

FOREWORD

In February 2015, our Council agreed our 3 year budget proposals. It was a budget that showed a clear determination to deliver on our priorities:

Building the local economy - including our 'Youth Guarantee'- a guarantee of a place in education, training or a job for every young person, within 4 months of them leaving school.

Providing the best start in life for our children - including new initiatives on Family Centres and school based Social Work provision, a School transport contingency fund, as well as an overall increase in the education budget.

Protecting our most vulnerable - including a new comprehensive Taxicard scheme, extra help for those with dementia, a commitment to becoming a Living Wage accredited employer, investment in our region's first ever Anti-Poverty Strategy as well as an overall increase in the Social Work budget.

It demonstrated our commitment to being **an inclusive council** - with a budget setting process that included comprehensive public consultation from public meetings across our region to online question and answer sessions.

The budget also set out proposals to deliver significant savings over the next three years. Taking what was seen by local government in Scotland as a 'worstcase' scenario of cuts in the grant to councils of 1.6% a year by the Scottish Government, our budget outlined how we would meet the challenge of saving £32m over three years on top of the £40m which had been saved in the previous four years.

However, in the single biggest attack on local council budgets in a generation, the Scottish Government has tripled the proposed percentage cut in our grant for 2016/17.

This document sets out a proposed framework for agreeing over the next three weeks how those significant additional savings will be achieved in a way that meets the demands imposed on our Council, but minimises the impact on jobs and protects as far as possible front-line services.

**Ronnie Nicholson, Leader,
Dumfries and Galloway Council**



SCALE OF THE BUDGET CHALLENGE

Our council anticipated making savings of £12.584 million during 2016/17. However, as a result of the Scottish Government's decision to cut the revenue grant to the Council by 4.5%, the revised savings requirement has now been identified as £21.193 million.

The extent to which local councils are being singled out for significant cuts by the Scottish Government is revealed by the fact that the UK Government settlement to the Scottish Government for 2016/17 has increased by £200 million.

The Scottish DEL (Departmental Expenditure Limit) has risen 0.7% in cash terms between 2015/16 and 2016/17. The Administration's view is that this increase is still insufficient as it is a real terms reduction when inflation is taken into account. However it is, nevertheless, a cash increase.

If the Council's settlement had moved in line with this increase, our Council would have received a cash increase of approximately £2 million rather than a £13.2 million cash reduction.

The previously identified £12.584 million savings requirement for 2015/16 would therefore have been reduced to £5.993 million as reflected below.

Impact of passing on the UK Government's budget increase

Savings Required as for 3 Year Budget Strategy	£12.584 million
Settlement Cash Increase	(£2.000 million)
Settlement Reduction Allowed For	(£4.591 million)
Revised Savings Requirement	£ 5.993 million
2016/17 Savings Already Agreed	(£8.162 million)
Potential 'Savings Surplus'	(£2.169 million)

In short, rather than having to seek additional savings, our Council would have been in a position to invest around £2m more in services or reduce the previously agreed savings by around £2m.

The Scottish Government has said it intends to "protect" other services such as health and policing ahead of local council services, utilising any additional funds from the UK Government. However, the reality is it has tax raising powers it could use to also protect local services. Choosing to cut services rather than modestly raising taxes is the very definition of austerity.

Unless there is a change of position by the Scottish Government when it sets its budget towards the end of February, the savings target we must achieve for 2016/17 will be £21.193 million.

In our three year budget proposals, £8.162 million of savings have already been agreed for 2016/17. This reduces the outstanding savings requirement to £13.031 million.

A review of the budget model and the recognition that a further £1.674m for Adult Services, which does not require to be funded by the Council, reduces this to £11.357m.



SCOTTISH GOVERNMENT DEMANDS

In addition to any budget proposal identifying an additional £11.357m of savings, there are specific requirements from the Scottish Government's which our Council is required to meet to receive the full grant allocation:

- Deliver a Council Tax Freeze for the 9th consecutive year
- Deliver "shared priorities" in relation to Health and Social Care
- Maintain a national pupil to teacher ratio of 13.7 numbers and secure places for all probationers who require one under the teacher induction scheme

The Scottish Government argues that certain figures are ring fenced within the settlement to meet these requirements, namely:

- £1.863 million to support the Council Tax Freeze (national total £70 Million) which equates to approx 3% on our Council Tax
- A total of approximately £2.7 million (national total £88 million) in relation to teacher numbers
- £7.6 million included in the NHS Dumfries and Galloway Settlement to support Social Care Services (national total £250 million)

Council Leaders are required to write to the Deputy First Minister by no later than 9 February 2016 in response to these requirements.

