

The background of the slide features a large, faint, light blue outline of the City of Anchorage coat of arms. The coat of arms is a shield divided into four quadrants. The top-left quadrant shows a sailing ship on wavy lines representing water. The top-right quadrant shows a moose head facing left. The bottom-left quadrant shows a cross with a smaller cross in the center. The bottom-right quadrant shows an eagle with spread wings. Above the shield is a crown with four points, each topped with a flower. Below the shield is a banner with the text "ANNE FOR A".

Agenda Item 10

Revenue Budget 2018/19 & 2019/20

Title: Revenue Budget 2018/19 & 2019/20
Meeting: Falkirk Council
Date: 6 December 2017
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 This report presents a further step in the two year Revenue Budget process and updates Council on a wide range of Budget matters, including the identification of further Budget saving options by officers.
- 1.2 The Budget Business cases for both Falkirk Community Trust and the Integration Joint Board are also considered. This affords the Council the opportunity to give feedback to both organisations and should expedite final Budget positions for all the parties.
- 1.3 The report also offers Council the opportunity to take a provisional decision on the level of Council Tax for both 2018/19 and 2019/20. This would both help confirm how the Budget gaps can be managed and facilitate the logistics of Council Tax billing.

2. Recommendations

2.1 Council is asked to note:-

- (1) The Chancellor's Budget and the COSLA paper [Sections 4.1 & 4.2].
- (2) The increase in the 2018/19 Budget gap to £25m [Para. 4.3.1].
- (3) The preview of the Settlement [Section 4.4].
- (4) The update on Public Engagement [Section 4.5].
- (5) The status of Workforce matters [Section 4.8].

2.2 Council is invited to agree:-

- (1) The approach to finding £1.5m savings from External Organisations [Section 4.6].
- (2) The progression of further preparatory work and any necessary engagement for the additional officer savings options [Section 4.7].
- (3) The revised proposal for the Employment Training Unit to be progressed [Paras. 4.7.4/5].
- (4) If, at this meeting, it wishes to provisionally set a Council Tax Band D rate for 2018/19 and 2019/20 in terms of the scope to raise the tax by up to 3%, with the final decision taken at the February Budget meeting where all relevant information will be presented. [Section 4.9]
- (5) Any feedback it wishes to convey to the respective Boards with regard to the Budget submissions from:-
 - a. Falkirk Community Trust [Section 4.10]
 - b. Integration Joint Board [Section 4.11]

3. Background

- 3.1 A report on the Revenue Budget and Medium Term Financial Picture was considered by Council at its meeting on 28 June. Council agreed the progression of a two year Revenue Budget within the context of the new Corporate Plan and Council of the Future agenda.
- 3.2 That meeting of Council also agreed that the Member Budget Working Group be reconvened. In the interim the Group has met regularly.
- 3.3 At its meeting on 20 September, Council approved the Corporate Plan 2017-2022 and also considered a report on the Council of the Future.
- 3.4 The Executive, at its meeting on 17 October approved officer saving options for consultation with stakeholders. Executive also directed officers to identify further savings options for consideration and they are set out later in this report.

4. Considerations

4.1 UK Budget 22 November 2017

- 4.1.1. The Chancellor's Budget sets the broader economic and financial framework within which the Scottish Government will set their Budget on 14 December 2017. Having regard to that context the following paras highlight the main elements of the U.K. Budget.
- 4.1.2. The big picture position is that the UK economy (GDP) will grow at a slower rate than was previously forecast due to productivity remaining stubbornly low. This means reduced tax revenues and increased borrowing and also implies a long term downgrading in the level of public expenditure. The UK budget is forecast to get back into balance in the mid 2020's. Inflation is expected to soon return to its target of 2%.
- 4.1.3. The Barnett formula related consequentials amount to £2B through to 2020-21. Half of this relates to "financial transactions" which the Scottish Government cannot spend on frontline services and which has to be repaid to the UK Treasury. A further £0.5B is NHS related and may well be ring-fenced for this service in Scotland. Consequently, there may be little of this additional funding available to be distributed amongst other budget holders.
- 4.1.4. The Scottish Government Resource budget will increase in cash terms in 2018/19 by 0.7% which represents a real terms fall of 0.8%. The picture for Capital is much more positive with a cash terms increase in 2018/19 of 7.8%, equivalent to a 6.2% increase adjusted for inflation.
- 4.1.5. The Budget also announced significant concessions relating to Universal Credit which should help alleviate problems tenants and claimants have been experiencing. Important elements are a reduction in the waiting period for payments and making it easier for claimants to receive an advance payment.
- 4.1.6. The resolution of the VAT issue with Scottish Police and Fire Services will make extra resources available for these services.

4.2 COSLA paper – “Fair Funding for Essential Services”

4.2.1. COSLA has produced a paper which argues the case for improved local government grant funding and this is detailed at Annex 1.

The following are extracts:

- Just to stand still on current services, local government would need a revenue increase of £545m (5.7%) arising from inflation and demand.
- Overall funding has gone down by 8% in real terms between 2010/11 and 2017/18.
- The above shows the global picture for local government, but the reality has been a significant downward shift in funding for core services, with new additional resources being directed towards Scottish Government-led policies such as the extension of early learning and childcare, free school meals and Scottish Welfare Fund. These are valuable policies but undoubtedly create challenges for the rest of the budget.

4.2.2 The paper sets out particular “asks” in the forthcoming Scottish Budget and these are set out in the COSLA paper on the page headed, “What is Needed from the 2018/19 Budget”.

4.3 Council Budget Gaps

4.3.1. The report to October Executive (paragraph 4.3.1) noted that further pressures had emerged since the Budget Gaps in the Medium Term Financial Plan were presented to Council in June. These related to the removal of the pay cap, the Barclay review of non domestic rates and the non base-lining of the late 2017/18 revenue support grant adjustment. These factors drag the projected gaps away from the central scenario and towards the pessimistic scenario. For the purpose of the forthcoming two year Revenue Budget it would be prudent to adjust the 2018/19 gap from £22.4m to £25m. For the time being 2019/20 is retained at £16.4m, but this will be kept under watch as will the subsequent three years in the Medium Term Financial Plan.

