
Report To:	Policy & Resources Committee	Date:	17 August 2010
Report By:	Chief Financial Officer	Report No:	FIN/37/10/AP/GJ
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	Proposed Revision to the 2010/11 Revenue Budget and Medium Term Financial Strategy		

1.0 PURPOSE

- 1.1 The purpose of this report is to obtain Committee approval to implement savings during the current financial year to counteract the impact of recent funding cuts announced by the incoming Westminster Government and to provide Committee with an update on the Medium Term Revenue position from that approved by the Council in June 2010.

2.0 SUMMARY

- 2.1 In line with the rest of the Public Sector the Council's finances are entering a period of turbulence and uncertainty. Until the details of the 2011/14 spending review have filtered down to individual Local Authority level in early December 2010 then the Council will not have total clarity regarding the financial challenges which it faces over the next three to four years.
- 2.2 What is however known is that the incoming Westminster Government has announced two significant Public Sector budget reductions for this period over and above those already announced by the previous Government. The impact of these announcements was not included in the Financial Strategy approved by the Council in June 2010 and in line with the guidance contained in the Financial Strategy it is appropriate that Committee are advised of their potential impact on the Council's finances.
- 2.3 Appendix 1 shows the updated medium term revenue position of the Council based on assumptions made following the Emergency Budget of 22 June 2010. The Appendix highlights the main areas of adjustment and shows that the Council's funding gap could increase to £33.7 million for the period 2010/14. The reason for the increase is the extra £15.7 billion funding cuts over 2011/15 announced in the Emergency Budget.
- 2.4 It is estimated that the Council's share of the Scottish Block reduction of £332 million announced by the incoming Westminster Government in May 2010 could be £1.9 million if the reduction is all applied to revenue. The Scottish Government has agreed with the Westminster Government that the grant reduction can be deferred until 2011/12 on the understanding that the 2010/11 reduction is added to the 2011/12 reduction ie the cut is double that which it would have been in 2010/11. The firm advice of the Corporate Management Team is that the Council needs to take action now to mitigate its estimated share of this £332 million funding reduction and as such the CMT have developed cost reduction proposals totalling over £1.9 million in 2010/11 which increase to over £2.3 million in 2011/12.
- 2.5 The cost reduction proposals contained in Appendix 2 are targeted at areas which should have a limited impact on the Council's customers and are focussed on vacancy management, improvement attendance levels, reductions in overhead spend and further loans charge savings arising from debt restructuring. None of the proposals in Appendix 2 will require Early Release/Voluntary Severance albeit some posts which become vacant may not be filled.

- 2.6 Based on the figures shown in Appendix 1 then there will undoubtedly have to be a reduction in the number of people employed by the Council over the next three to four years. There will be significant one-off costs associated with this reduction and based on previous release costs then it is estimated that the Council requires to have a one-off fund of over £12 million available. Appendix 3 details how this level of funding can be achieved and Committee approval for this action is required.
- 2.7 A significant proportion of the funding gap is planned to be closed by the previously advised saving Work Streams. Appendix 4 gives the initial update in respect of each of the saving Work Streams whilst Appendix 5 confirms the Work Stream savings target approved in February 2010 and the latest projected position. It would be the intention that each Policy & Resources Committee receives an update in respect of the Work Streams. To avoid Committee receiving an excessive amount of detail it is proposed that information is reported on an exception basis whilst all Member briefings will take place on specific Work Streams prior to Committee reports being considered.
- 2.8 Whilst the Comprehensive Spending Review covers the three year period 2011/14 it is proposed that the next Revenue budget cover the period 2011/13 which will take the Council's budget up to and beyond the next Council Elections. The Committee is asked to confirm that officers should work towards developing proposals for the 2011/13 Revenue budget to be considered at a special Council meeting in February 2011. To support this exercise a draft high level timetable is attached at Appendix 6.
- 2.9 Based on the reductions in Capital announced by both the current and previous Westminster Governments it is clear that further work is required to the Council's already approved 2010/14 Capital Programme. Officers are currently developing proposals which could result in a reduction in the size of the Council's 4 Year Capital Programme and these will be brought back to a future meeting of the Policy & Resources Committee for consideration.