The letter setting out the terms of the settlement to the President of COSLA, copied to Council Leaders, from the Deputy First Minister, dated 27 January 2016, states:

"If in the event, a council that does sign up then does not deliver any of the remaining specific commitments on Council Tax Freeze, social care spend, including delivery of the £8.25 per hour Living Wage or national teacher targets then the Scottish Government reserves its position to take action to remove access to or recover that element of the additional funding support earmarked to deliver each of the remaining specific measures. This action will be proportionate and apply only to that element of the funding for a specific measure that a local authority subsequently does not deliver as set out in the paragraph above."

However, this is then contradicted by the Deputy First Minister in a letter to Moray Council, copied to all Council Leaders, dated 29 January 2016, which states:

"I can confirm that any Council that confirmed by 9 February that it signed up to the deal then a few days or weeks later reneged on that position, either at their council Budget setting meeting or through another measure, and subsequently increased their 2016-17 Council Tax levels, then I would judge that to have overturned their earlier position statement and I would deny them access to all of the money. It is an all encompassing deal to which they must sign up."

It is clear, therefore, that our Council needs to view the terms of the settlement as being part of an overall package. This means that if our Council does not agree to accept the full terms of the settlement, the combined penalty would be approximately £12.2 million (equivalent to around 20% on our Council Tax).



Delivering a Council Tax Freeze for the 9th year

The first requirement is to freeze the Council Tax for another year. The Scottish Government argues that this is funded. However, the funding of the Council Tax Freeze is not through the provision of additional funding. Rather, it represents the ring-fencing of local government funding which, even including the amount attributed to the Council Tax Freeze, has reduced in real terms over the period of the freeze and, in particular, has fallen sharply in real terms since financial year 2010/11 and will be cut in cash terms for 2016/17.

Put simply the argument that the Council Tax Freeze has been funded is based on the following logic. The Scottish Government gives a council say, £100 for services. But then says £10 of that is to freeze the Council Tax. The following year the Scottish Government gives the same council £90 and then says £10 is to freeze the Council Tax. The funding of the Council Tax Freeze isn't new money. It is simply taking some of the money the council was allocated for services to freeze the Council Tax—money that overall is being cut by the Scottish Government. Here in Dumfries and Galloway our funding from the Scottish Government has already fallen by 10.8% in real terms since 2010/11 before we factor in the further cuts for 2016/17.

When you remove the Council Tax Freeze funding (because it is to fund the freeze not extra money for services) our budget for services has fallen by 13.8% in real terms since 2010/11.

Dumfries and Galloway Council's share of the Council Tax Freeze "funding" from the Scottish Government is lower than every other mainland council. Rather than allocate funding fairly by distributing it based on the level of funding required by councils to provide a similar level of service, the Scottish Government allocated the funding based on the amounts through being unable to increase the Council Tax. This approach means that those councils with a high Council Tax level are rewarded with a higher share of the funding.

Dumfries and Galloway council, as the council with the lowest Council Tax on mainland Scotland (Band D £1,049 compared with national average of £1,149), is particularly underfunded through this approach receiving approx £1.863 million of the ring-fenced monies a year rather than £2.1 million a year which is the amount we would have received if our Council Tax was at the national average. We are now in the 9th year of the Council Tax Freeze and Dumfries and Galloway Council has received approximately £16.8 million of the ring fenced monies over that period but would have received £19.1 million if the monies had been distributed

based on the level of funding required by councils to provide similar levels of service.

If Council Tax levels had been raised by 2% a year (which is below the average annual level of inflation over the freeze period so not actually a real terms increase) since the freeze was implemented our Council Tax would be £1,254 providing an extra £12.3 million a year. Using 3%, the figures would be £1,367 - an extra £19.1 million a year.

Removing the freeze on Council Tax this year would, however, do little to dent the massive cuts being imposed on councils by Scottish Government. A 1% rise in Council Tax would raise about £620,000. To overcome those cuts there would need to be a rise in Council Tax of over 30%.