4.3.2. The Accounts Commission has just published its Financial Overview 2016/17. The report states that Councils are facing financial stress and that it is important that savings are identified and reserves are managed carefully. A report on the Overview will be submitted to Executive in January.

4.3.3. As noted in the October Executive report, this inevitably necessitates the generation of further saving options. These are considered later in the report and an updated picture of how the Budget Gap may be addressed, reflecting these additional savings, is presented.

4.4 Local Government Financial Settlement

4.4.1. This is by far the biggest variable in the Council’s Budget and also the most significant area of uncertainty. That will in large measure be clarified when the Scottish Government Budget is delivered on 14 December.

- 4.4.2. Uncertainty still remains, however, as it is a minority Scottish Government and the Budget requires to be approved by the Scottish Parliament in the New Year. This was illustrated with the current year settlement where there was a very late, albeit benign, adjustment to the grant level.
- 4.4.3. Moreover, a detailed review of the Settlement figures is conducted by COSLA/Council Finance Officers over several weeks following the announcement and this frequently finds errors leading to adjustment in the figures.
- 4.4.4. Dialogue has, and continues to take place, between Scottish Government ministers and officials and COSLA on the Local Government Settlement consistent with the standard process. To date, there are no signals emerging which would cause the Council to adjust its central scenario on the level of grant reduction (i.e. c3%).
- 4.4.5. Particular areas that Councils will direct attention to are:
- Treatment of the late grant adjustment of £130m for 2017/18, which is currently not base-lined
 - Pay award assumptions and the extent, if any, of genuine grant support
 - The extent of ring-fencing of the grant
 - Restrictions re pupil/teacher ratios, council tax levels, budget allocation to the Integration Joint Board etc.
 - Any sanctions relating to the above
 - Treatment of Integration Joint Board grant
- 4.4.6. It is recognised that the Settlement has, over recent years become particularly complex and with evident scope to interpret the numbers in different ways which leads to confusion.
- 4.4.7. The clear expectation is that the Settlement will be for only one year which is unhelpful for medium term planning.
- 4.4.8. An assessment of the Settlement will be provided to Members at a Special meeting of Council in January.

4.5 Update on Public Engagement

- 4.5.1. The first tranche of savings options identified by officers were approved for public engagement at October Executive. The feedback received to date is summarised in the following paragraphs:
- 4.5.2. The budget consultation has been available online since 18 October 2017. To date there have been almost 4,729 page views by the public and over 272 comments have been received. Whilst there are 272 comments each one can include multiple statements on each budget proposal. It would seem appropriate to place the scale of this response in the context of the wider population. The main comments for each Service are set out below.

4.5.3. Children's Services

Similar to last year most of the feedback received and the majority of comments relate to Children's Services proposals with 163 comments on a small number of budget proposals. The proposals which have generated the most feedback are detailed below:

- Breakfast clubs – cease provision 19%
- Children with Disabilities Team – Summer and Easter activity programmes 18%
- CL&D – Cease/reduce provision 12%
- Secondary Senior Phase – reduced curriculum subject choices 9%
- Support for Learning Assistants – restructure core working week 7%
- Home to School Transport 6%

The feedback received from members of the public and service users was in general not supportive about withdrawing/reducing services and highlight the impact these would have on children and young people across the Falkirk Council area.

4.5.4. Development Services

There were 44 responses commenting on the savings options put forward for Development Services. Many respondents commented on multiple savings options.

30% commented on the removal of Christmas lights with 11% supporting the proposal and 18% opposing it. 25% commented on charging for brown bins with 7% of all respondents supporting the saving and 18% opposing it. 20%, were about charging for special uplifts, mostly opposing the charge. 18% about reducing the opening hours at the household waste recycling centres with most agreeing. 18% commented extensively on the proposals to reduce or close the employment training unit, with 7 people opposing any change and 1 supporting provision of this function by other services. 11% of comments were supporting new parking charges at station car parks with 5% against. Comments were also received, in smaller numbers, opposing the reduction and /or removal of subsidised bus services, school crossing patrols, support for businesses (especially support for tourism), pest control, community safety and bedding flowers. Several respondents proposed alternative ways of delivering services. For example, giving responsibility to community groups or other bodies for the provision of Christmas lights, litter clean ups, bedding plants and hanging baskets.

4.5.5. Corporate & Housing

There were 85 comments received on savings proposed by Corporate and Housing Services. The proposals generating the most feedback were reduce/stop number of editions of Falkirk Council News, E-billing postal saving, reduce call handling in Contact Centre and remove 10% second homes discount. Comments were generally in favour of these proposals. A small number of responses opposed the CCTV, stopping support for discipline and capability cases, stopping retrospective disclosure and PVG checks and stopping support for redeployment proposals. 25% of the total comments received disagreed with the savings options, however there was no large number for any specific proposal.

4.5.6. The Equality and Poverty Impact Assessment (EPIA) process, which looks at the impact of specific budget savings proposals, is in progress. In a number of instances, individual savings will require their own, separate and detailed consultation exercise with service users, providers and others who may be affected by the proposals. The purpose of these engagements will be to determine whether any adverse impacts resulting from proposals are likely, and, if so, can they be mitigated. The Council's poverty strategy is taken into consideration during this process. These more detailed exercises are being carried out by the appropriate Service. Where comments have been received on the website on specific budget proposals, these have been passed to the relevant service for consideration. The completed EPIAs will be available for Members' consideration in the new year.

4.5.7. Engagement has taken place with Community Councils and Parent Councils.

4.5.8. The Trust and IJB have their own arrangements for consultation and engagement.

4.6 External Organisations

4.6.1. The Gap Statement appended to the report to October Executive showed a savings option of an aggregate sum of £1.5m in 2018/19 to be sourced from the range of grants to External Organisations. This section sets out how this might be achieved.

