

Falkirk Council Budget Reports



Falkirk Council

- Revenue Budget 2019/20 & Medium Term Financial Plan
- Capital Strategy 2019/20 – 2023/24
- Five Year General Fund Capital Programme - 2019/20 - 2023/24



Budget Book Contents

REVENUE BUDGET 2019/20

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The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest includes a crown with four maple leaves, a shield divided into four quadrants (top-left: a ship, top-right: a stag, bottom-left: a ship, bottom-right: a grizzly bear), and a banner at the bottom with the motto 'CITY OF VANCOUVER' in French. The text 'Agenda Item 3' is centered over the top half of the shield.

Agenda Item 3

Revenue Budget 2019/20 and Medium Term Financial Plan

Falkirk Council

Title: Revenue Budget 2019/20 and Medium Term Financial Plan
Meeting: Falkirk Council
Date: 27 February 2019
Submitted By: Chief Executive and Director of Corporate and Housing Services

1. Purpose of Report

- 1.1 This report sets out options identified by officers, which will enable Council to make selections with a view to achieving a balanced Budget for 2019/20. The report contains the Administration's proposals as to how this may be achieved.
- 1.2 The 2019/20 Budget is clearly placed in the context of the five year Medium Term Financial Plan [MTFP] and the Council of the Future major transformation programme. Supporting Business Plans for the remaining years of the MTFP will be submitted to Members in May.
- 1.3 The Revenue Budget contains significant distributions of funding to Falkirk Community Trust and the Integration Joint Board (IJB) which has responsibility for in scope Adult Health and Social Care. Sections 4.9 and 4.10 respectively deal with these important elements.
- 1.4 Each Council is legally required to approve an annual balanced Budget and set a council tax and this is required to be done by 11 March in the preceding financial year.
- 1.5 This Budget booklet also contains a separate report with proposals for the General Services Capital Programme. The Capital Programme now sits within the context of the MTFP and a Capital Strategy. The HRA Budget reports for both revenue and capital were considered and approved by Council at its Special Meeting on 23 January.

2. Recommendations

Council is asked to agree:-

- (1) a balanced Budget for financial year 2019/20 based on this report and its Appendices;**
- (2) a Council Tax charge for 2019/20;**
- (3) the Business Plan and savings options (noting the temporary covering by reserves) for Falkirk Community Trust and the consequential Services Payment for 2019/20;**

- (4) **the Business Plan and Service Payment for the Integration Joint Board (IJB) for 2019/20, noting the service changes consequent to Service Payment will be agreed by the IJB;**
- (5) **to note the update on the implications for the workforce and the actions being taken to ensure changes can be implemented through voluntary methods as far as possible;**
- (6) **to delegate authority to the Chief Executive to issue a statutory notice to the Trade Unions in respect of the workforce implications of the Budget proposals, if this is required, to ensure the Council complies with its legal obligations;**
- (7) **to instruct Chief Officers to deliver Services within the Budget allocation for each Service and authorise them to take such actions as may be required within Council policy to give effect to the service delivery proposals adopted to produce the Budget; and**
- (8) **to note that a five year Business Plan will be present to Members in May.**

3. Background

- 3.1 The Executive has now considered four reports on the development of the MTFP. At the meeting on 27 November 2018 an update on officers' savings proposals for Council Services for 2019/20 was presented to Members along with progress in developing five year business plans.
- 3.2 Council considered a report on the revenue Budget/MTFP on 5 December 2018 which also contained budget business cases for both Falkirk Community Trust and the Integration Joint Board. At that meeting Council took a provisional decision to set a council tax rise of 3% for 2019/20.
- 3.3 A report on the Local Government Settlement and Scottish Government budget 2019/20 was considered by Executive on 15 January 2019.
- 3.4 The Education Executive at its meetings on 6 November 2018 and 29 January 2019 considered the education elements of the MTFP and savings options.
- 3.5 A meeting of Council on 23 January 2019 considered and approved the HRA revenue and capital investment budgets.
- 3.6 Executive at its meeting on 15 January 2019 considered the Accounts Commission report, "Local Government in Scotland Financial Overview 2017/18" which serves as a helpful reference point when considering budget matters.
- 3.7 Regular meetings of the Member Budget Working Group have taken place to consider budget matters.

- 3.8 Members will receive a Business Plan in May setting out in detail how, harnessing the transformative Council of the Future agenda, it will bridge the Budget Gaps identified in the updated MTFP.

4. Considerations

4.1 Budget Context

Community and Corporate Priorities

- 4.1.1 Falkirk Council was elected in May 2017 for a five-year term with responsibility for leading communities and shaping the future of service delivery in the area over that period. To help guide decision making including decisions on spend, the Council agreed its Corporate Plan in September 2017. This plan sets the framework for how the Council will move forward over the next five years, reflecting the communities' vision for the area and translating the Council's values into practical action.
- 4.1.2 The Corporate Plan reflects the context within which the Council and Services work, and importantly reflects the needs and aspirations of communities. The Corporate Plan responds to those circumstances and clearly states the commitment to achieving the vision, priorities and outcomes which were set out in the Community Planning Partnership's Strategic Outcomes and Local Delivery Plan [SOLD] – the local outcome improvement plan for the area. Decisions on spend – not just savings – are informed by that self same understanding.
- 4.1.3 The Council must balance the things that it knows must be addressed and delivered e.g. legislatively and organisationally including a balanced budget, with the aspirations and commitments of the Council. To help achieve this there is set out clear strategic priorities for the whole Council as one corporate body. While making savings helps achieve a balanced budget, the Council also must make sure that the significant resources spent are delivering best value and improved outcomes.
- 4.1.4 The priorities identified and articulated in the Corporate Plan cover the range of key areas of work the Council and its Services will be undertaking over the coming 5 years:-
- Addressing the issues facing our community – in community leadership and place shaping role;
 - Doing the things needed to transform the Council - in the response to best value i.e. customer focussed, performance orientated, efficient and effective; and
 - Delivery or ensuring the delivery of the services which need to be delivered - those which are expected by communities whether these are statutory or otherwise.
- 4.1.5 In 5 years the Council will potentially have a quarter less resources at its disposal. Therefore to make sure it is making a difference and achieving the outcomes and priorities wanted, it will have to transform how it delivers and plans services, as well as identify those key areas of service that will be fundamentally different after that five year period. This Budget therefore must not just address the savings required to be made, but must also seek to set out how it will direct resources to achieve priorities. To support this,

the Corporate Plan sets out a framework to transform services and the principles that underpin reform. These principles are based on the Christie Commission principles with each reform seeking ultimately to answer the following questions:-

- What are we delivering and why?
- Why do we deliver these in the way we do?
- What is the cost of delivery i.e. £, assets, people etc.?
- How can these be delivered with a 25% reduction in resources?
- How do those costs compare with other providers?
- Who are we delivering those services to and do they value them?
- What outcomes are those services achieving and are they good enough?
- What is our plan for improving these?

By taking this approach it achieves the following:-

- Clarity of priorities and outcomes; and
- Further development of the programme of transformation.

4.1.6 The Council's commitment as set out in the Corporate Plan gives a promise to focus on improving the lives of citizens and communities – setting out how to deliver on that improvement. The priorities then set out the most significant issues the Council will seek to address over the coming five years. The priorities set out in the plan are more focussed and specific than previous plans. They are things that:-

- the evidence, including feedback from communities, informs what needs addressed;
- can influence and do something about
- are clear and tangible; and
- will make a significant difference to citizens and communities.

The Council's priorities are:-

People

- Raising aspiration and ambition
- Reducing the impact of poverty on children and their families

Place

- Growing our economy
- Improving the neighbourhoods we live in
- Promoting vibrant town centres

Partnership

- Working with communities to deliver better services
- Empowering and enabling people to be self reliant
- Promoting stronger, more self-reliant communities.

To make sure the focus on the Budget is right, Services have sought to determine current i.e. 2018/19 spend against priorities and outcomes. Services that contribute to priorities are noted in appendix 8.

- 4.1.7 Transformation of the Council is fundamental to the future of public services in the area. Customers' expectations, aspirations and needs are ever changing. Services need to be agile, flexible and reactive to achieve priorities and outcomes, meet the needs of citizens and also continue to deliver best value. The Council aspires to be Responsive, Innovative, Trusted and Ambitious. This will be achieved by engaging with communities and employees, listening to what they say and acting on their feedback, using data to understand customers and using technology to modernise services.

