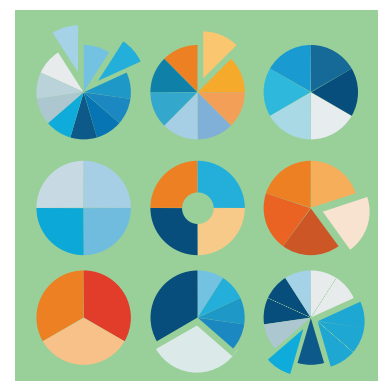
This edition of the newsletter provides updates on some of the key areas of finance related activity that is currently in hand. These are:

- Preparations for 2017/18 Budget setting
- Monitoring the current year's outturn in respect of the Budget agreed for 2016/17
- Progress with the phased implementation of Tech One, the Council's new financial system.

## Outturn monitoring 2016/17

When preparing the Budget for the next year, a significant consideration is always how well we are delivering/ have delivered against the budget(s) for the current and previous years. It is extremely important that the Council's agreed Budget reflects the planned expenditure commitments of services. By ensuring that service business plans and budgets are aligned, the Council's financial management will be accurate, transparent and robust. It also means that the Council is not asked to find more savings than it needs when it comes to setting the Budget.

In recent years, the Council has delivered some underspends and at the end of the last financial year, 2015/16, there was a significant underspend in excess of £4 million. This was predominantly down to services making additional efficiencies particularly from vacant posts during the year and some one off cash savings such as income received from the winding up of a Company the Council had an interest in and additional income received from Government and the Department of Work and Pensions that was not known at the time the Budget was set. Whilst this could be viewed as advantageous to the Council, it is more important that the original Budget set is as accurate a reflection of planned activity as possible and that the outturn is as close as possible to the Council's approved Budget.



It is extremely important that budgets are monitored closely during the year and potential cash savings or future budget savings are identified as soon as possible and that we do not leave it to the end of the year before identifying or revealing the position. A significant focus of each service accountant just now is to challenge services on their forecasts and as far as possible all commitments should be evidenced when outturn monitoring is being undertaken. Also from a service perspective, please remember that Budget Holders need to be familiar and comply with Financial regulations. For a quick refresh, these can be found [here](#).



## Budget 2017/18

Over these few weeks up to Christmas, the Council awaits two significant announcements which will impact the level of funding the Council will have to deliver services in 2017/18 and beyond. These are:

- UK Chancellor's Autumn Statement on 23rd November
- Announcement of Draft Scottish Budget and Council settlement figures on the 15th December.

It is anticipated that this year's announcements will present significant challenges for local government, with further reductions in the amount of funding available. To help councillors, staff and other stakeholders understand the potential impact for Clackmannanshire, a Budget Strategy report is presented to every Council meeting. These reports detail the latest financial planning assumptions and forecast the Council's potential indicative funding gap.

Given the high level of economic and financial uncertainty there has been over the last few years, these reports provide a range of potential scenarios which reflect differing assumptions in respect of the key income and expenditure variables which affect the Council's funding. The latest report forecasts an indicative funding gap of between £9.5 million and £17.6 million for 2017/18 and a cumulative gap of between £22.5 million and £49.1 million over the three years up to 2020/21.



Meeting such a significant financial challenge is more difficult than ever this year when you consider that the Council has already agreed savings of £29 million over the last five years. Management has already identified a range of efficiency savings for members to consider as part of the Budget but at this stage these are significantly short of bridging the potential financial gap. Therefore, additionally, managers are reviewing service delivery models for all services across the Council with a view to proposing revised models of service delivery and consequential changes to structures to allow these to be implemented. Once these proposals have been developed, they will be shared with elected members and trade union representatives in the first instance. These proposals will then also be submitted as part of the Council's Budget setting process for 2017/18.

At a service level, all services have now submitted their requests for additional funding to offset demands and new duties within their areas of responsibility. These will be reviewed, challenged and agreed or rejected, as appropriate as part of the budget setting process.

## Tech One Update

All services with the exception of Catering and Social Services are now processing purchase orders in One Council. This provides services with more accurate information on the committed spend to date.

253 staff from all Services, including schools, attended end user training sessions, enabling them to effectively use Procure to Pay

The Tech One team have completed the training on XL One Reporting and are currently in training 2 days per week to complete the configuration of the budget packs. This is expected to be complete by Christmas. Accountancy will be involved with the testing of the budgeting process once complete.

The team continue to develop reports and dashboards to provide easy access to information for all users. New additions include:

- Accounts Payable and Accounts Receivable Dashboard: Provides information on Orders and requisitions raised and the stage of the process they are at
- Notification on Invoices in their workflow
- Budget and forecast monitoring
- Frequently Asked Questions and Contacts
- Ledger Enquiry allowing staff to check the budget available for their service before submitting requisitions

Look out for changes on your dashboard as they are rolled out.

Work is also ongoing to streamline the transfer of data between back office systems and Tech One. Significant

improvements have been made in Adult Care where the automation of invoicing between Finch and Tech One has removed the requirement for manual data entry. This has realised a productivity saving of 9 days per month. The project team are currently working with other Service Areas to maximise system functionality and realise benefits.