4.6.2. The Council funds a number of external organisations through grant funding. Annually this amounts to approximately £3.5m per annum. This total has been reducing slightly over a number of years due to savings being achieved but also due to some funding moving to the Integration Joint Board. Each year services are asked to identify savings in their funding to external organisations. While last year a number of savings were identified some of these were delayed until next financial year with a one year grant agreed at Council in February 2017.

4.6.3. Two years ago Council agreed that a strategic review of external funding should be undertaken with a view to identifying savings across all organisations that the Council funds. This review looked at the spend against all organisations, identified the purpose of funding groups of organisations and allocated each organisation to a priority.

The priorities are as follows:

- Critical and essential services – the sole provider of statutory services i.e. they provide statutory services on behalf of the Council.
- Critical services that if withdrawn would cost the Council more to provide the equivalent.
- Essential services that contribute to early intervention and prevention.
- Valued service but not essential.

The basis for this is to recognise that all services are valued by the recipients of those services and indeed the services they work with but there is an issue of affordability that the Council must consider.

- 4.6.4. The review then looked at how savings could be achieved. Previously savings have been allocated to organisations by virtue of their priority, their capacity to absorb those savings or by their ability to attract other funding. In some instances a funding decision has been taken on the basis that it might be more appropriate that another organisation funds the activity under question.
- 4.6.5. This year officers have been asked to consider how £1.5m of savings from external organisations might be achieved. Monitoring officers have been asked to engage with all organisations to advise them that savings will be sought, to determine the capacity for each organisation to deliver substantial savings or attract alternative funding and to undertake an initial equality and poverty impact assessment to identify who and how specific groups would be impacted by such savings. The purpose of such assessments is not to measure the impact on the organisation but the people they deliver services to.
- 4.6.6. Given the level of savings we are seeking to achieve from this budget, we cannot just look at % cuts across the board. We need to look at stopping funding to some organisations and, with others, work to deliver very different services with less resources over the coming years. Discussions with external organisations will continue over the coming months in this regard.
- 4.6.7. In addition, Scrutiny Committee (External) will have before budget day in February had a report on all organisations the Council funds over £10,000. This will give Members more information on what each organisation is delivering this year and following the review of reporting arrangements, should outline how services can continue in the absence of Council funding, if at all.

4.7 Additional Officer Savings Options

- 4.7.1. As already noted in this report, flowing from the Budget report in October, Executive instructed officers to identify further savings options.
- 4.7.2. The following table summarises £10.7m of additional officer savings over the two years. At Annex 2 are more detailed templates in the same format as used for the initial tranche of savings in October, for these options that are not classified as rebasing.

Description	Budget 2018/19 £000	Budget 2019/20 £000	Total £000	Comments
Falkirk Community Trust		2,000	2,000	The Trust recognised in its 3 year Business Plan Approach that there was a potential for their subsidy to be significantly reduced. The proposal if for year 2, so there is time to prepare.
General Inflation*	2,000	1,700	3,700	Services will simply need to manage within their budgets, which would be cash limited to this extent.
Building Cleaning	500	500	1,000	Children's Services to determine how this can be achieved and the staffing impact
Teachers	70	600	670	Reflects reduction in Teachers flowing from adjustment of the DSM formula
Teachers – Demographics*	250	350	600	Removal of growth in pupil numbers relating to new build
Municipal Buildings - Canteen	30		30	Close MB Canteen
School Meals	162	106	268	Additional income from increasing charges to cover more of the costs incurred. Price increase to £2.45 (currently £2.05) would achieve c£268k. Full meal cost recovery (£2.70) would potentially achieve £450k, building in a 20% reduction in demand
Abbotsford House*	200		200	Rebasing temporary adjustment pending HQ project
Professional Fees*	150	150	300	Reduce revenue costs by fully recharging costs to Capital & HRA
Application of Reserves		2,000	2,000	Will increase 2020/21 deficit by this amount
Smart Working/Travel	-200	-100	-300	Rebasing of savings assessment. Reduce to £50k in both years and keep under review
20% Reduction in overtime*	200	0	200	
Income and Commercialisation	?	?	?	Under active consideration
	3,362	7,306	10,668	

*Included in GAP Statement at Annex 3 under rebasing

- 4.7.3. The Budget Gap statement (Annex 3) sets out the main sources whereby the gaps may be bridged and now includes the above savings. This shows for both years that the aggregate of options now exceed the projected gaps. Nevertheless, this headroom is not large and very difficult decisions on these options will be required to achieve a balanced budget. The application of the £2m of reserves in 2019/20 has the effect of increasing the Budget Gap in the subsequent year by the same amount i.e. from £15.8m to £17.8m.
- 4.7.4. The updated position now also reflects a revised proposition for the Employment Training Unit related to the options submitted in the October report to the Executive. Savings option DV34 had indicated the potential closure of the unit as a consequence of this being a non-statutory area of service. However, the unit has recently been successful in achieving the award of a contract for delivery of 'Fair Start', a programme for delivery of national employability support devolved recently to the Scottish Government.
- 4.7.5. The attraction of these new funds and re-calibration of the funding model operated by the unit enables the delivery of this contract while maintaining the staff complement within the ETU and delivering savings to the Council totalling £368k in 2018/19 and £206k in 2019/20. The proposal has a knock-on effect for match funding supplied via the Council's Fairer Falkirk fund, requiring that

£450k be provided from that fund in 2018/19 and £350k in 2019/20. Revised templates for DV34 and CHS011 (Fairer Falkirk) are attached at Annex 2.

4.8 Workforce

4.8.1. Members will be aware that, depending on which budget options are agreed by Council in February 2018, there are potential workforce reductions of more than 250 FTE.

4.8.2. Work continues to be undertaken on workforce changes, with a view to implementing any options agreed by Members and which impact on the workforce, by voluntary methods, as far as possible. This will be done through a variety of means such as:

- Where posts become vacant, subsequently deleting these where possible and in line with saving options;
- Ending temporary contracts;
- Monitoring vacancy management;
- Using any other voluntary method that can be agreed with the employee group;
- Offering voluntary severance.