Locality Planning and Participatory Budgeting

- 4.1.8 The way the Council and its partners take decisions and deliver services is changing. The partners have embarked on a programme of locality planning. The purpose of this is to ensure that the services delivered are achieving the best outcomes for individuals, families and communities. To achieve this there will be engagement with communities in different ways to identify areas of inequality, where outcomes are not being achieved, and where the community has concerns or challenges. The way partners seek to resolve these issues will mean that they look to co-produce solutions to those issues and redesign services from the perspective of the customer.

- 4.1.9 This change will be informed and supported by new ways of engaging with communities on decisions on resources and services. As part of the commitment to community empowerment, partners are seeking to develop more localised decision making supported by Participatory Budgeting. Three aspects to this are being looked at:-

- Small grants
- Locality based budgets
- Co-designing and producing services to ensure resources are achieving the outcomes in ways customers and communities value.

By 2020 at least 1% of the budget must be subject to Participatory Budgeting [PB]. As such locality planning and PB will more and more inform spend and service delivery. Locality planning has started in the east and is now moving into the west with work in Falkirk starting later this year. The Council is working to establish a process that is valued by the community, delivers change and also is sustainable.

Digital Transformation

- 4.1.10 One of the organisation's core purposes is to deliver public services that meet the needs of communities – now and in the future. In order to make sure that the Council is actually meeting the needs of customers with services they value and at a cost the Council can afford, there is a need to embrace change and transformation. This transformation is at the heart of the Council's emerging digital strategy. As such, the digital strategy is essentially a customer strategy, enabled by technology and supported by a range of complementary skills, including IT, business analysis, data analytics, marketing and digital communications.

- 4.1.11 Digital is a critical enabler for any transformation agenda and the benefits to customers and the Council itself are significant. The digital strategy sets out in more detail the approach taken to delivering on those commitments.

Workforce Strategy

- 4.1.12 The Council's Workforce Strategy must also be considered within the context of the Budget. Whilst over the next year and the period of the Medium Term Financial Plan, the workforce will inevitably reduce, there is still a requirement to be an attractive employer to enable recruitment and retention of good quality employees. It is essential that forward planning continues to be undertaken if the Council is to have the right people, with the right skills and attitude, in the right place at the right time, to enable the Council to deliver on its corporate plan priorities and change programme.
- 4.1.13 Workforce planning, including skill development, capacity building and succession planning is essential to this. Section 4.15 outlines the work being done to assist with some of the changes required in our workforce and how we are engaging with our workforce.

Economic Environment

- 4.1.14 All economic forecasters have remarked on how difficult it is to try and see through the "fog of Brexit". There are several current authoritative forecasts that can be drawn on, the first being that of the Bank of England. This is a gloomy assessment with the slowest rate of growth since the 2009 financial crisis. This has dampened the prospect of interest rate rises and in this climate inflation will remain subdued. There is an increased risk of recession if the UK left the EU without a deal and with no transition arrangements.
- 4.1.15 The Institute of Fiscal Studies has produced a report ahead of the Chancellor's forthcoming Spending Review. This is inevitably clouded by Brexit and indeed because of this the Chancellor may restrict himself to only 2020/21 rather than the normal three years [note in this event the Scottish Government's intention of providing future settlements beyond one year will be compromised]. The report notes the Chancellor is constrained by existing spend commitments to NHS, defence and overseas aid and in consequence "unprotected" areas of spend are facing further real term cuts between 2019/20 and 2023/24.
- 4.1.16 Members will be aware that under the new Fiscal Framework, a new and important dimension for Scotland's resources to finance public expenditure, is the relative economic performance between the rest of the UK and Scotland.

4.2 Local Government Financial Settlement

- 4.2.1 Council at its meeting on 15 January considered a report on the 2019/20 Scottish Government Budget and Local Government Settlement, along with related correspondence between COSLA and the Cabinet Secretary. The report noted that Falkirk's revenue grant had reduced by £7.1m (2.6%) from its 2018/19 level after adjusting for new spend commitments.

4.2.2 On 31 January the Council received further correspondence (Appendix 1) that stated the Government proposed to allocate additional revenue funding to support local government. The Council's share of this funding was £2.6m which helps to mitigate the overall grant reduction. In addition, flexibility was given to increase the Council Tax by 3% in real terms, equating to 4.79%. Council's were also given the option to vary their allocations to Integration Authorities in 2019/20 by 2.2% compared to 2018/19, easing the restriction on the IJB towards contributing to the Council's budget gap as previously reported to Council.

4.2.3 The correspondence also noted a number of other changes to local government taxation over the remainder of this Parliament and the next. These changes included:

- To consult, in 2019, on the principles of a locally determined tourist tax enabling local authorities to introduce a transient visitor levy;
- Enabling local authorities, who wish to use such a power, to introduce a workplace parking levy on employers, excluding hospitals and NHS properties;
- Devolving non domestic rates empty property relief to local authorities in time for the next revaluation;
- A proposal to enter into cross party talks to find a replacement for the council tax system by the end of the current parliament, with the replacement system being taken forward in the following parliament.

4.2.4 In return for the funding allocations set out in the Settlement letter and correspondence from the Cabinet Secretary, councils are expected to deliver certain specific commitments. These commitments include maintaining the pupil teacher ratio at the national level, ensuring that places are provided for all probationers who require one under the Teacher Induction Scheme and supporting the expansion of early learning and childcare entitlement to 1,140 hours by August 2020.

4.2.5 Circa 80% of the Council's net expenditure is financed from Scottish Government grant and in consequence this is a critical element in balancing the Budget.

4.2.6 The following table shows the grant movement across four years at both Scotland and Falkirk Council level. Falkirk's grant allocation of £272.439m for 2019/20 includes the additional funding of £2.6m announced by the Scottish Government on 31 January and £3.5m of new funding for health and social care which will be passed on in full to the IJB. There is also an expectation that a further £2.8m will be received from the UK Government towards the increased cost of teachers pensions. The exact amount will not be known until March and the Scottish Government has committed to pass on the full amount received to Councils. Overall in cash terms Falkirk's grant allocation has increased by £1.8m (0.68%), however after adjusting for the additional grant received, new spend commitments and other minor settlement adjustments Falkirk's grant has reduced by £4.5m (1.7%) in comparison with 2018/19.

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
	<u>£'m</u>	<u>£'m</u>	<u>£'m</u>	<u>£'m</u>
Scotland	9,693.431	9,464.885	9,560.631	9,926.394
Falkirk Council	272.539	266.173	270.601	272.439
Falkirk Movement	(3.40%)	(2.34%)	1.66%	0.68%

- 4.2.7 The overall Settlement also includes specific grants for the Pupil Equity Fund and Early Learning and Childcare. Pupil Equity funding of £3.5m is to be allocated directly to schools, enabling headteachers to use it for additional staffing or resources with the aim of reducing the poverty related attainment gap. Falkirk Council will also receive £9.8m to support the expansion of Early Learning and Childcare entitlement to 1,140 hours by August 2020.
- 4.2.8 Funding for Criminal Justice has also been distributed across councils. Falkirk Council's provisional allocation of £3.1m, also including funding for Offender Services which is outwith the Local Government Settlement, has not increased from 2018/19 levels. Children's Services still expect to deliver the required outcomes within the resources allocated.
- 4.2.9 The overall Settlement also includes undistributed funding for the teachers induction scheme (£37.5m), discretionary housing payments (£63.2m), free personal care for under 65s (£30m), mental health (£12m), languages (£3m) and the Barclay rates review (£3m). Each councils' share is still to be confirmed, but it is assumed that any funding received will be matched by expenditure and will therefore have a neutral effect on the Council's net Budget.
- 4.2.10 In terms of Business Rates, the 2019/20 poundage has been capped below inflation at 49p which provides a benefit to most businesses compared to other parts of the United Kingdom. The Large Business Supplement remains at 2.6p. Transitional relief for hospitality properties will continue in 2019/20 and through to 2021/22. The Small Business Bonus Scheme threshold for 100% relief remains at £15,000. The Scottish Government no longer intends to take forward the proposed power for councils to levy a Non-Domestic Rates supplement as proposed by the Barclay Review.
- 4.2.11 From April 2018 a new Business Growth Accelerator delayed any increase in rates liability due to the improvement or expansion of an existing property for 12 months. In addition, no rates were due from any new build property until 12 months after it is first occupied. Following development work on the Growth Accelerator arising from the Barclay review, all new property will be entered on the roll at the point of existence and there will be no delayed entry to the roll as part of the Growth Accelerator as previously intended.
- 4.2.12 The Settlement Circular also covers Capital Grant which is dealt with in the subsequent report in these Budget papers.

