THIS PAPER RELATES TO
ITEM 03
ON THE AGENDA

CLACKMANNANSHIRE COUNCIL

Report to Special Meeting of Clackmannanshire Council

Date of Meeting: 24th February 2015

Subject: General Services and HRA Revenue and Capital Budget 2014/15

Report by: Depute Chief Executive

1.0 Purpose

1.1. The purpose of this report is to present the Council's Budget for 2015/16. This report covers revenue and capital expenditure budgets for both General Services and Housing Revenue Accounts. In addition this budget seeks approval and/or provides information for further actions which will contribute to the Council's aim of improving medium term financial planning and financial sustainability.

1.2 This report also builds on the regular *Making Clackmannanshire Better* (*MCB*) and Budget Strategy Update reports and briefings presented to Council and Resources and Audit Committee throughout the year.

2.0 Recommendations

2.1. It is recommended that the Council **approves:**

2.1.1 the refined alternative service delivery model detailed in paragraph 3.7

2.1.2 that management enters formal negotiations with Trade Union representatives in respect of redefining the working week and increasing the period between incremental progression from 12 to 18 months (paragraph 4.16)

2.1.3 the proposals for demand pressures (Appendices C and C1)

2.1.4 the sum of £63k from General Services uncommitted reserves in 2014/15 to pay the backdated element of holiday pay costs (Appendix C1)

2.1.5 the Draft Forward Plan of Key MCB projects (Appendix D)

2.1.6 the General Services Revenue Budget for 2015/16 (Appendix E)

2.1.7 the indicative budget savings targets and the underpinning assumptions for

2015- 2019 (Table 2 and paragraph 5.5)

2.1.8 the savings set out in Appendix F as additionally explained in Appendices G, G1 and H and paragraph 6.5, and including the explicit recommendations set out in Appendices G, G1 and H which are incorporated as part of this recommendation

2.1.9 a 0% increase in the level of Council Tax for 2014/15, resulting in Band D remaining at £1,148 (paragraph 5.5)

2.1.10 the utilisation of £1.936m from the available Capital Receipts Reserve (paragraph 6.9)

2.1.11 the utilisation of £1.801m of uncommitted General Services Revenue reserves (paragraph 6.10)

2.1.12 the utilisation of £1.0m of anticipated uncommitted revenue reserves to 'top up' the Employment Fund in 2015/16 which can be used to meet any costs associated with the continuing managed contraction of service delivery and associated costs (paragraphs 6.11 and 6.12)

2.1.13 the Summary Revenue Budget based on the HRA Business Plan (Appendix J)

2.1.14 the summary Lock up and Garage Pitch Site Budget (Appendix J2)

2.1.15 a housing rent increase of 3.75% for 2015/16 in line with the HRA Financial Business Plan Assumptions (Appendix K)

2.1.16 rent increases of 3.75% to Lock-up and Garage Pitch Sites and the weekly rent for the travelling persons site (paragraph 7.20)

2.1.17 that the Scottish Housing Best Value Network (SHBVN) is given a 12 month notice period to end the Council subscription whilst a review of the value for money obtained is conducted (paragraph 7.12)

2.1.18 the financing limits placed on capital investment for 2014/15-2019/20 based on the underpinning assumptions in Table 7 and paragraph 8.11

2.1.19 the General Services Capital Budget for 2014-2020 (Appendix M)

2.1.20 the HRA Capital Budget for 2014-18 based on the HRA Financial Business Plan (Appendix N), having taken account of the proposed amendments set out in Appendix O

2.1.21 removal of Council house new build from the HRA Business Plan from 2019 (paragraphs 8.18 and 8.19)

2.1.22 acceptance of the revised commitment in respect of teacher numbers set out in paragraphs 6.13 to 6.15 by means of a written response to the Deputy First Minister

2.1.23 the continued application of the underpinning principles set out in paragraphs 3.4 and 8.4 to future budgeting.

2.2 It is also recommended that Council **notes:**

2.2.1 previously agreed *Making Clackmannanshire Better* principles (Appendix A)

2.2.2. the feedback from recent consultation and engagement activity detailed in Appendix B

2.2.3 the background to the new demand pressure following rulings on holiday pay payments (Appendix C1)

2.2.4 the intention to develop enhanced MCB programme management arrangements post budget setting (paragraph 3.8)

2.2.5 the 2015/16 Schedule of Funding to Voluntary Organisations (Appendix I)

2.2.6 the anticipated level of uncommitted reserves of £7.423m by 31 March 2015, prior to setting this budget (paragraph 6.7)

2.2.7 the anticipated level of General Services uncommitted reserves of £4.622m following setting this budget (paragraph 6.12)

2.2.8 The cumulative indicative gap of £23.384m to 2018/19 following setting this budget and an indicative funding gap of £11.571m in 2016/17 (Table 4)

2.2.9 that the budget proposed for 2015/16 includes provision to deliver across all of the specified commitments (paragraph 6.13 to 6.16)

2.2.10 the balance of £0.248m in the Capital Receipts Reserve, available to invest in new capital projects or repay existing debt (paragraph 6.9)

2.2.11 the balance of HRA uncommitted reserves will be maintained at 4% of rental income in line with the Business Plan (paragraph 8.32).

3.0 Strategic Framework

3.1. The Council's approved Budget Strategy is regularly reviewed and updates are reported to Council on a regular basis. The Budget Strategy sets out the planning assumptions and indicative savings figures for a rolling four year period, currently 2015/16 -2018/19. The Strategy focuses on a framework which aims to:

- *reduce expenditure*
- *maximise income*
- *redesign service provision, and*
- *implement other targeted initiatives to deliver high quality services from a sustainable cost base.*

3.2. The Strategy also restates the following objectives from the Council's approved Financial Strategy (28th June 2012):

- Budgets are prudent and sustainable in the long term
- Financial Plans recognise corporate priorities and objectives
- Significant risks are identified and factors to mitigate those risks are identified
- The Capital Programme is planned over a minimum five year rolling programme, with "unsupported" borrowing minimised, other than where there are clear economic benefits to the Council
- Constraints on capital and revenue resources, including the uncertainties around future government funding, are taken into account
- Council Tax increases will be maintained within the current parameters as agreed with the Scottish Government
- Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council.

3.3. This 2015/16 Budget, incorporating both General Services and Housing Revenue Accounts' planned expenditure, aims to comply with both the objectives and framework set out within the Council's Financial and Budget Strategies respectively, and specifically the Housing Business Plan in respect of the HRA. Given ongoing fiscal uncertainty, as well as the potential for cash reductions in future years' funding levels, a strong focus on financial sustainability underpins the preparation of this Budget. Specifically, it seeks to establish a longer term financial planning outlook by requesting approval for specific actions which if approved now, should assist the Council in bridging the indicative funding gap for future years which averages £6.54m annually, from 2015 to 2019 (Table 2).

- 3.4 In setting this Budget, the scale of the challenge facing the Council remains clear, especially given the level of savings already made in previous years. This is the third Budget which has been prepared with regard to the following key principles:

Clackmannanshire's context: the priorities for the area are set out in the Council's Corporate Plan, *Taking Clackmannanshire Forward*, and the SOA, both of which are founded on the Community Plan, *Working Together for Clackmannanshire*. Meeting the impact of demographic trends and employment and health issues in the area presents a considerable challenge for the public sector, especially alongside the forecast level of a continuing real terms reduction in the resources available. It is anticipated that planned Welfare Reform will continue to impact on a significant proportion of the local population, creating changes in the historic levels of demand and service usage, particularly with the roll out of Universal Credit in the Summer of 2015. The Budget has sought to focus on stated priorities and reflect future shifts in need and demand.

- **Sustainability**: a medium to long term view of the impact of demand, expenditure levels, and savings proposals underpins the budget. The Budget has sought to look at both revenue and capital opportunities to deliver demand management/cost avoidance measures as well as budget savings whilst preserving, and where possible, improving quality and performance levels. In doing this, efforts have also been made to ensure the sustainability of proposals and to avoid 'short termism' to deliver the necessary reduction in expenditure levels. This year, this approach is more evident where approval is being sought to commence specific work, linked to MCB workstreams, which will assist in bridging the funding gap in future years (Appendix D).

