
Report To:	Policy & Resources Committee	Date:	18 November 2014
Report By:	Chief Financial Officer	Report No:	2014/P&R/AP/17
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Subject:	Revenue Budget Pressures – 2015/17		

1.0 PURPOSE

- 1.1 The purpose of this report is to highlight budget pressures identified by the Corporate Management Team for the revenue budget period 2015/17 and to seek Committee approval to include these proposals within the overall budget consultation exercise.

2.0 SUMMARY

- 2.1 As has been previously reported to the Policy & Resources Committee, the Corporate Management Team has collated those significant budget pressures which it believes the Council will have to address as part of the 2015/17 budget. The allowance included in the Budget Strategy was £2.4million by 2016/17.
- 2.2 Each budget pressure has been subject to a specific report to the Corporate Management Team on at least two occasions and figures have been amended as required.
- 2.3 Appendix 1 summaries the financial impacts of the budget pressures if approved, whilst Appendix 2 gives a summary of the rationale for each of the budget pressures being put before Committee today.
- 2.4 The Committee is asked to note that Officers believe that all bar one of the budget pressures are unavoidable and if not approved will require services to make additional savings over and above those reported elsewhere to today's Committee. The one pressure which is avoidable centres around employability, however if the increase funding is not provided then it will lead to a significant reduction in the current level service in this area.
- 2.5 It is proposed that the pressures contained in this report are agreed to form part of the overall budget consultation exercise. Members will have the opportunity to consider each of these proposals in more detail over coming months prior to making decisions as part of the 2015/17 budget.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee consider the 2015/17 budget pressures outlined in Appendix 2.
- 3.2 It is recommended that the Committee agree that the pressures contained in this report form part of the budget consultation exercise and that a final decision in respect of these budget pressures be taken at the February Council meeting.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 It has been previously reported to Committee that the Corporate Management Team were undertaking an exercise to identify unavoidable budget pressures for the period 2015/17.
- 4.2 Following reports to the Corporate Management Team over recent months, a number of budget pressures were identified.
- 4.3 Within the approved Budget Strategy, it was estimated that the allowance for unavoidable budget pressures would be £2.4million by 2016/17. This allowance is incorporated within the estimated 2015/17 funding shortfall of £7.0million.

5.0 CURRENT POSITION

- 5.1 Appendix 1 gives a financial summary of the budget pressures recommended for consideration by the Corporate Management Team. It can be seen that the total estimated requirement is £1.881million in 2015/16 increasing to £2.349million in 2016/17.
- 5.2 Appendix 2 gives a brief rationale for each of the ten budget pressures identified in Appendix 1. The Committee is asked to note that more detailed information is available and will be discussed with Members as part of the overall budget exercise over coming months.
- 5.3 It is the view of the Corporate Management Team that the first nine budget pressures are unavoidable and if additional funding is not allocated as part of the budget process, then services will require to identify additional savings to meet these unavoidable pressures.
- 5.4 The one exception to this is in respect of the employability pressure which has arisen due to an anticipated reduction in the level of European funding which is currently received in addition to the Council's £1.9million allowance to this initiative. The Corporate Management Team have agreed to include this within the unavoidable budget pressures due to the significant impact this reduction in external funding will have on the outputs and outcomes of this key initiative.

6.0 NEXT STEPS

- 6.1 The Corporate Management Team would recommend that Members agree that the pressures outlined in Appendix 1 form part of the budget consultation exercise previously approved by Members at the Policy & Resources Committee on 30 September and that a final decision be taken on each of these pressures when considering the overall budget in February 2015.
- 6.2 Members will be able to receive more detailed information in respect of each of these pressures as part of the ongoing discussions around the 2015/17 budget over coming months.

7.0 IMPLICATIONS

Finance

- 7.1 The Budget Strategy contained £2.4million by 2016/17 to fund unavoidable budget pressures.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
Various	Various	2015/16	1881		Funded from £1.9million allowance in the budget strategy
Various	Various	2016/17	2349		Funded from £2.4million allowance in the budget strategy

Legal

- 7.2 The Council requires to comply with its legislative and contractual requirements and if increased funding is not agreed officers would need to bring reports back on any impacts which will have legal implications.