As the Scottish Government has indicated that it would cut a further £12.2m from our budget should there be a rise in Council Tax. This would mean a rise of 50% in Council Tax to overcome the total cuts we would face. **It is, therefore, clear that any budget proposal for 2016/17 will realistically have to meet the requirements of freezing the Council Tax.**



Teacher numbers

The Scottish Government has dropped its previous policy of demanding individual councils maintain existing teacher numbers. The previous policy resulted in our Council having an extra £303,000 cut from our education budget by the Scottish Government.

Despite the Scottish Government now recognising how unfair that policy had been in penalising our Council for the shortage of teachers caused by Government policy in failing to provide enough teacher training places, it is unlikely we will have the £303,000 "refunded".

The new requirement placed on Councils in relation to teacher numbers is to maintain the national pupil to teacher ratio at 13.7. Clearly such an ill-thought out requirement is one we have little control over as an individual council and cannot therefore commit to meeting it. If the target is met at a national level, sanctions will not be applied in relation to this requirement.

However, if the national target is not met, then sanctions are likely to be applied against those councils whose pupil to teacher ratio rises during the budget period. Our current pupil to teacher ratio is 12.7- the second lowest in mainland Scotland, whilst over 90% of councils have a ratio higher than this. Despite this, should the national ratio of 13.7 increase, the Scottish Government would sanction our council should our figure rise above 12.7, even if our ratio was well below every other council in Scotland. This exposes the educationally illiterate basis for Government policy. The Government argues that low pupil to teacher ratios are important. At the same time, however, it is prepared to

allow individual councils to continue to have a ratio above its own national maximum target of 13.7 but would penalise councils with a ratio well below this target for even a slight rise in the ratio.

Despite the lack of credibility in such a policy it is clear that the only way to avoid sanctions and more cuts in our education budget by the Scottish Government is to ensure that any budget proposals for 2016/17 build in a commitment to maintain a pupil: teacher ratio of 12.7 or below.



Social care funding

The Scottish Government has stated that the £250 million Social Care Funding of which NHS Dumfries and Galloway NHS will receive £7.6 million requires to be used as follows. £125 million (£3.8m for Dumfries and Galloway) should be used for additionality, including the impact of growth in demand as a consequence of demographic changes and to allow progress on charging thresholds for all non-residential services to address poverty.



The remaining £125 million (£3.8m for Dumfries and Galloway) is 'to help meet the range of cost pressures local authorities need to address in order to deliver effective health and social care services, including to offset the reduction in council budgets and the joint aspiration to make progress towards the living wage'. The requirement will be that all social care workers are paid £8.25 an hour from 1 October 2016.

As a Council, we are committed to rolling out the Living Wage. Indeed, despite opposition from some groups on the Council, including the SNP, the Administration's proposal to move towards Dumfries and Galloway Council becoming an accredited Living Wage employer was successful and we became the first council in Scotland to achieve such status. However, the reality is the £3.8m allocated by the Scottish Government is unlikely to cover the cost to care providers of paying a Living Wage of £8.25 an hour in a full year in Dumfries and Galloway never mind any knock on impact on providers of wage pressures caused by demands to maintain differentials. Unfortunately, the Scottish Government allocation of funding is on a straight percentage basis to each area and no recognition has been given to the fact that pay levels in Dumfries and Galloway are lower than most of the rest of Scotland. Therefore, it will cost more to meet the requirement.

The requirement of the Scottish Government is for the half year from October (which provides no support maintain differentials). It remains to be seen if any additional resources will be provided for 2017/18 when the requirement will be for a full year, no doubt at a higher level. There will also be a number of contractual and legal issues to overcome in seeking to implement such a requirement from providers by October.

Consequently, whilst any budget proposal cannot therefore provide guarantees that this requirement will be met, they should make a commitment to work with providers to deliver a Living Wage of £8.25 an hour from 1 October, ensuring that a fair and equitable distribution of resources is given to providers to achieve this.

Delivering the required savings

The 2016/17 savings requirement can, therefore, be summarised as:

	£m
Savings Requirement (as previously reported)	21.193
Adjustment in relation to Adult Services Upgrading	(1.674)
Savings Already Agreed	(8.162)
Further Savings to be Identified	11.357



Operational savings and efficiencies

When setting the 3 year budget last year, a clear commitment was made to continue to deliver efficiencies within our Council. As a result, a further £3.054m of operational savings and efficiencies have been identified by directors.

The table below summarises those options that will be achieved over the next 2 financial years (2016/17 and 2017/18), to contribute towards the annual savings requirement.