3.0 RECOMMENDATIONS

- 3.1 The Committee is asked to note and approve the latest medium term Revenue Financial Strategy position shown in Appendix 1.
- 3.2 That the Committee note the key findings of the Independent Review of the Scottish Budget.
- 3.3 The Committee is asked to consider and approve the mid-year savings proposals for 2010/11 as detailed in Appendix 2.
- 3.4 That the Committee approve the proposals contained in Appendix 3 to generate a significant one-off earmarked reserve for the funding of voluntary severance / early retiral.
- 3.5 That the Committee note the progress in respect of the savings Work Streams and approve the proposals for keeping Committee informed of progress.
- 3.6 That the Committee agree that officers work towards developing a 2011/13 Revenue budget to be approved by the Full Council in February 2011 and note the high level timetable.
- 3.7 That the Committee note the need to review the 2010/14 Capital Programme and that proposals in this regard will be brought back to Committee as part of the budget process.
- 3.8 That the Committee approve the increase in relevant Fees & Charges from 1 January 2011 to reflect the Government's increase in the level of VAT.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council confirmed its 2010/11 Revenue Budget and amendments to the 2010/14 Capital Programme at a meeting of the Policy & Resources Committee on 9 February 2010.
- 4.2 Since that date there have been a number of significant events at a UK level which will have a direct impact on the Council's budget for 2010/11 and in particular the Financial Strategy which was approved by the Full Council on 10 June 2010.
- 4.3 Within the Financial Strategy document there is a requirement that where there is a material impact (greater than £2 million) on the Financial Strategy then figures require to be revised and put before Members for consideration and approval.

5.0 IMPACT OF THE CHANGE OF WESTMINSTER GOVERNMENT

- 5.1 A new Conservative/Liberal Democrat Government was elected in early May 2010 and almost immediately announced the need for faster and deeper cuts in Public Sector Borrowing in order to increase confidence in Sterling. The initial action of the new Government was to announce £6 billion worth of Public Sector cuts in 2010/11. The Scottish share of these cuts was £332 million and it is estimated that Inverclyde's share of this sum will be approximately £1.9 million if it is all applied to Revenue.
- 5.2 Subsequent to this announcement the Scottish Government advised that it had achieved agreement from the Westminster Government to defer the impact of this cut until 2011/12. The impact however of this will simply be to double the amount of saving required in 2011/12 ie from £1.9 million to £3.8 million. The argument advanced by the Scottish Government for the request to defer the impact is that it does not wish this cut in funding to derail the tentative economic recovery.
- 5.3 On 22 June 2010 the new Westminster Government announced an Emergency Budget which increased the overall deficit reduction plans to £113 billion by 2014/15, this being a £40 billion increase from the figures inherited from the previous Government. Within this £40 billion increase there were additional Public Service spending cuts of £15.7 billion.
- 5.4 The Emergency Budget also contained an increase of VAT to 20% with effect from 1 January 2011. This will require the Council to increase any of its vatable charges from 1 January or face reduced income.
- 5.5 Finally, plans were announced for a two year Public Sector worker pay freeze for all employees earning £21,000 or above. For those employees earning less than £21,000 it was announced that they would receive a flat rate £250/year uplift for the two year period. It should be noted by Committee that the Westminster Government has no legal authority to determine Local Authority pay awards either in England or Scotland however the 2011/14 funding settlement will reflect these decisions. The employer's side will need to be cognisant of the financial impacts of awarding more than this sum over the next two financial years.
- 5.6 In addition, the Independent Review of the Scottish Budget was issued on 29 July 2010. The recommendations supported much of the information previously given to Members or included in the Financial Strategy. The key messages were:
 - Ring fencing of the NHS will lead to massive cuts elsewhere in the Public Sector.
 - Efficiency Savings alone cannot bridge the funding gap.
 - Severe Pay restraint is required over the next 3-4 years.
 - Changes in Public Sector pensions are essential and unavoidable.
 - The current Council Tax Freeze is unsustainable.
 - Free universal provision of certain Services needs to be reviewed.

Underpinning all the above was the significant reduction in the numbers employed in the Public Sector.

- 5.7 The acid test is what action is taken in light of the report. The majority of the issues raised are ones which will have to be dealt with by the Scottish Government and/or CoSLA but have been anticipated within the Council's medium term budget strategy.

6.0 IMPACT ON THE COUNCIL'S FINANCIAL STRATEGY

- 6.1 Appendix 1 shows the Medium Term Revenue position for the Council after taking into account the issues highlighted in Section 5 above.
- 6.2 From this it can be seen that the projected funding shortfall by the end of 2013/14 is now estimated to be £33.7 million which is an increase of approximately £3.7 million from the position approved by the Council in June 2010.
- 6.3 The main reason for the increase relates to an allowance for a further 3% funding cut over the period 2011/15 reflecting the estimated impact of the further £15.7 billion Public Sector funding cut.
- 6.4 The revised Medium Term Revenue position also reflects two other important changes namely:
- (a) It is assumed that 2011/12 will be the final year of the Council Tax Freeze Grant. This adjustment has been made due to strong concerns over the affordability of the £70 million year on year increase in costs of this initiative given expenditure pressures elsewhere.
 - (b) The inflation allowance for pay and Joint Boards has been reduced from 2.5% to 2% to reflect a tightening of the Government's pay restraint proposals.