4.8.3. Work has also been undertaken to ensure the Council's workforce and its Trade Unions are aware of the options presented to Members and have the opportunity to submit feedback on these. This includes:

- Budget briefings for Trade Unions by Directors on the options contained in the October report to the Executive;
- Tripartite meeting with Trade Unions to explain the decisions made by the Executive. A further Tripartite is planned for December;
- Further informal discussions with Trade Unions to encourage feedback;
- A VLOG by the Chief Executive for employees to explain the decisions made by the Executive;
- Briefing by Managers for employees working in areas potentially affected by the options to ensure an understanding of these and to encourage feedback. During these briefings, employees were also reminded that they have the option to apply for voluntary severance or to seek redeployment if this is of interest to them.

4.8.4. Employees have been provided with the opportunity to feed back comments to relevant managers within their Service. In addition, and some employees have taken up this option, they can submit their comments through the on-line consultation process. This can be done anonymously so it is not possible to determine how many of the comments are specifically from employees.

4.8.5. Work will continue to be undertaken to monitor the impact on the workforce and to engage with both Trade Unions and employees to ensure they are kept up to date with developments on the budget strategy.

4.9 Council Tax

- 4.9.1. A 3% increase in Council Tax, combined with the forecast growth in property numbers, would see the 2018/19 yield grow by over £2.5m from the 2017/18 forecast out-turn. This could take the total yield up to around £63.6m. The table below shows the incremental impact of a range of potential increases.

Increase (%age)	2017/18 Out-turn	Forecast Growth	Increased Yield	Total Increase	Total Yield
	£'000	£'000	£'000	£'000	£'000
0.00%	61,100	700	0	700	61,800
0.50%			309	1,009	62,109
1.00%			618	1,318	62,418
1.50%			927	1,627	62,727
2.00%			1,236	1,936	63,036
2.50%			1,545	2,245	63,345
3.00%			1,854	2,554	63,654

- 4.9.2. If maximum 3% increase is applied the Band D charge would rise from £1,102 to £1,135. With this rise we would remain comfortably below the Scottish average Band D charge, which was £1,162 for 2017/18. Council should note that the Budget gaps in Section 4.3 already reflect a 3% increase in the tax.

- 4.9.3. The table below shows the impact of the 3% increase on each property band.

Band	2017/18 Charge	2018/19 Proposed Charge	Potential Increase
A	£734.67	£756.67	£22.00
B	£857.11	£882.78	£25.67
C	£979.56	£1,008.89	£29.33
D	£1,102.00	£1,135.00	£33.00
E	£1,447.91	£1,491.26	£43.36
F	£1,790.75	£1,844.38	£53.63
G	£2,158.08	£2,222.71	£64.63
H	£2,699.90	£2,780.75	£80.85

- 4.9.4. Households in receipt of Council Tax Reduction will be protected from the increase.
- 4.9.5. A provisional decision on the level of council tax would facilitate effective billing in early March to all households. This would help ensure that 2018/19 Council Tax bills can be calculated to reflect any increase and mailed out to both meet statutory obligations and afford council taxpayers adequate advance notification of the new charges.

4.10 Falkirk Community Trust – Business Plan

4.10.1. The Funding Agreement between the Council and Falkirk Community Trust (the Trust) requires that the Trust submit a draft business plan for the following year for approval by the Council. The Trust has duly complied and appended to this report are the following detailed documents:-

- Cover letter from Trust Chief Executive
- Report from the Trust summarising their submission
- Income Growth Project Summaries (Appendix 1)
- Service Efficiencies and Reductions Proposals 2018/19 (Appendix 2)
- Equality & Poverty Impact Assessment (Appendix 3)
- Fees and Charges Proposals 2018/19 (Appendix 4)
- Capital Proposals 2018/19 (Appendix 5)
- Draft Helix Business Plan 2018-2019 (Appendix 6)

4.10.2. There is provision in the Funding Agreement between the Council and the Trust for the parties to have an initial dialogue in relation to the proposals in the draft Business Plans prior to final approval. The Council may request further information from the Trust and propose amendments in relation to the Trust's funding commitment and service specification. The Trust will consider these requests and proposals and may, as a result of this process, adjust the Business Plans. The purposes of this report are twofold. Firstly, to provide an overview of the draft Business Plans. Secondly, to allow Members to discuss the proposals in the draft Business Plans with a view to, if Members are so inclined, seeking additional information from the Trust and/or requesting the Trust to consider proposed amendments to the draft Business Plans prior to further consideration of the draft Business Plans at the Council Budget meeting in February.

4.10.3. Last year the Council agreed to the Trust's 3 Year Business Strategy which involved new and more intense community engagement which would sit alongside the Council's wider Community Empowerment agenda and lead to new ways of developing, managing and delivering all aspects of culture and sport. Although this approach required time to implement it offered the potential of greater savings in subsequent years to help bridge the Council's Budget Gaps.

4.10.4. The Trust's savings proposals for 2018/19 are summarised below:-

	<u>£'000</u>
Income generation	744
Efficiencies	100
Service Reductions	711
	<hr/>
	1,555
Application of Reserves	245
	<hr/>
	1,800

4.10.5. The approach to income generation is in line with the Trust's Business Strategy, with project groups established to develop income growth plans covering a three year period from April 2018 to March 2021. The projects are detailed in their Appendix 1. The efficiency savings of £100,000 relate to staff turnover and the Trust is comfortable that this can be achieved with minimal disruption to frontline services.