- **Business transformation:** since last year's Budget, significant work has been taken forward to develop *Making Clackmannanshire Better*, the Council's corporate business improvement programme. The development of this Programme has been, and will remain, a priority as it aims to establish sustainable service delivery and a sustainable cost base for the future. Good progress is being made with the Tullibody pilot and both savings and service redesign proposals included within this Budget draw from this work. It is anticipated that the Programme of projects will be further refined immediately post Budget setting to align with Council's decisions (see paragraph 3.8).

- **Equity:** It is increasingly important that equity is considered in the light of increasing prioritisation of service delivery for the future with a particular emphasis on meeting the Council's statutory responsibilities and delivering local priority outcomes. This principle is explicit within *Making Clackmannanshire* Better (paragraph 3. 5) and underpins the sustainability principle outlined above. In proposing savings, all services have had the opportunity to submit Demand Pressure proposals and bids for Additional Capital Investment where this is deemed appropriate. This approach has aimed to look at a rounded level of investment in services.

- **Transparency:** This Budget seeks to be transparent in detailing the nature and scope of proposed savings and investments. This rests alongside the approach to ongoing consultation and engagement set out in section 4 of this report.

Making Clackmannanshire Better (MCB)

3.5 The agreed aim of MCB was stated in setting the 2014/15 Budget and is to '*transform how we do our business so that we maintain the required level of provision for statutory services and ensure that other services we may deliver reflect overall Council priorities*'.

3.6 The principles and structure of the change programme were also set out in the 2014/15 budget and these continue to apply (Appendix A). However, as work has gained momentum and progressed during 2014/15, these foundations have been proactively refined.

3.7 Proposals brought forward in December 2014 set out an alternative corporate model for service redesign and delivery. This was not adopted at the time but was consulted on. Feedback from this consultation activity is set out in section 4 of this report, and this, along with ongoing discussions since December have resulted in a refinement of aspects of the proposed model. The refined proposals are, therefore, as follows:

- service redesign models will be developed with a strong geographical focus.

- the definition of core geographical settlements, and the order of reviewing each area, will be agreed in consultation with communities following Budget setting for 2015/16.

- the development of community based 'hubs' to deliver better integrated more joined up and customer focussed services. In the pilot area, Tullibody, completion of ongoing work and consultation will make a significant contribution to the development of the approach.

- the range of services delivered in the 'hubs' as core is likely to vary with the local context. Options will be developed at a local level and a one size fits all approach avoided as far as possible.

- The development of peripatetic models of delivering certain services, e.g. specialist social work or advice services, will augment core local service delivery and be targeted to areas of greatest need.

- increased accessibility of services will be a key focus using a range of 'enablers'. The details of some of these enablers are set out in the following bullet points.

- Safe Routes for Communities is a key enabler, focussing on improving accessibility to local 'hubs', for instance by upgrading and investing in the cycle and footpath networks and carrying out street lighting improvements in conjunction with prioritisation of the Council's roads network investment within and between communities, also focussed on facilitating access to services and improving geographical connectivity.

- Continuing investment in the County's ICT infrastructure to support digitalisation of service delivery is also a key enabler with a focus on ensuring that the cost effectiveness of service delivery is maximised, transaction costs are minimised and ICT is used to support innovative developments such as more flexible modes of teaching within the County's schools.

- the support and development of staff is also a key enabler and will continue to be a priority. It is likely that some roles will change in order to establish the agile, flexible, responsive and resilient workforce that the Council needs to support service delivery in the future. Supporting this transition is critical and the Council will continue to invest in our staff and ensure we have fit for purpose employment policies and processes in place.

- public sector partners will be encouraged, through Clackmannanshire Alliance, to jointly redesign service delivery and target and jointly resource common priorities with the aim of improving access to more joined up services across the public sector and not just within the Council.

- partnership with the voluntary and third sector will be key. It is proposed that the Council will work with Clackmannanshire Third Sector Interface to implement a more consolidated and outcomes focused approach. Central to this is ensuring that the area has strong and sustainable third sector organisations and that jointly we are focused on the delivery of common priority outcomes.

- maximising the use of physical assets such as public sector buildings is also key. Capital Investment in infrastructure will be guided by, and aligned with, the prioritisation and review of each geographical area.

- Capital investment will also be viewed as an enabler where it contributes to/ facilitates new ways of working which will reduce revenue expenditure.

- Where it is clear that individual assets are no longer required, they will be proactively declared surplus and disposed of as appropriate.

3.8 This model provides the context for 2015/16 budget setting. Proposals for further business cases (paragraph 5.7 and Appendix D) and savings as well as capital investment are consistent with the model outlined. Subject to the approval of this model and Budget, enhanced programme management arrangements will be put in place post budget setting to engage elected members, Trade Union representatives, staff and management in taking the necessary work forward.

3.9 There remains specific revenue and capital resourcing available for the MCB Programme . This was previously approved as part of 2013/14 budget setting. Revenue expenditure requirements will continue to be made (on application) to the Council's former Spend to Save Fund (current balance £435K). Recent investment includes funding the Shared Service Business case development and in 2015/16, £25K has been allocated to fund the initial set up costs of Card Payment processing facilities through a variety of local convenience stores, facilitating payments to the Council (paragraph 7.16). Capital expenditure is being aligned with MCB under the Corporate Asset Management Strategy within the Capital Programme and is now being reprioritised or allocated to specific projects such as to fund the development of community hubs, prioritised school estate investment, Safe routes for communities and other 'enabler' activities which require additional investment.

4.0 Budget consultation and engagement process

4.1 As in previous years, consultation activity is an important part of the Budget process. For 2015/16, the approach sought to build on previous engagement with communities, communities of interest, partners, staff and Trade Union representatives. Feedback from this engagement is summarised over two broad headings:

- public and stakeholder engagement
- staff and Trade Union consultation.

Public and stakeholder consultation

4.2 The public consultation on the budget setting for 2015/16 ran from the 19th December 2014 to the 9th February 2015.

4.3 Public feedback was received via a variety of methods:

- An on-line public survey (296 responses received)
- A dedicated email address was set up mcb@clacks.gov.uk (10 emails received)
- Letter correspondence (5 letters were received from private individuals)
- Written responses were received from 11 local community organisations
- 2 petitions were received: one, signed by residents of Alva against the proposal to remove CAP services from that community; another from Hunter's Executive Coaches, signed by bus users, against the proposal to stop subsidising a number of public bus service routes
- 9 consultation events were held:
  - 1 with tenants and residents federation
  - 2 with disability groups
  - 1 with joint parent councils
  - 1 Third Sector Forum, which included the Older Peoples Forum
  - 3 focus groups were held with Clacks1000 citizen panel members
  - 1 with Youth Forum
  - 1 with Clacks business representatives.

4.4 Responses and analysis from all consultations have been made available in full to elected members as background information prior to setting this Budget. Key themes highlighted are as follows:

Feedback on Alternative Model of Operation:

4.5 In response to proposals for priority discretionary spending, broad feedback was as follows:

- 63% agreed that giving young people the best start in life and supporting vulnerable families should be a high priority for the Council
- 53% agreed that improving employment opportunities for 16-25 year olds should be a high priority for the Council

- 30% felt that supporting people to remain healthier and fitter for longer should be a high priority for the Council
- 28% agreed that reducing dependency on the public sector by encouraging use of the 3rd sector should be a high priority for the Council.

4.6 When asked about the extent to which the specified proposals would impact on them:

- 72% of respondents said that using the 3rd sector to deliver more services would have no or some impact on them;
- 5% of respondents said that greater use of mobile or outreach services would have a significant on them, with 80% saying it would have no or some impact
- similarly, most respondents (80%) said that more use of online services would have little impact on them;
- most respondent (78%) said making more use of schools to deliver community services would have no or some impact, however, 15% said it would have a high impact;
- 76% of respondents said that consolidating around 2 CAPs would have no or little impact on them, though 20% said it would have a high impact.

