1 SUMMARY

1.1 The purpose of this report is to provide Council with details of the 2015/16 General Fund Revenue Budget along with indicative budgets for the following four financial years 2016/17 to 2019/20.

1.2 The report also provides a full suite of documents that for the first time brings together the budget, the five-year Business Plan and the Workforce Plan and provides Members with a more integrated view of the Council’s position for the coming five years.

2 OFFICER RECOMMENDATION(S)

The Council agrees:-

2.1 to note the General Fund Revenue Budget for 2015/16 as attached at Appendix 1 of this report, along with an indicative budget for the following four year period;

2.2 to approve the Council’s five-year Business Plan as attached as Appendix 2, and to note that this will be reviewed on an annual five-year rolling basis;

2.3 to approve the Council’s Workforce Plan as attached as Appendix 3, and to note that this will be reviewed on an annual five-year rolling basis;

2.4 to note the officer Priority Based Budgeting report at Appendix 4 to this report, setting out the Management Options for addressing the budget gaps for the next five-year period;

2.5 to determine by resolution proposals to deal with the budget position set out in this report;

2.6 to determine by resolution the fees and charges to be set for 2015/16 with current charges set out in Appendix 7;

2.7 to determine by resolution the Prudential Indicators for 2015/16;

2.8 to determine by resolution the level of Council Tax to be set for 2015/16;
2.9 to note the setting of the Non-Domestic Rate for 2015/16, as set out in paragraphs 3.11 to 3.16 and;

2.10 to determine by resolution the target level of balances for 2015/16 to 2019/20.

3 CONSIDERATIONS

3.1 The Council is required to set its General Fund Revenue Budget and Council Tax levels for 2015/16 before 11 March 2015, as required by the Local Government Finance Act 1992. Although the legislation only requires the budget and tax to be set for the forthcoming year, Councils can also set provisional financial plans for a period beyond the single forthcoming year. In anticipation of setting its budget for 2015/16 the Council has, for the second year running, undertaken an extensive Priority Based Budgeting (PBB) exercise that has reviewed all costs currently being incurred across Council Services over the next five-year period.

3.2 This has led to the production a five-year Business Plan outlining the financial position over this period which has been updated to reflect a more detailed understanding of the cost pressures, planning assumptions and Scottish Government settlement figures. The financial summary is attached as Appendix 1 to this report.

Budget Spending Pressures

3.3 The process for determining the budgets for the period 2015/16 to 2019/20 involved undertaking a risk-based approach to potential future cost pressures. This has involved identifying cost pressures for future years and understanding the likelihood of those pressures occurring, and the cost pressures then being set against a risk fund only if, after mitigating against in-year, the pressures cannot be contained within existing budgets. Some cost pressures are known with certainty, and these have been built into the forward budgets at the best known value. The main unavoidable cost pressures are:-

3.3.1 Landfill Tax – increase of £8 per tonne each year, with a total annual cost of £0.2M;

3.3.2 Employer pension contributions – 0.5% increase per annum, in line with current actuarial assumptions, which results in an annual increase in budget of £0.22M. The triennial actuarial valuation of the Fund has recently taken place, and has confirmed the continuation of the “stabilisation strategy” of increasing the employer contribution by 0.5% per annum for the foreseeable future, in order to recover the current deficit position.

3.3.3 Reform of state second pension – following the UK Government’s decision to remove the National Insurance rebate for employers that currently opt out of the state second pension – because they operate contributory occupational pensions – there will be an increase in National Insurance contribution rates of 3.4% from 2016/17 onwards. This will add approximately £2.4 million to the General Fund Revenue Budget cost base.
3.3.4 **Teachers pensions** - The increase in teachers pension contributions for 2015/16 has been notified to councils at 2.3%, and that has been built into the base budget for next financial year.

3.3.5 **Living Wage** – the Council recently decided to apply the most recent update of the national living wage for 2015/16, and also to backdate the increase to November 2014. The cost of the backdate has been included in the General Fund projected outturn for 2014/15, and the cost of the 2015/16 uprate has been built into the base budget.

