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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>8 February 2011</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/12/11/AP/GJ</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>01475 712223</b>
<b>Subject:</b>	<b>Inverclyde Council 2011/13 Budget – Updated Position</b>		

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to provide updated information to Committee in respect of the 2011/13 Budget to allow Members to agree a budget at the Full Council on 10 February 2011.

## **2.0 SUMMARY**

- 2.1 At the Inverclyde Council on 14 December 2010, Members received a detailed report from the Chief Financial Officer seeking various decisions in respect of the 2011/13 Budget. At the same meeting the Council was updated regarding the Scottish Government's Conditions in respect of the 2011/12 Grant Settlement and also an assessed impact on Inverclyde Council's Budget of the Grant Settlement which was announced on 9 December 2010.
- 2.2 Decisions were taken at the meeting in respect of Budget Pressures for 2011/13 and an initial tranche of Savings for 2011/13. In addition it was noted that further updates would be provided to Members in the new year in respect of Capital, Reserves and other aspects of the Council's Budget.
- 2.3 The papers in respect of Joint Board Budgets have now been issued and the proposed requisitions for 2011/12 result in an overall saving very much in line with the estimated reduction of £360,000 reported to the Inverclyde Council on 14 December 2010.
- 2.4 A further update was provided to all Council Members on 13 January 2011. This update included the latest 2011/13 Revenue Budget position including the impact of the revised phasing for work streams including the Operating Model, decisions required in respect of the 2011/14 Capital Programme and also provided information in respect of the projected position of the General Fund Reserve and the Common Good Account.
- 2.5 A key part of the overall update provided to Members on 13 January 2011 related to a reassessment of the work stream savings. More detail is provided within this report and in Appendix 2 and Appendix 3.
- 2.6 At the meeting of the Inverclyde Council on 10 February 2011 various decisions will be required in order to address all the outstanding issues in relation to the 2011/13 Budget.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the latest information in respect of the 2011/13 Budget.

3.2 Note that on 10 February 2011 decisions will be required in respect of:

- (a) The 2011/13 Revenue Budget.
- (b) 2011/14 Capital Programme.
- (c) 2011/13 Common Good Budget and
- (d) The General Fund Revenue Reserves.

Alan Puckrin  
Chief Financial Officer

## **4.0 BACKGROUND**

- 4.1 The Council has previously agreed to set a two year budget covering the period 2011/13. In addition the Council already has a Capital Programme covering the period 2010/14 which requires review following the confirmation of reductions in Government Support in 2011/12 and projected further reductions in 2012/14.
- 4.2 Members have received various updates in respect of the budgetary position with a comprehensive update being provided at the meeting of the Inverclyde Council on 14 December 2010 and a further Members' update on 13 January 2011.
- 4.3 The detail of the Scottish Government Settlement was provided on 9 December and as reported to the Inverclyde Council on 14 December the settlement for Inverclyde reflected a reduction in the General Grant of approximately 3.75% from the level of grant received in 2010/11.

## **5.0 LATEST POSITION OF THE 2011/13 REVENUE BUDGET**

- 5.1 Appendix 1 shows the position of the 2011/13 Revenue Budget which was presented to all Members on 13 January 2011. From this it can be seen that Revenue savings of £3.476 million are required by 2012/13 for the Council to set a legally balanced two year budget.
- 5.2 This figure is after reducing the allowance set aside for Joint Board Requisitions by £390,000. At the time of writing the report not all Joint Board Budgets have been formally agreed however the papers issued reflect the figures included in this report. Any change to this position will be advised to Members in advance of the Policy & Resources Committee.
- 5.3 The figures in Appendix 1 also reflect the reassessed position in respect of work stream savings which is covered in more detail in the next section.

## **6.0 WORK STREAM UPDATE**

- 6.1 The Policy & Resources Committee has received updates in respect of progress relating to the work streams including revisions of saving targets throughout 2010/11.
- 6.2 The information provided to all Members on 13 January 2011 reflected a £1.65 million reduction in respect of the projected Operating Model saving for the period 2011/13.
- 6.3 At the same time Members were advised that the Corporate Management Team had reviewed the level and timing of savings in respect of other savings work streams and overall this resulted in a net reduction of £408,000 in the projected savings achievable by the work streams over 2011/13. Appendix 2 contains an updated financial position in respect of each of the savings work streams and identifies those which remain to be delivered over the period 2011/13.
- 6.4 It can be seen from Appendix 2 that of the initial saving work stream target of £23.236 million covering the period 2010/14 £12.754 million has already been achieved and is reflected in the adjusted base budget figures shown in Appendix 1. A further £2.626 million will be applied to budgets when finalising the 2011/13 Revenue Budget books in March 2011 meaning that £15.38 million (66%) of the original workstream target will have been achieved by the end of March. This leaves approximately £3.448 million worth of work streams savings to be delivered in 2011/13 and detail in respect of the progress of each of these and the timescales for reports to Committee are shown in Appendix 3.

- 6.5 The Committee need to be aware that whilst a large proportion of the shortfall in the Operating Model savings target for 2011/13 has been mitigated by either increasing or advancing savings targets there remains an overall savings work stream target shortfall over the period 2011/14 of £1.452 million. £0.394 million of this shortfall has been dealt with by identifying extra savings as shown in Appendix 1. The Corporate Management Team will work to eliminate the remaining shortfall over the next financial year to minimise the amount of alternative savings which Members require to consider.