Operational savings and efficiencies	2016/17 £000	2017/18 £000
Communities – Housing – Scheme of Assistance	99	99
Children, Young People and Lifelong Learning – Central Balance – Devolved School Management (DSM)	150	150
Economy, Environment and Infrastructure- – Radio Maintenance – Hill top disposal	63	63
Corporate – ICT Efficiencies Education	80	125
Corporate – ICT Shared Service Opportunities – NHS DandG	10	40
Corporate – ICT Equipment and Maintenance	50	50
Corporate – Enhanced Early Retirement/Voluntary Severance	200	200
Corporate – Repairs and Servicing Budget Management	75	150
Corporate – DG Transform Recruitment Savings	75	75
Corporate – Maximising Attendance	125	125
Corporate – Postal Services	160	160
Corporate – Salary Sacrifice	96	96
Corporate – Increase Council Tax Base	400	400
Corporate – Loan Charges	700	700
Corporate – Council Tax Reduction Scheme	421	421
Corporate – ASL and other Education Savings Mitigation Provision	350	350
TOTAL Operational Savings and Efficiencies	3,054	3,204

Below is a description of each saving from Directors.

- 1 Scheme of Assistance** - Two private sector housing assistants' posts from main roles are primarily associated with the delivery of the Housing Scheme of Assistance. On this basis the salary costs of these individuals can be funded from the Council Tax 2nd Homes Discount funding, thus releasing their current core budget of £99k a year.
- 2 Devolved School management (DSM - Central Balance)** - In the past it has always been necessary to retain a modest level of DSM funding centrally to support unexpected pressures (such as long term absences). However, over the last two years the flexibility available to Head Teachers around managing supply cover for all staff budgets in Secondary has seen DSM budgets being managed on a much more prudent basis, lowering the risk of the need to inject additional central funding. On this basis it has been established that a reduction of £150k a year can be accommodated with no impact to School allocations.
- 3 Radio Maintenance – Hill top disposal** - Opportunities to outsource the radio hill sites to a 3rd party or agents are currently being progressed, which will allow the current budget provision of £63k to be released as a saving.
- 4 ICT Efficiencies Education** - As part of the Council's reshaping programme it has been identified that ICT Efficiencies can be generated through the consolidation of existing systems and the integration of ICT technicians currently based in Secondary Schools with Business and Technology Solutions staff. This will provide a more resilient and responsive support across the region for schools (both Primary and Secondary), community (library, customer service centres) and other council sites. Savings of £80k will be delivered in 2016/17, increasing up to £125k from 2017/18 onwards.
- 5 ICT Shared Service Opportunities** - The recent Health and Social Care Integration programme has highlighted that there are a number of areas where efficiencies can be made with NHS DandG through the implementation of shared data centres, email and telephony. Based on a completion date of December 2016 it is anticipated that savings of £10k will be delivered in 2016/17, increasing up to £40k a year from 2017/18.
- 6 ICT Equipment and Maintenance** - As a result of the current and planned further reduction in staffing and services it has been identified that the current budget provision for ICT Equipment (such as PCs, servers, etc.) and maintenance can be reduced by £50k a year.
- 7 Enhanced Early Retirement/Voluntary Severance (ERVS)** - Through improving the tools available to managers and employees, increased promotion of the ERVS programme and additional support and engagement with staff it is anticipated that there will be an increased staff interest in ERVS which will generate ongoing annual savings of £200k a year.
- 8 Repairs and Servicing Budget Management** - Through the centralisation of all repairs and maintenance budgets within Property and Architectural Services it is anticipated that savings of £75k in 2016/17, increasing up to £150k in 2017/18 will be delivered through improved control and prioritisation of expenditure. All repairs and maintenance requirements will be co-ordinated on a prioritised basis with spend carried out on a primarily planned basis, rather than the current reactive nature. In addition Servicing contracts will be reviewed to obtain better value for money.
- 9 DGTransform Recruitment Savings** - Through the re-skilling of existing employees it is anticipated that savings can be achieved through the redeployment of staff (as opposed to staff reduction through ERVS or voluntary redundancy) and a reduction in advertising costs. Through providing this alternative to employees that do not wish to leave the Council it is estimated that savings of £75k a year will be delivered (approx. 3 FTE).
- 10 Maximising Attendance** - Through reducing the level of sickness absence across the Council and minimising the level of replacement cover that is incurred by Services it is anticipated that savings of £125k a year will be delivered, equal to a 10% reduction in current replacement costs.
- 11 Postal Services** - Scottish Procurement has a framework agreement for the provision of postal services, which at present is only partially used by Dumfries and Galloway in relation to large mailings distributed by the Assessors. The use of this framework can be extended to ad-hoc and hybrid mail whereby items will be securely produced and entered into the Royal Mail network for delivery through a mail production site. The use of this facility will not only save postal charges, but there will also be a reduction in stationary costs, printer consumables and click charges etc. It is anticipated that the use of this facility will result in cashable savings of £160k a year (25% of current expenditure).
- 12 Salary Sacrifice** - A scheme to allow staff to purchase additional Annual Leave will be introduced, which based on an estimated take-up of 200 employees purchasing 5 days Annual Leave (1 week) would generate cashable savings of £96k a year.
- 13 Council Tax Base** - A review of Council Tax collection levels over the past 5 years has been carried out This identified that the budgeted level of Council Tax income can be increased by £400k a year from 2016/17, recognising continued high collection levels, particularly in relation to old debt (where a full bad debt provision is provided).
- 14 Loan Charges** - Although current treasury forecasts indicate that interest rates will increase at some point during 2016/17, it is anticipated that savings of £700k a year against the uprated budget will be achieved in the upcoming financial year.