- 4.10.6. Given the scale of the savings required, the Trust's proposals also contain service reductions including facility withdrawals. The Trust has provided information on the properties concerned and this is set out in their Appendix 2. Members are reminded that these facilities are presently leased to the Trust by the Council under leases with a rental of £1 per annum, if asked for. If these properties were to be closed the Council and the Trust would require to consider the options available including the potential for alternative use, mothballing, demolition and disposal. Each approach has costs, benefits and limitations which would require to be assessed in the context of the Council's wider strategic review of property. Practical, financial, legal and operational issues would need to be looked at in detail as well as the regulatory frameworks such as planning. Initial considerations and information is provided below.
- 4.10.7. Ultimately, should the Trust stop service provision and return a facility to the Council, financial consequences would be created through the loss of rates relief, along with on-going operating and maintenance costs. For the proposed closures, the effect on the net savings proposed by the Trust of potential loss of rates relief is detailed in the following table:-

Facility	Proposed Savings £'000	Rates Relief** £'000	Adjusted Savings £'000
Hallglen Sports Centre	60	42	18
Denny Football Centre	38	34	4
Snowsports Centre	104	-	104
Grangemouth Golf Course	94	-	94
Closure of Two Libraries	330	tbc*	tbc*
Total	626	tbc	tbc
*Rates relief for the libraries ranges from £1,375 for Slammanan to £56,580 for Falkirk.			
**The Barclay review may result in loss of all rates relief for Trusts, but probably not until 2020. See para 4.10.16.			

- 4.10.8. It is important to consider the proposed closures contained in the Trust business plan in the context of the Council's strategic property review. The first phase of the review identified an overall performance rating and recommendations for each Council property. The second phase of this review commenced following the Council meeting in June 2017. The proposals suggested by the Trust need to be considered in the context of work underway to assess locality requirements and to maximise the potential for sharing accommodation, e.g. with schools. It is suggested that each of the proposals identified by the Trust be considered further via the Strategic Property Review Working Group with a view to giving recommendations for the Council to consider in its budget paper in February. The titles for the properties concerned will also require to be checked by Legal Services to assess the position in terms of any burdens or restrictions. Meantime the following commentary is supplied in regard to the options for closure presented by the Trust:

Hallglen Sports Centre

- 4.10.9. The Centre is considered no longer 'fit for purpose' by the Trust. It is in need of significant investment in plant and equipment and the internal fabric of the building is also in need of major refurbishment. Development Services has advised that a minimum of £300,000 is required to return this facility to an operational state. Its current level of usage is low. An agreement is in place with the Church of Scotland enabling them to use part of the premises and this would need to be reflected in any consideration of alternative proposals for the building/site.

Denny Football Centre

- 4.10.10. This facility comprises the former games hall of the old Denny High School and was established as a standalone, serviced facility following the demolition of the rest of the old school. The venue is not in the best possible location and the fabric of the building is in a poor condition. An internal artificial surface pitch was fitted 3 years ago and is still in use. There are two external grass pitches also in use by local teams. While there may be interest within the local community in terms of taking on responsibility for the management and operation of the facility, any such arrangement would require agreement in appropriate terms. Consideration of the effects on delivery of the wider disposal and redevelopment of the site will also be necessary.

Polmonthill Snowsports Centre

- 4.10.11. The Trust suggest that skiing serves a small section of the community, however withdrawal from this facility would remove a facility. The facility is in need of upgrade and other options are available in the Central Belt.

Grangemouth Golf Course

- 4.10.12. This proposal would affect the operations of the golf course and the pavilion (the pavilion is leased by Grangemouth Golf Club with their accommodation being located on the first floor and part of the ground floor). The course has seen recent improvements which have resulted in increased usage. If the Trust withdraw from the course the club may need to consider its capacity to sustain activities. The Trust advise that several commercial golf courses exist in the wider Forth Valley area to which existing customers might transfer. The Trust also suggests that the implications of closure of the golf course and ski centre should be considered together as they share the same site and that options involving commercial operators or community transfer should be examined.

Closure of two Libraries

- 4.10.13. The Council has a statutory obligation to ensure that an adequate level of library provision is provided. The Trust currently operates 8 libraries across the Falkirk area. Co-location may be possible with other Trust or Council services and this will be considered as part of the Strategic Property Review. At this stage, the Trust has not provided a clear recommendation as to which two libraries should close. Consideration of various factors is necessary including asset condition, town centre regeneration, poverty and usage and these will present different options. The papers provided by the Trust note the factors to be applied and they will require further consultation with the Council and other stakeholders before deciding which libraries would be affected.

- 4.10.14. The Trust's submission also includes Capital Programme proposals totalling £0.620m (Appendix 5) and the Helix Business Plan 2018-19 (Appendix 6). The Trust highlights the importance of making these investments in order to maintain its assets and enhance the capacity for income generation.
- 4.10.15. Council's attention is drawn to section 4.7 and the savings option presented therein of seeking a further saving of £2m from the Trust in year 2. This, added to the existing £1.5m would represent a very significant reduction in the Council's subsidy. This would, by definition, require a fundamental review of the Trust's configuration of service delivery, its use of assets and the intervening time would be needed to plan for this.
- 4.10.16. The Scottish Government is expected to announce its decision on the Barclay review of non-domestic rates in the budget on 14th December. Loss of relief on the Trust's properties would increase the rates bill by £1.2m and would be a further trigger for a review of service delivery.

4.11 Integration Joint Board (IJB) – Business Plan

- 4.11.1. The IJB's Business Plan is not being considered by their Board until 1 December 2017. This means that recognising due and proper governance process their proposals are not available to be contained within this report and as part of the main agenda. The intention is, however, to submit the relevant papers as a supplementary agenda immediately after the Board's 1 December meeting.

4.12 Next Steps

- 4.12.1. As already noted the Scottish Government Budget together with the Local Government Settlement will be announced on 14 December 2017.
- 4.12.2. A Special meeting of Council is to be organised in January. This will include details of the above. The opportunity is also being taken to decouple the HRA Rents and Capital reports from the main Budget report in February. This will afford Members more opportunity to consider these significant elements. Moreover, the early decision on Rents will facilitate the billing process.
- 4.12.3. It is anticipated further meetings of the Member Budget Working Group will take place to consider all of the above as well as the draft General Services Capital Programme.
- 4.12.4. A meeting of the Strategic Property Review Working group will consider the asset implications of savings options, including those suggested by the Trust.
- 4.12.5. An updated 2017/18 Revenue Budget projection together with the Reserves status will be submitted to Executive in January. This serves as a helpful backcloth to the subsequent consideration of the future Revenue Budget.
- 4.12.6. Council will meet on 21 February 2018 to agree a balanced Revenue Budget, fix a council tax level for 2018/19 and approve a General Services Capital Programme.
- 4.12.7. Officers have an outstanding remit to progress the Medium Term Financial Plan. This requires the options and means by which the projected Budget

Gaps aggregate of c£40m in years 3-5 will be addressed. It is anticipated a report will be brought before Members by the end of the financial year.