## **7.0 DECISIONS REQUIRED ON 10 FEBRUARY 2011**

- 7.1 The budget will be considered and approved by the Full Council on 10 February 2011. Officers have engaged with Members and individual Political Groupings over the last period of time and believe that Members have received sufficient information to enable a legally balanced budget covering the period 2011/13 to be agreed.
- 7.2 The decisions required on 10 February will be as follows:
- (a) To agree a legally balanced 2011/13 Revenue Budget.
  - (b) To agree the 2011/14 Capital Programme.
  - (c) To agree the 2011/13 Common Good Budget.
  - (d) To take decisions in respect of the General Fund Reserve.

## **8.0 CONSULTATIONS**

- 8.1 This report has been produced in full consultation with Trades Unions via the Joint Budget Group.

Appendix 1

Year on Year Savings Gap  
2011/13 Budget

	<u>2011/12</u> <u>£ m</u>	<u>2012/13</u> <u>£ m</u>
Funding Gap (Revised Base Budget - Post Settlement)	5.321	13.249
Less:      Approved Dec Savings (Yellow Savings)	(1.332)	(2.409)
Pressures Balance not needed	(0.284)	(0.900)
Joint Boards Reductions	(0.390)	(0.390)
Workstream Savings	(2.677)	(6.074)
Balance to come from Savings	<u>0.638</u>	<u>3.476</u>
Extra Savings	0.304	0.394
Pink Sheets Savings	<u>4.388</u>	<u>8.516</u>
Total Available Savings	<u>4.692</u>	<u>8.910</u>

AP/CM  
19/01/2011

Workstream - Financial Position

1/ Savings Built into 2011/13 Base Budget

	£000
a/ Management Restructure - Approved November 2009	422
Head of Service regradings - Approved April 2010	16
3rd/4th Tier Restructure - Approved February 2010	511
b/ Transformation Programme VST - Approved February 2010	230
c/ Procurement - Postages	18
- Water Supply	24
- Gas	229
- Electricity	163
d/ Service Review - Planning - VST February 2010	59
- Early Years - Approved November 2010	200
e/ Pay Inflation	5703
Inflation - Non Pay	500
Top Slice/Efficiencies - Approved August 2010	2175
FSF Reduction - Approved December 2009	1000
Other Budget Adjustments - Approved February 2010	383
Increased Council Tax Base	50
Loan Charge Savings	200
f/ Concordant Review - Approved February 2010	400
Policy Area review - Approved February 2010	471
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2/ Savings to be applied when finalising 2011/13 Budget

	<u>£000</u>
a/ CHCP Management Structure Savings	89
b/ FM Savings - Approved September 2009 and November 2010	200
c/ SEMP Loan Charge Review	100
d/ AMP Office Funding Model Saving	200
e/ Procurement - Scotland Excel Contract Savings	37
f/ Commissioning - Subject to February 2011 Budget Decision	200
g/ Non-Pay Inflation Review - 2011/13	900
h/ Roll Reduction - August 2011	280
i/ Other Budget Adjustment - December 2010	320
j/ Policy Allowance Reduction	300
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	2626

3/ Savings yet to be approved/identified - 2011/13

	<u>£000</u>
a/ Senior Management Restructure	160
b/ Review of Committees	30
c/ Transformation Programme	250
d/ FM/Cleaning	70
e/ Procurement	149
f/ 37 Hour Working Week	900
g/ Commissioning	400
h/ Home Care Service Review	200
i/ Planning Service Review	41
j/ Street Scene Service Review	61
k/ Top Slice/1% Efficiency	925
l/ Roll Reduction - August 2012	132
m/ Other Budget Savings	130
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	3448

# Appendix 3

## Workstream Savings yet to be delivered 2011/13

Workstream	Savings Targets 2011/12 £000	Savings Targets 2012/13 £000	Progress Update	Lead Officer	Target Dates for Report to Committee
Service Management Restructure	0	160	Proposals to be developed by end of 2011/12.	JM	P& R November 2011
Review of Committees	0	30	Proposals to be developed prior to the end of 2011 for implementation after the May 2012 election.	JM	P&R March 2012
Transformation Programme	200	50	Identified savings being progressed. Review of Operating Model to take place in coming months and proposals thereafter taken to Committee.	PW	Policy & Resources Committee – May 2011
FM/Cleaning	0	70	Let Officer proposals being implemented, discussions held with HR re implementations of cleaning/catering savings.	AF/AG	Regeneration Committee – May 2011
Procurement	49	100	Savings continue to be identified and applied via Category A & B contracts. Work to commence in 2011/12 on Category C contents.	AP	Updates to P & R Committee every second cycle.
37 hour working week	0	900	Currently meeting all Directorate Teams to discuss project with a follow up position to be given to the CMT by end February.	AM	P&R Committee May 2011
Commissioning	0	400	Currently finalising former FSF element and proposals for 2012/13 will be developed thereafter.	PW	To be advised
Home Care Review	50	150	Initial draft complete. Corporate Director finalising report in consultation with steering group, including unions.	RM	Report to CHCP Sub-Committee before summer recess.
Planning Service Review	41	0	Further options for VST being considered by the Service to achieve saving to reflect reduction in income.	AF	No Report needed
Street Scene Service Review	46	15	Local Environmental Teams proposals being implemented imminently. Further report due after implementation.	AF	Approved by Committee 2010. Follow up report late 2011.
Top Slice/1% Efficiency	450	475	CMT to agree approach March 2011 and thereafter savings to be subject of report to P & R Committee.	AP	Policy & Resources Committee - May 2011
Roll Reduction	0	132	Will be implemented through staffing exercise – completed by June each year.	AH	No Report needed
Other Savings/Adjustments	0	130	Ad-hoc savings will be identified and applied as at present.	AP	No Report needed
<b>TOTAL</b>	<b>836</b>	<b>2612</b>			