4.3 Budget Gap 2019/20

- 4.3.1 The Budget Gap essentially reflects the difference between the continuation of existing levels of Council Services, but adjusted for e.g. anticipated pay awards and the resources available. Recognising that the Council has a statutory responsibility to achieve a balanced Budget, then

this shortfall needs to be addressed. This section sets out how the Gap may be bridged.

- 4.3.2 The table below sets out the Council's updated Budget Gap (before adjusting for Council tax) for 2019/20 together with the Administration's proposals for both, elements of new investment and how the overall Gap can be bridged.

	£'m	Ref.
Original Budget Gap	22.9	4.3.1 / 2
<u>Revised for:-</u>		
Additional Grant	(2.6)	4.2.2
Pension Consequentials	(2.8)	4.2.6
	17.5	
<u>Adjusted For:-</u>		
Budget Rebasing	(2.0)	4.3.6
Demographics	(2.1)	4.3.6
Revised Gap	13.4	
<u>Balanced by:-</u>		
Service Savings	8.6	4.8
Application of Reserves (Trust)	1.0	4.3.9
Falkirk Community Trust	0.3	4.9
Integration Joint Board IJB	1.7	4.10
Remove Inflation Allowance	1.7	4.3.6
Council Tax Increase 3%	1.9	4.11
Administration Investment Proposals	(1.8)	4.3.3
	13.4	

The following paragraphs give further explanation of the table content.

- 4.3.3 The Administration are proposing the following additional investment elements, which are for one year initially.

Service	Description	£000
Corporate & Housing	The Change Fund will be used to ensure the programme of change projects agreed by the Council under Council of the Future can be successfully delivered	1,000
Corporate & Housing	Funding for new Poverty Strategy for food banks and holiday activities	40
Children's	Funding for 14 Support Assistants (SFLAs) to support primary schools with the supervision of pupils	200
Development	Litter Equipment	20
Development	Retain investment in Roads Maintenance	500
Total		1,760

- 4.3.4 The investment noted above has a number of purposes:

- Increasing investment in priorities as set out in the Corporate Plan; and
- Ensuring that change and transformation can be achieved.

- 4.3.5 As with the savings options, each proposal noted above should be equality and poverty impact assessed. While this process is ongoing, it is anticipated the proposals will have a positive impact on people in poverty and protected characteristics. Indeed transformation will ensure that savings can be achieved from services to an extent through redesign and planning rather than just through withdrawing or reducing services.
- 4.3.6 The Demographic adjustment is a reduction in the original estimates built in for demographic pressures. The Inflation adjustment removes the allowance for general inflation [other specific inflation elements, notably pay are retained]. Services will consequently need to manage their budgets within a more constrained envelope. Budget Rebasing comprises a variety of different Service elements where on review it has been established that there is valid justification to reduce the budget provision.
- 4.3.7 Service Savings reflect the Administration's selection from the officers' options set out at Appendix 5. Details of each of the savings options are set out in the templates at Appendix 6.
- 4.3.8 Details of the savings options for both Falkirk Community Trust and the Integration Joint Board are presented in sections 4.9 and 4.10, respectively, of the report.
- 4.3.9 It is believed that the Council's overall financial position can accommodate the proposed temporary application of £1m to the Trust from the General Reserve. The position on reserves is considered further in the next section of the report.

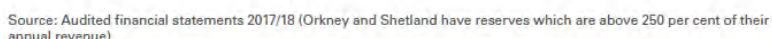
4.4 Reserves

- 4.4.1 Previous reports to Council have advised that councils can hold reserves for three primary purposes:-
- A working balance to help cushion the effect of uneven cash flows and unnecessary temporary borrowing;
 - A contingency to cushion the impact of unexpected events or emergencies; and
 - A means of building up funds to meet known or predicted requirements by earmarking a portion of the General Fund.
- 4.4.2 The Accounts Commission's "Financial Overview 2017/18" was considered by Executive at its meeting on 15th January. The Commission highlighted the following:-
- "Although overall reserves have continued to reduce, no council is using its reserves at a level that risks their financial sustainability in the next two to three years. We will continue to have an interest in how councils set their reserves policy and utilise reserves as funding pressures continue in the coming years."
- 4.4.3 Members have also been advised regularly that deployment of reserves simply to achieve a balanced Budget is not sustainable as it is not addressing the underlying difference between spending levels and resources, compounded by the reality that reserves are finite. The deployment of reserves however, as a considered part of a strategy geared

4.4.4 Executive at its meeting on 15 January 2019 considered the final financial projections for the 2018/19 financial year. This projected a General Fund Reserve of £10.6m. This is within the indicative range in the Council's approved Reserve Strategy Policy of £6.6 - £10.8m. The following table illustrates that expected calls on the Reserve will take it close to the strategy floor:-

Further important context is that not all 2018/19 pay claims are settled and Brexit could well bring varied and significant calls on the Reserve.

4.4.6 Finally, it may be helpful to see the reserves position relative to other Councils as identified by the Accounts Commission in the report referred to above. Please note that this refers to 31/03/18 and reflects the wider position on reserves including HRA and Capital. This is clearly a particular and somewhat “rear mirror” view of the position.



4.5 Public Engagement on the Budget

- 4.5.1 The Council ran a survey, between 15th October 2018 and 12th November 2018, to ask the public for their opinions on potential budget savings. The survey received 2028 responses. In statistical terms, this sample size means the results are representative of the wider population. The survey asked thematic questions about the cost and provision of Council services, such as new and increased charges, reductions in services, making more services available online and reducing the number of Council buildings. Further details of the survey can be found here:
<https://say.falkirk.gov.uk/corporate-housing-services/choices-challenges-budget-consultation-2018/>.
- 4.5.2 The survey was supplemented by specific consultation on individual proposals undertaken via the Equality and Poverty Impact Assessment (EPIA) process, which is considered in more depth at section 4.6 of the report. Engagement has also taken place with Community Councils and Parent Councils. Falkirk Community Trust and the Integration Joint Board have their own arrangements for consultation and engagement.
- 4.5.3 Some of the key findings are summarised below:-
- The majority of respondents (69%) supported an increase in Council Tax.
 - The majority of respondents (54%) agree that low income households should receive a discount on service charges.
 - Over half of respondents think the Council should sell buildings it is no longer able to afford to operate and upkeep. 41% of respondents visit a Council building once a year or less.
 - Although there is interest in community asset transfer, few respondents are willing to volunteer to manage and run these buildings (28%).
 - Respondents are in favour of communities taking on more responsibility for managing and maintaining services, such as flowerbeds and litter picks (59%).
 - Respondents are strongly in support of providing more services online (83%).
 - The vast majority of respondents (77%) think funding for gala days and community events should be withdrawn or reduced.
 - There is strong support (74%) for merging schools which are less than 50% full.
 - Respondents are not supportive of paying new or increased charges to protect services such as car parking, garden waste, bulky uplifts, music tuition and garden aid. They do not want changes made to the provision of child care and school meals but would be willing to pay new or increased charges to protect these services.
- 4.5.4 The full report on consultation and its results can be found here:
<https://say.falkirk.gov.uk/corporate-housing-services/choices-challenges-budget-consultation-2018/>. In terms of responding to these findings, the Council is already very active in moving services online via My Falkirk. The Digital Strategy will take this agenda forward. Buildings are also being rationalised by the Strategic Property Review illustrated by the introduction of the Hubs. The Locality Planning strategy will have regard to the feedback on engagement. The Council's recently agreed Fees and

Charges Policy, with its focus on concessions, provides a more coherent framework for charging (see section 4.7).

