

# EAST AYRSHIRE COUNCIL

## CABINET – 20 OCTOBER 2010

### BUDGET 2011/12 – 2013/14 OUTLINE CONSULTATION STRATEGY

#### Report by Executive Director of Finance and Corporate Support

## 1 PURPOSE OF REPORT

- 1.1 This report proposes a consultation strategy for the preparation of the Council's three year revenue budget for 2011/12 – 2013/14.

## 2 BACKGROUND

- 2.1 It is a legal requirement that council tax bills for 2011/12 be calculated and issued to council tax payers in time for the first payment in April 2011. To achieve this it will be necessary for the Council to determine departmental revenue allocations and set the Council Tax for 2011/12 during week commencing 7 February 2011. Between now and then, work is required in terms of calculating the future costs of existing and proposed service plans and the determination of relative priorities. The methodology for achieving this has been established and developed over a number of years.
- 2.2 Chief Executives and Directors of Finance have been working with Glasgow University's Centre for Public Policy for Regions (CPPR) to estimate the potential movement in the overall Scottish Government budget from 2011/12 to 2013/14.
- 2.3 Before the May 2010 General Election, advice from the CPPR indicated that councils should plan for a £3.5bn real terms reduction in funding over the four years from 2010/11 to 2013/14. This would equate to a reduction for East Ayrshire Council of around £30m. Taking account of the additional funding of £5m approved by the Cabinet in May 2010, to secure the Social Work Sustainability Plan, the high level planning assumption has therefore been that the budget gap if no action was taken between 2010/11 and 2013/14 would be in the region of £35m.

In September 2010, the CPPR analysis of the new UK Government spending plans was that councils should plan for a cash reduction of 4% in 2011/12 and no change in the following two years.

- 2.4 There is however, a risk that budget protection will be offered to particular sectors with the knock on effect to local government being a further reduction in funding levels. The potential impact of this protection would be a "worst case scenario" of a 6% reduction in 2011/12 followed by a 2% reduction in each of the following 2 years.
- 2.5 The UK Comprehensive Spending Review will be presented to Parliament on 20 October 2010. This will cover the four year period 2011/12 – 2014/15, and will determine how much money will be made available to the devolved administration of Scotland. The Scottish Government is expected to publish details of its proposed spending plans for the same four year period in mid

November. This will detail the indicative funding levels that will be made available to the Council.

- 2.6 Using the grant assumptions set out in paragraphs 2.3 and 2.4 above, the gap in funding over the next three financial years is estimated to be in the region of £25m - £40m.
- 2.7 It is evident therefore that East Ayrshire, in common with all councils, faces a significantly different financial landscape to that which we have experienced recently.
- 2.8 In these circumstances, it is considered essential that the Council ensures that all stakeholders who will be affected by how the Council uses its resources are aware of the impact and gain an understanding of the actions which need to be taken to ensure that strategic priorities continue to be met, and that they have an early opportunity to influence the decisions which the Council will require to make.

### **3 BUDGET DEVELOPMENT STRATEGY**

- 3.1 As indicated above, budget development arrangements are well established and have been refined over a number of years to ensure that financial resources are aligned to strategic priorities including;
  - the adoption of the Community Plan as the Council's overarching planning document;
  - a Strategic Review of the Revenue Budget (SRRB), which moved resources between services over the four year period to 2010/11;
  - extensive public consultation as an integral part of the Council's annual budget process ensuring interactive communication of the financial position and plans to utilise resources to achieve objectives including options for both growth and efficiencies;
  - a Best Value Service Review programme which ensures that all services are comprehensively reviewed on a three year basis in line with national guidance;
  - the implementation of a service planning template that requires services to analyse the environment within which they operate, to identify strategies to ensure maximum contribution to relevant objectives within the community plan, and to describe how assets, human and financial resources will be deployed to achieve service objectives;
  - regular reporting of financial and service performance measures, including action required to deal with variances from budget, to the Cabinet and Governance and Scrutiny Committee over the course of the financial year by means of the Finance and Service Strategy Report;
  - established consultation and engagement processes that have been previously recognised by Consumer Focus Scotland as best practice.
- 3.2 The significantly changed financial environment that we now face requires refinements to the budget setting process. Proposed consultation arrangements for the 2011/12 – 2013/14 budget have been designed to ensure that key service users, community representatives and council employees have an opportunity to shape and understand their contribution to how the strategic vision and the strategies that contribute to its delivery can

continue to be supported. In the emergent financial landscape, where budgets and / or services will need to be refocused to reflect the reduction in funding, it is important that decisions on how services are prioritised and the risks involved in such decisions are well understood by those who will be affected both now and in the future.

