
Report To:	Policy & Resources Committee	Date: 3rd February 2015
Report By:	Chief Financial Officer	Report No: FIN/01/15/AP/CM
Contact Officer:	Alan Puckrin	Contact No: 01475 712223
Subject:	2015/18 Budget Update	

1.0 PURPOSE

- 1.1 The purpose of this report is to provide Committee with the latest information in respect of 2015/18 Budget prior to the Inverclyde Council approving the budget on the 19th February 2015.

2.0 SUMMARY

- 2.1 The Policy and Resources Committee approved the Council's Budget Strategy on 30th September 2014. The Strategy was based on the approval on a 2 year Revenue Budget covering the period 2015/17 and a 3 year Capital Budget covering 2015/18. The estimated 2 year Revenue funding gap was £7.0 million.
- 2.2 The Scottish Government announced the detailed Revenue and Capital settlement for Local Authorities on 11th December 2014 and the detail of this was reported to a Special Policy and Resources Committee on 16th December 2014. The report confirmed that the figures announced by Scottish Government were very much in line with those used in the Budget Strategy. A subsequent correction has been issued by the Government in relation to the 2014/15 grant. This has been reflected in this report.
- 2.3 The Committee has previously received information in respect of budget pressures, possible savings, the likely level of free reserves and a draft 2015/18 Capital Programme. These matters have also been considered in more detail by the Members Budget Working Group (MBWG) over the last two months. All Members will receive comprehensive detail of the, up to date status of the MBWG proposals as part of the report to the Council on 19th February 2015.
- 2.4 At the same time the Council has undertaken a comprehensive Budget Consultation Exercise via Community Meeting, Citizens Panel, Consultation with specific interests groups and using "budget slider" accessed via the Council's website. It should therefore be noted that the Members Budget Working Group proposals will reflect consideration of the feedback from the public consultation exercise.
- 2.5 The Council requires to set a legally balanced 2015/16 Revenue Budget and 2015/16 Capital Programme on 19th February 2015. This is to enable it to confirm the Council Tax level for the financial year 2015/16. Whilst this is the minimal requirement, since 2009 the Council has agreed a multi-year budget covering a 2 or 3 year period. The Council will have the opportunity to set a multi-year Revenue and/or Capital Budget on the 19th February 2015. One issue which may assist in this regard is the potential temporary use of reserves.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the latest information supplied in respect of the Revenue, Capital and Common Good Budgets.
- 3.2 It is recommended that the Committee note that the report to the Council Meeting on 19th February will include detailed information on the most up to date proposals from the Members Budget Working Group.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 At its meeting on 30th September 2014 the Policy and Resources Committee approved the Budget Strategy which was based on setting a 2 year Revenue Budget covering the period 2015/17 and a 3 year Capital Budget covering the period 2015/18.
- 4.2 At the same meeting it was agreed that the Council would undertake an extensive Consultation Exercise using a combination of public meetings, meetings with relevant interest groups, a Citizens Panel Survey and obtaining the views of the general public via the use of a "budget slider".
- 4.3 At its meeting on 18th November 2014 the Policy and Resources Committee received further updates in respect of unavoidable budget pressures, savings options for the period 2015/17, proposals in respect of new or increased charges from 2015/16 and a draft 2015/18 Capital Programme. It was agreed at that time that these issues would form the basis for the extensive public consultation referred to in 4.2, and be considered by an all party Members Budget Working Group.

5.0 MEMBERS BUDGET WORKING GROUP

- 5.1 Members agreed to create a Members Budget Working Group (MBWG) which would have representation from all political parties plus the two independent Councillors. This Group would meet with the Corporate Management Team and relevant Officers on a regular basis in order to identify areas of common agreement in order that these could be fed back to the Council in February 2015.
- 5.2 The MBWG has met on five occasions in the interim and is due to meet again on the 4th February 2015. Over these meetings the Group have considered each specific budget pressure, the overall 2015/18 Capital Programme, the Charging Workstreams proposals for 2015/16 and each individual saving proposal (122 in total). Where appropriate Members requested further information in the form of either reports or briefings and where possible have been able to arrive at a consensus as to the proposed treatment in the forthcoming budget, subject to consideration of the budget consultation feedback.
- 5.3 The results on the deliberation of the MBWG will be reported in detail as part of the budget report to the 19 February Council meeting.
- 5.4 At the February Council meeting when the overall Budget is being considered it will be possible for Members to agree further savings and adjustments to the Revenue and Capital Budgets and potentially agree a 2 year Revenue and 3 year Capital Budget.
- 5.5 One option subject to a commitment to continue to identify ongoing savings discussed at the MBWG has been the interim use of Reserves to balance the 2016/17 budget in lieu of further clarification of some of the major outstanding issues. These include Grant settlements from both UK and Scottish Government, pay awards, non-pay inflation and potential use by the Scottish Government of the powers devolved under the 2012 Scotland Act.

