

North Lanarkshire Council Report

Policy and Resources Committee

Agenda item 6 approval noting Ref PH Date 17/01/18

Revenue budget 2018/19 and savings options

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Executive Summary

This report provides Members with an update on the 2018/19 revenue budget position and proposals for options to meet 2018/19 savings requirements.

This includes an overview of the local government finance settlement for 2018/19 and the gap in funding after adjustments to recognise a number of updated financial planning assumptions and implications. The report identifies a headline budget gap of £17.891m for 2017/18 which, if base budget options are approved, results in a residual savings gap of £8.158m. Options for savings proposals to address this gap are included and approval is sought to consult with local residents on these.

Thereafter the savings options, along with public feedback, will be presented to Committee on 23 February 2018 to enable Members to approve the relevant options and set a balanced budget for 2018/19.

Savings options which relate to the Council's Partner Organisations and all public feedback received will be passed to the appropriate organisation.

Recommendations

It is recommended that Committee:

- (1) Notes the Council's statutory requirements in terms of setting a balanced budget,
- (2) Notes the level of Base Budget Efficiencies of £9.733m as outlined within section 5.2,
- (3) Notes the savings requirement for 2018/19 which may be required to be addressed in order to set a balanced budget for the Council,
- (4) Notes the savings options in respect of the Integrated Joint Board,
- (5) Agrees to a public consultation exercise to be undertaken on the proposed savings options, and
- (6) Agrees to review the proposed savings options and public feedback at a meeting in February 2018 to approve the savings which require to be made in order to set a balanced budget for 2018/19.

Supporting Documents

Council business plan to 2020	Ensure the council operates in a manner consistent with good governance and best value. Safeguard the council's resources and reputation.
Appendix 1	Options for savings proposals.
Appendix 2	Savings proposals being considered by the Integrated Joint Board.

1. Background

Statutory requirement to set a budget

- 1.1 Councils are required by law to set a balanced budget each year. This requirement is set out in Section 93 of the Local Government Finance Act 1992. Failure to set a balanced budget would have serious implications:
- The Council's financial flexibility to, for example, enter into contracts or to commit to unfunded ambitions, would cease and only costs in respect of those financial obligations already committed could be incurred.
 - The Council's current budget shortfall position (which requires to be met through savings) would remain.
 - Individual Members could potentially incur personal responsibility for failure to comply with their statutory duty.
 - Individual Members who unreasonably contribute to the failure or delay in setting a budget could be ultimately censured, suspended, or disqualified from standing for election for a prescribed period of time by the Standards Commission for Scotland.
 - In terms of Section 102 of the Local Government (Scotland) Act 1973, there are specific processes in place for the Controller of Audit to report to the Accounts Commission on the failure to set a budget. The Commission can then recommend that Scottish Ministers direct the Council to rectify this.
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2. Financial Outlook 2018/19 Update

- 2.1 The meeting of the Policy and Resources Committee on 21 September 2017 approved the Council's Long Term Financial Plan 2018-19 to 2022-23. Within that report a range of potential financial models were presented with the envisaged position being a budget gap of £24.263m for the forthcoming 2018/19 financial year. In determining this budget gap a number of assumptions in respect of both grant reductions, Council Priorities, and cost pressures.
- 2.2 The Scottish Government Draft Budget and Local Government Financial Settlement was announced on 14 December 2017. The Scottish Government is going through the three stage Parliamentary budget process which is anticipated to conclude by 21 February 2018.

3. Update on Financial Outlook for 2018/19

- 3.1 Since the Long Term Financial Plan was approved there have been a number of updates to some of the key financial assumptions made at that time. These can be summarised as follows:

3.2 Government Financial Settlement **Increase in Funding £5.471m**

In broad terms the Local Government Financial Settlement 2018-19 indicated that local government would receive broadly the same level of funding as it currently receives in 2017/18. However, this includes new areas of statutory requirements in areas such as the expansion of early years' childcare and the impact of the Carers Act. When cognisance is taken of this, there is a like for like cash reduction of £9.725m or 1.6%. This represents a more favourable outlook than that envisaged within the Long Term financial Plan where a £15.196m or 2.5% reduction was included.

3.3 Auto Enrolment **Decrease in Costs £3.000m**

The Council's Long Term Financial Plan included costs linked to enrolling employees within the pension scheme in October 2017. However, the Local Government Pension Committee has recently amended the regulations which means that all of the employees that were expected to be auto-enrolled have been deferred until April 2019. Costs of £3.000m can therefore be removed as part of the considerations of the 2018/19 revenue budget.