15 Council Tax Reduction Scheme - When the Council Tax Reduction Scheme was introduced in April 2013, it was anticipated that there would be a budget pressure of approximately £421k a year, due to the funding previously made available by the DWP being reduced by 10%. This projected pressure was addressed through the 2013/14 Budget Process through the allocation of additional Council funding. As reported to the January meeting of the Policy and Resources Committee, a reduction in the number of individuals within Dumfries and Galloway entitled to receive this benefit means that this Council budget allocation is no longer required. The cost of the scheme will be wholly accommodated within the Scottish Government allocation.

16 ASL and other Education Savings Mitigation Provision - As a result of a review on the deliverability of ASL and other Education Savings, along with a review of school roll projections, there is confidence that Education can deliver the savings required for 2016/17 without the full use of the mitigation fund previously set aside. It is therefore anticipated that the £500k Policy Development allocation included within 2016/17 can be reduced by £350k to £150k a year.



Increased savings from service reviews

In addition to the operational savings and efficiencies highlighted above, a number of Service Reviews have identified increased savings over and above the amounts reflected in the agreed three year budget. The increased savings available through these Service Reviews if agreed would total £1,186k in 2016/17 and can be summarised as follows:-

Service Review	2016/17 £000	2017/18 £000
Council Reshaping – Management Savings (acceleration)	250	0
Community and Neighbourhood Services	350	451
Housing, Revenues, Benefits and Financial Advice	225	335
Education 2 – 18 Service Review (acceleration)	347	0
Debtors, Billing and Financial Control	14	14
TOTAL Increased Savings from Service Reviews	1,186	800

Below is an explanation of each additional saving provided by directors. The original target for each service review can be found in the three year budget document agreed by Full Council in February 2015. The full details of each service review are available in the reports made to the relevant committees noted in each explanation.

- 1 Council Reshaping – Management Savings** – At Full Council on 26 March 2015 Members agreed that, “*where it is practical to do so, we move to our new structure at an enhanced pace*”. Under this direction, it has been identified that £250k of savings currently included within the agreed budget for 2017/18 can be brought forward to 2016/17, through the acceleration of management reductions/ERVS applications.
- 2 Community and Neighbourhood Services** – At Community and Customer Services Committee on 15 December 2015, members were provided with details of potential savings options from the service review of Community and Neighbourhood Services. Based specifically on the recommended options detailed within the report totalling £587k in 2016/17 and £898k in 2017/18, additional savings of £350k in 2016/17, increasing to £451k in 2017/18 could be reflected within the Budget (as the current “target” savings reflected within the Agreed Budget are £237k in 2016/17, increasing up to £447k in 2017/18). The report to Committee provides options for a greater level of savings which members may also wish to consider further.
- 3 Housing, Revenues, Benefits and Financial Advice** – At Community and Customer Services Committee on 15 December 2015, members were provided with details of proposed savings options totalling £360k in 2016/17 and £767k in 2017/18 from the service review of Housing, Revenues, Benefits and Financial Advice. Following members’ discussion at Committee, the savings available in relation to option E (Review of NNDR discretionary relief) have been reviewed to ensure that there is no financial impact on Local Businesses as a result of the proposed changes, with the savings available confirmed as £35k in

2016/17 (previously £20k), increasing to £38k in 2017/18 (previously £69.5k). The impact of these amendments has been reflected in the above table of available savings. Should members agree to all of the recommended options detailed within the report, increased savings of £225k in 2016/17, rising to £335k in 2017/18 could be reflected within the Budget (as the current “target” savings reflected within the Agreed Budget are £150k in 2016/17, increasing up to £400k in 2017/18).