3.3.6 **Holiday Pay on Overtime** – in line with the July 2014 ruling of the European Court of Justice, employers are now required to pay holiday pay to employees in respect of any regular overtime worked, as well as any other regular additions to basic pay. The annual cost of £0.3M has been added to the base.

3.4 The Business Plan also contains provisions for the following annual cost increases:-

3.4.1 **Pay awards** – provision for future year pay awards has been built into the Business Plan. For 2015/16, 2016/17 and 2017/18, an award of 1.5% per annum has been provided for as a planning assumption, rising to 2% per annum for 2018/19 and 2019/20.

3.4.2 **Pay increments** – increments have been provided for those employees who will be due an increase as part of their progression through the pay scales, in line with the changes to terms and conditions agreed with trade unions in December 2013.

3.4.3 **Non-pay inflation** – provision has been made for inflationary uplift in non-pay budgets where there is a contractual obligation to pay an uplift or where an uplift can be reasonably expected. Projections of inflation have been applied using nationally published inflation data and with regard to economic forecasts of future inflation.

**Government Grant Position**

3.5 The Council has received the Finance Circular for 2015/16 (Local Government Finance Circular No. 9/2014), setting out the grant from the Scottish Government for 2015/16, and that grant is in line with previously reported expectations. The figures within this report reflect the funding position per the issued circular.

3.6 It should be noted that as part of the overall settlement agreement provided by the Scottish Government for 2015/16, the Council is expected to ensure that it has adequate budgetary provision to:-

- Maintain a council tax freeze for the financial year 2015/16; and
- Maintain teacher numbers in line with pupil numbers and secure places for all probationers who require one under the teacher induction scheme, unless an agreement can be reached with local partners to reduce teacher numbers while maintaining educational standards.
3.7 A continued major impact on the Scottish Government grant position for 2015/16 and the outlook for future year budgets is the medium to long-term impact of central government’s reduction of public spending levels, as a means of reducing the UK’s level of public sector borrowing. Economic forecasts indicate that reductions to public spending will continue for at least the next five years, and most likely for a longer period.

3.8 At this point, the Scottish Government has not issued councils with details of grant support beyond 2015/16. However, based on a range of information sources that provide projections and commentary on the outlook for public sector spending in the UK and Scotland, the following assumptions have been made for government grant:-

- 2015/16 – as stated in Local Government Finance Circular No. 9/2014
- 2016/17 to 2019/20 – 1% reduction in cash grant from the previous year

3.9 For 2016/17 and the years beyond, no grant figures will be made available by the Scottish Government until after the next Spending Review later in 2015.

**Council Tax Assumptions**

3.10 The current level of Council Tax Band D is £1,197 per annum. For the purposes of the five-year Business Plan, it is assumed that:-

- Council tax collection rates are maintained at 2014/15 budgeted level (98.5%) for the five-year Business Plan (which will be monitored closely given the impact of Welfare Reform);
- An additional 200 Band D properties will be added to the tax base annually;
- Council Tax levels will be frozen at the 2014/15 level for the duration of the five-year Business Plan. This is in line with the Scottish Government’s requirement for 2015/16, and assumes that the Council Tax freeze policy will continue across Scotland for the period of the Business Plan. Any future change in government policy will influence whether this assumption should be varied.

**Non-Domestic Rates for 2015/16 including Business Rates Incentivisation Scheme**

3.11 The Scottish Government had previously confirmed that the increase for the 2015/16 Non-Domestic Rate poundage rate would be restricted to 2% and this has been estimated to be around 48.0p in the pound, compared to 47.1p in 2014/15. The exact poundage will be confirmed and notified to councils once the Scottish Budget is approved by the Scottish Parliament in March. The Large Business Supplement for 2015-16 will increase in line with the increase to the equivalent rate in England.

3.12 In the financial year 2012/13 the Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS). The aim of the scheme is two fold; to incentivise councils to maximize their existing business rate income; and to grow their tax base, allowing them to retain a proportion of business rates income over and above the target level of what they would otherwise be expected to raise.
3.13 Each local authority that exceeds its individual non domestic rate income target will retain a half share of the additional rates income generated. Any local authority that does not reach their target will continue to be compensated by the Scottish Government (as they are now) up to the level of their non domestic rates distributable amount through increased general revenue grant.