4.6 Equality and Poverty Impact Assessment

- 4.6.1 The Equality Act 2010 places a General Duty on Falkirk Council to eliminate discrimination, promote equality of opportunity and to promote good relations between different groups according to nine “protected characteristics” (age, religious belief and non-belief, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, sex and sexual orientation). In doing so, all local authorities must be able to demonstrate that the decisions they make are carried out in a fair, transparent and accountable way and consider the needs of different members of the community. In addition, the Council has agreed that it will include the impact of decision on people in poverty in the same ways as it does for those with protected characteristics. This also ensures that savings are not impacting on one of the priorities i.e. those in poverty.
- 4.6.2 To reinforce the approach the Council has taken on assessing impact as there is now a statutory duty to ensure strategic decisions take account of the impact on people and communities in poverty i.e. the Fairer Scotland Duty. The consultation on the Budget, the Council’s Poverty Strategy and also the EPIA process ensures that the decisions the Council takes are cognisant of the commitments to equalities and reducing the impact that poverty can have on individuals, families and communities.
- 4.6.3 When considering savings options the Council must understand who will be impacted by each saving, and what, if any, mitigation can be put in place to minimise the impact of that saving. An assessment is then done on the cumulative impact of savings on particular groups in communities against the overall spend of the Council. The Council recognises that financial pressures can impact significantly on equalities groups and significantly people in poverty and has taken this into account when assessing the budget profiling. To ensure all these key factors are considered, all services must carry out an Equality and Poverty Impact Assessment (EPIA) for each saving.
- 4.6.4 Every year the process by which the Council undertakes its EPIAs is refined and reviewed. Following the conclusion of last year’s budget exercise, officers carried out a review of the process and a number of improvement actions were taken, including further briefing sessions for all officers involved, an online form that follows an iterative process, starting the process much earlier and stressing the requirement to consult those impacted by proposals directly in order to inform the EPIA prior to reporting to Members.
- 4.6.5 When this budget is agreed, the Council will spend circa £340m in the next financial year. This money is used to
- Fulfil statutory obligations
 - Achieve the SOLD and Corporate Plan priorities
 - Provide services that support and enhance communities.
- 4.6.6 To inform decisions on the Council’s overall approach to its Budget, there was a consultation with people on various principles that should be

considered as part of the decision process. This notes that for particular groups, there was a marginally higher response e.g. those from the LGBT community. However, the sample was largely representative of Falkirk as a whole in terms of ethnicity. In addition, all options were subject to consultation with service users as part of the EPIA process. This has informed the identified impact and necessary mitigations.

- 4.6.7 The table below summarises the individual EPIAs for each option. It should be noted that even an option with impact may have actions identified as part of their EPIA. As the outputs of EPIAs form part of the decision making process, these actions must be taken forward as an equal part of the decision making process on each option.

Action required	Impact	Number of Options	Value £'000s
Nothing required	Initial or low	90	13,355
Mitigation identified	Medium	7	633
No mitigation	High	0	0
Not yet signed off		5	666
TOTAL		102	14,654

The detailed output from the EPIA process is shown at Appendix 5 alongside each budget savings. All EPIAs including one for the whole budget will be published in full following the meeting of Council.

- 4.6.8 The savings highlighted in this report thus need to be balanced against spend. On that basis and due to the majority of the services to older people and people with a disability etc. sitting with the Health and Social Care Partnership, the most significant cumulative impact of the savings contained within this Budget are mainly on those in poverty and even then can be mitigated by clear and decisive actions. The main impact is in the application of charges to various services either previously not charged for or where an increase has been proposed. The mitigation for this must be the application of the Council's recently approved Charges and Concessions Policy.
- 4.6.9 In terms of the overall revenue spend of the Council i.e. what is left after agreed savings will still be approximately £340m in 2019/20. This money must ensure continued delivery on statutory obligations but also the equality duties and the Council's own priorities. Thus the Council will be reviewing the equality mainstreaming report by April 2019 and within that the Council's commitment to deliver on all equality obligations.
- 4.6.10 The mainstreaming reports including one for all services, one for Workforce and one for Education sets out how we are working towards achieving these duties along with particular actions for protected characteristic groups. This will include how services using the money allocated as part of this budget will support the duties under the Equality Act.
- 4.6.11 In addition the Council and its community planning partners have been developing an anti-poverty strategy. This strategy has four key priorities:

- Fairer money
- Fairer access

- Fairer Culture
- Fairer Childhood

The refreshed Poverty Strategy was considered by Executive at its meeting on 19 February 2019.

4.6.12 These priorities underpinned by an annual action plan, seeks to reduce the impact that poverty has on communities and ensure the Council is delivering services to those most in need. The Poverty Strategy also identifies key groups that are most at risk of poverty and includes those with a disability, some groups from a minority ethnic community and single parents. This means the strategy will seek to have a positive impact on groups with a protected characteristic.

4.6.13 The majority of savings impact on people in poverty. This is unsurprising given the Council provides significant services to this group. The impact has been minimised to this group and others through a number of means:

- Supporting people in poverty through a new Charging and Concessions Policy approved prior to this Budget in order to guide decisions
- A continuation and increase to funding for holiday activity and food programme for children
- Keeping charges to a minimum

4.6.14 EPIAs have been used to inform decisions. However, they should not prevent Members from taking difficult decisions. They help to ensure that Members have fully considered the impact before a decision is taken. All members were provided with EPIAs in mid February 2019 along with a summary of impact. Impact is determined by not only what would happen if the saving was agreed as is, but in conjunction with any mitigating actions that can reduce negative impacts. The mitigating actions have all been noted on the EPIAs thus services must take these forward alongside their savings options if agreed.

4.6.15 **Definition of Risks**

4.6.15.1 **Initial**

No impact on people at all.

4.6.15.2 **Low**

The assessments considered at this stage to be of '**low impact**' are deemed such because the assessment demonstrates that there is no disproportionate impact on any of the equality protected characteristics. These savings can often be attributed to efficiencies, differing procurement or delivery arrangements being put in place.

4.6.15.3 **Medium**

The assessments considered at this stage to be of '**medium impact**' are deemed such because the assessment has been able to identify mitigating actions which will reduce the impact on the equality protected characteristic groups. A medium impact is something that is assessed as having an impact on one of the equality protected groups or on one of the groups identified within the Council's Poverty Strategy, but can often be mitigated to some extent by some other action.

4.6.15.4 **High**

The assessments considered noted as '**high impact**' are deemed such because the assessment has not been able to identify mitigating actions.

4.6.15.5 **Not yet signed off**

Some EPIAs were not finalised at the time this report was prepared. They were provided to Members in draft but a final rating was not allocated prior to this report being published.

4.7 **Fees and Charges**

4.7.1 The Executive in October 2018 agreed to a Corporate Charging and Concessions Policy. This set out the principles as best practice, including:

- All fees and charges should cover the full cost of providing services, unless specific exemptions have been approved;
- Determining the basis for a charging or charging structure, such as commercial rates, full cost recovery or subsidised
- Considering the need to recover costs with the challenges of poverty and social inclusion
- A consistent approach to applying concessions

4.7.2 It was agreed that existing and new charges would be reviewed in line with the Policy as part of the business process for 2019/20. The proposed changes are detailed at Appendix 7.

4.7.3 **Children's Services**

4.7.3.1 It is proposed that school meal prices remain unchanged. The full rate charge for breakfast clubs is due to increase by 10% to reflect full cost recovery and inflationary increases are being applied to both full rate music tuition and childcare charges.

4.7.3.2 For school lets a change in the treatment for VAT enabled these charges to be exempt from VAT, reducing charges to customers from 1 April 2018. The increases proposed will bring the charges back into alignment with the charges prior to the VAT adjustment.

4.7.3.3 The eligibility criteria and level of concessions has been reviewed for existing charges. For 2019/20 it is not proposed to change the eligibility criteria for free provision of school meals and breakfast clubs as they are assessed in line with national standards. In addition there is also a universal free entitlement to school meals for all children in primary 1-3. In support of the Council's Policy the concessionary rate charges for both breakfast clubs and music tuition have been reduced.

4.7.3.4 The Council are also in the process of phasing in the introduction of 1,140 hours of universal free childcare for some 2 and all 3 to 5 year olds. This will be fully implemented by 2020/21.

4.7.4 Social Work Services

- 4.7.4.1 Although adult social work services are provided by the IJB, the decision on service user contributions remains with the Council. For 2019/20 an uplift is proposed of 2.6% on contributions, which is in line with the state pension increase from April 2019. The level of individual contributions is based on ability to pay following a full financial assessment.
- 4.7.4.2 As part of the 2018/19 budget setting process it was agreed that a review of service user contributions should be undertaken. Progress has been limited, due to its complex nature and work pressures created by the implementation of the new Social Work Information System. A benchmarking exercise is currently being undertaken across all IJBs in Scotland. It is hoped that this work will help to inform the Falkirk review.