- 4 Education 2 – 18 Service Review** – At Education Committee on 21 January 2016 members were presented with proposed saving options totalling £1,877K (£477k higher than the “target” savings included within the 2016/17 Agreed Budget). Further to the report being presented to committee, it has now been confirmed that one of the savings options included in the committee report (Curricular Swimming £130k) should be removed as it would not deliver a net saving to the Council.

The increased savings available from this Service Review are £347k (£477k highlighted in the committee report less £130k Curricular Swimming). Should members agree to all of the remaining proposals detailed within the report, additional savings of £347k could be reflected within the Budget in 2016/17 (over and above the current “target” savings reflected within the Agreed Budget of £1,400k in 2016/17, increasing up to £1,900k in 2017/18).

- 5 Debtors, Billing and Financial Control** – At Policy and Resources Committee on 17 November 2015 members agreed savings options totalling £84k from the service review of Debtors, Billing and Financial control. As the “target” savings reflected within the Agreed Budget are only £70k, this decision has allowed additional savings of £14k a year to be included within the 2016/17 Budget.

Other possible savings options

In addition to the above, Council officers have set out some further savings options for councillors to consider. The table below summarises those options that could be achieved over the next two financial years (2016/17 and 2017/18), to contribute towards the annual savings requirement

Other possible savings options	2016/17 £000	2017/18 £000
Economy, Environment and Infrastructure - Capitalising Staff Costs	168	168
Economy, Environment and Infrastructure - Winter Service	390	390
Economy, Environment and Infrastructure - Reduced Funding - Public Transport	841	841
Economy, Environment and Infrastructure - Environmental health - Gull Control Project	35	35
Economy, Environment and Infrastructure - Removal of Taxicard scheme	151	151
Communities - Area Committee Discretionary Grant Funding	597	597
Communities - Third Sector Strategic Budget - Grant Funding	38	153
Communities - Attended Public Conveniences	45	90
Children, Young people and Lifelong learning - Autism Strategy	420	700
Children, Young people and Lifelong learning - Non-Residential Charging Policy	430	430
Children, Young people and Lifelong learning - Instrumental Instruction	570	570
Children, Young people and Lifelong learning - Review of Leisure Facility Provision	300	300
Children, Young people and Lifelong learning - Reduce Contribution to the joint NHS/DGC DG Health and Wellbeing	100	100
Corporate - Implementation of 36 hour week - Roads and Neighbourhoods	45	45
Corporate - Reduction in Overtime	453	453
Corporate - Long Service Awards	34	34
Corporate - Work Life Balance	249	249
Corporate - Depots and Industrial Buildings Asset Rationalisation	55	110
Corporate - Reduction in Policy Development Funding	740	740
TOTAL (possible additional savings options)	5,661	6,200

