

FALKIRK COUNCIL

Subject: REVENUE BUDGET 2014/15
Meeting: FALKIRK COUNCIL
Date: 12 February 2014
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1. INTRODUCTION

- 1.1 This report sets out the Administration's Revenue Budget proposals for the financial year 2014/15 which have been informed by the Council's priorities in the 2012-17 Corporate Plan and the Single Outcome Agreement. A projected financial position for the subsequent 3 years is reflected in the emerging Medium Term Financial Plan in Section 8 of this report.
- 1.2 There are also 3 other reports in this Budget booklet dealing with the:-
- a) General Capital Programme
 - b) Housing Revenue Account and Council House Rents
 - c) Housing Investment Programme

Together, these 4 elements of the budget cover the full spectrum of the Council's service activities and provide firm proposed costs for 2014/15 and provisional spend proposals for the subsequent 2 years. Business Plans for Falkirk Community Trust have been considered in a preceding agenda item.

- 1.3 The budget is presented against the backdrop of a continuing challenging economic climate and precarious public finances which are expected to prevail over the medium term and quite likely beyond.

2. SPENDING REVIEW AND SCOTTISH GOVERNMENT BUDGET

- 2.1 The draft Scottish Budget sits within the framework of the 2012/13 – 2014/15 Spending Review period. In September 2013, the Scottish Government presented its draft Budget for 2014/15. A report on this was submitted to Executive on 8 October and a copy is attached at Appendix 1. At the time of writing, this Budget is still going through the Scottish Parliament approval process.
- 2.2 A condition of the level of funding contained in the Scottish Budget is that local authorities deliver on specific commitments, which will be monitored, with adverse grant consequences for non-delivery:-
- Maintain the council tax freeze
 - Maintain teacher numbers in line with pupil numbers and secure places for all probationers who require one, under the teacher induction scheme

As in previous years, it is not open to Councils to select elements of the package, it is all or nothing. It is anticipated that all Councils will agree to these terms.

- 2.3 Some of the other significant elements which flow from the Budget and impact on local government are set out below:-
- 2.3.1 Provision is made to deliver on the Scottish Government's commitment to fully fund the additional costs of the early learning and childcare proposals.
- 2.3.2 Continuation of the £23m/£17m split between the Scottish and local governments to maintain the funding for the Council Tax Reduction scheme.
- 2.3.3 An expectation that partnerships working with a preventative approach to the delivery of outcomes will continue. Community Planning Partnerships (CPP's) should deploy resources towards the jointly agreed priorities set out in each CPP's Single Outcome Agreement. [see paragraph 4.4]
- 2.3.4 A sum of £20m was announced to increase discretionary housing payments and thus help mitigate the impact of the "bedroom tax" in the current financial year.
- 2.3.5 The Capital resources are broadly as anticipated and reflect the significant reprofiling of grant previously advised to Members.

3. LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 Over 80% of the Council's net expenditure is financed from central government grant and in consequence this is a critical element in balancing the budget. The overall Settlement was on a "flat cash" basis and whilst Falkirk did slightly better than this, the shortfall in grant relative to inflation is material.
- 3.2 Finance Circular 6/2013 was issued by the Scottish Government in December and reported to Executive in January (see Appendix 2). The circular gave the detailed grant figure for 2014/15 and aggregate grant for 2015/16 as noted in the table below.

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
	<u>£'m</u>	<u>£'m</u>	<u>£'m</u>
Scotland	9,766.391	9,804.911	9,800.601
Falkirk Council	272.532	275.393	?
Year on Year Increase	0.62%	1.05%	