3.4 Pay Awards **Increase in Costs £1.293m**

The Scottish Government indicated that 2018/19 would see an end to public sector pay cap and that "we will deliver a guaranteed minimum pay increase of 3% for all public sector workers earning £30,000 or less. For those earning £30,000 we will limit the increase to 2% and apply a cash cap of £1,600 to those earning £80,000 or more". If local government were to follow this principle then this would add a further £2.230m burden to the pay award assumption previously made.

Conversely the Scottish Government indicated that assistance would be given to Councils to meet the recently agreed Teachers' Pay Award for 2017/18. This would reduce the forward planning assumptions by £0.937m.

3.5 Profiling of Advance Savings for 2018/19 **Increase in Costs £0.306m**

In agreeing its revenue budget for 2017/18 the Council approved advance savings of £3.045m to be delivered in 2018/19. It is now recognised that an element of this will now not be delivered until the following period.

3.6 Capital Programme Stability **Increase in costs £0.500m**

The Scottish Government has increased the level of capital funding to local government by £93m in 2018/19. However some £150m of the overall total will specifically be required to commence the expansion of early years' education. The consequence of such is that there will be less core capital funding of around £3m available to the Council in 2018/19. It is proposed to utilise prudential borrowing of £0.500m to provide £6m of capital investment during 2018/19.

3.7 The overall impact upon the Council's anticipated budget gap for 2018/19 can be summarised as follows:

	£m	£m
Long Term Financial Plan Budget Gap		24.263
Government Financial Settlement Improvement	(5.471)	
Auto-Enrolment Profiling	(3.000)	
Pay Award Increases	1.293	
Profiling of Advanced Savings	0.306	
Capital Programme Stability	<u>0.500</u>	<u>(6.372)</u>
Revised Budget Gap		17.891

Note: For Planning Purposes assumes a Council Tax Increase of 3%.

4. Council Tax

- 4.1 The financial settlement from the Scottish Government allows councils to increase the level of Council Tax by up to 3%. The Long Term Financial Plan assumes that the Council will take the opportunity to increase the level of Council Tax by 3% thereby generating overall net income of £3.947m. If the Council chose not to apply such an increase then the savings gap would ultimately increase by £3.947m to £21.838m.

5. Actions already identified by Management

- 5.1 Officers have identified a number of operational improvements and efficiencies which it has detailed to the Council which have no impact on local services and to which have been recommended to members to remove from the above budget gap.
- 5.2 The impact of this will be to reduce the revised budget gap by a further £9.733m resulting in a final figure of £8.158m which will be required to be identified to achieve a balanced budget position.

6. Savings Options 2018/19

- 6.1 As detailed in section 5.2 above the level of savings which the Council requires to provide a balanced budget is £8.158m. In order to achieve this, officers have identified a range of savings options for Elected Members' consideration. These options to a value of £14.685m have been provided to Elected Members and are outlined within Appendix 1.

7. Integrated Joint Board

- 7.1 Social Care Services are planned through a separate organisation which combines elements of Health and Social Care under the oversight of an Integrated Joint Board (IJB). The Council and the Health Board determines the level of resources which it will provide to the IJB. Some of the allocation is prescriptive in its use. The Integrated Joint Boards then determine its overall strategic intentions for the Council and the Health Board and in doing so determines service spending and savings priorities which the Council and Health Board will implement and deliver through their own staff or through service level agreements, contracts or hosting arrangements.
- 7.2 Within the legislation, if any income generation relate to charges then the Council must set this charge as the Integrated Joint Board cannot legally do so.
- 7.3 Appendix 2 details the social work savings proposals being considered (health savings have been excluded for this report) by the Integrated Joint Board in so far as they relate to those areas of service provided by Council activities.
- 7.4 The Integrated Joint Board will agree its integrated budget by the end of March 2018.

8. Next steps

- 8.1 It is proposed to consult local residents on options for savings proposals. This would take place 18 January 2018 to 7 February 2018 through a range of appropriate communication channels and consultation methods.
- 8.2 Thereafter the savings options relating to the Council (Appendix 1), along with public feedback, will be presented to Committee on 23 February 2018 to enable Members to approve the relevant options and set a balanced budget for 2018/19.
- 8.3 Those savings options in relation to the Integrated Joint Board will be presented to that

organisation along with the public feedback for their deliberation.