5. Consultation

- 5.1 Engagement will be conducted with stakeholders as the Budget process progresses.

6. Implications

Financial

- 6.1 Preparation of a balanced Budget and compliance with it thereafter is a cornerstone of the Council's corporate governance obligations.

Resources

- 6.2 There are significant resources required to prepare the Budget and the ultimate Budget decisions taken by Members will of themselves impact on resources.

Legal

- 6.3 No legal implications arise from the report recommendations, other than to note that it is a legal requirement to set a balanced Budget before the statutory deadline date in March (albeit it is not invalid merely because it is set on or after that date).

Risk

- 6.4 There are no particular risk implications arising from this report.

Equalities

- 6.5 Preparation of Equality & Poverty Impact Assessments (EPIAs) are an integral part of the Budget process.

Sustainability/Environmental Impact

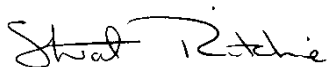
- 6.6 This will be considered as part of the evaluation of savings options.

7. Conclusions

- 7.1 This report represents another milestone in the preparation of the 2018/19 and 2019/20 Budget and has directed attention to a range of important elements:-

- (1) The backcloth of the Autumn Budget and COSLA's case for resources for local government
- (2) An updated Budget gap estimate for 2018/19
- (3) A preview of the Settlement
- (4) An update on Public Engagement
- (5) The proposed approach for External Organisation's savings
- (6) Further officer savings options of £10.6m over the two years
- (7) An update on Workforce matters
- (8) Proposal to provisionally fix the Council Tax
- (9) Business Plans for Falkirk Community Trust and the Integration Joint Board [the latter by separate cover]

- 7.2 It is clear, and this has been highlighted throughout the Budget process, that Council will require to take very difficult decisions at the Budget meeting in February. It is also clear that many of the savings options identified to date by officers will need to be accepted for a balanced Budget to be achieved. Members should also bear in mind in assessing these options, that the Medium Term Financial Plan projects a need for a further £40m to be found in years 3-5.
- 7.3 The information contained in this report, and this has previously been stated, makes evident that the shape of the Council in terms of its size, range of services it delivers and how these services will be delivered, will need to radically change.
- 7.4 It is emphasised that there is a very compressed period from the date of this meeting, also noting the Festive period closure, before the Budget report will need to be assembled for the Budget meeting in February.
- 7.5 A further report will be submitted to a special meeting of Council in January.



Director of Corporate & Housing Services

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Date: 24 November 2017

Appendices

- Annex 1 – COSLA Paper – 'Fair Funding for Essential Services'
- Annex 2 – Additional Savings Templates
- Annex 3 – Budget Gap Statement
- Annex 4 – Falkirk Community Trust – (As per para 4.10.1)

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

- Budget Working Papers

Fair Funding for Essential Services

We all need local government



Local Government is Essential

Local government is democratically elected and provides a breadth of essential services to Scotland's communities which:

- support and protect all in our society;
- tackle inequalities;
- promote a fairer Scotland through inclusive growth.

Local government creates opportunities for every citizen which strengthens communities.

Local government is a key economic driver:

- Employing 10% of Scotland's workforce
- Procuring £6.3bn of goods

How is this done?



£9,640m

2017/18 Revenue
Funding from Scottish
Government



£2,075m

2017/18 Council
Tax from Citizens



£787m

2017/18 Infrastructure
(Capital) Funding



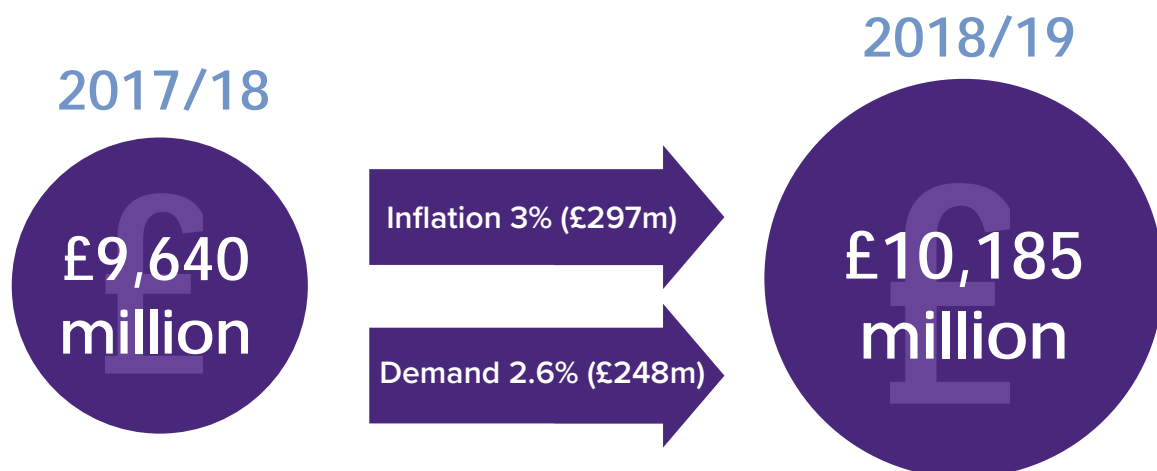
244,300

Employees

In the 2018-19 budget there must be a fair settlement for local government.

What local government needs in 2018/19

Just to stand still on current services, local government would need a **revenue increase of £545m, 5.7%** arising from inflation and demand.



Note: 2017/18 Revenue figure taken from the Scottish Government's local government finance circular 1/2017

Story So Far...