4.7 Feedback was also requested on proposals to STOP, REDUCE, CHANGE or CHARGE. The feedback on these proposals is set out in Appendix B. In addition some general themes emerged and these are summarised below:

- asset management including disposal of assets
- workforce planning (including several comments that redundancies must be looked at to preserve vital services)
- sustainability of the Council (financial and structural)
- enforcement
- the need to consider interdependencies to avoid 'unintended consequences'
- income maximisation, including consideration of raising Council tax
- cost of democratic core
- need for prioritisation of services.

Staff Consultation

4.8 The process of consultation with trade union representatives is longstanding and takes place year round. However, as in previous years, specific additional discussions took place in respect of the 2015/16 Budget. Similarly, as in previous years, trade union representatives received full details of officer proposals for savings and had the same opportunities as elected members to obtain clarification from chief officers on their respective service savings proposals through formal briefing sessions.

4.9 In December 2014, Council agreed its approach to public consultation on the budget. This included a survey on Clacksweb seeking views on officer savings proposals. In addition to the 296 public responses received, an additional 488 staff took the opportunity to respond to this survey (paragraphs 4.1 to 4.7).

4.10 Specific staff consultation mechanisms were also used, including:

a) six **open meetings held in Alloa Town Hall** when the Council's Executive Team gave presentations on budget proposals and took feedback. These meetings were very well attended and many members of staff took the opportunity to offer feedback (see paragraph 4.12);

b) a short **dedicated staff survey** which focussed on potential options to reduce employee costs. Staff were asked to indicate in relation to each of these options whether they were acceptable, not acceptable or worthy of consideration. There was also the opportunity to feed in any suggestions and comments more generally on the budget proposals;

c) a **dedicated email address** for staff to provide feedback on the options relating to staff costs and the wider budget;

d) a number of **cascade briefings** across all services delivering consistent messages about the budget process;

e) from early 2015, **weekly meetings** between management and trade union representatives at which the opportunity was afforded to comment on any matter relating to the terms and conditions options and the wider budget;

f) budget has been a standing agenda item on the **Tripartite Forum**; and

g) **staff suggestion boxes** were placed at Kilncraigs, Kelliebank , Forthbank, and Alloa Town Hall for the duration of the staff consultation events.

4.11 The staff survey focused on a range of terms and conditions which have the potential to realise budget savings. Feedback on each of the options put to staff are summarised below, with the figures in brackets after each representing the percentage of respondents who said the options were **not acceptable:**

i) reducing salary preservation from 12 to 6 months (66%)
ii) Redefine the working week to eliminate paying enhanced rates for weekend working and unsocial hours (67%)
iii) Not being paid for the first 3 days of sick leave (76%)
iv) Foregoing the 2015/16 increment (78%)
v) Increasing the period between increments to 18 months (66%)
vi) Further reducing the working week from 35 hours (86%).

4.12 The staff consultation elicited 681 comments (across the meetings and survey) and the broad themes covered by the comments were as follows:

- asset management
- more efficient processes
- budgetary governance
- management of income
- policy priorities
- workforce planning

- political governance
- procurement.

4.13 Full details of these comments are included in the complete report on staff consultation which is available as a background paper to this report.

4.14 As in 2014/15, a management response is being prepared covering all of the staff comments received. This will be provided to the trade unions and elected members. It is highly likely that some of these suggestions will be taken forward in the coming financial year and this is acknowledged as an action in the MCB Forward Plan actions detailed in paragraph 5.7. Council will be made aware of these through the regular financial performance reports to service committees.

4.15 In numeric terms, it is clear that the majority of those who responded to the staff survey do not support any of the options which management put forward for discussion. A significant part of the reason for this response appears to relate to the agreement of staff in 2014/15 to take a reduction in salary as a result of the working week being reduced from 36 to 35 hours. At that time, it was made clear to trade unions by chief officers that that agreement would not preclude the issue of reducing staff costs via potential further changes to terms and conditions.

4.16 Having reviewed the feedback received from staff and balanced this against the need to establish a sustainable cost base for the future through effective organisational change, chief officers are of the view that a redefinition of the working week to eliminate paying enhanced rates for weekend working and unsocial hours within a 35 hour week is required for operational efficiency and effectiveness and is a key element of enabling the agenda of transformational change to progress. In addition, increasing the period between increments from 12 to 18 months does not represent a reduction in payments to staff but rather a deferral. Accordingly, it is recommended that Council agrees that formal negotiations are started with Trade Unions on the following two options:

- redefining the working week
- increasing the period between increments from 12 to 18 months.

4.17 The Council, Leader, Depute Leader and Chief Executive met with trade union representatives to discuss options and the potential for flexibility in advance of budget setting and, at this time, trade union representatives indicated a general willingness to enter into further discussions on specific proposals once these have been received from senior management. Therefore, subject to Council approval of the proposal set out in paragraph 4.16, formal negotiation will commence immediately following the Budget setting process. On this basis, having allowed for the necessary negotiation period, a modest saving is also proposed in Appendix F and this has been indicated to the Chair of the Joint Trade Unions Committee.

5.0 Budget funding 2015/16

5.1 Based on Finance Circular 1/2015, the total funding assumed for the 2015/16 General Services Revenue Budget is as follows:

Table 1: General Services Funding 2015/16

	2015/16 **£m**
General Revenue Grant	70.775
Ring fenced Revenue Grants	6.180
Non-Domestic Rates Income	16.390
Total Grant Funding	93.345
Council Tax Income	18.278
Council Tax Reduction Scheme	3.588
Total Revenue Funding	115.211

Source: Finance Circular 1/2015

5.2 This position assumes an increase in Council Tax Income which relates to growth in the council tax base as a consequence of projected increases in the number of properties that will be subject to the tax. The assumed collection rate is 97.9% which is an increase of 0.5% on the previous year's assumptions.

5.3 In the event of any changes to grant funding, these would be reported to Council during the year as part of the regular Budget Strategy Update reports.

Rollover Revenue Budget

5.4 Each year, the base budget is reviewed to ensure that any adjustment that is required to meet expected costs and demands is properly considered. Table 2 below details the budget for 2015/16 compared to the anticipated level of Government Grant and Council Tax Funding. This results in a cumulative budget ‘gap’ of £26.151m up to March 2019 and £6.7m in 2015/16. The net expenditure figure includes the annual PPP charge and reflects known demand pressures.

Table 2: General Services Budget 2015/16-2018/19 Indicative funding gap

	2015/16 **£000**	**2016/17** **£000**	**2017/18** **£000**	**2018/19** **£000**
Net expenditure	121.965	128.385	133.679	138.638
Net Funding	115.211	114.047	112.441	112.487
Cumulative indicative Funding Gap	6.754	14.338	21.238	26.151
Indicative Annual Gap	6.754	7.584	6.900	4.913

5.5 The main assumptions included within Table 2 are:

- 0% increase in the level of Council Tax for 2015/16
- Pay inflation maintained at 1.5% across the period to 2018/19
- an annual allowance for utility increases and contractual inflation (£1.3m) but not general inflationary pressures
- general demand pressures of £1.176m (Appendix C) in 2015/16 with an estimate of £1.5m each year thereafter for further budget pressures
- budget growth of £1.135m following completion of the zero based budgeting exercise with Social Services
- the ending of contracted out National Insurance contributions estimated at £1.1m in 2016/17
- Cash reduction on general fund grant of 1.3% and 1.8% in financial years 2016/17 and 2017/18 respectively
- maintenance of the commitment to implement Minimum Living wage (currently £7.65 rising to £7.85 from the 1st April 2015) equating to an increase of £25k in the annual budget
- maintenance of funding for The Gate Food Bank (£5k each year)
- £10k to support Business development in the area.

5.6 This position presents a challenging situation for the Council, following on from the delivery of £10.079m of savings since 2012, and £8.221m of cash savings over the last two years. In August 2012, the Council initiated its change Programme, *Making Clackmannanshire Better* in order to effect the transition to a more sustainable cost base for the future. During the last 12 months, work on both the Tullibody pilot and the cross cutting groups has gained momentum, resulting in the savings and service redesign proposals submitted to Council in December 2014. These same proposals subsequently formed the basis of the Council's consultation activity over the last two months.