7.0 2010/11 MID YEAR SAVINGS PROPOSALS

- 7.1 As indicated in Section 5 above it has been agreed by the Scottish Government to defer the impact of the £332 million reduction in the Scottish Block from 2010/11 to 2011/12. This however simply doubles the impact in 2011/12 at a time where it can be seen from Appendix 1 the Council already is projecting a need to cut funding by £10.8 million.
- 7.2 The Corporate Management Team strongly advise that the Committee take action during 2010/11 to mitigate the estimated impact of the £332 million budget cut. What this means is that ideally the Council needs to reduce net expenditure in 2010/11 by over £1.9 million. It is not envisaged that the proposals will have a material impact on the local economy in addition to which it avoids the need for a double cut in 2011/12.
- 7.3 Various proposals have been developed by the Corporate Management Team to reduce expenditure across the vast majority of Council budgets to achieve a £1.9 million expenditure reduction during this year, the full year effect of which would be to save over £2.3 million in 2011/12.
- 7.4 Appendix 2 shows the makeup of the proposals which it should be stressed are targeted at areas which have limited impact on the Council's customers.
- 7.5 The Corporate Management Team believe that this level of expenditure reduction can be achieved by tightly monitoring the filling of vacancies, improving attendance rates and the general bearing down on all areas of expenditure including travel, furniture, office equipment, catering etc.
- 7.6 The proposals have been discussed with the Trades Unions via the Joint Budget Group and it has been confirmed that these proposals are not expected to require any early release or voluntary severance.

- 7.7 Subject to Committee approval the Council's 2010/11 budget will be adjusted to reflect these changes and new budgets issued to budget holders. Budget monitoring reports for the October/November cycle will reflect these reductions and budget holders performance against these reduced budgets will continue to be closely monitored by the Corporate Management Team.

8.0 VOLUNTARY SEVERANCE TRAWL EARMARKED RESERVE

- 8.1 The Committee will be aware that the Council spent a significant sum on the release of approximately 100 employees during 2009/10 and that this left the Earmarked Reserve for Voluntary Severance with a balance of just over £400,000. Based on the cost reductions required in the Financial Strategy it is prudently estimated that the Council will require to expend £12 million on early release/voluntary severance in the period to March 2013. Given the extremely tight financial settlements outlined earlier in this report then it is difficult to see how this sum can be set aside from general recurring revenue spend.
- 8.2 It is proposed that by using the Council's Capital Fund and channelling receipts through the Capital Fund then this will generate a significant one-off Revenue Fund which could be used for the voluntary severance/early retiral proposal.
- 8.3 Appendix 3 outlines proposals from which it can be seen that the Council can generate a balance of nearly £13 million by the end of 2012/13 and also shows the impact on the Capital Fund. Were Committee to approve the proposals contained in Appendix 3 then it would require the review of the School Estate Management Plan to reflect the channelling of receipts through the Capital Fund when its update is presented to the Education & Lifelong Learning Committee in September.
- 8.4 The Committee is asked to note that the estimated figure required of £12 million is by no way the maximum costs which the Council could face as it assumes that only approximately 30% of the expenditure reductions estimated to be required over the period 2010/14 will be achieved through employee reductions whereas employee costs make up approximately 58% of the Council budget.

9.0 SAVING WORKSTREAMS

- 9.1 The Policy & Resources Committee approved 10 main saving work streams in February 2010. The intention is that these saving work streams will achieve a significant proportion of the reduction in the funding gap required with the balance in simple terms being required through Service Reduction/Withdrawal.
- 9.2 Appendix 4 gives Committee a short summary of progress against each of the sub work streams within the main 10 work streams whilst Appendix 5 shows the latest projected saving position against the initially approved targets.
- 9.3 It is proposed that increases in Council Tax be removed from the work stream exercise as this is a purely Political matter and should be considered in the same context as Service reduction and withdrawal. The effect of this would be to reduce the overall saving work stream target for 2010/14 to £20.6 million. It can be seen from Appendix 5 that there is a projected over-achievement against this target of £1.653 million.
- 9.4 Appendix 5 also shows the actual achieved savings against each of the work streams to date. This demonstrates good progress to date in a number of the work streams and it is proposed for future Committees that this list be updated to show any movements between the current figures and the figures previously reported.

- 9.5 In order to manage the bureaucracy associated with the work streams it is proposed that progress is reported on an exception basis. The Committee can be reassured however that at the point in time when decisions are required by Members that a briefing will be organised for all Members prior to the report being brought before the relevant Committee for consideration.