- 1 **Capitalising Staff Costs** - Transferring 3.6 Full Time Equivalent staff costs in the Economy, Environment and Infrastructure Department Strategic Projects team from the revenue budget to the capital budget, with the additional 0.6 FTE based within the Infrastructure and Transportation Services (managing and delivering the SWestrans Programme). This can be done as their work is on capital projects. The total saving would be £168k a year.
- 2 **Winter Service** - Reducing the primary gritting treatment routes length by 25% is anticipated to save 25% of these direct costs, approximately £300k. Removing the treatment of secondary routes is anticipated to save approximately £90k. The total saving would be £390k a year.
- 3 **Reduced Funding for Public Transport** - Reducing the £3.527m funding to transport agency SWestrans for the delivery of local bus services by £725k. It would be a matter for SWestrans to determine which bus services to reduce or cut. The second element of the saving would be reviewing the In-House Bus Fleet to save £96k by restricting local bus operations provided by the Council In-house Bus Fleet to those associated with the provision of school bus services. The total saving would be £841k a year.
- 4 **Environmental health - Gull Control Project**- Scrapping the proactive work to control and reduce the numbers of nesting gulls in and around Dumfries Town Centre in response to the nuisance and public safety issues that the behaviours and activities of these birds create. This is non statutory work (there is no legal requirement for it). The total saving would be £35k a year.
- 5 **Removal of Taxicard scheme** - The Council has for a number of years provided a "Taxicard" scheme for less able members of the community. This provides £100 annual credit to those eligible for the scheme, which can be used to buy taxi service from participating operators. Scrapping the scheme would save £151k a year.
- 6 **Area Committee Discretionary Grant funding** - Reducing by 50% the total funding available for Area Committee Discretionary Grants which are mostly to local organisations for project/events that meet pre-agreed criteria and help deliver on Council priorities. The total saving would be £597k a year.
- 7 **Third Sector Strategic Budget - Grant Funding** - Rolling over grants in 2016/17 with a 5% reduction in current funding to save £38k. Thereafter the proposal is to move to commissioned services to achieve a further saving in 2017/18 of 20%, to take the total savings to £153k.
- 8 **Attended Public Conveniences** - Currently 6 of the 36 public conveniences across the region are staffed. Standardising service at all attended Public Conveniences to unattended facilities will achieve a staff saving. In parallel with this, entrance fees will cease ensuring that access to public conveniences will be free across the region. The potential saving is £90k. Redeployment of staff may take some time. Therefore only 50% of the saving can be delivered in year 1.
- 9 **Autism Strategy**- There are currently 13 children with conditions on the Autism spectrum who are placed by either Education or Social Work in residential schools outside the region. If we were able to accommodate these children on either a full, part time or outreach basis within the region, we would not only improve the outcomes for these children, but also reduce cost. The total saving made by accommodating 5 children within the region is £700k but it is estimated that in the first year 3 children could be accommodated saving £420k
- 10 **Non-residential care charging policy** - Our Council Income disregard rates are exceptionally generous compared to other Local Authorities and to COSLA guidance (although this is currently under review). For Adults under 60, we disregard £50 a week more than current COSLA guidance and £38 a week more than the average rate applied by those other authorities who responded to a 2014 survey. We currently charge 1,250 service users a contribution to care. Total income is £1.1m which is only 3.4% of the cost of care to the Council. The proposal would mean that an additional 102 service users would be assessed as having an ability to pay. An estimated 404 current service users would see an increase in their charges. The total saving would be £430k a year.
- 11 **Instrumental Music Instruction** - This is a discretionary service and is additional to the music curriculum taught within the classroom. Option 1 would be to charge students £200 a year for Instrumental Instruction lessons. This would raise £88k if the previous savings from the Education service review are also taken. The current costs of providing the services equates to approximately £595 per pupil. Option 2 - Removing the whole service would save £570k a year.
- 12 **Review of Leisure Facility Provision** - This template provides options for savings in the Leisure and Sport Service based on streamlining management to save £70k, or to close a number of leisure facilities to save £300k. The facilities that would be closed under this proposal are Hillview Leisure Centre, Beechgrove Sports Centre, Newington Leisure Centre, Castle Douglas Swimming Pool and Stranraer Academy Swimming pool.
- 13 **Reduce Contribution to the joint NHS/Council Health and Wellbeing Team** - The Council currently contributes £456k including two permanent posts to the joint team. The total joint budget is £2,086,476. The proposed reduction of £100,000 from the Council is a 22% reduction in the Council's contribution to DG Health and Wellbeing and would result in the overall joint budget of £2,086,476 reducing by 5%.
- 14 **Implementation of 36 hour week- Roads and Neighbourhood Services** - Employees within Roads and Neighbourhood Services continue to work a 37 hours a week, with the additional 1 hour paid as single rate overtime. The 37 hour week affects some 172 FTE former manual workers. Through the application of the 36 hour working week total savings of around £89,000 are anticipated, with a saving of £45k in the first year to allow time for implementation.