5.7 To underpin the Council's commitment to financial sustainability, proposed changes and savings proposals are presented within the *Making Clackmannanshire Better Framework.* Within the 2015/16 Budget, there are a number of proposals and options for review which, whilst they do not necessarily result in savings in 2015/16, potentially contribute to bridging the funding gap in future years. A summary of the proposed Programme is included in Appendix D. The key areas requiring approval are as follows:

Corporate

- review of staff efficiency proposals (paragraph 4.14)

- corporate reviews of equipment and information management to be undertaken

- review of Ernst Young proposals for Shared Service delivery in the future.

Education

- review of the operation of Devolved Schools Management (DSM)

- review of youth and sports services

- review school crossing patrols

- realignment of secondary school timetables and closer working with Colleges and Universities

- review of home to school transport policy as part of wider review of Safe Routes for Communities and development of the settlement hubs.

Social Services

- review of Social Services workforce skill mix to to incorporate paraprofessional staff where appropriate rather than professional staff

- Health and Social Care Integration opportunities for redesign to be maximised and options developed

- options appraisals to be developed for service redesign in respect of Menstrie House and Ludgate House

- review of respite for children

- preparation of options appraisal /business case to develop 'Housing with Care' in Tillicoultry

- business case to be prepared to establish a shared residential child care facility

- review historic levels of care provided in line with Self Directed Support eligibility Criteria on a rolling programme of review and assessment

- redesign of social work equipment store

- review of social work transport.

Resources and Governance

- development of clear Workforce Strategy and revision of supporting employment policies as appropriate
- review of options re PPP financing model and options for maximising use of current annual investment of £7.7m
- options appraisal to review telephony and mobile devices with a view to increased cost efficiency
- undertake full options appraisals of Resources and Governance service delivery models and structure
- review options for increasing digital transactions
- prepare surplus asset statement and recommendations for disposal as appropriate
- options to be developed through consultation with Trade Unions to review and redefine the working week .

Development and Environment

- review of fleet to be undertaken
- development of a Strategy in respect o Play areas
- develop a Cemeteries' Strategy
- develop options appraisal in respect of potential for shared regulatory services
- business case to be prepared in respect of on and off street parking
- review of street lighting Management and Operations to be undertaken
- full options appraisal to be undertaken in respect of Roads Service restructuring
- development of business cases in respect of community meal service and additional meal income.

Housing and Community Safety

- develop options for maximising income, including debt recovery.

Strategy and Customer Services

- redesign engagement and partnership with voluntary and third sector, working jointly with Clackmannanshire Third Sector Interface
- joint resourcing and service redesign options to be explored and developed with Clackmannanshire Alliance
- utilisation of CAPs to be considered as part of wider development of hub model.

6.0 General Services and Housing Revenue Accounts

6.1. This section of the report sets out the revenue budgets for both General Services and Housing Revenue Accounts.

General Services 2015/16

6.2 The 2015/16 General Services Revenue Budget is summarised at Appendix E. The budget proposes expenditure of £118.948m against income of £118.948m providing a balanced position.

6.3 The 2015/16 Budget is based on the approved 2014/15 General Services Revenue Budget which has been updated and realigned to reflect changes and variances which have arisen during the year, for instance the revised structures now in place following specific service redesign initiatives implemented during the year.

6.4 In addition to these changes are the demand pressures advised by services which reflect any increasing demand for mandatory services, new duties and responsibilities, the demographic change affecting the area and specific provisions for inflation. These total £3.390m (£1.176m for general pressures, £1.135m for Social Services growth, and £1.079m for contract and other inflation) and these are set out in Appendix C for approval as part of this Budget.

6.5 The 2015/16 budget proposes savings of £3.017m. These are set out at Appendix F. All proposals are related to their relevant *Making Clackmannanshire Better* workstream, and the distribution of savings demonstrates the focus on maximising efficiency, supporting staff through the change and minimising the impact as far as possible on frontline service delivery. Additional detail is provided as appropriate/ necessary for those proposals included in Appendix F to facilitate Council decision making. The key areas covered are the revised Income and Charging Policy/Schedule of Charges (Appendix G & G1), and CCTV (Appendix H). In addition, as agreed with the Council's External Auditors, the Budget also includes a schedule of Funding to voluntary organisations in 2015/16 (Appendix I).For those initiatives which set out more detail in Appendices G, G1 and H, it is proposed that approval of the Budget would also constitute approval of specific recommendations contained within these individual appendices.

6.6 Table 3 below shows how the combined savings are distributed across services:

Table 3: General Services Revenue Budget 2014/15: Distribution of planned savings by service.

Service	Current 2014/15 Budget (£000)	Service savings Proposals 2015/16 (£000)	Savings as % reduction in service expenditure
Housing and Community Safety	3.533	0.469	13.3
Strategy and Customer Services	7.324	0.226	3.09
Education	34.743	0.302	0.87
Development and Environment	11.579	0.872	7.53
Social Services	26.493	0.274	1.03
Resources and Governance	22.836	0.291	1.27
Cross cutting/ corporate	2.700	0.583	21.59
TOTAL	**109.208**	**3.017**	**2.76**

Balances and reserves

6.7 The un-earmarked reserves at the start of 2014/15 were £6.174m. Following application of the £63k required in 2014/15 to meet the costs of backdated holiday pay, the revised opening balance is £6.111m.The current outturn suggests that there is an expected net contribution of £0.112m by 31 March 2015. This, along with released earmarked reserves of £1.2m results in total anticipated uncommitted reserves of £7.423m by 31 March 2015.

6.8 The Council's approved Finance Strategy is to retain uncommitted non HRA reserves of a minimum of 3% of net expenditure. The above outturn results in anticipated total reserves of £7.423m by 31 March 2015, which is £3.892m above the minimum threshold of the Council's approved Reserves Strategy of £3.531m.

6.9 In 2014/15, £1.714m of Capital Receipts Reserve was utilised together with the £59k remaining in the PPP earmarked reserve, to allow the full costs of the PPP increase to be met. For 2015/16, it is proposed that the £1.936m required will be met from the Capital Receipts Reserve. This leaves a Capital Receipts Reserve balance of £0.248m for utilisation in future years.

6.10 After taking account of this earmarked sum of £1.936m to cover PPP costs, the revised budget gap for 2015/16 is £1.801m. In order to propose a balanced budget, it is therefore recommended that the Council approves the utilisation of £1.801m of the currently anticipated uncommitted reserves of £7.423m. Based on the most up to date outturn position this would result in a revised sum of £5.622m of anticipated uncommitted reserves by 31 March 2015 which is equivalent to 4.8% of net expenditure which still exceeds the minimum threshold stipulated by the Council's approved Reserves Strategy by £2.091m.

6.11 In setting the 2014/15 Budget, Council approved the establishment of an Employment Fund. This initiative aimed to recognise the fact that a significant proportion of the Council's operating costs relate to the cost of employment and that to ensure future financial sustainability, these costs need to reduce. The report highlighted an ongoing commitment to deliver a managed contraction in staffing levels.

6.12 In 2014/15 The Employment Fund was set at £400k and was financed by £200k from *MCB (*former Spend to Save) revenue funding and £200k from the anticipated corporate underspend of £251k . This money was fully utilised. Therefore, it is proposed that in 2015/16, the Employment Fund is topped up to £1.0m from Uncommitted General Services reserves, recognising the release of the Business Rates Incentivisation Scheme additional funding the Council received as reported in Budget Strategy report to Council on 14th August 2014. This would result in anticipated uncommitted general services reserves of £4.622m which equates to 4% of net expenditure.

6.13 On the 5 February 2015, the Scottish Government issued Local Government Finance Circular 1/2015. The circular indicated that as was the case for the 2014/15 settlement, only those Council Leaders who do not intend to accept the offer and agree to freeze their council tax levels, are required to write to the Deputy First Minister and Cabinet secretary for Finance, Constitution and Economy setting out the reasons why they do not wish to comply by no later than the 10 March, but preferably by the end of February.

6.14 On the 5th February 2015, the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy wrote to all Council Leaders setting out the terms of a revised offer and commitment which supersedes that set out in the October 9th 2014 settlement letter. Specifically, individual local authorities are asked to write to the Deputy First Minister by no later than 20th February to formally agree for 2015/16, to protect the number of teaching posts within their authority in order to secure:

- the maintenance, as a minimum, of the total number of teachers employed by individual local authorities at 2014/15 levels and also the maintenance, as a maximum, of Pupil Teacher Ratio for schools within their authority at the 2014/15 levels, for each individual local authority both as reported in the Pupil and Teacher Census published in December 2014; and
- places for all probationers who require one under the teacher induction scheme.