3.14 Following a review of the original BRIS by a Joint Scottish Government / COSLA Review Group, it was agreed that the original scheme should be suspended and a revised scheme introduced in 2014/15. It has now been agreed that the revised BRIS should:

- be tightly focussed on incentivising growth in the business tax base by creating targets based on buoyancy alone;
- be based on 32 individual local rather than national targets to enable a closer correlation between local circumstances, actions and results;
- provide targets for more than one year at a time to match the local government finance settlements provided after each Spending Review;
- include a clear process of how targets are recalculated at the end of an agreed review period and the period of retention of any accrued benefits;
- have a clear, agreed, definition of a significant event expressed as a percentage change and incorporating the relevant cause e.g. business closures;
- not focus on collection figures given existing very high collection rates; and
- not change the current risk sharing arrangements e.g. no need to reach an overall national target.

3.15 The new scheme will allow councils to retain 50% of any rates income generated above the set buoyancy target for their area. For Stirling, the target is 1.2% for 2014/15 and 1.1% for 2015/16. The scheme will reward the work that councils may do to grow the presence of rate paying businesses in their areas.

3.16 At this stage, the financial element of the Business Plan does not include additional income from BRIS. Should the buoyancy targets be met, and a share of additional income be retained locally, this will be reported to the Council at an appropriate point.

**Balances Strategy**

3.17 In setting the budget for 2015/16, the Council needs to recognise that sufficient working balances will require to be set aside to meet any future unforeseen expenses over the life of the five-year Business Plan. This is of high importance given:-

- The continued outlook for the UK and Scottish public sector spending as a result of the continued austerity measures being implemented by the UK Government to address the record levels of government debt;
- The uncertainty over the local government settlement figures from the Scottish Government covering the period 2016/17 to 2019/20.
• The developing impact of welfare reform and the potential impact this might have on the Council’s customers;
• Potential pay pressures following a two year pay freeze within the Public Sector, followed by below-inflation annual pay increases; and
• Other cost pressures arising directly from rising prices or additional legislative burdens placed on the Council.

3.18 As agreed at the budget meeting on 20 February 2014, the Council has set a target of 2% to 2.5% of net revenue budget as uncommitted reserves on the General Fund, with the intention of ensuring that the Council can deal with unexpected and unplanned expenditure should the need arise.

3.19 In line with this approved strategy officers continue to monitor and examine the level of revenue balances. The most recent report to the Finance & Economy Committee on 29 January 2015 showed that the balances are currently forecast to be £6.6M, 3.2% of budget, and therefore slightly above the target range. The evaluation of the pressures for 2015/16 has shown that the risk assessed need for next year will be £1.2M, and it is recommended that a sum of £0.43M be transferred at the year-end from uncommitted balances and earmarked as a contribution to the existing Risk Fund balance to meet any potential cost pressures in-year that cannot be met from existing budgets. This will be brought to the Council for a decision early in the next financial year.

3.20 It is recommended that the target level of balances be maintained at between 2% and 2.5% of budget for the financial years 2015/16 to 2019/20.

3.21 The Council is required to comply with the requirements of the Prudential Code, and this includes the setting of a number of Prudential Indicators. Any resolution to set the Revenue Budget for 2015/16 should include the proposed set of Prudential Indicators.

**Summary Budget Position**

3.22 Based on the known spending commitments, government grant projections, Council Tax and other assumptions as set out in this report, the budget proposals being presented by officers for 2015/16 are summarised in the table below.