Human Resources

- 7.3 There are no HR implications arising from this report.

Equalities

- 7.4 There are no direct equality issues arising from the decisions required at this point in time.

Repopulation

- 7.5 A key strand in the Repopulation Strategy is job creation and as such the potential reductions in employability funding will have an adverse impact on the Council's Repopulation Strategy.

8.0 CONSULTATIONS

- 8.1 The Corporate Management Team and Extended Corporate Management Team have been consulted in the contents of this report.
- 8.2 This report has been discussed with the Trades Union via the Joint Budget Group.

9.0 LIST OF BACKGROUND PAPERS

- 9.1 None.

Budget Pressures - 2015/17

<u>Pressure (Cause)</u>	<u>2014/15</u> £000	<u>2015/16</u> £000	<u>2016/17</u> £000	<u>2017/18</u> £000
1/ ICT - Loss of Inverclyde Leisure Income (Contractual)	-	33	66	66
2/ New SWAN Contract (Contractual)	-	55	93	93
3/ New Bus Shelter Advertising Contract (Contractual)	-	122	122	122
4/ ASN - Move to Teaching Ratios (Demographic)	-	219	219	219
- Travel (Contractual)	-	40	40	40
5/ CCTV - Virgin Media new contract (Contractual)	-		147	147
6/ Adults with Learning Disabilities (Demographic)	-	180	180	160
7/ Elderly Care - Care Homes (Demographic)	-	500	500	500
- Home Care (Demographic)	-	250	500	500
8/ Holiday Pay (Note 1)	-	200	200	200
9/ Specialist Posts x2 (Statutory Corporate Requirements)	-	82	82	82
Subtotal		1681	2149	2129
10/ Reduction in ESF Employability Grant (External Funding)	-	200	200	200
	0	1881	2349	2329

Note 1 - Costs will be contained in one off excess turnover in 2014/15

Summary of Budget Pressures

1. **ICT - Loss of Inverclyde Leisure Income**

Inverclyde Leisure have intimated their intention to withdraw from the Service Level Agreement with Inverclyde Council which has been in place since Inverclyde Leisure was formed. Their reasons for doing so centre around the different type of service they require in particular the need for 24/7 service, more use of web base services and the higher level of overheads carried by Inverclyde Council ICT due to the regulatory framework within which the Council works.

Officers within ICT are working with Inverclyde Leisure to achieve a withdrawal by September 2015 and at this point it is estimated that the loss of revenue will be £66,000 per year. This is the amount which Inverclyde Leisure contribute to the core infrastructure of the Council, eg, Data Centre, corporate contracts, corporate maintenance arrangements, etc. Given the small proportion of Council ICT work which relates to Inverclyde Leisure, there will be no employee savings achieved.

2. **New Scottish Wide Area Network (SWAN) Contract**

The Council's network contract is currently with Virgin Media and this has been extended on a number of occasions and is due to expire on 1 April 2015. Based on negotiations with the supplier for SWAN, it is expected that there will be an increase in annual costs of approximately £55,000 from 2015/16, plus one-off Capital Investment costs of £303,000.

It should be noted that whilst this represents an increase of cost for the Council, the Council has received an extremely advantageous rate for the last number of years from Virgin Media and if the Council were to decide to go it alone and tender this service directly then it is expected that a significant increase in rates would also be the outcome. The Transitional Head of ICT is working on a more detailed Option Appraisal report which will be completed in advance of the budget approval in February 2015.

3. **New Bus Shelter Advertising Contract**

The Council's current contract with JC Decaux which was procured in partnership with eight other Councils, including Glasgow City Council, is due to expire imminently. Glasgow City Council did not participate in the new contract and this allied to the fact that rates received for advertising have decreased significantly means that the Council is experiencing a significant loss of income for advertising within its bus shelters.

The new contract is due to commence later this financial year and a budget pressure of £122,000 has been identified from 1 April 2015.

4. **Additional Support Needs – Teaching/Travel and Income**

This pressure has three specific elements to it, namely -

- a) There is a need to increase teacher numbers within Craigmillar due to increased numbers of young people with complex needs being educated there as opposed to being on placements from outwith Inverclyde. The budget pressure will create three extra teaching posts. In addition, a further teaching post is required at the Garvel Deaf Centre based on a ten year projection of anticipated staffing needs.