In return, individual councils will receive a share of the £41m already included in the settlement plus a share of the additional £10m recently announced for 2015/16. scheme.

6.15 Should the Council not agree to meet these commitments, the settlement figure included in Table 1, will be reduced by the equivalent needs based share of the £70m attributed to the above commitments. In Clackmannanshire, this would equate to £0.663m. Additionally, any council which does not write to agree the terms of the revised commitment on teachers numbers will have their element of the £41m already included in the settlement clawed back. A failure to deliver, following publication of the Pupil Teacher census statistics in December 2015, will also result in clawback in relation to the £41m currently included in the settlement.

6.16 This budget has sought to make adequate provision for meeting these assumptions, and we are able to provide assurance that we can deliver across all of the specified commitments referred to above.

6.17 Subject to the approval of this budget, the indicative funding gap for 2016/17 and beyond is set out in Table 4 below:

Table 4: General Services Budget 2016/17-2018/19 Indicative funding gap

	2016/17 £000	**2017/18 £000**	**2018/19 £000**
Net expenditure	125.618	130.913	135.871
Net Funding	114.047	112.441	112.487
Cumulative indicative Funding Gap	11.571	18.472	23.384
Annual indicative funding gap	11.571	6.901	4.912

7.0 Housing Revenue Account 2015/16

7.1 The HRA Financial Business Plan which was approved by Council in June 2013 provides the basis for HRA financial planning and budget setting. The HRA Financial Business Plan and the Housing and Community Safety Service's Business Plan reflect the strategic priorities set out in the Clackmannanshire Housing Strategy 2012-17 which was approved by Council on 20th December 2012.

7.2 The key strategic priorities highlighted within the Housing Strategy 2012-17 and reflected in the HRA Financial Business Plan are as follows:

- New Housing Supply,
- Making Best Use of Existing Housing,
- Homelessness,
- Support for Independent Living,
- Specialist Housing,
- Energy Efficiency and Fuel Poverty,
- Improving Neighbourhoods and Communities and
- Housing Investment

7.3 The HRA Revenue Budget proposes expenditure of £13.097m which represents a reduction of £130k compared with the approved budget for 2014/15 but a slight increase of £16k when compared with the business plan projection for 2015/16. The delay in the homes being developed at Fairfield School has contributed to a reduction in expected rental income (97k) and a reduction of £113k in Capital to be financed from the HRA revenue surplus.

7.4 In 2014/15, as reported to the recent Housing, Health and Care Committee (HHCC) in January, the HRA is expected to outturn an underspend approaching £600k. Any revenue under spend or savings in the HRA is used to increase the amount of capital financed by current revenue (CFCR) and reduces the requirement for borrowing. This will result in almost £0.5m improvement to the HRA position than was expected when the Financial Business Plan was approved. The HRA Reserve at the end of 2014/15 will be kept at £687k (4%) of Rental Income as agreed in the Business Plan.

7.5 Summary information on budgeted income and expenditure is set out in Appendices J and J2 (Lock ups and Garage Pitch Site rentals). Recommended rent levels to support the ongoing viability of the account are set out in Appendix K for approval. Key features of budgeted income and expenditure are set out in the remainder of this section.

Repairs and Maintenance

7.6 The functional responsibility for maintenance (the "Property Contracts Unit", PCU) transferred to the Housing and Community Safety Service in February 2014. As reported to HHCC in January work is ongoing to realign the PCU budget and to remove the profit element associated with its former trading organisation status. The cost of the PCU service directly attributable to HRA is projected to be £161k less than the current budget position for 2014/15.

7.7 The overall draft budgeted expenditure on repairs and maintenance for 2015/16 highlights a variance of £41k against the Business Plan assumptions. This is as a consequence of an expected increase in expenditure of £93k on void properties. Following the recent completion of work with Vanguard Scotland on homelessness and voids, early improvements are now evident as staff groups test redesigned processes and monitor the impact and outcomes of changes made.

7.8 Progress has already been made by the service in letting empty properties as shown in Table 5 below. Ongoing work aims to promote more efficient, customer centred services leading to improved satisfaction levels, reduced costs and an improvement in the number of tenancies sustained, void turnaround times and collection rates.

Table 5: Empty Properties 2012-2015

	At end December 2012	**At end of December 2013**	**At end 12 Dec 2014**	**At end Jan 2015**
Number available	61	54	41	28
Number unavailable	48	33	6	2
Total number of voids	**109**	**87**	**47**	**30**

Supervision and Management:

7.9 The overall budgeted allowance for supervision and management in 2015/16 is £83k higher than the Business Plan assumption. Once the full Housing and Community Safety structure is designed and implemented, it is anticipated that the overall Supervision and Management figure will be in line with the approved Business Plan.

7.10 No assumptions have been made in the HRA budget on future decisions that may be taken by Council to deliver savings such as remodelling of existing service provision or changes to employee terms and conditions. Should decisions be taken that will affect the HRA in terms of savings, the budget will be revised accordingly and the impact reported to the HHCC.

HRA External Subscriptions:

7.11 In line with the review of all subscriptions funded from the General Fund we have reviewed the subscriptions that are paid in whole or part from the HRA to a number of organisations. This includes our membership of the Chartered Institute of Housing (CIH), Association of Local Authority Chief Housing Officers (ALACHO) and Scottish Housing Best Value Network (SHBVN).

7.12 The new guidance on the management of the HRA calls for organisations to benchmark their financial performance. The SHBVN offer a range of services centred around benchmarking performance and the sharing of best practice and there are officer forums for all the main service areas in Housing. Last financial year we negotiated a reduction in price as we withdrew from the Private Sector and LHS best practice forums. We are currently doing the same with the Homelessness and Housing Support Forum. As Clackmannanshire Council were founding members of the SHBVN it is proposed that we give the organisation a 12 month notice period whilst we formally review our continuing membership. At the end of the review, a final decision will be made as to whether or not we will formally end membership of the SHBVN. Clackmannanshire Council will continue to be part of the benchmarking group and will still submit statistical returns to SHBVN during 2015/16.

7.13 We have also considered Housemark who provide a robust benchmarking service that focuses on the financial side of the business and allows housing organisations to compare financial performance. Once a full assessment of SHBVN and Housemark is completed we will report our recommendation on the service provider offering the best service and value for money to the HHCC.

Income:

7.14 The projected base rental charges and other income are estimated at £17.999m. This represents a reduction of £97k against the Business Plan, primarily due to a delay with completion of some new build units such as Fairfield. The HRA income projections are also set out in Appendix J.

7.15 The Council collected 96.3% of all rent due in 2013/14, compared with an average collection rate of 99.1% for all Scottish Social Landlords. Clackmannanshire collection rate is currently 99.7% and total rent arrears outstanding from current and former tenants is £1.1m. The arrears and collection rates can impact upon our cash flow position and require to be carefully monitored to ensure that revenue funding is available for the investment in the stock. Work is being undertaken by Vanguard working with Revenues to review procedures and maximise the collection of housing rents alongside other income streams. This work also includes the potential for redesign of Housing Officer roles to prioritise this aspect of their work.

7.16 The Housing Revenue Account directly and through PCU is recharged £329k for the use of the local CAPs. The Council has recently tendered with a number of other local authority partners for Card Payment Processing where customers and tenants will be able to pay rent and other Council bills through a variety of local convenience stores. Offering this service to customers and tenants will assist in our collection rates making it easier to pay, and will also support local business through increased footfall and the potential for secondary transactions. General Fund will support the initial set up costs via *Making Clackmannanshire Better* funding . The HRA will be re-charged via the central support allocation costs attributable for transaction fees for rent, rechargeable repairs and property factor fees (paragraph 3.9).