10.0 BUDGET TO BE SET FEBRUARY 2011

- 10.1 The current two year budget expires on 31 March 2011 and as such the Council requires to set a new budget by February 2011.
- 10.2 Given the success of the 2009/11 two year budget it is proposed that the Council agrees to set another two year budget covering the period 2011/13. The rationale for recommending another two year budget is that it is expected that sufficient information will be received as part of the spending review to allow the Council to set a two year budget with confidence. A two year budget also covers a period up to and initially beyond the next Council Elections.
- 10.3 Appendix 6 shows an initial high level timetable for reports to be brought back to Members on progress in respect of the budget. This timetable will be populated in more detail to reflect meetings required with Members, Unions and other stakeholders.

11.0 2010/14 CAPITAL PROGRAMME

- 11.1 It is clear that both the previous and current Westminster Governments are expecting huge reductions in the level of Capital investment over the next spending review. The figures being quoted are approximately 60% and whilst much of this reduction will go against projects of a national scale it is expected that the amount of funding received from the Scottish Government for Capital expenditure will be significantly reduced over the next spending review.
- 11.2 When setting the 2010/14 Capital Programme in February 2010 the Council anticipated an element of this by reducing the expected resources from the Government by some £5 million (20%).
- 11.3 This anticipated reduction may not be sufficient and as such the Council needs to consider further areas where it believes it can reduce Capital expenditure. Officers are currently working on developing options for the Members to consider and these will be brought back to a future meeting of the Policy & Resources Committee.

12.0 CONCLUSIONS

- 12.1 Recent announcements arising from the ongoing current national financial position are unprecedented in terms of their impact on the Council's budgets. The Council requires to take action now in order to mitigate as far as possible the impacts on the Council's customers/Council Tax payers.
- 12.2 The revised Medium Term Revenue position shows an increase in the amount of funding reductions required of approximately £3.7 million by 2013/14. The net effect of this is to increase the amount of the funding gap which requires to be closed by either Service reduction/withdrawal or Council Tax increases.
- 12.3 Given the need for the Council to act strategically and take financial decisions on a Medium Term basis then it is strongly recommended that the Council agrees to set a 2011/13 Revenue Budget in February 2011.

13.0 CONSULTATIONS

- 13.1 The contents of this report have been reviewed and endorsed by the Corporate Management Team.
- 13.2 The contents of this report have been discussed with the Trades Unions via the Joint Budget Group who support the need for a mid year savings exercise and recognise that the proposals have protected employees as much as possible. The Trades Unions also support the need to have sufficient funding within its Early Retiral/Voluntary Redundancy Earmarked Reserve for the Council to be able to meet the costs of those individuals who wish to leave the Council's employment.
- 13.3 The Trade Unions retain concerns around the scope of the Commissioning work stream and officers will meet with the Trade Unions in the near future to provide greater detail of the scope and potential outcomes of this exercise.

14.0 EQUALITIES

- 14.1 The proposals included in the Mid Year Savings exercise have been reviewed by the Councils Equalities Group who will prepare an Equalities Impact Assessment.

Finance Strategy
Projected Budget Position - (Post June Emergency Budget)
2010/14

Appendix 1

	<u>2010/11</u> <u>£m</u>	<u>2011/12</u> <u>£m</u>	<u>2012/13</u> <u>£m</u>	<u>2013/14</u> <u>£m</u>
Base Budget for Prior Year	200.527	208.362	220.489	229.141
<u>UPLIFTS FROM PRIOR YEAR</u>				
<u>Inflation</u>				
Pay Inflation (2.0% from 2011/12)	2.749	2.200	2.200	2.200
Other Inflation	2.255	2.320	2.320	2.320
Income	-0.206	-0.170	-0.170	-0.170
Joint Boards (2.0% from 2011/12)	0.361	0.350	0.350	0.350
	5.159	4.700	4.700	4.700
<u>Council Priorities (Note 1)</u>				
Single Status	0.580	-	-	-
Riverside Inverclyde	0.487	-	-	-
School Estate- Unitary Charge Grant	1.361	3.827	0.692	-
Policy Priorities	0.265	0.300	0.300	0.300
Capital Programme Impact	-	0.200	0.200	0.100
	2.693	4.327	1.192	0.400
<u>Pressures (Note 2)</u>				
Corporate Pressures	0.829	1.750	1.750	1.750
Loan Charges Increase	1.836	1.350	1.010	1.000
	2.665	3.100	2.760	2.750
Feb 2010 - Savings	-3.589			
Budgeted Surplus	0.907			
Overall Total	208.362	220.489	229.141	236.991
<u>Funded by: (Note 3)</u>				
Revenue Grant/NDR Income	172.845	172.845	172.845	172.845
Fiscal Squeeze (4% Grant Cut)	-	-2.300	-4.600	-6.900
June 2010 Budget (Further £15bn Cut)	-	-1.250	-2.500	-3.750
Unitary Charge Grant	1.577	5.404	6.096	6.096
Council Tax Income	32.900	32.900	32.900	32.900
Council Tax Freeze Grant	1.040	2.080	2.080	2.080
£6bn Cut Impact - Funding Gap	-1.900	-1.900	-0.950	0.000
	206.462	207.779	205.871	203.271
Cumulative Budget Gap	1.900	12.710	23.270	33.720
Year on Year Movement	0.000	10.810	10.560	10.450