4.7.5 Development Services

- 4.7.5.1 For the most part charges managed by the Service have been restricted to an inflationary uplift of c3%. Where charges have been increased by more than 3% this has been done to reflect the full recovery of costs incurred.
- 4.7.5.2 The most significant impact on fees and charges will be the new private crematorium at Bannockburn which is anticipated to open in the spring/summer of 2019. The crematorium budget has been adjusted to reflect an expected loss of income from Stirling and Clackmannanshire residents (see para 4.8.5.1). In addition cremation fees for non residents have been reduced to align with resident charges from April 2019. Overall for 2019/20 the cremation charges will increase by an inflationary uplift of 3%, with the exception of Saturday and public holiday services to reflect the additional staffing costs.
- 4.7.5.3 Current interment fees of £537 are significantly below the Scottish average of £745 at 2018. In addition, cemetery infrastructure extensions and new lair supply is becoming more difficult due to site suitability and regulatory constraints. It is therefore proposed to increase burial fees by c12-13%, which although helping to increase income and aligning Falkirk to the Scottish average, primarily aims to manage demand and shift the balance from burials to cremations.
- 4.7.5.4 As part of the transformation agenda, further chargeable services have been developed both to improve customer services and generate additional income. This includes a range of ashes container options, timber memorial benches and trees and a memorial wall in Camelon cemetery. The new charges are detailed in the Fees and Charges Appendix 7, with the charges for the memorial wall to be developed and reported to Members once the work has been completed.
- 4.7.5.5 Currently financial assistance for funerals is provided by a DWP payment in Scotland. This is due to be replaced in 2019 by the Funeral Expense Assistance Scheme which is aimed at increasing eligibility by 40% and providing financial support directly to those who need it at the point of bereavement. Any concessionary scheme in relation to bereavement charges will be considered in the context of the new national scheme.

- 4.7.5.6 A significant portion of the charges in Development Services are business facing and not suitable for the application of the Council's concessions policy. Where charges relate to services for the community, proposals for applying the concessions policy are included within savings options (DV03 Revised Special Uplift Arrangements and DV06 Brown Bin Charges). For Pest Control, the issue of concessions will need to be considered in the event that proposal DV01 – Removal of Pest Control Services is not pursued by Council. Consideration will also be given over the course of the forthcoming year to concessions for Blue Badge applications.

4.7.6 Corporate and Housing Services

- 4.7.6.1 For civic licencing it is proposed to apply an inflationary uplift of 3% to all charges with the exception of knife dealers where the increase reflects the cost of recovery and licences for raised structures where the charge has been increased to recover costs, although there will be concessions for community groups such as the Bo'ness fair.
- 4.7.6.2 For registration services the main changes relate to weddings. The changes are to rationalise the charges for weddings outside working hours (usually in another venue) to a single fee of £250. This compares well to other providers and there will be a concession for those on qualifying benefits of £180. In order to try and introduce a low cost wedding option, there will also be a concession on use of the marriage room which will be free for those on qualifying benefits (currently £50 plus VAT) although a statutory fee will still be payable of £125. It is not proposed to introduce a concession for a private citizenship ceremony as there is a free option to attend one of the regular ceremonies.
- 4.7.6.3 Charges for liquor licencing and gambling fall within the remit of the Licensing Board but it will be suggested a 3% inflationary increase in the small number of discretionary charges is applied. Licencing for liquor and gambling has been treated as a business focussed activity and concessions will not apply.
- 4.7.6.4 Consideration has been given to concessions for the Small Repairs Handyperson Service but the proposal at this stage is not to introduce a concession. This would be likely to require the general charge to rise to an extent that would discourage the use of the service. It is currently provided at a low rate with a view to incentivising use.

4.7.7 Falkirk Community Trust

- 4.7.7.1 As noted in the October report, the Funding Agreement anticipates that the service provided by the Trust is consistent with the plans and policies of the Council, although many of the services provided by the Trust would not be suitable for the full recovery model. Given the Charging and Concessions Policy was only approved by the Executive on 16 October, the Trust business planning process was well underway at this stage with the Trust's charging proposals considered by their Audit and Performance Committee in August and approved by the Board on 8 November. It is therefore anticipated the wider implications of the policy will be taken forward as part of the new partnership relationship with the Trust.

4.8 Services Budgets

4.8.1 This section of the report summarises the position for each Service area, highlighting matters of particular significance or note. This reflects the Administration's proposed Service savings and new initiatives as summarised in the Gap Statement at Section 4.3. On this basis the budget for each Service for 2019/20 is summarised at Appendix 2. A Summary of Movements Statement which details changes from 2018/19 is at Appendix 3 with the individual Service detail at Appendix 4.

4.8.2 A full list of service savings options identified by officers during the Budget process is set out at Appendix 5. The selected options proposed by the Administration are highlighted. Further information on the savings options is contained within the Budget templates at Appendix 6.

4.8.3 Children's Services

4.8.3.1 The proposed Budget for Children's Services is £193.635m, an increase of £3.982m from 2018/19, and includes provision for pay awards and increased pension costs.

4.8.3.2 The Budget has also been increased to reflect additional investment of £0.200m. This additional investment in Support for Learning Assistants (SFLAs) would provide an additional 14 FTE posts to be used to support primary schools with supervision of pupils at break and lunch times and as transported children arrive and depart from school. Children's Services will incorporate this within a new Supervision Standard that will be developed for use across the primary school estate. The increase of £3.593m for teachers pensions is partially covered (79%) by the increased funding expected to be received in the Settlement noted at para 4.2.6.

4.8.3.3 Reductions of £1.640m have also been made to the Budget. These include the budget savings expected from NPDO refinancing £1.700m partially offset by inflationary increases to the unitary charges for the Falkirk Schools and Community Schools Projects (£0.364m), the removal of one-off investment for the Council of the Future Change Fund 0.228m and re-basing changes of £0.076m.

4.8.3.4 The Budget also reflects the proposed service savings of £3.887m. These include £1.382m from a review of both secondary and primary education, £0.847m from staff savings within Children & Families, Central Support Staff, CLD and Early Years, £0.220m from a redesign of the ASN service and £0.101m from school estate mothballing.

4.8.3.5 To support the Children and Families 5 year "Closer to Home" strategy additional resources of £0.837m are included to invest in expansion of Foster Carers provision and other projects that will help drive a shift in the balance of care from external to internal/local provision. The "Closer to Home" strategy recognises this shift in the balance of care will reduce expenditure so a savings target of £0.837m has also been factored in.

4.8.4 Social Work Adult Services

4.8.4.1 An element of the Social Work Adult Services budget remains with the Council and primarily consists of property and fleet transport costs. It

includes one area of direct social work provision, the mental health officer services. The proposed budget for 2019/20 is £3.664m, a reduction of £0.027m from 2018/19 and includes provision for pay awards and increased pension costs offset by a reduction in the recharge from Procurement Services.

4.8.5 Development Services

4.8.5.1 Development Services proposed Budget of £27.629m, a reduction of £1.146m from 2018/19, includes provision for pay awards, increased pension costs, an adjustment to the bereavement services budget to reflect the anticipated loss of income (£0.552m) once the new crematorium at Bannockburn opens and the retention of the 2018/19 additional investment for Roads and winter maintenance (£0.500m). The Budget has also been increased to reflect additional investment of £0.020m for litter strategy.

4.8.5.2 The Budget rebasing of £0.150m is the realignment of recharges for professional fees.

4.8.5.3 The Budget reflects service savings of £2.448m. These include £0.500m staff reductions, £0.300m revised special uplift arrangements, £0.360m from a review of both the opening hours and the permit arrangements for vans at the Household Waste Recycling Centres, £0.167m adjustment to Bus Subsidies and £0.200m reduction in Street Cleansing.

4.8.6 Corporate & Housing Services

4.8.6.1 The proposed Budget for Corporate & Housing Services is £26.279m, a reduction of £2.440m from 2018/19 and includes provision for pay awards, the living wage and increased pension costs. Discretionary Housing Payment of £1.532m has been removed as this was not part of the Settlement and will be adjusted once we have details from the Scottish Government. The budget has also been increased to reflect additional investment of £1.040m for the Council of the Future Change Fund provision and poverty strategy.