- 3.3 Whilst the views and ideas of the East Ayrshire community and Council employees are key elements in the budget setting process, it ultimately remains the responsibility of the Council to make decisions on how to allocate resources. The Council's vision, plans and key priorities have already been clearly stated, are constantly reaffirmed and are widely known. The shared vision of Community Planning Partners is that:

*“East Ayrshire will be a place with strong, vibrant communities where everyone has a good quality of life and access to opportunities, choices and high quality services which are sustainable, accessible and meet people's needs.”*

- 3.4 The Council facilitated a 'Strategic Direction' workshop for Members in November 2008. From this process, three strategic commitments were identified that have become key priorities in the delivery of the Community Plan and the associated SOA, namely:

- Regenerating our Town Centres;
- Improving Educational Attainment; and
- Building New Local Authority Housing.

- 3.5 The adoption of the Community Plan in 2003 as the sovereign planning mechanism for the Council signalled a commitment to partnership working through the Community Planning process and this approach is designed to ensure:

- clarity of purpose and strategic direction;
- a clear and common basis for partnership working;
- a framework for achievement;
- a basis for rationalising the strategic landscape; and
- a focus for co-ordinated action.

- 3.6 The Community Planning Partnership has employed thematic action plans as the mechanism for delivering this vision.

- 3.7 A new Single Outcome Agreement will require to be agreed for implementation from 1 April 2011. The SOA, which builds on the strategic priorities of the Community Plan, sets out the outcomes that Community Planning Partners, either individually or jointly, are seeking to achieve. These planned outcomes and impacts reflect local needs, circumstances and priorities; and are linked to the national outcomes agreed in the Concordat. The Community Plan is currently undergoing its Four Yearly Review, and work is ongoing to ensure the SOA continues to be aligned to the strategic priorities and local outcomes identified in the revised community plan.

- 3.8 The vision, strategic direction and operational objectives are incorporated in service plans, which are designed to ensure that resources are utilised appropriately to deliver service objectives aligned to Council priorities. The Council's performance management arrangements have been further developed using the electronic performance management system “East

Ayrshire Performs”; strengthening the challenge and review of service performance, by providing services with performance information, linked to national, corporate, departmental and thematic objectives. This will allow conclusions to be drawn and remedial action taken as required.

- 3.9 Having constructed a budget that reflects the Council’s objectives as stated in the Community Plan and Single Outcome Agreement, it is vital that departments thereafter review service plans to take account of final decisions on revenue allocations and service levels making use of the new performance management arrangements available to detect variations from planned outcomes and allow action to be taken if required over the course of the year.
- 3.10 Cabinet approved an Efficiency Strategy (known as SRRB2) on 19 May 2010, and work has been progressing on the strands identified in that report. The six strands that were agreed by Cabinet are:
1. Business review programme
  2. Budget management review
  3. Fairer Scotland Fund review
  4. Budget and performance review
  5. Workforce planning review
  6. Continuing the engagement arrangements
- 3.11 Efficiencies have already been identified through the early stages of these reviews, and work will continue to complete the different strands allowing the outcomes to feed into the budget process.
- 3.12 Feedback was sought on the 2010/11 budget consultation process with the community / voluntary sectors, to allow ideas for improvement to be generated. Direct feedback was provided from participants, and also from follow-up meetings with the Federation of Community Groups. In addition a questionnaire was circulated to those community and voluntary sector representatives who participated in the 2010/11 process.
- 3.13 From the responses received, the majority of participants indicated that a similar consultation process should take place for the 2011/12 budget subject to several refinements:
- The detailed session held in January 2010 should be held earlier;
  - There should be more publicity and a wider range of participants including people who work in East Ayrshire;
  - Detailed sessions should be held with Parent Councils;
  - Invitations should be extended to Community Councils, and Residents and Tenant Associations;
  - Information should be circulated in advance of any meeting to allow proposals to be discussed with representative groups.
- 3.14 The proposed consultation process for 2011/12 takes account of these recommendations and can be summarised as below:

### **Stage 1**

A series of targeted meetings to allow participants to understand how the Council sets its budget and the challenge currently faced. Five key groups have been identified with provisional meeting dates arranged for late November:

- Youth forum / S5, S6 / Kilmarnock College – lunch time meeting;
- Community representatives (to include parent councils, early years groups, community councils, resident and tenant associations, leisure and sport groups) – evening meeting;
- Independent and voluntary sector representatives – evening meeting;
- Business representatives – breakfast meeting;
- Young people (aged 10 - 14) – arrangements to be confirmed.