AP/CF
09/07/2010

Finance Strategy Notes - July 2010

Inflation

(a) Pay

	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>	<u>13/14</u>
Teaching	946 (2.4%)	760 (2.0%)	760 (2.0%)	760 (2.0%)
Others	1803 (2.5%)	1440 (2.0%)	1440 (2.0%)	1440 (2.0%)
	<u>2749</u>	<u>2200</u>	<u>2200</u>	<u>2200</u>

(b) Other Inflation

Pension Contributions	400	400	400	400
Utilities	200	400	400	400
Landfill Tax	333	320	320	320
Contracts etc.	<u>1322</u>	<u>1200</u>	<u>1200</u>	<u>1200</u>
	<u>2255</u>	<u>2320</u>	<u>2320</u>	<u>2320</u>

(c) Income – Based on 2010/11 is estimated to be £170K (2.5%)

(d) Joint Boards

	<u>10/11</u>
Police	7.796
Fire	6.378
SPT	1.668
RVJB	<u>0.616</u>
	<u>16.458</u>

Assume a 2.0% uplift

Note 2

(a) Corporate Pressures

Start point is November 2008 decision to allocate £1.914 million (09/10) plus a further £1.364 million (10/11).

Subsequent adjustments in 2010/11 budget were:

	<u>£000</u>
Start Point	1364
Alternative FSM Proposal	(245)
Do not increase nursery hours	(160)
Balance of £500K not used	(130)
	<u>829</u>

(b) Loans Charges

Per November 2009 Projections plus £1.5 million AMP funding.

	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>	<u>13/14</u>
November 09	14.645	15.675	16.685	17.185
Add FOM *		0.320	0.320	0.320
Add AMP	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.500</u>
	15.645	16.995	18.005	19.005
Year and Year Increase	1.836	1.350	1.010	1.000

* Includes £62k for maintenance agreements.

Note 3

Funding

- (a) Assumes further actual cash reduction of £1.25 million per year for 2011/15 due to further £15.7 billion cuts announced in the June Emergency Budget..
- (b) Assumes Council Tax freeze grant will cease from 2012/13 and Councils will thereafter consider Council Tax increases in order to balance the budget.
- (c) £6bn cut impact reflects Council taking action in 2010/11 rather than deferring the cut and doubling the impact next year.

Mid - Year Savings Exercise

<u>Saving Area</u>		<u>Action Proposed</u>	<u>Saving 2010/11</u> £000	<u>Saving 2011/12</u> £000	
1/	Non-Teacher Employee Costs	Do not uplift for 2010/11 Pay Award	719	719	#
2/	Daily Rate Teachers	20% Reduction in cover allowance	164	246	
3/	Casual/Sessional Workers	Do not uplift for 2010/11 Pay Award	13	13	#
4/	Travel & Subsistence	10% Reduction	85	85	*
5/	Members Travel & Subsistence	10% Reduction	2	2	
6/	Training & Development	10% Reduction	47	47	*
7/	Corporate Budgets under £1000	Delete	10	10	
8/ a)	Furniture & Equipment	25% Reduction	79	79	*
8/ b)	RVJB IT Contribution	Delete from 30/9/10	13	26	
9/	Catering/Bottled Water	20% cut based on 2009/10 Actuals	20	20	*
10/	Books	10% Reduction	13	13	
11/	Conferences & Courses	33% Reduction	31	31	
12/	Memberships/Subscriptions	10% Reduction	7	7	*
13/	External Recruitment Advertising	Service to Fund Adverts from Turnover	0	30	
14/	Consultants	Delete	10	10	
15/	Other Supplies & Services	10% Reduction	28	28	*
16/	Other Administration	10% Reduction	14	14	*
17/	Inverclyde Leisure Management Fee	2% Top Slice (Start 30/9/10)	15	30	
18/	Various Budgets	2% Top Slice (Start 30/9/10)	281	562	
19/	Employee Cost Over Budgeting	Take as saving	100	100	
20/	Loan Charges	Reduce in line with 2009/10 out-turn	300	300	
Totals			1951	2,372	

* 2011/12 reduction to be reassessed following further investigation.