4.8.6.2 The Budget rebasing of £1.172m is mainly due to the reprofiling of the allowance for HRA guidance and the removal of the 2018/19 one-off additional investment for the Council of the Future Change Fund, support for the rollout of Universal Credit and support for community empowerment and locality planning.

4.8.6.3 The Budget reflects service savings of £3.108m. These include £0.713m from the reprofiling of loans payments, £0.450m savings within Procurement by transforming procurement processes and improved partnership working, £0.350m from a review of the Business Support charging process, £0.270m reduction in Council Tax bad debt provision, £0.195m reduction from the Fairer Falkirk Fund and £0.115m from a review of ICT contracts.

4.8.7 Trading Account

4.8.7.1 After providing for pay and general inflation the Building Maintenance Trading account is budgeted to make a surplus of £0.518m.

4.9 Falkirk Community Trust

4.9.1 The Funding Agreement between the Council and Falkirk Community Trust (“the Trust”) requires that the Trust submit, on an annual basis, a draft Business Plan for the following financial year for approval by the Council.

4.9.2 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 options in the draft Business Plans. 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 options and may, as a result of this process, adjust the Business Plans.

4.9.3 The Trust timeously submitted its draft Business Plans and Budget options (Annex 1-3) and these were considered by the Member Budget Working Group on 13 November and the Council on 5 December. The Council:-

- agreed the Trust Business proposals, in principle, subject to review following the outcome of the grant settlement;
- noted a savings shortfall of £0.874m and agreed to the Council and Trust working jointly to meet that shortfall;
- acknowledged that until an agreed management plan to meet the shortfall is developed it will require to be covered from the Council’s General Reserve;
- agreed to a contribution to the Trust in 2019/20 to cover the cost of Grangemouth Golf Course and allow more time for the Golf Club to prepare for the Course to be transferred to the community;
- agreed in principle, on Health and Safety grounds, to continue to fund the Fireworks event, but ask the Trust to redouble efforts to identify sponsorship for the event, and
- agreed capital expenditure of £1.1m in capital improvements in the Mariner Centre and Stenhousemuir Gym.

4.9.4 The points agreed by the Council will result in a service payment to the Trust of c£10.8m in 2019/20 as summarised below. This service payment also incorporates an adjustment for the Mariner Soft Play Project.

	£’000
Service Payment per business plan	10,050
Shortfall in savings target	874
Grangemouth Golf Course	50
Fireworks	30
Soft Play	(211)
	10,793

- 4.9.5 The Council agreed a Joint Vision for an effective working relationship between the Council and the Trust in December. The Joint Vision document identified 5 core tasks to be delivered by June 2019. Working Groups have been set-up to progress these key tasks, which included a joint approach to develop a savings and investment plan for the next five years, linked with the Strategic Property Review.
- 4.9.6 The Trust also requested an amendment to the Funding Agreement to remove the clause relating to a specific borrowing limit and replace it with a statement that requires the Trust to commit to consult the Council in any funding proposal where the leases covering the operation of the Council's assets would be used as any form of security. The report in December noted that Council Officers would discuss this request with the Trust to clarify a few issues and report back to Members.
- 4.9.7 Officers have since had discussions with the Trust about their request. However, given potential capital investment and subsequent financing will be integral to the Joint Vision partnering approach noted above at para 4.9.5, it is considered appropriate to fully consider this request through the relevant working group.
- 4.9.8 Discussions have also taken place between officers and the Trust about the capital improvements in the Mariner Centre and Stenhousemuir Gym. As matters sit, the most tax effective approach identified to the works being carried out is for the Council, as landowner and landlord, to directly contract with the contractor.

4.10 Integration Joint Board [IJB]

- 4.10.1 The Integration Scheme for the Falkirk Health and Social Care Partnership sets out the methodology for determining funding to the Integration Joint Board. This requires an IJB business case to be presented to both the Council and the Health Board for consideration.
- 4.10.2 The IJB approved the Business Case on the 21 November 2018 (see Annex A-C) and this was presented to the Member Budget Working Group in November and considered by Council at its meeting on 5 December 2018. Members noted the proposals and agreed the level of savings would be subject to review following confirmation of the Local Government Finance Settlement and the funding received as result of the revenue consequential for health.
- 4.10.3 The Local Government Finance Settlement confirmed the addition of £160m for Health and Social care across Scotland, with £118m distributed within the Settlement and an undistributed balance of £42m for personal care and school counselling. Falkirk's share of the distributed amount is £3.478m and this will be passed on in full to the IJB via the agreed IJB payment. In addition once confirmation is received the amount for personal care will also be passed on in full to the IJB.
- 4.10.4 In a letter received on 31 January from the Cabinet Secretary, it was confirmed that Councils would have flexibility to offset their adult social care allocations in 2019-20 by 2.2% compared to 2018-19. Having considered the terms of the Settlement and the additional funding received the Administration proposal is to require the IJB to deliver total savings of

£2.7m, which includes £1.7m towards the Council's budget gap and £1m to cover the application of reserves by the IJB in 2018/19 and the costs of mainstreaming the Reablement Project Team that was initially created by a spend to save initiative to help deliver transformational change.

- 4.10.5 The savings options presented in December will be redrafted to reflect the Settlement position and these will go to the IJB for approval at the end of March.
- 4.10.6 The Council has responsibility for setting charges and the overall proposals include a rise of 2.6% on fees and charges. The revised IJB payment for 2019/20 will therefore be:-

	£'000
Falkirk Council General Fund	63,322
Falkirk Council Housing (ring-fenced HRA Tenants)	1,414
Falkirk Council Capital (Private Sector Housing Grants)	<u>327</u>
	<u>65,063</u>

4.11 External Funding Overview

- 4.11.1 Over recent years the Council has taken an overview of savings for external organisations. Given most organisations have had significant reductions in budgets over recent years, this year there are few organisations where a reduction in funding is being proposed. This reflects the savings previously derived from those organisations but also the need to provide some stability to review the value of the spend against the Council's priorities.

The organisations where savings are available for Members to consider are:-

- CABs - £50k – this reflects the increased funding the 3 CABs have had over a number of years from the Council and the increase in funding to them this year from the Scottish Government and DWP. It also reflects the fact that unlike most other organisations, CABs have not been required to make savings over the last number of years.
- The Action Group – Real Jobs - £42k – this saving reflects the need to mainstream the approach to providing all young people with a sustainable path from school into a positive destination including employment, volunteering or indeed community provided day activities. Notice of the potential for this saving was given a year ago to this organisation.
- Taxi Marshalling / Safe Base - £30k – this service while very valued is not something the Council is required to provide. As such Members are being given the option to consider their funding of this initiative.
- Safe Drive Stay Alive - £5k – this initiative provided by the Scottish Fire and Rescue Service is aimed at reducing the number of road fatalities. This again is something that Members are being given the option to consider their funding of.

- 4.11.2 All these proposals are contained within the budget options put forward by services. On the basis of the above being the only options Members are being asked to consider, all other organisations that receive funding under the terms of a joint working agreement i.e. over £10k will have the same

level of funding as last year for 2019/20. This in effect means that the Council will continue to provide over £2.6m to external organisations in 2019/20.

- 4.11.3 Recognising however, the Council's projected funding gaps over the life of the MTFP (see para 4.13.3) it is likely that funding to many of these organisations will need to reduce and it would be prudent for them to plan for this eventuality.

4.12 Council Tax

- 4.12.1 Council will be aware that following 10 years of band D charge being £1,070 council tax has been increased by 3% in each of last two financial years. In 2018/19 Falkirk Council had a band D charge of £1,135 which was £73 below the Scottish Average of £1,208.
- 4.12.2 The maximum increase allowed for 2019/20, is 4.79%. At 5th December meeting Council provisionally agreed to apply the then maximum increase of 3% and this will mean the Band D Council Tax increasing from £1,135 to £1,169. This remains below the 2018/19 Scottish Average.
- 4.12.3 The forecast yield from Council Tax, including the provisionally agreed 3% rise is £66.239m. A table detailing the impact of all potential increases, at 0.5% increments is shown below for information.