- 15 Reduction in overtime** - The current budget for overtime is £1.6 million. A 25% reduction in overtime costs plus a reduction in the unit cost of overtime from time + a half to time + a third across Council services would save in the region of £453k a year.
- 16 Long service award** - Employees with 25 years' continuous service with the Council and predecessor bodies are eligible to receive a certificate and an award of £360. Scrapping the scheme would save £34k a year.
- 17 Work Life Balance** - On a voluntary basis non-teaching staff could opt to reduce working hours on a permanent basis with a guarantee that this would be approved and services would be required to manage the impact. If 100 employees opt to reduce hours by 0.5 day a week on a permanent basis (1.75% of workforce) this would save £249k a year.
- 18 Depots and Industrial Buildings Asset Rationalisation** - An overall reduction in the number of depots, warehouses and industrial premises, with related investment in the remaining assets, would improve use and increase occupancy of remaining space. The project could also result in sharing space with NHS Dumfries and Galloway and other public and third sector partners. It is estimated this could save £55k in year 1 rising to £100k in year 2.
- 19 Reduction in Policy Development Funding** - In recognition of the deterioration of the financial outlook and the need to review the affordability of services, a review of all existing policy development allocations has been conducted with a view to release funding, on a permanent basis from the overall policy development pot. This would save £740k a year from 2016/17.

Next steps

The options listed above highlight the scale of the cuts required to deliver a balanced budget. If all of these savings options were taken, together with the operational savings and efficiencies and additional savings from service reviews, the total savings would be £9.901 million in 2016/17. This would leave a shortfall of £1.456 million still to be identified. Members could set this balancing figure as the target for savings to be achieved by reducing further staffing costs. Options for further reductions in staffing costs are the subject of further discussions following the decision of the Policy and Resources Committee on 16 January that, given the likely impact of the local government finance settlement on Council services and staff, the Chief Executive should open formal discussions with the Joint Trade Unions on how the Council and staff sides can work together to mitigate the impact of budget cuts. Taken together, the above savings would, in effect, result in a balanced budget.

However, the Administration believes that a number of the savings options are not consistent with delivering our Council's priorities. Whilst it is inevitable that there will have to be savings that are unpalatable and will reduce services, we would wish to bring forward a number of alternative proposals currently being developed, which would allow us not only to deliver a balanced budget but remove some of the above options. We believe that these alternative proposals will better minimise the impact on jobs and better protect frontline services.

The Scottish Parliament does not set its budget until towards the end of February and we believe it is important to continue to urge the Scottish Government to review their decision to propose such significant cuts on local councils.

We also recognise that, whilst the Scottish Government has only set a one year budget, a full 3 year Government Spending Review will be carried out in 2016, providing indications of funding for the subsequent years 2017/18 – 2019/20. The impact of this on council funding is uncertain given the forthcoming election and the extent to which any future Government is prepared to use the new tax raising powers under the Scotland Bill. However, it is possible that there could be further significant funding reductions.

We therefore believe that when updating the agreed three year budget this year, members should not only put in place a balanced budget for 2016/17 but a budget process to start to identify further savings for future years.

Our Council has until 11 March to set a budget for 2016/17. However, the end of February is a more practical deadline.

PROPOSED RECOMMENDATIONS

- 1 **NOTE** that whilst the UK Government settlement to the Scottish Government for 2016/17 has risen by 0.7%, the settlement to local government from the Scottish Government has seen a cut in revenue funding of £350 million.
- 2 **NOTE** that the reduction in our revenue grant of 4.5% increases our anticipated savings for 2016/17 to £21.193 million.
- 3 **NOTE** the requirements from the Scottish Government that, in order to receive the full grant allocation, our Council must:
 - Deliver a Council Tax Freeze for the 9th consecutive year
 - Deliver “shared priorities” in relation to Health and Social Care
 - Maintain a national pupil to teacher ratio of 13.7 and secure places for all probationers who require one under the teacher induction scheme
- 4 **NOTE** that failure to accept the full terms of the settlement would lead to a combined penalty of a further £12.2 million cut in our budget (equivalent to an increase of around 20% on our Council Tax).
- 5 **AGREE**, therefore, that any budget proposals from Groups must meet the requirements of freezing the Council Tax, maintaining a pupil/teacher ratio in Dumfries and Galloway of 12.7 or below and commit to working with providers to deliver a Living Wage of £8.25 an hour from 1 October, ensuring that a fair and equitable distribution of resources is given to providers to achieve this.
- 6 **AGREE** to convene a meeting of Full Council on 29 February to consider any budgets that meet these requirements and which have been consulted on with the Head of Finance and Procurement by no later than 2 days before publication and 5 days before the budget setting meeting.
- 7 **AGREE** to consider any proposals for an updated budget setting process to facilitate the identification of further savings for future years.