Total saving by budgets not being uplifted by 2.5% is £1.76 million which will be split between this & inflation Work Stream target. It is envisaged that this saving will be achieved by the non-filling or delaying filling posts when they become vacant.

Voluntary Severance / Early Retiral Earmarked Reserve

Estimated that the Council needs at least £12 million to pay for early retirals/voluntary severance between 2010/14. The Earmarked Reserve had a brought forward balance of only £411,000 at 1/4/10 and the following illustrates how the balance could be achieved based on existing or future decisions.

<u>Issue</u>	<u>£million</u>	<u>Decision Taken?</u>
Opening balance on earmarked reserve	0.411	Yes
Unaudited accounts 2009/10 excess surplus	0.229	Yes
2010/11 Budgeted Surplus	0.907	Yes
<u>Estimated</u> Pay Inflation Saving 2010/11	1.025	Yes
<u>Estimated</u> Non-pay Inflation Saving 2010/11	0.300	Yes
Write Back excess balance SEMP Funding Model	3.500	No
Greenock High Receipt via Capital Fund	<u>2.000</u>	No
Estimated Funds available by 31/3/11	8.372	
2012/13 SEMP Receipts through Capital Fund	<u>4.420</u>	No
	<u>12.792</u>	

On this basis the Council would generate sufficient one-off funding to meet estimated early release costs for the 2010/14 Period.

AP/GJ
16/7/10

Finance Strategy
Capital Fund

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Balance B/fwd	(1,751)	(1,760)	(1,378)	(2,492)	(1,942)	(4,810)	(4,238)	(3,654)
Additions - SEMP	(2,000)	0	(4,420)	0	(3,429)	0	0	0
Additions - Other			(1,700)	a				
Interest	(9)	(18)	(14)	(50)	(39)	(28)	(16)	(5)
Principal Repayments	0	400	600	600	600	600	600	0
Other Payments	2,000	0	4,420	0	0	0	0	0
								c
Balance at Year End	(1,760)	(1,378)	(2,492)	(1,942)	(4,810)	(4,238)	(3,654)	(3,659)

Notes:

- a) Estimated Receipt, Kempock.
- b) Per Depot funding Proposal
- c) From 2017/18 it was agreed that the £600,000 for Depot would be met from current Riverside Inverclyde funding.
- d) Payments to Earmarked Reserves for Voluntary Severance (Via Loans Charges)

Workstream Updates as at: 22/07/10Lead Officer: John Mundell

<u>Workstream Saving</u>		<u>Update</u>	<u>Target £000</u>
1a	Senior Management Restructure	Savings fully achieved and reflected in 2010/11 budget.	400
1b	3rd/4th Tier Restructures	A number of officers released as part of approved 3 rd /4 th Tier restructure. Small balance will be achieved in future years.	600
1c	Review Committees	This will be developed in advance of the Council Elections in 2011/2012 but will not be considered formally until the new Council is established in June 2012. In the interim consideration is being given to proposals for the joint governance of the CHCP.	50
10a	National Policies	Await impact of SR2010 which will require Government to review affordability of a number of flagship policies.	0
10b	Concordat Commitments	Saving achieved in 2010/11 budget.	400
10c	Policy Areas 2004 Onwards	Significant progress achieved in 2010/11 budget. Consideration to be given as to how the balance will be achieved.	500
10d	Policy Priorities Allowance 2011/14	Proposal to be developed as part of 2011/13 budget.	450

Workstream Updates as at: **22/07/10**
Lead Officer: **Paul Wallace**

<u>Workstream Saving</u>		<u>Update</u>	<u>Target £000</u>
2a	Operating Model	<p>Good progress being made with the development of the next phase of the operating model – programme team and project teams have been meeting on a regular basis to progress design and build of new transactional shared services function.</p> <p>Work being finalised on affected population, transition process and associated timeline, final validation and sign off by services to be completed by mid August at the latest.</p> <p>ElG happy at present with phasing of savings over three years.</p>	3185
2b	Systems - E-minutes E-Procurement	<p>No discussion has taken place yet with regard to possible savings generated by having agendas, reports and minutes on line.</p> <p>Corporate Procurement Manager to undertake option appraisal to identify appropriate e-procurement solution – will be taken forward as part of future phase of Operating Model</p>	0
6a	Commissioning	<p>Commissioning Model currently being developed for the Council and wider Alliance – paper to CMT in early August outlining approach and seeking agreement to make progress on projects formerly funded by FSF as well as other related activity.</p> <p>Meeting to be arranged with Trade Unions to clarify scope.</p>	1000
6b	Shared Services	<p>Council continues to engage in those workstreams approved by members following the Clyde Valley Review.</p> <p>There has been little or no discussion of shared services involving the Council beyond these meetings.</p>	0