7.17 In line with the HRA Financial Business Plan and assumptions approved by Council in June 2013, rents were required to increase by RPI + 0.75% in 2015/16. As the Capital investment plan was set for the first five years of the business plan to ensure that the Clackmannanshire Standard and SHQS could be delivered, medium to long term contracts were entered into for this investment. This assumed that RPI inflation would be 3% per annum, however since June 2014 with the global oil price more than halving in value, this has placed significant downward pressure on inflation with an RPI rate of 2.3% in September 2014 and 1.6% in December 2014. Recent major national construction projects, however, have not found that the construction industry is benefitting from this lower cost base, with construction inflation still rising at a faster pace than the general inflation rate as measured by the department for Business and Skills (BIS).

7.18 Therefore, given that Capital investment is reliant upon external providers for new build homes, roof replacements and central heating, it is recommended that the rent increase is based on the 3% inflation assumption. It is recommended that an overall increase of 3.75% is approved for HRA Housing stock. The Clackmannanshire Tenants and Residents Federation has been consulted and has accepted the proposal.

7.19 Clackmannanshire Council Rents are between £5 (1 and 2 bedroom properties) and £15 (4 bedroom properties) lower than the Scottish Average, with costs for management and maintenance estimated to be lower for Clackmannanshire Council in 2015/16 (£1,744 per house) than the average cost for Scotland in 2012/13 (last available data) of £1,845 per house. This means that tenants are benefiting from an efficient service and a value for money rent.

7.20 The Guidance on the Operation of the Local Authority Housing Revenue Account (HRAs) in Scotland indicates that assets must provide a financial return or benefit to existing tenants, so the income generated from lock ups with an estimated return to the HRA, forms part of the financial viability of the Business Plan. It is, therefore, recommended that a 3.75% rent increase for lock-ups and Garage Pitch Sites is approved, in line with the increase in the Housing Stock rents.

8.0 Capital Budget 2015/16- 2019/20

Considerations

8.1 This section of the report sets out the capital programmes and associated budgets for General Services and HRA.

General Services

8.2 The revised General Services Capital Programme and associated budget in respect of financial years 2015/16–2019/20 is set out at Appendix M.

8.3 In setting the Capital Budget for 2015/16 onwards, Council will be reconfirming the following two key drivers:

- the Council's approved Investment Strategy to ensure that the programme is affordable and complies with the objective of reducing the Council's overall levels of borrowing
- implementation of the capital investment priorities set out in asset management strategies.

8.4 In addition to the two key drivers set out in paragraph 8.3 above, the capital programme and budget continue to be based on the CIF underpinning principles approved by Council in February 2012:

- **Alignment:** the phasing of planned activity and expenditure is aligned within the Programme to maximise the use of available capital resources
- **Maximise Investment potential** by minimising slippage
- **Flexibility and responsiveness:** Flexibility to rephase activity and expenditure between years to maximise the use of available resources
- **Sustainability:** prioritise investment to ensure the sustainability of the environment, local infrastructure and service delivery. Also ensure the sustainability of the financing of investments by proactively identifying innovative funding mechanisms and opportunities.
- **Prudence:** exercise caution and careful management in considering investment opportunities
- **Transparency:** Capital investment prioritisation is open and transparent and is appraised within a consistent council approved framework
- **Fairness and Equity:** Access to finite capital investment resources is underpinned by equality of opportunity for services and communities through the consideration of Equalities Impact Assessment.

8.5 There is a strong relationship between these principles and those applied in respect of the General Services Revenue budget (paragraph 3.4). This is a conscious development and aims to reinforce a more holistic approach to financial planning for services and for guiding decisions about savings and investment.

8.6 General Services and HRA budgets continue to be presented alongside each other rather than separately. This approach aims to reinforce the ongoing embedding of better aligned and integrated service delivery and financial planning in support of *MCB*. Specifically, officers have sought to better co-ordinate activity and investment in distinct geographical localities irrespective of whether they are funded by General Services, HRA or through external funding streams. This approach is one which is yielding a positive impact in both Sauchie and Tullibody and a principle which will continue to be developed in setting out investment plans and priorities when establishing community hubs in the future.

8.7 Given the increased impetus to reprioritise capital investment in line with MCB priorities and/or to those areas which will generate revenue efficiencies in the future as a consequence of redesign of service delivery , the approved capital programme has undergone a fairly significant level of rephasing and reprioritisation. Key movements are set out in full in Appendices L and M.

8.8 During 2015/16, once the final asset strategy (Lands) is in place, and there is agreement of the MCB service delivery model, the overarching Corporate Asset Management Strategy (CAMS) will be further developed and submitted for approval. This will be a key strategic document for the Council's capital investment decisions, taking a longer term view of priorities and other long term strategic plans such as the Local Development Plan, Housing Strategy and the School Estate Asset Management Plan. It is intended that the CAMS will be wholly consistent with the ambitions and priorities expressed through *MCB*. As a consequence, the General Services Programme now includes a heading of CAMS/ MCB, alongside the Council's other asset management plans and in 2015/16 the revised capital programme sets out specific realigned and new investment in line with MCB ambitions (Table 8 and Appendix M).

Borrowing and Investment Strategy

8.9 The current General Services Capital Programme has been developed within a financial strategy of minimising new borrowing. This strategy is underpinned by the Council's Treasury Management Strategy Statement (June 2012). The Council's strategy continues to be to reduce the level of debt (relative to our revenue) closer to the Scottish Average. In 2014/15, the total external debt repaid to 30 September 2014 was £10m with no further payments to be made by the end of this financial year. However, additional borrowing of £2.9M was undertaken during the year to fund investment in a Social Housing project in Coalsnaughton. This results in a net reduction in external debt of £7.1m in 2014/15.

8.10 The Prudential Indicators paper, also on this Special Council meeting agenda, sets out the effect of this strategy in more detail. In terms of the General Services capital programme it is recommended that the new borrowing requirement is restricted to under £5.541m in 2015/16. This is in line with the sum budgeted for annual repayment of debt thus ensuring that there is no requirement to incur further external debt. This strategy will ensure that capital financing costs do not increase over the programme period.

General Services Capital Programme 2015/16

8.11 The general capital grant allocated to Clackmannanshire Council in 2015/16 is £6.589m. This includes the last of the previously reprofiled capital grant elements being received in the 2015/16 allocation. There is also a further £0.790m for capital works in connection with the implementation of the Children and Young People Bill requirements. Restricting new borrowing in line with the strategy set out in paragraph 8.10 results in a recommended gross programme limit for each year. Table 7 below sets the current programme against the gross programme limits. The programme is managed within the limits set to ensure that no new external debt is incurred.

Table 7: General Services Capital Funding 2014/15-2019/20

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
General Capital Grant	6,589	5,228	5,228	5,228	5,228
Gross Programme Limit	12,030	10,942	11,274	11,274	11,274
Current revised approved budgets	6,904	10,458	10,069	8,880	10,860
C/F from 2013/14 approved programme	2,571	0	0	0	0
Balance below Gross Programme limit	2,555	484	1,205	2,394	414

8.12 Table 7 also indicates that over the period to 2019/20, there is a total of £56.794m for capital investment. The Council's currently approved projects account for £49.742m of this sum, leaving £7.052m available for investment in new projects.

8.13 The General Services Capital Programme covering the period 2015/16-2019/20 is set out at Appendix M. This programme reflects committed projects, recurrent infrastructure investment and proposed new projects together under each of the key asset strategies.

8.14 Appendix M includes the following recurrent infrastructure investments from 2015/16 to 2019/20:

- School Development funding maintained at £1m each year, with an additional £273k in 2015/16 and £727k in 2016/17.

- Community Grants funding averaging £130k per annum.

- *MCB* funding allocated to investment in School and Community hubs totalling £11.25m over the years 2016/17 to 2019/20.

- Village and Small Town Centre initiatives averaging £296k per annum aligned with Community hubs.

- Roads and Footways improvements averaging £1.86m over the next 5 years.

- Parks, play areas maintained at £50k each year aligned to community hubs.

- Vehicle replacement programme increased to an average of £911k per annum for the next three years reducing to the previous level of £500k each year thereafter.

- ICT Strategy increased recurrent investment of £240k per annum to upgrade school infrastructure in both primary and secondary schools.

- Street lighting replacement columns maintained at £250k recurrent investment.

- Street lighting improvements aligned to community hubs on average, £468k per annum.