6.0 GENERAL FUND RESERVES AND COMMON GOOD BUDGET

- 6.1 From Appendix 1 it can be seen that it is projected that there remains £3.62 million unallocated General Fund Reserves as at 31st March 2016. Decisions regarding the use of this unallocated element of the General Fund Reserve can be taken at the 19th February Council meeting.
- 6.2 The Common Good Budget for the period 2015/17 is due to be considered by the Members Budget Working Group on 4th February and an update will be included within the February Council Budget report. At present though it is highlighted that the projected level of Common Good Reserves falls below the minimum recommended level of £100,000 and it will be recommended that Members address this issue when approving

the 2015/17 Common Good Budget.

7.0 SCOTTISH GOVERNMENT SETTLEMENT – 2015/16

7.1 In the letter received from the Scottish Government on 11th December regarding the 2015/16 Revenue Settlement the previously advised conditions from the Scottish Government were confirmed, namely:

- a) That the Council freezes its Council Tax 2015/16
- b) That the Council offers a place for each Probationer Teacher trained through the Teachers Induction Scheme.

In addition the Scottish Government has advised that it does not intend to apply penalties in respect of Teacher numbers however this is subject to review in early March. As previously intimated the penalty from the Scottish Government were the Council not to freeze its Council Tax would be £1.01 million whilst the estimated impact were the Council to breach the Teacher number condition (in the event that it is reinstated in March 2015) would be approximately £600,000 per year.

7.2 In event the Council does not intend to abide by the conditions set down by the Scottish Government then it needs to formally intimate this decision to the Cabinet Secretary no later than 10th March 2015.

8.0 IMPLICATIONS

8.1 Financial Implications:

There are no Financial Implications over and above those identified in Appendices and the report.

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
N/A					

8.2 Legal

The Council has a requirement to set a legally balanced Revenue Budget by the end of February in order that the Council Tax can be set for the forthcoming financial year.

8.3 Human Resources

There will be HR implications arising from the approval of the Revenue Budget and these will be addressed using previously approved policies and procedures and following discussions with Trade Unions.

The Joint Budget Group, which comprises the Council's Corporate Management Team and representatives from the four largest Trade Unions, felt there would be value in scoping certain areas of the workforce where savings may be more difficult to achieve, to establish levels of interest in voluntary severance/early retirement. Whilst it is

acknowledged the Council will set a budget based on policy objectives, this 'soft trawl' may allow any decisions in part to be informed by knowledge and understanding of employee intentions.

8.4 Equalities

Relevant savings have been equality impact assessed by the responsible officers and these equality impact assessments will be available for Members to review.

8.5 Repopulation

A key cause of the reduction in revenue grant has been the area's depopulation and as such it is important that the Council takes necessary steps to reverse this trend. The proposals developed by the Corporate Management Team have sought to take this into account and a key part of the development of the Budget has been consultation with Alliance Partners.

9.0 CONSULTATION

9.1 The Council has undergone its most comprehensive Budget Consultation Exercise ever as part of the development of the 2015/17 Revenue Budget. Results of the consultation will form part of the report to the February Council meeting.

9.2 As has been the case for a number of years the Corporate Management Team has met with the main Trade Unions via the Joint Budget Group throughout this process. The creation of the Member Budget Working Group has changed the dynamic of this exercise but regular meetings of the Joint Budget Group have proven to be constructive and helped shape the information given to Members.

10.0 BACKGROUND PAPERS

10.1 Local Government Finance Circular No 9/2014.

2015/17 Revenue Budget - Position 21/1/15

	2015/16 £000	2016/17 £000	Totals £000
Financial Strategy December 14 Position	(1900)	8910	7,010
Extra Grant - Circular 9/2014	(133)	-	(133)
Teachers Superannuation Increase (Note 1)	400	290	690
	<u>(1633)</u>	<u>9,200</u>	<u>7,567</u>

Notes

1/ UK Government has been approached re: potential funding towards this sum. Failing that Cosla will approach the Scottish Government.

AP/CM
22/1/15

General Fund Reserves Projected Position - 21.1.15

	<u>£000</u>
Free Balance 31.3.16 per February P&R	3888
Current decrease in 2015/16 Surplus	<u>(267)</u>
	<u>3621</u>

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