Increase (% age)	2018/19 forecast out-turn (£'000)	2019/20 forecast growth in taxbase (£'000)	Income generated by increase (£'000)	2019/20 estimated yield (£'000)
0.00%	63,704	624	0	64,328
0.50%	63,704	624	319	64,647
1.00%	63,704	624	637	64,965
1.50%	63,704	624	956	65,284
2.00%	63,704	624	1274	65,602
2.50%	63,704	624	1593	65,921
3.00%	63,704	624	1911	66,239
3.50%	63,704	624	2230	66,558
4.00%	63,704	624	2548	66,876
4.50%	63,704	624	2867	67,195
4.79%	63,704	624	3051	67,379

- 4.12.4 Council is required, under section 93 of Local Government Finance Act 1992, to set a council tax charge by 11th of March each year. However in practice it is essential that charges are set as early as possible to ensure bills can be accurately calculated and received by taxpayers at least two weeks before the first payment is due on 1st April.
- 4.12.5 In addition to the yield above a further £365k would be raised if all three budget savings proposals, relating to Council Tax, are approved bringing total yield to £66.604m (based on 3% increase).

4.12.6 The table below shows the impact of the 3% rise on each property band.

Band	No. of chargeable dwellings	%age of dwellings in each band	Ratio Band D	Proposed annual increase	Proposed 2019/20 annual Council Tax
A	21,224	29.09%	240/360	£22.67	£779.33
B	18,937	25.96%	280/360	£25.50	£909.22
C	6,700	9.18%	320/360	£30.22	£1,039.11
D	8,821	12.09%	360/360	£34.00	£1,169.00
E	8,801	12.06%	473/360	£44.67	£1,535.94
F	5,599	7.68%	585/360	£55.25	£1,899.63
G	2,805	3.85%	705/360	£66.58	£2,289.29
H	64	0.09%	882/360	£83.30	£2,864.05
Total	72,951	100.00%			

4.12.7 Low income households, already in receipt of Council Tax Reduction, will be protected from any increase that Council approves.

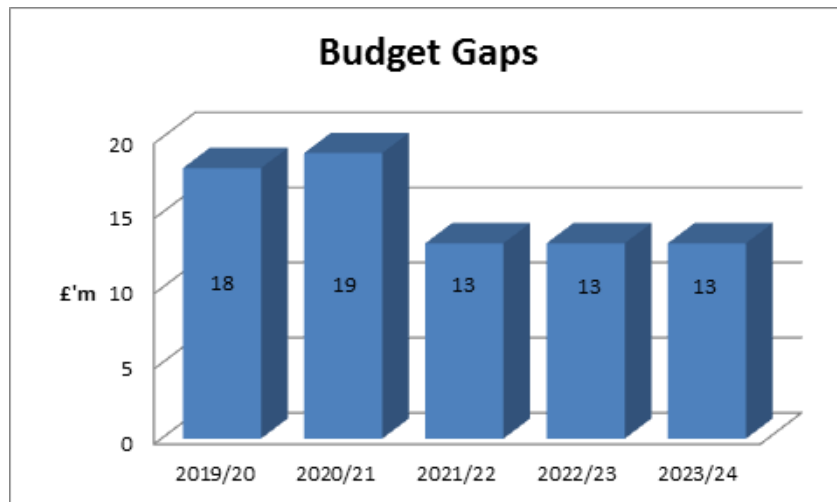
4.12.8 The Cabinet Secretary has advised that he will progress the recommendations of the Commission on Local Tax Reform, that the present council tax system should end. To this end, cross-party talks on a replacement will be convened with a view to publishing legislation, with that taken forward in the next Parliament.

4.13 Medium Term Financial Plan (MTFP)

4.13.1 The Council now has an established MTFP process. It is the nature of a MTFP, given the multitude of comprising variables that it is subject to ongoing change. The two biggest variables are pay on the expenditure side and revenue support grant (RSG) on the income side. For the former, pay awards have in practice proved to be more than assumed in the last version of the MTFP. Moreover, the award for teachers is not settled and the pay awards are on a multi-year basis. RSG also proved to be less than the MTFP central assumption, notwithstanding the improvement agreed by the Scottish Parliament.

4.13.2 The Scottish Government has recently announced it is bringing forward a three year funding settlement for local government from the 2020-21 budget onwards and will develop a rules based framework for local government funding in partnership with CoSLA that would be introduced for the next Parliament. Whilst this is welcome and will greatly assist forward planning, two cautionary notes are sounded. Firstly, the uncertainty over Brexit may cause the Chancellor to restrict the Spending Review to only one year and this will ripple through to Scotland. Secondly, the history of the past three year Scottish Government budgets demonstrate that material changes are made very late in the process.

- 4.13.3 The above considerations are reflected in the updated version of the MTFP set out below. Notwithstanding that 2019/20 will be balanced, the aggregate projected gap over the five years of the MTFP is £76m. This represents the central i.e. most likely outcome, but for each year outlier optimistic and pessimistic projections are also being prepared.



- 4.13.4 The critical matter of how these gaps are addressed going forward is considered in the following section. A key message from the Accounts Commission is that, “Robust medium term financial strategies and savings are increasingly critical to the financial stability of Councils.”

4.14 Falkirk Council Five-Year Business Plan

- 4.14.1 Building on the 2019/20 budget to bridge the projected c. £76m funding gap over the next five years, the Council has adopted a fresh approach to strategic planning. Based on the Council's strategic vision and priorities as set out in the Strategic Outcome Local Delivery Plan, Corporate Plan and Medium Term Financial Plan (MTFP), the Council will produce a five-year business plan which will be submitted to the Executive in May 2019. The five-year business plan is critical to the Council's transformation and will show the five year roadmap of the substantial savings to be achieved year-on-year to deliver on the Council's MTFP and priorities.

- 4.14.2 The plan will set out:
- horizon scanning with a range of issues including political, economic, social, technological, legal and environmental constraints;
 - the strengths, weaknesses, opportunities and threats faced by the Council over the five year timeframe;
 - what the Council is going to do differently through proposals for the next wave of the Council of the Future (COTF) change programme to transform services to better meet outcomes for customers and communities;
 - how the Council will meet budget requirements for 2019/20 to 2023/24 laid down in the MTFP;
 - that, as we move forward, the MTFP will be based on a Zero Based Budgeting type of approach to allow top-level strategic goals to be implemented into the budgeting process;
 - operational action plans that will see the Council radically change how it operates over the next five years;

- 4.14.3 The 2019/20 budget is the foundation for year one of the business plan. Taking a longer term view over the next five years provides an opportunity for the Council to become more strategic in its planning, increase operational efficiencies and clearly highlight the direction the Council needs to take to become more Responsive, Innovative, Trusted and Ambitious (RITA), the Council of the Future vision. It also enables communities and the workforce to have a better understanding of the longer term changes the Council is likely to make.

Council of the Future: Wave 1

- 4.14.4 The Council of the Future Programme was agreed by Council in September 2017. This first wave of the programme has delivered tangible change across the Council in terms of service transformation and c. £5m cashable savings in 2018/19.

Some of the key successes include:

- Opening of East & West Locality Hubs;
- Establishing a Champions Board giving children and young people the opportunity to influence policy & practice;
- Introducing MCR pathways, a mentoring programme, to help looked after children develop core skills to increase their employability;
- Consulting with communities to ask about how we make best use of our resources to deliver the services they need;
- Developing a Closer to Home strategy to build capacity within the Children & Families service allowing innovative use of Council budget to support families and improve outcomes for children within Falkirk;
- Starting a more accessible system for customers to contact Falkirk Council and making provision for an enhanced 24/7 emergency contact service through the Next Generation Contact Centre;
- Introducing mobile & flexible working and digital devices into the Building Maintenance Division to improve how work is scheduled and how customers are kept informed of appointments and the progress of repairs. This practice is also being developed in other council areas.
- Running a range of employee and leadership engagement activities to support employees in delivering the changes required to make Falkirk Council a council of the future. This included a 'temperature' check on the progress made across all Services with the Employee Engagement Survey action plan with initial results showing a positive shift in responses since the baseline survey results in September 2017.

Members have been updated on other phase one successes and developments through the quarterly updates to the Executive.

Council of the Future: Wave 2

- 4.14.5 The Council of the Future change programme will substantially evolve as a result of the proposed transformative changes within the Council's five-year business plan. Year one of the business plan gives shape to the main workstream themes for change across Council and will be set up to pick up the pace of change across the organisation. There are 5 change themes

which will be used to set the foundations for the transformation required over the 5 years. This work is still very much under development for the full 5 year period. The workstream headings, including those areas that are non-transformational, are set out in the Five-Year Business Plan Profile table below along with the provisional savings identified under each. These will be subject to change as further work is developed, and will be presented in more detail to the Executive in May.