Recent settlements have been very challenging. The Accounts Commission said in their Local Government in Scotland Performance and Challenge 2017 report:

"Councils have faced significant challenges from a long-term decline in revenue funding and from an ageing population. The scale of these challenges continues to grow. Policy and Legislative changes are also placing additional demands on councils and changing how councils work."

In 2012, COSLA undertook a significant piece of work recognising the demographic and inflationary pressures, and called for a review of policy. This did not happen.

Overall funding has gone down

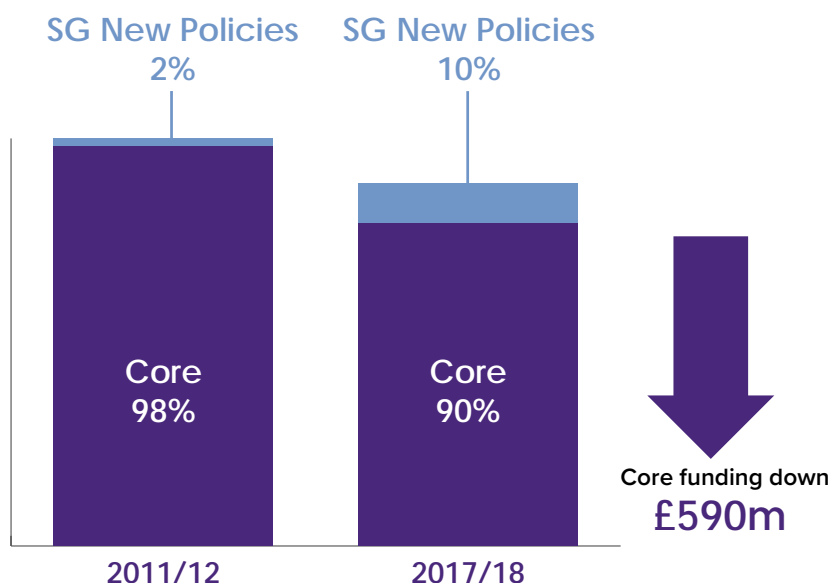
Between 2010-11 and 2017-18:



Source: SPICe Briefing = Local Government Finance: facts and figures 2010-11 to 2017-18

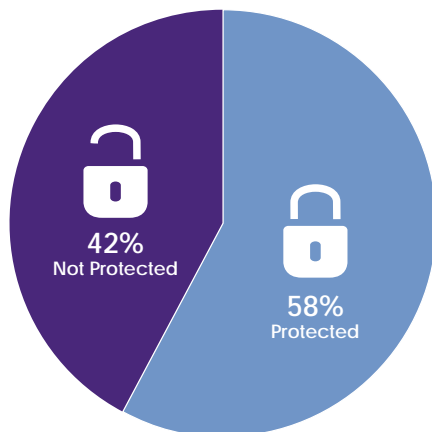
Changes to core budget

The above shows the global picture for local government, but the reality has been a significant downward shift in funding for core services, with new additional resources being directed towards Scottish Government-led policies such as the extension of early learning and childcare, free school meals and Scottish Welfare Fund. These are valuable policies but undoubtedly create challenges for the rest of the budget.



Structure of budget

Due to recent Scottish Government budget decisions, 58% of councils' budgets cannot be reduced. That means all of the cuts have to be absorbed by the rest of the budget.



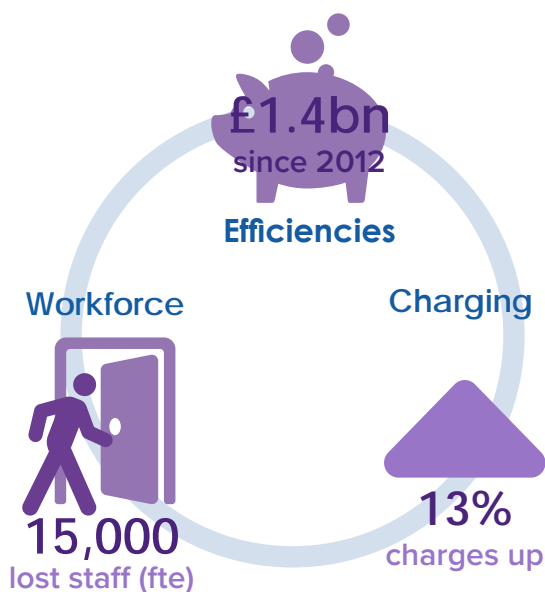
Result: 8% reduction in overall resources can only be absorbed by 42% of budget = 20% cut in those services only

However, that is only part of the story. Inflation and demand growth need to also be absorbed into the reduced part of the budget. The result is that vital services such as economic development, employability, public protection and regulatory services, and early intervention initiatives for tackling inequalities are being cut to absorb the funding shortfalls. Cuts are hitting the most vulnerable which is creating further inequalities.

Having so much of local government's budget protected through Scottish Government policy priorities prevents local government responding to local need.

Managing the cuts

Local Government has risen to the challenge but cannot continue to do so — there is no more room for manoeuvre.



Efficiencies

- £1.4bn of efficiency savings made since 2012
- Includes collaboration and streamlining of services, smarter procurement and asset management

Workforce

- 15,000 FTE staff (30,000 people) lost over the last five years
- Pay erosion

Increased Charging

- On the whole charges have increased by 13% between 2010-11 and 2015-16
- Local authorities can't price citizens out of services that deliver social inclusion, health and well-being, early intervention and prevention, when setting charges. For example, when setting charges for access to leisure and cultural facilities.