9. Position beyond 2018/19

- 9.1 The information within this report and the accompanying appendices, focuses on the savings required to balance the Council's budget for 2018/19. Estimated savings requirements in future years will continue to pose a considerable challenge and this will require further consideration of a range of areas of service delivery.

10. Implications

10.1 Financial Impact

The Council's current position highlights there is a budget shortfall which requires to be met through implementing savings options. This budget gap will remain if the Council does not set a balanced budget for 2018/19.

10.2 HR/Policy/Legislative Impact

The council, and Elected Members, have legal duties in terms of setting budgets. Councils are required by law to set a balanced budget each year. This requirement was established by s108 of the Local Government (Scotland) Act 1973. Section 108 was repealed by the Abolition of Domestic Rates etc (Scotland) Act 1987, which was subsequently repealed by the Local Government Finance Act 1992. Section 93 of the Local Government Finance Act 1992 provides the modern day equivalent provision.

10.3 Environmental Impact

None.

10.4 Risk Impact

The risk to the council, and Elected Members, of not setting a balanced budget for 2018/19 is significant.

11. Measures of success

- 11.1 The most important measure of success would be ensuring that the council sets a balanced budget for 2018/19.
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Head of Business for Financial Solutions

Appendix 1

Service Savings Options

Savings 2018 - 2021

Chief Executive's Service

Savings Proposal	Saving £
Review staff structure in Civic Centre facilities management to account for investment in additional technology/infrastructure.	64,000
Clerking function to be provided by Integrated Joint Board as opposed to council.	37,000
Restructure non-members' support functions in Administrative and Members Services.	43,000
Cease Golden Wedding events.	8,000
Total	152,000

Education, Youth and Communities

Reduce Management Fee to North Lanarkshire Leisure (NLL). This will include the leisure trust reviewing membership fees, opening hours at Kilsyth and John Smith Swimming Pools and Shotts Leisure Centre, closing Kirkwood and Birkenshaw Sports Barns and developing Airdrie Leisure Centre. If approved, NLL's approach to delivering required savings will be subject to consideration by the NLL board in the first instance.	444,000
Reduce Management Fee to CultureNL (CNL). This will require CultureNL to review potential changes to opening hours within libraries and museums, price increases and potential service withdrawal from 6 to 8 community centres based on usage (including Chapelhall Senior Citizens Centre, Caldercruix Community Centre, Jerviston Community Centre, Waterloo Hall, Westray Community Rooms, Old Monkland Community Wing, Gowkthrapple Community Centre and Cleland Senior Citizens Centre). Business development opportunities such as expansion of weddings and functions will also be progressed. If approved, CNL's approach to delivering required savings will be subject to consideration by the CNL board in the first instance.	690,000
Progress Phase 3 of review of staffing structures to reduce management posts in schools.	61,000
Reconfigure supply cover for janitorial services in Primary Schools. Reconfiguration of janitorial services across Primary Schools looking at opportunities for cluster working.	361,000

Review the janitorial resource to all schools, reducing cover to 37 hrs per week covering 7am to 10pm working day term-time where required.	795,000
Review of cleaning specification in Primary Schools to increase productivity and reduce cleaning in classrooms from 5 to 3 days.	166,000
Reconfiguration of the building cleaning service to secondary schools through the introduction of a team cleaning concept, advanced cleaning technology machinery, reduction from 5 to 3 days and reduction of supervisor posts from three to two.	386,000
Review of Catering Manager cover hours in both Primary Schools and Secondary Schools from 35 to 32.5 hours per week in secondary schools and from 35/32.5 to 30 hours in primary schools.	180,000
Review of catering working days for all catering staff to revert to 192 days and 52 weeks.	214,000
Increase price of school meals by 5p to £2.05 for a two-course lunch in primary schools and £2.15 in secondary schools, (in line with the Scottish average in 2018/19) and to £2.10 and £2.15 in 2019/20.	200,000
Closure of Kilbowie Outdoor Centre for outdoor education provision.	714,000
Reduce grant funding to community groups, voluntary organisations and community grant awards by 11%.	137,000
Reduce grant funding to Voluntary Action North Lanarkshire (VANL) by 11%.	27,000
Removal of funding for Surestart Outreach Programme with children placed in partner provision rather than council facilities.	166,000
Redesign of Community Learning and Development service (CLD) to better target families and individuals who are most at risk and most vulnerable, as well as increasing synergies across other related council and partner services.	1,608,000
Recalculate formula for school devolved budgets in line with Education, Youth and Communities' percentage and council overall settlement.	1,001,000
Reduction in and refocus of Employability Services as a result of changes to European grant programmes.	100,000
Review of Area Delivery Model resulting in shared resources amongst schools on a cluster basis, including introducing a shared support staffing model, through a reduction in the	535,000

number of staff and term-time working for staff. This could include classroom assistants, technicians and administrative employees. The detail of implementation will require extensive discussions with head teachers.	
Total	7,785,000

Please note that these options do not include the proposed changes to the school transportation, which has already been published for public consultation.