Five-Year Business Plan Profile (subject to rounding)

WORKSTREAM	ESTIMATED SAVINGS (£K)					TOTAL (£K)	ESTIMATED FTE IMPACT					TOTAL FTE
	2019/20	2020/21	2021/22	2022/23	2023/24		2019/20	2020/21	2021/22	2022/23	2023/24	
TRANSFORMATIONAL WORKSTREAMS												
SERVICES OF THE FUTURE	8,314	5,699	3,665	2,988	2,988	23,654	150.2	26.9	9.5	41.6	21.5	250
DIGITAL	330	704	1,147	418	880	3,479	12.0	25.0	27.5	7.5	27.6	100
TRANSFORMATIONAL ENABLER	622	370	345	350	370	2,057	1.5	0.5	0.0	0.0	0.0	2
ENABLED COMMUNITIES	335	200	200	180	100	1,015	16.0	13.0	0.0	1.0	0.0	30
ENTREPRENEURIAL SERVICES	0	100	200	200	200	700	0.0	2.0	4.0	4.0	4.0	14
SUB TOTAL	9,601	7,073	5,557	4,136	4,538	30,905	180	67	41	54	53	395
NON-TRANSFORMATIONAL WORKSTREAM	5,053	651	556	750	311	7,321	47.0	4.0	9.0	24.0	4.0	88
TOTAL	14,654	7,724	6,113	4,886	4,849	38,226	227	71	50	78	57	483

- 4.14.6 As the business plan develops, work will continue in developing the proposed changes for each of the workstreams. For example, for **Services of the Future** in particular looking at alternative ways of working by exploring partnerships with other councils including Stirling and Clackmannanshire, including any potential for shared services in a range of service delivery areas. Options to involve our communities in partnership working are also being considered. Work will also be done in advancing the **Entrepreneurial Services** workstream (will begin in year two, 2020/21) to both transform and address the budget savings gap.

Change Fund

- 4.14.7 Wave one of Council of the Future was supported by a Change Fund of £700k in 2018 /19 to ensure the delivery of change and savings. This has now been fully allocated and has supported the implementation of transformational change across Services. To enable the ongoing transformation of the Council and deliver on the MTFP savings set out over the next five years, it is recommended that the Change Fund holds a value of £1m to support this. The approval process for awarding any investment from the Change Fund is already part of the COTF governance framework and this protocol would continue.

Programme Prioritisation

4.14.8 Investment from the Change Fund would be awarded primarily to priority projects within the change programme, with consideration to commissioning external support as required to drive transformation. Priority projects will be determined by a framework of principles based on:

1. High value savings projects
2. Projects with Community Empowerment / Council Priority Benefits
3. Projects with investment requirements e.g.

- a) Capital
- b) Change Fund

4.14.9 Projects emerging from the five-year business plan will be prioritised based on this framework. Based on current workings, these are likely to be focused on projects e.g. Closer to Home, Schools Transformation, Additional Support Needs Review, Community Empowerment initiatives and making Falkirk Council Digital. The prioritisation will help drive the pace of change across the organisation.

Horizon Scanning

4.14.10 An integral part of the Council's five-year business plan is horizon scanning. Any material impact from national initiatives, local budget decisions or any other factors will be considered and reflected in the Council of the Future change programme, with savings proposals brought forward to Members during the course of the year as they are identified.

4.15 Workforce

4.15.1 As explained in Section 4.8, the options being presented for Members' consideration to bridge the budget gap in 2019/20, if agreed, result in a net workforce reduction of 227FTE. Such an impact on the workforce is always difficult. For Members' information, from 31 December 2014 to 31 December 2018, the Council's workforce has reduced by 6.2%. Given the projected financial position, it has been necessary to consider options which include further reductions to workforce spend.

4.15.2 Work has, and will continue to be undertaken, on workforce changes with a view to implementing any options agreed by Members. This will be done by a variety of voluntary methods, as far as possible, which will include: -

- Where posts become vacant, subsequently deleting these where possible;
- Ending temporary contracts;
- Reviewing the use of agency workers or other consultant roles, if any are in place;
- Monitoring vacancy management;
- Promoting redeployment where appropriate;
- Using any other voluntary method that can be agreed with the employee group;
- Offering voluntary severance.

It must be noted however, that using such voluntary methods is becoming increasingly difficult given the on-going need to reduce workforce numbers. For 2019/20, it is however, anticipated that it may be possible to deliver the savings and avoid compulsory redundancy, by using voluntary mechanisms to support workforce change.

- 4.15.3 If however, a risk of redundancy arises, everything possible will be done to avoid this. Even in such circumstances where redundancy may be possible but is ultimately avoided, there is still a statutory obligation to provide an appropriate statutory notice to both Trade Unions and employees. If such a situation does arise, a formal statutory notice covering the option of redundancy will require to be issued to the Trade Unions. It is unlikely that this will be required for 2019/20, but if necessary, this step will be taken to ensure that the Council meets its legal requirements and the Trade Unions are correctly and formally advised of this potential.
- 4.15.4 Members will also be aware from this report [sections 4.13/14] that a business plan for the Council is currently being developed and will include information on the Council's Medium Term Financial Plan and refreshed Council of the Future Change Programme. This work will also consider the Council's workforce planning obligations within the context of the Council's agreed Workforce Strategy.
- 4.15.5 Given the financial projections over the 5 years of the business plan, it is inevitable that workforce reductions similar to those for 2019/20 will be mapped out for each year of the plan. Services continue to undertake considerable work, in line with their workforce plans, to prepare for such changes. This includes consideration of the wider context of external changes impacting on Services, the implications flowing from the Council's transformational change programme, and the skill requirements for future service provision and succession planning.
- 4.15.6 Workforce plans will be reviewed as part of the 5 year business plan, to reflect the most recent budget projections and other changes/implications which impact on the Council's workforce. This ensures that the Council continues to align its workforce plans with the Medium Term Financial Plan, the Council of the Future Change programme and the priorities set out in the Corporate Plan.
- 4.15.7 Given the options for 2019/20, and the work being undertaken on the 5 year business plan, employee engagement is very important. To assist with this, engagement activities have included:
- Tripartite meetings with Trade Unions to discuss the budget
 - Communications with employees on the budget and options being considered
 - Further informal discussions with Trade Unions
 - Briefing for employees in January, encouraging them to think about their future career plans over the 5 years of the business plan
 - Further general communications with employees to support this

- 4.15.8 Briefings are also being held with employees during February to provide further information on the areas being considered within the 5 year business plan, and to seek feedback on this. This will also include reference to any options employees may have over the 5 years of the plan, and will ask them to submit a note of interest in severance, with no obligation, if this is something which they may be willing to consider.
- 4.15.9 Further communication will be issued to keep employees advised of any decisions taken by Members on the content of this report. Out with this work, discussions are continuing with Trade Unions on a Workforce Package of the Future which reflects the Council's aspirations over the next 5 years of the business plan.

5. Consultation

- 5.1 Refer to sections 4.5 and 4.6 of the report.

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 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 Risk is considered both in terms of delivery as reflected in the savings templates or set out in Appendix 6 as part of the EPIA process.

Equalities

- 6.5 Preparation of Equality and Poverty Impact Assessments (EPIA's) are an integral part of the budget process.

Sustainability/Environmental Impact

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

7. Conclusion

- 7.1 The papers presented in this Budget booklet are the cumulation of an extensive and challenging exercise undertaken by both Members and officers over the past twelve or so months.

- 7.2 Similar to both 2017/18 and 2018/19 very late, albeit favourable, grant amendments were made to the Council's funding position. This has meant that fewer of the savings options identified by officers need to be selected to achieve a balanced Budget. It should be recognised, however, that these remaining options will need to be revisited to meet future years gaps.
- 7.3 Proposals are presented which will provide a balanced Budget for 2019/20. Any revisions to this position will need to ensure that the Budget remains balanced.
- 7.4 As part of the continuous evolution of the Council's medium term financial planning, the report highlights at section 4.14 the emergent business planning approach. This will harness the transformative Council of the Future agenda to help bridge the gaps identified in the MTFP.
- 7.5 It must be recognised that by the end of the five year period of the MTFP, the Council will be smaller with less buildings and fewer staff, will be delivering fewer services and those it does retain will be delivered in radically different ways.

Chief Executive

Director of Corporate and Housing Services

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Appendices:-

As per contents page to Budget Booklet.

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 Paper Files