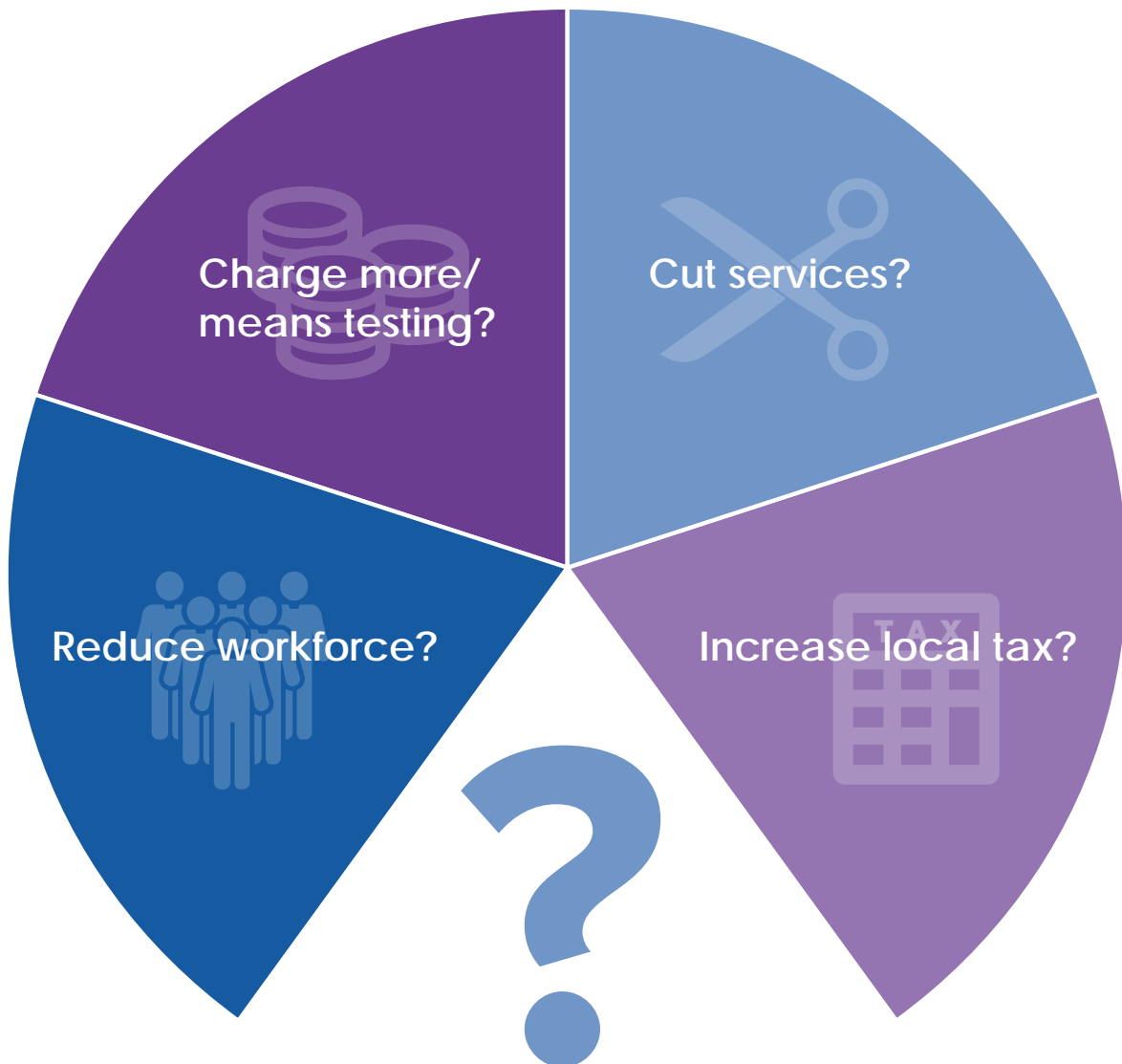
The Improvement Service, in their recent National Benchmarking Overview report, recognised this landscape.

"The absorption of major cuts while improving performance is an impressive achievement and there is a danger it is taken for granted: an assumption that, because savings have been made without a crisis of performance, savings can be continuously required and made. In reality, the trends required an overall reduction in the workforce, staff accepting year-on-year real reductions in wages, and substantial improvements in efficiency, productivity and innovation. If similar savings were necessary again across the next five years, severe issues of capacity, resilience and maintaining performance will need addressed."

So What Happens Next?

If local government continues to face the same level of grant reduction, there are extremely difficult choices ahead. The consequences and opportunity costs of this must be fully understood.

Responding to this, a number of Councils are already out to budget consultation, highlighting the magnitude and scale of the budget gaps. Councils are having to make hard choices, including:



The other question is, can we continue to do it the way we are doing now without a more fundamental review of how we deliver services? Overall, this current model is not sustainable and we cannot continue to operate from one year budgets, storing up problems for the future.

What is Needed from the 2018/19 Budget

We recognise that tough choices will need to be made across the Scottish budget but we cannot underplay the needs of local government to deliver essential services that are vital to our communities.

Local government therefore needs:

Revenue Settlement

1. **No more cuts - parity with cash increase for Scottish Government**
2. **Full baselining of £130m funding from the 2016-17 budget agreement**
3. **Allow for proper investment in the local government workforce**
Every 1% on local government paybill costs £70m
Every 10p increase in living wage for adult social care providers costs £10m.
4. **Additional investment in Health and Social Care in recognition of the rising demand.**

Structure of Settlement

1. **Multi-year budgets**
2. **Create flexibility to help deal with pressures.**
We cannot continue with 58% of the budget being nationally ring-fenced. We need true removal of ring-fencing and central direction through input targets

Capital

1. Increased capital funding to invest in and attract growth
2. Return of reprofiled capital funding

Local Taxation

1. **Removal of the 3% cap on Council Tax**
2. **Proper reform of local taxation**
3. **Power to introduce discretionary taxation**

Funding for Government Policies

1. **Full and transparent funding for new central government initiatives. Specifically:**
Expansion of early learning and childcare
Living wage for adult health and social care workers
Carers Act
2. **If charitable status of ALEOs is withdrawn, then the £45m shortfall in delivery of these services needs to be met.**

Longer Term

We cannot keep going on like this, storing up problems for the future. Over the long term, linking in with the overall Scottish budget process, we need a fundamental review of Scottish priorities and how services are funded, ultimately with a view of improving outcomes.