Infrastructure

ENVIRONMENTAL ASSETS	Savings
Reduce burial subsidy resulting in increased cemetery fees by 18%, bringing the council in closer alignment with neighbouring local authorities and reduce the grounds maintenance specification.	498,000
Reduced community events including cessation of fireworks events in Cumbernauld, Coatbridge and Airdrie and reducing festive lighting outwith the seven main town centres.	150,000
Reduce spend on maintaining roads and footways while preserving a good level of performance.	995,000
Reduce grass cutting in open space from 18 to 14 cuts per year.	850,000
Reconfigure the Arboriculture and Woodland Management Service to provide basic and emergency cover only.	260,000
Introduce car parking charging with appropriate payment systems to discourage commuters from using parking provision in town centres and so give preference to short term parking which will assist in regenerating town centres.	700,000
£14m investment plan is in place to achieve a reduction in energy required to operate the street lighting system through the use of LED technology which will reduce ongoing maintenance costs and require a review of staffing. It will also reduce carbon tax.	509,000
Reduce the Road Safety Service by signposting to information resources.	181,000
Close the nursery complex at Drumpellier and display houses at Viewpark and source suppliers to provide plant and floral features.	125,000
Develop Palacerigg country park as a woodland play facility by the removal of the animal collection and reconfigure the greenspace service.	167,000

REGULATORY SERVICES AND WASTE SOLUTIONS	
Introduce a flat rate £25 fee for all special uplift requests e.g. black bags, suites etc.	640,000
To review the overall number of Household Waste Recycling Centres. The council currently has 7 such facilities across the council area.	694,000
Review of staffing structure within Environmental Health & Trading Standards. This will ultimately reduce the overall level of service provision available.	286,000
Review of Financial Inclusion structure and a reduction in funding for partner agencies. This will reduce the overall welfare advice service within the council area.	167,000
Increase annual taxi test fee to £95.	90,000
Review large office cleaning, including reduction from five to three days per week.	46,000
Total	6,358,000

Enterprise and Housing

Reduction in Private Sector Housing Care and Repair Service by 15%	32,000
Reduction in Private Sector Housing Grant Aid for repair and improvement grants to owners by around 15% - grant conditions would remain unchanged for applicants.	30,000
Review and potentially reduce (via re-designation) council's 39 Sheltered Housing complexes, with a view to converting those identified as being most suitable to amenity housing to reflect and support more active living aspirations.	328,000
Total	390,000

Chief Executive's Office	152,000
Education, Youth and Communities	7,785,000
Infrastructure	6,358,000
Enterprise and Housing	390,000
Total	£14,685,000

Appendix 2

Service Savings Options

Savings 2018-19

Health & Social Care

Savings Proposal	Saving £
A review of intermediate care home provision across North Lanarkshire. Review the provision of services in the existing intermediate care homes with a view to rationalising social work intermediate care, recognising that the move to a Discharge to Assess model will reduce demand for places.	1,956,000
A review of eligibility and support for equipment and adaptations. The focus of service delivery would be on priority 1 and priority 2 cases. Priority 3 cases would not automatically be considered unless budget was available.	300,000
Reductions in service delivery within Day Services. It is proposed to consider increasing charges for Day Services and / or reducing service levels across the Integrated Day Services for younger adults with disabilities and older adults.	1,186,000
Review of service provision in Children and Family Intensive Services. Review of services currently provided by the Families First, Community Alternatives Service and the 7 Day Centre.	150,000
Review inflationary uplifts applied to care providers. Review inflationary uplifts on contracts for care provision and for fostering, adoption and kinship allowances etc. However, this is dependent on the outcome of negotiations on the care home contracts across Scotland.	1,000,000
Introduce a further level of charging for some Social Work Services. Charges will be reviewed and some new charges may be introduced (over and above those noted above) and/or eligibility for services reviewed with a view to increasing income for the service or access to certain services	1,000,000
Total	£5,592,000