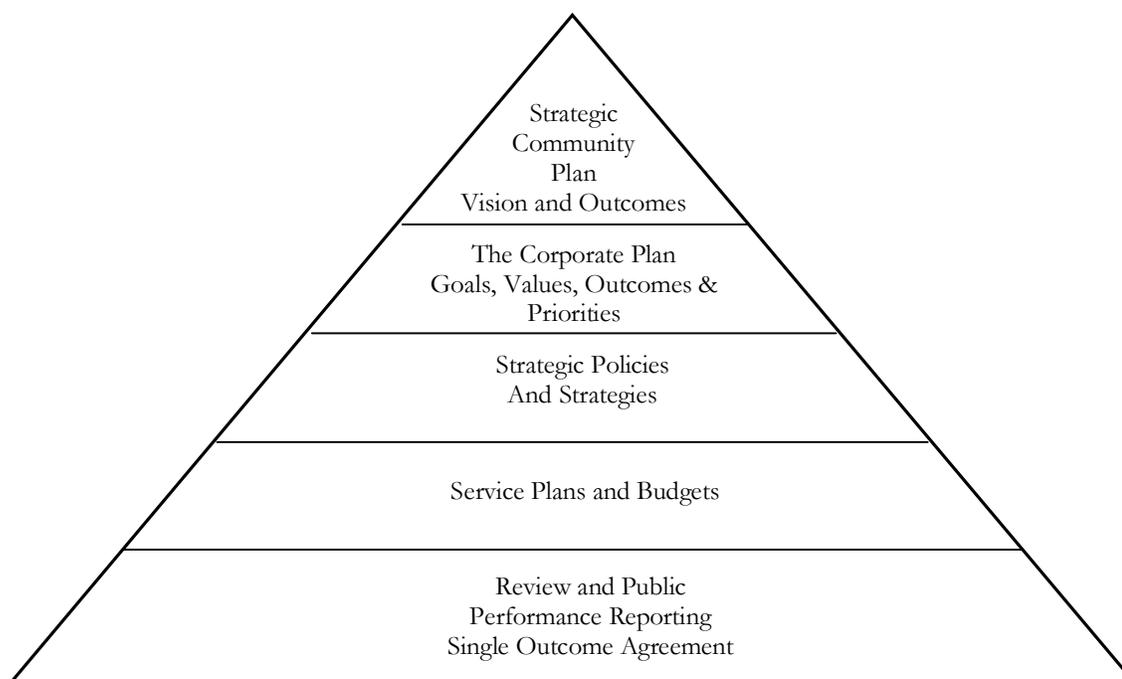
The 2014/15 grant proved to be marginally better (£300k) than anticipated due to the decrease in funding for the Council Tax Reduction Scheme not being as great as expected. The basis of the grant allocation for 2015/16 is still the subject of discussion between the Scottish Government and Cosla.

It should be noted that the grant figures above for Falkirk Council have been adjusted to reflect amounts held back for Council Tax Reduction Scheme, Scottish Welfare Fund and Language Provision as the related expenditure is contained within the Council budget.

- 3.3 Members have previously been advised that there has been a shift in the balance of the funding distribution, with an increasing amount being funded by Non-Domestic Rate income. This income, in addition to the normal increase in rate poundage, is predicated on increased yield as the country recovers from the recession. Should this increased yield not be forthcoming, the Scottish Government has guaranteed the full funding envelope and will bridge the difference.
- 3.4 The Scottish Government has confirmed that the Non-Domestic Rate poundage increase will be restricted to 2% in alignment with the position in England. An improvement in the Small Business Bonus Scheme was announced as was an expansion of the Fresh Starts rates relief.
- 3.5 The Circular also covers Capital Grant which is dealt with in the relevant report later in this agenda.

4. OUR BUDGET IN CONTEXT

- 4.1 The resources we utilise, essentially finance, assets and workforce, need to mesh effectively to support what the Council aims to achieve with regards to the future of our area. Members have established 16 outcomes we are striving to achieve and these are clearly set out in the Strategic Community Plan and in our 2012-17 Corporate Plan where priorities have also been identified. These outcomes underpin the vision for our area reinforced in our Strategic Community Plan. Each year we report on progress on achieving our outcomes through our Single Outcome Agreement. Members are presented with a progress report in October each year on how the Council and our partners are working to achieve those outcomes.



- 4.2 The challenges faced by the Council and our Services in addressing the issues of importance within our communities are not only reflected in the Strategic Community Plan but are then worked through our Corporate Plan to individual Service Plans. Each year we review the context within which the Council and individual Services are operating, the resources we have to deliver our services, how we will address needs and then plan how we are going to achieve the best outcomes we can. This work is detailed within Service Performance Plans that are published annually.
- 4.3 The Service Performance Plan process is constantly being reviewed and refined to ensure that it remains fit for purpose e.g. linking the Service Plan with the recently introduced Peer Reviews and reporting format for Performance Panel reports.
- 4.4 It is important to appreciate that the process and structure of the budget is significantly changing, being much more integrative in nature in terms of interface with Community Planning Partners and with a related greater focus on outcomes and priorities. There are two main strands to this. Firstly, there is the Joint Resourcing agenda which requires Community Planning Partners to mobilise their joint resources to deliver Single Outcome Agreement priorities. Secondly the Public Bodies (Joint Working) Scotland Bill anticipates the establishment of Health and Social Care Partnerships by April 2015, prior to which Councils and NHS Boards are expected to identify the resources which will transfer to the new partnerships in the form of a joint budget.
- 4.5 There is also a clear and important linkage with the Medium Term Financial Plan which is considered at Section 8.

5. OVERALL BUDGET POSITION

5.1 The Council is facing a gap of £10.5m in 2014/15 between its projected resources and spending requirements. To comply with both financial prudence and the legal requirement to produce a balanced budget, this gap requires to be bridged.

5.2 Key cost drivers leading to this gap include:-

	£'m
• Pay Awards	2.008
• Demographics	0.490
• Salary Increments	0.446
• Fuel & Energy Charges	0.315
• Indexation of PPP/NPDO Contracts	0.551
• Non-pay Inflation	3.952

5.3 The statement below shows how it is proposed to close this financial gap. Subsequent paragraphs expand on these components.