- ICT infrastructure including Telecare increased investment in 2015/16 to £335k reducing to £235k in 2016/17and future years.

In total, these recurrent investments account for £38.739m over the five year period to March 2020.

8.15 The proposed Capital Budget incorporates a significant level of new and reprioritised investment totalling £15.005m up to 31 March 2019/20. The details are set out in Table 8 below:

Table 8: Capital budget 2015/16-2019/20 new and reprioritised investment initiatives

Initiative	£000	Commentary
School estate strategy/ Community hub	11,250	This work seeks to co-ordinate and align ongoing work in Tullibody and the school consultation on options for the renewal of school estate. This represents a significant investment in the development of a community hub aligned with the renewal of the school estate.

Initiative	£000	Commentary
ICT Strategy: Enabler Schools replacement programme	960	This is a reprioritisation of spend to align the refresh and renewal of ICT infrastructure and equipment in both primary and secondary schools with the programme of MCB geographical reviews and option appraisals.
ICT Strategy: enabler investment in network infrastructure	200	Improve connectivity across the County but specifically in 'hotspots' with historically poor connectivity. Specific communities to benefit will be Dollar, Tillicoultry and Coalsnaughton. This investment also aims to facilitate the operating environment for the Academies (Lornshill £200k) with a view to the development of robust technical capacity to allow for new modes of service delivery to be developed , for instance a 'virtual campus'.
Roads: Enabler Safe routes for communities	500	Existing programmes in respect of cycle and footpaths and carriageways are being reprioritsed to facilitate improved access to services. Works also include reprioritisation of street lighting replacement to deliver safe routes, including but not only, to schools.
Enabler: Community Grants	650	The implementation of this initiative has been reprofiled to better reflect anticipated take up. Further work will be undertaken with community groups to look at how they become/ remain resilient and sustainable and maximise the benefit they have in the area.
ICT Strategy: Enabler ITrent and Social Services	245	Programmed implementation of additional ITrent modules to embed system and develop self service capacity for managers. This project aims to release revenue efficiencies over time as a consequence of reducing reliance on central support functions. £70k is required to undertake the data migration phase of SWIFT adult care module implementation.
Property assets: Enabler: Demolition of Alva Pool	150	Demolition of the asset which is no longer in operational use will remove the ongoing revenue costs (wind and water tight heating and lighting and rates) and remove the requirement for significant capital investment to restore the asset to required operational standards
Children's Residential Unit	1,000	A shared service initiative to review the potential for a shared investment in a council owned residential unit. This would significantly reduce revenue costs

Initiative	£000	Commentary
		when compared with current rates for placing children in external residential units.
Fleet: Review of vehicle replacement	(150)	Reduction in cost of fleet replacement due to adoption of more flexible corporate asset management and increased flexibility of use between services.
St Serfs Primary School	200	Adaptations to accommodate increased pupil numbers
TOTAL	**15,005**	Over five financial years between 2015/16 to 2019/20.

Housing Revenue Account Capital Programme

8.16 The HRA Capital programme is detailed at Appendix N and is shown in the format directed by the SHQS and the Government reporting requirement. Amendments made to the 2014/15 approved Programme are also detailed in Appendix O. Appendix N details a total HRA Capital Programme of £13m in 2015/16, including £1.692m of works carried forward from 2014/15.

8.17 The programme has been developed taking into account the Council's requirement to meet the SHQS, the local Clacks Standard, and progress towards the Clackmannanshire Housing Strategy. It includes provision for the HRA to support the Government's affordable housing supply programme to 2018 with development at The Orchard and Tillicoultry Community Centre sites planned for next year. In addition, funding has been earmarked with the government's affordable housing supply grant for the construction of 20 homes in 2017/18, when we will make available a lock-up site for housing redevelopment.

8.18 The major policy change proposed in respect of the HRA Capital and Business Plan is the removal of £47m allowance for Council new build in the remaining HRA plan to 2043. As reported to Council last year, if some of our affordable housing developments could be taken forward by an RSL this would reduce the HRA's overall capital investment and again reduce the need for borrowing. When the Council took the decision to start building new homes, there was no active RSL in the Clackmannanshire area. We are now working in conjunction with Kingdom Housing Association to deliver socially rented homes for customers in housing need. Kingdom have substantial experience in delivering new homes to meet housing need and are currently on site developing 268 homes across Fife and Clackmannanshire. As the Government's affordable housing supply budget grant can either be taken forward by the Council or an RSL partner it is felt that, at this stage, the Council should concentrate on core business and providing the best homes and services for current tenants.

8.19 The removal of new build from 2019 onwards means that HRA borrowing will peak just above £34m in year 5 of the business plan. This represents an improvement in total debt of £1m, and an improvement of two years in the position outlined to Council last year when it was anticipated that borrowing would peak at £35m in year 7 of the business plan (2019/20). This approach is in line with the approved financial strategies of the Council to reduce debt and the need for borrowing. It also means that the HRA remains within its £35m borrowing limit as approved by Council.

8.20 The financial business plan assumes rent rises of 3% year on year from 2017/18 onwards, with matched increases in the spend on Capital investment in our stock. This means that, given that the medium to long term trend of CPI inflation is just above 2.1%, the business plan will largely adopt a CPI + 1% rent model for the remaining plan period. This is in keeping with the suggested restriction that might be placed on the housing component of Universal Credit.

8.21 When the business plan was approved by Council in 2013, projected debt at the end of 2014/15 was £33.7m. This is now is expected to be £29.7m at the year end. This represents an improvement of £4m, from which tenants will benefit in the form of reduced borrowing repayments. The original plan, included new build throughout and assumed 3% inflation, and envisaged that by 2043 the HRA would still have total borrowing of £7m. As the HRA has only borrowed recently to develop new build, then with the proposal to remove new build (£47m) from 2018 the HRA will have no outstanding borrowing at the end of the current business plan (2043). Moreover, by year 2029 the HRA will hold more in reserves than it will have in outstanding debt. This will mean Council will need to make future decisions on managing its cash flow and the level of reserves it is comfortable with the HRA holding.

8.22 Clackmannanshire Council's attainment of the SHQS at the end of 2014/15 was 90.8%. The way in which the SHQS compliance rate is calculated has changed with the introduction of the Scottish Social Housing Charter, which means that properties that are exempt from SHQS can no longer be counted as meeting the standard. This has been done to ensure that Scottish Ministers can monitor the number of abeyances and exemptions being claimed by social landlords and to see progress being made with those.

8.23 At the end of 2014/15 the Council had 382 properties which were exempt and we have no current abeyances. These exemptions were evidenced to the satisfaction of the SHR in March 2014. The exemptions are primarily a result of tenant refusals for the kitchen programme, where upwards of three or four attempts have been made to invite tenants to take a new SHQS and Clacks standard kitchen. Some refusals are by tenants who do not want the perceived upheaval and some tenants who have replaced their own kitchen. Unfortunately some of the kitchens installed by tenants on their own do not meet the Governments SHQS standard. A budget of £1.4m has been generated from savings in the bathroom installation contract to install kitchens to the Clackmannanshire standard. This work will be done by PCU who will concentrate on engagement with tenants who have previously refused kitchens.

8.24 The other remaining outstanding element in respect of SHQS compliance relates to the Health, Safe & Secure requirement. The Service has instructed 20 door entry systems to be installed in mixed tenure blocks, which will be complete by the year end. This leaves 32 blocks of flats where the Council are not in majority ownership or where we hold an equal share with owners. The HRA is proposing to carry the door entry funding forward to support continuing engagement with owners to help the Council achieve SHQS and provide safe communal access for our tenants. To facilitate this, the Service is looking to carry forward the earmarked Private Sector Housing Grant reserve to assist owner occupiers to finance their required contribution to the project.

8.25 The Clackmannanshire Standard is progressing well with completion scheduled for the end of 2015/16. This includes 145 replacement kitchens within amenity housing. The bathroom programme will also be completed by the end of June 2015, and means the service will have replaced 2,900 bathrooms in the last 3 years, with a very impressive access rate of 92% with minimal tenant refusals. This compares with only achieving 80% success rate on the initial kitchen programmes.

8.26 As noted in the business plan the disturbance allowances will cease on completion of the current bathroom replacement programme in June 2015. The service will also remove all disturbance payments for any investment works apart from those tenants requiring assistance with redecoration following full re-wiring.