### **Stage 2**

Information on Council performance and finance to be provided to all participants (end November 2010).

### **Stage 3**

Draft budget approved by Cabinet.

### **Stage 4**

Consideration of draft revenue budget proposals across all portfolios. Discussion on savings proposals (Sunday 5 December 2010, 10.00am – 3.00pm in St Joseph's Academy).

### **Stage 5**

Feedback on ratified Council decisions following approval of budget (February 2011).

- 3.15 Work will take place to ensure that the focus of the sessions with the young people is clear, and that the sessions are as interactive as possible.
- 3.16 Meeting dates and times require to be finalised with all relevant parties that are to be involved in the consultation events. Executive Directors will continue to convene meetings with staff to obtain their views and feedback on budget proposals. Consultation with the trades unions will also need to be arranged at an appropriate opportunity.
- 3.17 This framework, strengthened by the enhanced consultation and engagement process with employees, businesses, community representatives and voluntary organisations, will ensure that decisions on financial and service planning for the coming years, at a time of severe financial constraints, will be closely linked and informed by key stakeholders. This approach is designed to deliver clarity of purpose and responsibility, and to ensure a level of ownership that will be vital if the Council is to continue to deliver its key priorities in the current climate.

## **4 TIMETABLE**

- 4.1 The level of grant receivable from the Scottish Government is a vital piece of information in the budget process. Indicative figures for 2011/12 will be available in mid-November 2010, following the UK wide Comprehensive Spending Review which will be presented to Parliament on 20 October 2010.

- 4.2 A proposed high-level timetable outlining the key stages in the process is shown below. Work on calculating the ongoing costs of current service levels, including the impact of inflation and other known pressures facing services in 2011/12, is currently progressing.

<b>ACTION</b>	<b>DATE</b>
Announcement of Grant by Scottish Government	Mid November 2010
Political Group consideration of Options	November 2010 – January 2011
Community and Employee Budget Workshops	November – December 2010
Cabinet consider draft budget	1 December 2010
Draft Budget Consultation	5 December 2010
Cabinet recommend budget and Council Tax level	9 February 2011
Council consider budget and set Council Tax level	10 February 2011

## **5 BUDGET DEVELOPMENT**

- 5.1 Indicative grant figures for 2011/12 – 2014/15 are expected to be announced by the Scottish Government in mid-November 2010, but as previously indicated these are likely to reduce annually in real terms. It is anticipated that indicative grant figures will be provided for the four year period although these may be the subject of later revision.
- 5.2 Work on detailed service level budgets is currently in hand with a “bottom-up” analysis of employee and supplies & services requirements being ascertained. For strategic planning purposes, assumptions can be made using estimated figures as previously endorsed by COSLA. The assumption being worked to is a reduction in grant in 2011/12 of 4% followed by a stand-still in the following two years.
- 5.3 Other pressures are likely to emerge following the detailed consideration and discussion with departments which is currently in progress. Such pressures will include;
- Changes to Contract Prices
  - Fuel costs;
  - Policy and Legislative pressures;
  - Revenue consequences of specific capital and revenue projects.
- 5.4 Given the significant uncertainty around future funding levels, it is proposed to submit a further detailed report to Cabinet when grant figures become clearer.

## **6 RECOMMENDATIONS**

- 6.1 It is recommended that Members:
- (i) approve the timetable and consultation arrangements set out in this report;
  - (ii) agree the arrangements outlined for engagement with employees, community groups and partner organisations;

(iii) otherwise note the contents of the report.

Alex McPhee  
Executive Director of Finance and Corporate Support  
06 October 2010

**LIST OF BACKGROUND PAPERS**  
**Nil**

Members wishing further information should contact Craig McArthur, Head of Finance (Telephone 01563 576300).

**Implementation Officer: Craig McArthur, Head of Finance**