Workstream Updates as at: **22/07/10**

Lead Officer: **Aubrey Fawcett**

<u>Workstream Saving</u>		<u>Update</u>	<u>Target £000</u>
3a	FM/Cleaning Savings	<p>Proposals being developed include:-</p> <ul style="list-style-type: none"> • Review of 'Demand Led' overtime payment to FM staff. Report to P&R Committee in September 2010. • Review of 'periodic cleans' in education properties currently undertaken outwith term time. Proposals progressing. • Consider reducing 5 day cleaning schedule to 3 day - where appropriate. Proposals progressing <p>Review 'cleaning and training' days requirement in Catering section.</p>	300 By 2013/14
3b	Utility Cost Reductions/Energy Management	<p>Proposals being developed include:-</p> <ul style="list-style-type: none"> • Improved water 'leak detection' procedures. Commenced. • Maximise water rates abatement for properties where surface water drainage avoids SW infrastructure. Commenced. • Utilities consumption - improve monitoring/ management/ intervention. Carbon & Energy Management Officer post has been advertised. Utilities survey of Municipal Buildings has been commissioned. 	200 By 2013/14

Appendix 4
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7b	Planning	Initial savings realised - further review underway with a view to achieving full saving.	100 £59k in 2010/11 already saved £41k in 2011/12
7c	Street Scene	Draft report has been discussed with the Corporate Director and Chief Executive, leading to a number of changes. Intention is to complete these changes and reconvene for further discussion. Subject to approval at this forum, next stage will be to submit to CMT. Meeting held on 1/7/2010 with Corporate Director/Finance/Service Managers to reprofile savings schedule.	100
9d	FSF Funding Reduction	Implemented, fully achieved and included in 2010/11 budget.	1000

Workstream Updates as at: 22/07/10Lead Officer: Alan Puckrin

<u>Workstream Saving</u>		<u>Update</u>	<u>Target £000</u>
4a	Category A&B Spend	<p>Gas & Electricity savings arising from new contract being quantified but expected to exceed £200k in 2010/11.</p> <p>Expecting to save £25k per year in Business Stream contract currently being finalised. Start date August/September.</p> <p>Roads Materials – Potential savings from new contract being investigated.</p> <p>Telephone Line Rentals – Potential savings from move to National Contract being investigated.</p>	200
4b	Commodity Review/Local Contracts	<p>Unlikely that many savings will be achieved before 2011/12. Working on contracts Dbase and tendering timetable.</p> <p>Collaborative contract on Paypoint /Girobank being investigated.</p>	200
8a	New Income Sources	Participating in Clyde Valley income project. Currently carrying out benchmarking.	200
8b	Increased Charges	<p>As above plus increased licensing charges (If approved) will score against this workstream.</p> <p>Note that some charges will increase from 1.1.11 due to VAT increase. This does not generate increased income for the Council.</p>	200

Appendix 4

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8c	Council Tax Increase	Proposed that this be removed from workstreams as setting Council Tax levels is a purely Political matter.	3000
9a	Inflation Review (Pay)	<p>Awaiting agreement of 2010/11 non-teaching pay award. If 3 year deal agreed then substantial contribution to the target could be realised. Indications are that there could be a ballot for strike action over the summer.</p> <p>Cabinet Secretary indicated he expects pay restraint to make a considerable contribution to 2011/12 funding gap and UK Government announced 2011/13 pay freeze for all Public Sector Workers, earning over £21,000.</p>	3000
9b	Inflation Review (Other)	2010/11 unallocated balance = £1.06million. Major areas to be determined in 2010/11 are NDR and Secure Accommodation (Children).	1800
9c	Top Slice/1% Efficiency	Proposals to achieve £2.3 million by end of 2011/12 of this sum drafted for CMT review on 22.7.10.	3600
9f	Other Savings	Achieved some of this target in 2010/11 budget process. Other ad hoc savings will be reported as/when they arise.	1000
3c	SEMP Model	Continuing turbulence in financial markets & shortfall in receipts make it unlikely any savings will be achieved until 2013/14 at the earliest.	500

Workstream Updates as at: 22/07/10Lead Officer: Alasdair Moore

<u>Workstream Saving</u>		<u>Update</u>	<u>Target £000</u>
5a	37 hr Working Week Impact.	Work is currently underway to identify the most effective way to deliver this saving - proposals to be submitted to CMT in September 2010.	700
5b	Sick Pay Policy	It is suggested that the bulk of this saving would need to be phased for 2012/2013 or 2013/2014 after protection arrangements come to an end. In line with previous discussions with the SLF, consideration will be given to changes to existing Absence Management Policy although this may also require wider policy changes.	0