- b) Travel – the travel budget has been under significant pressure for a number of years with a projected overspend in 2014/15 being £60,000. A budget pressure of £40,000 is requested on the basis that management will review contracts, use of vehicles and internal processes to ensure that efficiencies are optimised.
- c) Income from Other Local Authorities – in the same way that the Council is optimising the use of its own facilities when educating young people with additional support needs, this is being replicated by other local authorities. As such, the income received by the Council from other local authorities has reduced over recent years. It is estimated that there is a £50,000 recurring shortfall in the Income Budget and this also forms part of the overall budget pressure of £259,000.

5. CCTV – New Contract

The existing contract for CCTV has been in place for many years and the network supplier, Virgin Media, has intimated a need to upgrade the network. This will result in a significant increase in annual costs and require a one-off sum of £106,000. It has been possible to negotiate a further extension to the current contract with Virgin Media but after this point it is estimated there will be a £133,000 increase in annual maintenance plus a £14,000 Prudential Borrowing requirement to retain the current CCTV coverage and system.

Officers will examine options for reducing the costs of the CCTV system in order to reduce this pressure and these proposals will form part of the final overall budget package to be considered by Members.

6. Adults with Learning Disabilities

In line with most other Councils in Scotland, the Council's Learning Disability Services budget is under significant pressure. Much of this pressure derives from transition cases, ie, young people entering the Adults with Learning Disabilities service. CHCP staff have carried out detailed assessments for each of the five young people with significant service needs entering transition over this period and estimate an increase in budget of £180,000 is required from 2015/16.

7. Elderly Care – Care Homes – Homecare

Until recently, Inverclyde Council has not been subject to the same severe pressures arising from the demographic changes which are occurring elsewhere in relation to the number of elderly within our communities. This manifested itself in the CHCP returning £300,000 of budget pressure money allocated as part of the 2011/13 Revenue Budget. It is, however, now apparent through last year's budget out-turn and the projections for 2014/15 that there is significant pressure building within these areas despite the positive gains made by the re-ablement agenda and re-assessing packages.

To this end, it is requested that £1million be added to the 2016/17 Revenue Budget with £750,000 of this being added to the 2015/16 budget. It is also requested that this sum be managed through an earmarked reserve in a similar way to Residential Schools in order that the service can smooth out the peaks and troughs arising from this demand led service.

8. Holiday Pay

A recent European Union judgement has determined that employees should receive within their holiday pay an allowance for overtime, etc, foregone whilst being on holiday. Whilst one or two Councils in Scotland are challenging this decision, the majority of Council's have paid or are in the process of paying this sum. This issue is

the subject of a more detailed report elsewhere on the agenda but it is estimated that the ongoing costs will be approximately £200,000 per year. It should be noted that the Corporate Management Team have agreed that as a one-off for 2014/15, Directorates will contain the cost.

9. Specialised Posts x 2

In December 2012, the Council agreed to create four temporary posts to deal with matters such as Equalities, Information Governance, External Funding and Social Media. Following a review of the need to continue any of these posts, the Corporate Management Team would recommend that both the Equalities Officer and Information Governance Officer are required in the long-term. Both these posts carry out specific important corporate duties which will ensure that the Council stay within the regulatory framework. It should also be noted that these areas are subject to external scrutiny and examination and the Council could receive significant fines if it does not adhere to the requirements of both these areas.

10. ESF Employability Grant

The Council invests significant money within Employability and supplements this each year with approximately £450,000 of ESF funding. It has been previously reported that there will be a reduction in the amount of ESF funding coming to Scotland in the next six year programme in addition to which the distribution of this funding has been under review with a greater emphasis being given to rural areas. As such, it is currently estimated that the Council could receive approximately £200,000 a year less than has previously been the case. The budget pressure, therefore, requests that Committee consider bridging this gap of £200,000 from the Council's Revenue Budget from 2015/16 onwards. Whilst this is not an unavoidable budget pressure, there will be an undoubted negative impact on the Council's Employability Programmes should this level of reduction of funding occur.