<table>
<thead>
<tr>
<th>Funding</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue Grant</td>
<td>121.098</td>
</tr>
<tr>
<td>Non Domestic Rates</td>
<td>46.939</td>
</tr>
<tr>
<td>Council Tax (assumes tax freeze)</td>
<td>40.669</td>
</tr>
<tr>
<td><strong>Total Funding</strong></td>
<td><strong>208.706</strong></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Projected Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Estimated Net Expenditure (see Appendix 1)</td>
</tr>
</tbody>
</table>

| Net Budget Surplus before savings proposals | (272) |
The proposed budget gaps for 2016/17 to 2019/20, using the financial information also set out in this report, are:-

- 2016/17  £4.836M in-year gap
- 2017/18  £5.735M in-year gap
- 2018/19  £5.699M in-year gap
- 2019/20  £5.237M in-year gap

3.23 Across the five-year planning period, therefore, the overall budget gap, prior to the approval of additional savings, is £21.235M. The summary position for the five-year period of the Business Plan is further set out in Appendix 1 of this report.

**Five-Year Business Plan**

3.24 Officers have developed a five-year Business Plan, setting out how services will be delivered in line with the Council's key priorities, and it includes budget projections that have already been set out in this report and which form the financial environment within which the Council will be operating over the medium-term period. The full five-year Business Plan is attached as Appendix 2 to this report and covers the period 2015/16 to 2019/20.

3.25 The rolling five-year Plan also identifies the different factors that impact on the development and delivery of services. It also outlines the activities and initiatives the Council plans to undertake to achieve our strategic vision for the Stirling area.

3.26 The Council has put in place a number of strategies and plans designed to support sustainable growth and diversification of Stirling’s economy, and deliver high-impact projects. Key to this will be the recently formed Stirling City Commission which will play a pivotal role in building on and progressing these goals to help position Stirling as a vibrant economic centre.

3.27 The Plan also provides an understanding of the future environment in which the Council is likely to operate because of social and demographic changes. This includes an aging population with people aged over 65 projected to increase significantly over the next ten years. Over the same period the 0-15 age group is also anticipated to increase, putting significant pressure on services.

3.28 It acknowledges our partners and customers with and to whom we deliver services each year. It also provides a service by service overview shaped by an operating model which is a mixed model to acknowledge that there are different ways to deliver services providing the opportunity to be innovative in how services are delivered and/or funding secured.

3.29 The five-year Business Plan will be reviewed every year and updated in line with changes in the Council’s priorities and any relevant external factors. It is supported by our priority-based approach to budgeting and a five-year strategic workforce plan. Progress on the delivery of the business plan will be regularly reported to the Council and relevant Committees and will form a key part of the Council’s public performance reporting from 2015/16 to 2019/20.
Workforce Plan

3.30 Officers have been developing the first iteration of a comprehensive Workforce Plan which sets out the current state of the Council’s workforce, the conditions that will shape the needs of the workforce in the coming years, and the proposed actions that will be necessary to respond to the changes facing the council. The Workforce Plan has recently been considered by the Corporate Management Team and is presented in Appendix 3.

3.31 The Workforce Plan is strategically aligned to the Five Year Business Plan and the Priority Based Budget (PBB). It captures the workforce implications of the Council’s ongoing process of transformation, providing information on the current workforce, and sets out a workforce strategy which seeks to ensure our workforce develops the capability of delivering on the objectives set out within the Business Plan.

Priority Based Budgeting Report

3.32 Appendix 4 to this report sets out the Priority Based Budgeting report that officers have been developing with our communities and stakeholders since September 2014. This report is a major piece of work which has been the product of a fundamental review in order to provide options to address the forecast budget gaps over the forthcoming five year period. The Priority Based Budgeting report has been subject to a high degree of community engagement and discussion has taken place at the following levels:-

- General public meetings
- Business breakfast meetings
- Direct consultation with stakeholder groups, e.g. young people’s interest groups.

3.33 The final Priority Based Budgeting report (Appendix 4) contains the summary proposals which are being recommended by officers, but there is also a detailed set of information that Members have been asked to consider as part of the decision-making process. A very comprehensive Communication & Community Engagement Report has been produced from the feedback from the above sessions, and from direct contact from individuals and groups. A clear commitment had been given that all suggestions made at the engagement sessions, or any requests for further information would be responded to, and this commitment has been met. The Communication & Community Engagement Report can be accessed at:

http://my.stirling.gov.uk/services/council-and-government/shapingstirling

3.34 The Communication & Community Engagement Report should be regarded as Appendix 5 to this report.

3.35 In addition, a full set of Equality Impact Assessment documents for the officer Priority Based Budgeting proposals can also be accessed, service by service, at:-

http://my.stirling.gov.uk/services/council-and-government/shapingstirling
3.36 The Priority Based Budgeting Equality Impact Assessment documents should be regarded as Appendix 6 to this report.