Workstream Updates as at: 22/07/10

Lead Officer: Rab Murphy

<u>Workstream Saving</u>		<u>Update</u>	<u>Target</u> <u>£000</u>
6a	Home Care	<p>Steering group for the review established anticipating that workgroup can align with the proposed fuller Home Care review. It will be important that the full extent of savings take account of the redesign opportunities which might arise. The overall target of £300k is acknowledged.</p> <p>Meetings with the external review team for Homecare have been clearly briefed that the saving associated here is over and above any other saving secured.</p>	<p>300</p> <p>Target for this year still set at £50k though pushing towards £75. Target for next year is a further £150 completing the last year.</p>

Workstream Updates as at: 22/07/10

Lead Officer: Albert Henderson

<u>Workstream Saving</u>		<u>Update</u>	<u>Target</u> <u>£000</u>
7d	Early Years	Discussions with officers are ongoing. To minimise Service disruption, some of the staff changes would be effective from August 2011. Due to commence August 2011.	200
9e	Roll Reduction 2011/14		500

Savings Workstreams

Appendix 5

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Projected Savings 2010/14 Against Target

Workstream	Sub-Stream	Target £000	Projection £000	(Under)/Over £000
1/ Organisational Structure	Senior Management Restructure	400	438	38
	3rd/4th Tier Restructure	600	600	-
	Review of Committee Structure	50	50	-
2/ Operating Model	Operating Model	3,124	3,124	-
	New Systems	0	0	-
3/ Asset Management Planning	FM/Cleaning Savings	300	300	-
	Utility Costs Reduction/Energy Management	200	200	-
	School Estate Management Plan	500	500	-
4/ Procurement	Category A & B Contracts	200	500	300
	Commodity Review / Local Contracts	200	200	-
5/ HR Policies	Move to 37hr Working Week	700	700	-
	Sick Pay Policy	0	0	-
6/ Service Delivery Models	Commissioning	1,000	1,000	-
	Shared Services	0	0	-
7/ Service Reviews	Home Care	300	300	-
	Planning	100	100	-
	Street Scene	100	100	-
	Early Years	200	200	-
8/ Income	New Income Sources	200	200	-
	Increased Charges	200	200	-
	Council Tax Increases *	3,000	-	(3,000)
9/ Corporate Budget Savings	Inflation Review (Pay)	3,000	4,315	1,315
	Inflation Review (Other)	1,800	1,800	-
	Top Slice / Services Efficiencies	3,600	3,600	-
	FSF Funding Reduction	1,000	1,000	-
	Roll Reduction 2011/14	500	500	-
	Other Savings	1,000	1,000	-
10/ National / Local Policies	National Policies Review	0	0	-
	Concordat Commitments	400	400	-
	Local Policy Areas 2004 Onwards	500	500	-
	Policy Priority Allowance	450	450	-
Totals		23,624	22,277	-1,347

* Recommend that the setting of Council Tax be removed from the Workstreams exercise as this is a fully Political matter.

A Puckrin
16/7/10

Savings Workstreams
Savings Achieved / Implemented to 30th June 2010

<u>Workstream</u>	<u>Specific Saving</u>	<u>Annual Recurring Saving £000</u>	<u>Total £000</u>
1/ Organisational Structure	Chief Officer Restructure	422	949
	Regradings Heads of Service	16	
	3rd/4th Tier Restructure	511	
2/ Operating Model	Voluntary Severance Trawl	230	230
3/ Asset Management Planning		-	-
4/ Procurement	New Postage Contract	18	18
5/ HR Policies		-	-
6/ Service Delivery Models		-	-
7/ Service Reviews	Planning - Voluntary Severance	59	59
8/ Income		-	-
9/ Corporate Budget Savings	Councillors Remuneration Frozen	10	1,393
	FSF Funding Reduction	1,000	
	Various Savings - Feb 2010 Budget	383	
10/ National / Local Policies	Education Concordat - Review of Policies	400	871
	Policy Priorities Review - Feb 2010 Budget	471	
Totals		3,520	3,520

A Puckrin
16/7/10

2011/13 Budget – High Level Timetable

<u>Date</u>	<u>Meeting</u>	<u>Key Business</u>
17 August 2010	Policy & Resources Committee	Approval of revised Financial Strategy plus mid-year savings proposal.
16 November 2010	Policy & Resources Committee	2011/13 budget update including Work Streams progress, Capital Programme proposals and projected impact of CSR Scottish Block figures.
16 December 2010	Special Inverclyde Council	Revised 2010/17 Financial Strategy in light of detailed Council CSR figures.
8 February 2011	Policy & Resources Committee	2011/13 budget update including Work Streams progress.
17 February 2011	Special Inverclyde Council	Agree 2011/13 Revenue budget, confirm 2010/14 Capital Programme and set 2011/12 Council Tax.

AP/GJ
13/7/10