8.27 As reported to Council during the business plan and in last years budget, on completion of the bathroom programme the focus of the capital investment required will be in accordance with the approved elemental life cycle highlighted in the approved HRA business plan. This will mean that major programmes going forward will include:

- Roof replacement
- Window replacement
- Energy efficient central heating systems

8.28 The outline capital plan presented at Appendix N includes provision for 1,400 replacement heating systems in the period to 2018. At present we estimate that, based on EPC results, 65% of our stock meets the new Scottish Government Energy Efficient Standard (EESH). Of those who currently fail to meet the EESH standard 17% will be tackled by the installation of the 1,400 'A' rated central heating systems. The council is in a very strong position in terms of meeting EESH, principally by having a quarter of all heating systems replaced using grant funding.

8.29 However, the Council will need to take cognisance of the introduction of the higher energy efficiency standard which social housing stock will be required to meet from 2019, subject to achieving grant funding. For some house types in the stock this will prove a significant challenge and without external grant funding, especially with mixed tenure ownership blocks, works will not be progressed. For example, the cost of providing external wall insulation to our "hard to treat" housing stock could be up to £17.5k per property. It may be beneficial for the Council to consider disposal of homes in this category as the investment will not be returned. This would then allow for asset sales which could fund some additional off the shelf purchases of properties which are more energy efficient and require less investment. This will be the subject of a future report to the Housing, Health and Care Committee.

8.30 The funding challenges presented by these enhanced standards could mean that the financial viability of providing some of the cosmetic elements included as part of the Clackmannanshire Standard will need to be reviewed. This means that the Capital Programme will have a business focus going forward. For example, ensuring that a roof has formally reached the end of its life before replacement, or only investing in the stock if that investment will be recouped from rent in the medium to long term, and ensuring that structural and fabric works are prioritised over cosmetic investment. Alternatively, as indicated above disposable of such assets might be the best business option for the Council.

8.31 During the financial year 2015/16 the total investment in capital works required by the HRA will be £13m. However less than half of that £5.5m is for direct investment in the stock, with £7.5m of non stock investment. Of the non stock investment, £6.6m is earmarked for new build projects, with £2.3m of that being directly supported by the Scottish Government and the rest being funded by Council borrowing. This is in line with the expected investment in the SHIP.

8.32 The budgeted surplus from revenue of £4.9m, house sales of £720k and £5.1m of Council borrowing will be used to finance these improvements. This will leave the HRA unallocated reserve balance at the end of 2015/16 of £717k. The reduction in minimum HRA reserves from £3m to no lower than 4% of rental income was approved as part of the HRA financial business plan assumptions.

9.0 Equalities Impact Assessment

9.1 A stage 1 Equalities Impact Assessment identified potential impacts on two protected characteristics: older people and people with disabilities. A number of face to face workshop consultation events were held with potentially affected groups to better understand and mitigate potential impacts.

Key Themes

9.2 Feedback was provided on a wide range of proposals, and these are incorporated into the overall responses. The main responses that impacted on the two assessed protected characteristics are categorised follows:

Public Transport

9.3 Feedback from disabilities groups indicates that proposals to make savings in public transport were their area of greatest concern. There was a recognition that some of the subsidies were unsustainable based on usage levels. However, concerns were expressed that public transport needs had to be looked at in the round. Some disabled people said that they already had difficulties getting around the County, suggesting the potential for change in a number of areas including:

- numbers and availability of adapted taxis and buses
- availability of dial-a-journey
- potential to improve demand responsive transport in the area.

9.4 Feedback also indicates that_public transport services are viewed as vital, with particular concerns about older people's ability to get a round the County if supported bus services were removed, the potential for increased loneliness and social isolation, particularly in more rural communities, and a perception of a potential for cost transfer, resulting in increased NHS costs. Suggested mitigations included consideration of reconstructing timetables, e.g. moving some 1 hour services to every 2 hours and reducing duplicate bus routes.

Community Safety

9.5 Concerns were expressed that proposals for savings in respect of CCTV, community wardens and funding for police officer and analysts had the potential to lead to some older people spending more time alone in their houses, thereby increasing a sense of isolation. By way of mitigation, it was suggested that the potential to reduce services rather than remove them completely is considered.

Supported Owners Services

9.6 Feedback from service users representing both older people and people with disabilities considered that this was an owners responsibility, and that sufficient support already exists in the third sector.

Public Conveniences

9.7 Concerns were raised about the removal of these services, as older people often need accessible facilities in the town. As mitigation, it was suggested that a small charge could be introduced.

9.8 Feedback from people with disabilities is that the Speirs Centre provides a potential alternative. However, accessibility concerns were raised about the facility.

CAP Services

9.9 Whilst understanding that this proposal represents a significant saving, concern was expressed by the Older Peoples' Forum about the ability to make payments and use library services locally. A suggested mitigation was to survey usage patterns and adjust opening times accordingly.

9.10 Disabled users also expressed concern about the potential reduction in the number of CAPs, particularly if this were to be combined with reductions in public transport. Some said that they do all or most of their transaction online, therefore rarely use a local council office. However, there was also a recognition that some disabled users would need assistance with computers, and perhaps some may need help to open a bank account.

Introduction of Parking Charges

9.11 The potential impact of these proposals was mixed; comments were generally concerned with the potential impact on local businesses and jobs, though some respondents with disabilities felt that parking restrictions combined with better enforcement would help with accessibility in Alloa Town Centre.

10.0 Financial monitoring

10.1. As in previous years, work continues to improve the financial and management information available within the Council. This will have an increased profile in 2015/16 and in following years to ensure that timely, accurate and relevant financial monitoring is undertaken. This will allow potential slippage in planned savings activities to be identified at an early stage and remedial action to be implemented as required.

10.2 Work continues to specify the options in respect of the procurement of a new financial ledger system, including the potential to incorporate billing and recovery modules to better integrate financial monitoring and reporting across the range of Council services.

11.0 Sustainability Implications

11.1. The Council's budget and its approval will allow services to deliver against sustainable outcomes.

12.0 Resource Implications

12.1. Financial Details

12.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. **Yes**

12.3. Finance have been consulted and have agreed the financial implications as set out in the report. **Yes**

12.4. Staffing

Staffing implications have been considered within individual service savings proposals and there is an ongoing dialogue with HR, Service Managers and trades union representatives as appropriate.

13.0 Exempt Reports

13.1. Is this report exempt? **No**

14.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) Our Priorities

The area has a positive image and attracts people and businesses
Our communities are more cohesive and inclusive
People are better skilled, trained and ready for learning and employment
Our communities are safer
Vulnerable people and families are supported
Substance misuse and its effects are reduced
Health is improving and health inequalities are reducing
The environment is protected and enhanced for all
The Council is effective, efficient and recognised for excellence

(2) Council Policies (Please detail)

Financial Regulations

Scheme of Delegation

15.0 Equalities Impact

15.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? **Yes**

16.0 Legality

16.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. **Yes**

17.0 Appendices

17.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Making Clackmannanshire Principles

Appendix B - Consultation response summary

Appendix C - General Demand Pressures
Appendix C1 - Holiday Pay Briefing Note

Appendix D - Draft Forward Programme of Key MCB projects

Appendix E - General Services Revenue Budget

Appendix F - Making Clackmannanshire Better Savings Proposals 2015/16

Appendix G/G1- Income & Charging Register and Strategy

Appendix H - CCTV

Appendix I - Funding to Voluntary Organisations 2015/16

Appendix J - HRA Revenue Budget
Appendix J2 - Lock-up and Garage Pitch Sites Rentals

- Appendix K - Rent levels

Appendix L - General Services Capital Programme Amendments

Appendix M - General Services Capital Programme

Appendix N - HRA Capital Programme

Appendix O - HRA Capital Programme Amendments

18.0 Background Papers

18.1 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)

Yes

Financial Strategy June 2012

Budget Strategy August 2010

Consultation December 2014 to February 2015

General Services Revenue Budget 2014/15

Budget Update reports to Council

Finance Circular No 1/2015, February 2015

Spend to Save Fund

EQIA

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Approved by

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