3.37 The Priority Based Budgeting report sets out the recommended options from officers, and Members are invited to bring forward by resolution options from the Priority Based Budgeting report, or such other options that Members may wish to identify, in order to address the budget position set out in paragraph 3.22.

**Fees & Charges for 2015/16**

3.38 Appendix 7 sets out the existing fees and charges structure for the financial year 2014/15, along with the proposed increases for 2015/16. Most charges have been increased according to the standard proposed increase of 3%, with any exceptions to this set out in Appendix 7. The setting of the budget for 2015/16 will require the schedule of charges for next year to be approved by the Council. Any budget resolution proposals will require to include the proposed increase to fees and charges.

### POLICY/RESOURCE IMPLICATIONS AND CONSULTATIONS

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<th>Policy Implications</th>
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<tbody>
<tr>
<td>Equality Impact Assessment</td>
<td>Yes</td>
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<tr>
<td>Strategic Environmental Assessment</td>
<td>No</td>
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<tr>
<td>Single Outcome Agreement</td>
<td>Yes</td>
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<td>Diversity (age, disability, gender, race, religion, sexual orientation)</td>
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<td>Sustainability (community, economic, environmental)</td>
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<td>Effect on Council’s greenhouse gas emissions</td>
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<td>Strategic/Service Plan</td>
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<td>Existing Policy or Strategy</td>
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<tr>
<th>Consultations</th>
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<tbody>
<tr>
<td>Internal or External Consultations</td>
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**Equality Impact Assessment**

4.1 A full set of EQIAs have been produced for the officer Priority Based Budgeting proposals (Appendix 6).

**Strategic Environmental Assessment**

4.2 The contents of this report were considered under the Council’s Strategic Environmental Assessment process and were assessed as not relevant for the purposes of Strategic Environmental Assessment.
Single Outcome Agreement

4.3 The Council’s budget strategy is wide ranging and the financial resources employed by the Council impact on all of the topics and themes of the Single Outcome Agreement. The budget strategy touches on all aspects of the Single Outcome Agreement in general.

Other Policy Implications

4.4 This report sets out the significant factors in building up a General Fund Revenue Budget for 2015/16 and a provisional budget for the following four years. Proposals to amend the projected surplus for 2015/16, and to start to address the projected gaps for the following four years, will require to be brought forward by resolution, and those proposals will have policy implications.

Resource Implications

4.5 The resource implications are contained within the body of this report and the appendices.

Consultations

4.6 Consultation has been carried out with Service Directors and their staff in building up these budget proposals, and the officer Priority Based Budgeting Report. The Priority Based Budgeting process has involved a very comprehensive community and stakeholder engagement process.

| The appropriate Convener(s), Vice-Convener(s), Portfolio Holder and Depute Portfolio Holder have been consulted on this report | ✅ NB |
| The Chief Executive/Director has been consulted on this report | ✅ JH |

5 BACKGROUND PAPERS


6  APPENDICES

6.1 Appendix 1 – Provisional Budget Scenario 2015/16 to 2019/20.

6.2 Appendix 2 – Five-year Business Plan.

6.3 Appendix 3 – Workforce Plan

6.4 Appendix 4 – Priority Based Budgeting Report.


6.7 Appendix 7 – Existing and proposed fees and charges structure.

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Telephone Number/E-mail</th>
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<tbody>
<tr>
<td>Jim Boyle</td>
<td>Chief Finance Officer</td>
<td>01786-233362</td>
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<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Gerard O’Sullivan</td>
<td>Director of Corporate Operations</td>
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Date 10 February 2015  Service Reference SC 19-2-15 Rev Bud and Determ of C Tax v4.doc.doc