	<u>£'m</u>	<u>£'m</u>	<u>£'m</u>
(a) Financial Gap			10.5m
(b) Bridged by:			
- Review of base budget (para 5.4)		2.8	
- Corporate Initiatives (para 5.5)		1.1	
- Savings proposed by Services and Trust (para 5.6)		4.5	
- Spend to Save Initiatives (para 5.7.5)		0.4	
- Application of Reserves (para 5.7)			
o General Fund	1.5		
o Devolved Schools Management	0.2		
	<u>1.5</u>	<u>1.7</u>	<u>10.5m</u>

5.4 The proper starting point for closing the budget gap is to review existing underspends. This is done in association with Services and where it is agreed that elements are no longer required and without impacting on service standards, they are adjusted. If not adjusted in this way pressures are inevitably created for savings in other areas and, moreover, these elements will flow through and show as Service underspends.

5.5 Corporate Initiatives flow from proactive work to generate savings in areas such as

- Procurement – Undertake a review and examine scope for additional savings opportunities along with increased contract compliance (£0.900m)
- Asset Management – Management of Non Domestic Rates Appeals (£0.210m)

5.6 The bulk of the savings come from Services and these are considered in section 6 supplemented by Services' summaries located within each Service section in the booklet.

5.7 Reserves

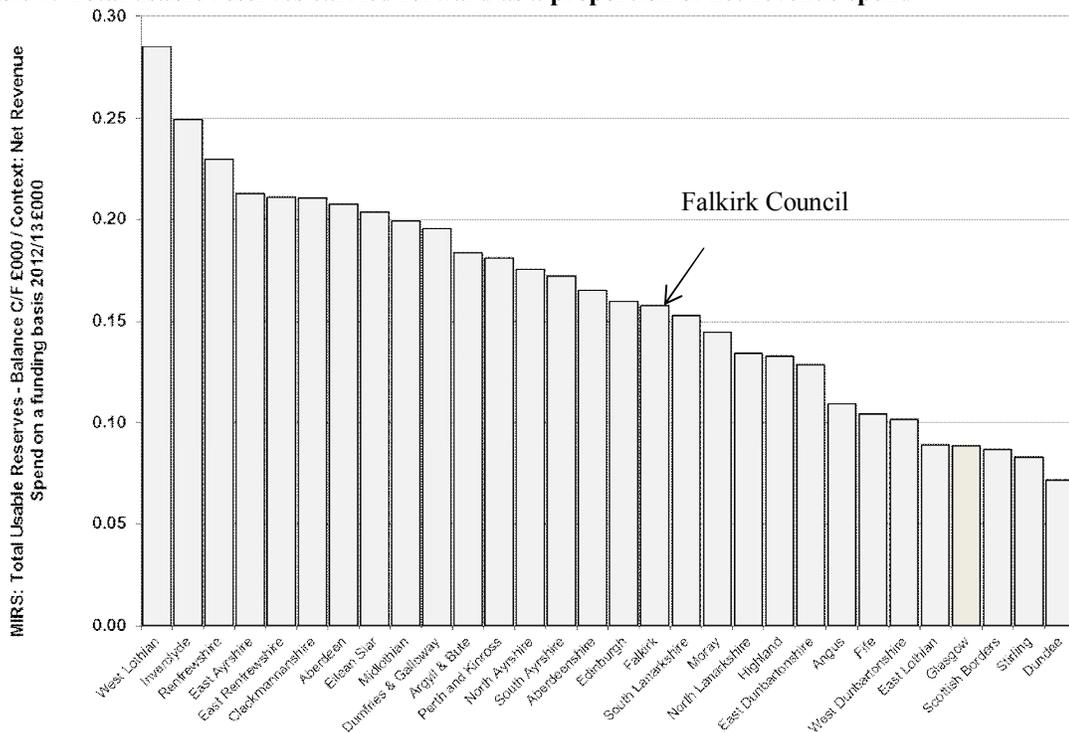
5.7.1 A report was presented to the 14 January meeting of the Executive showing the latest position on reserves. A primary purpose of that report was to inform budget decision-making. In summary, the estimated balances on the revenue reserve funds at 31 March 2014 are as follows:

	<u>£'m</u>	
• General Fund	14.0	[see paras 5.7.2-5.7.4]
• Spend to Save Initiatives	1.0	[see para 5.7.5]
• Education Devolved Schools Management	5.6	[see para 5.7.6]
• Economic Development	0.9	
• Energy Efficiency	0.4	
• Insurance Fund	4.4	
• Repairs & Renewals	1.1	
	<u>£ 27.4</u>	

Other than the General Fund these reserves are earmarked for particular purposes and in consequence the funds, in large measure, are already spoken for.

5.7.2 The Council’s approved reserve strategy is based on a range of 2% on net (£7m) and gross (£10m) expenditure. The Accounts Commission in their 2013 Overview note that, “Typically, these (reserves) are in the range of one to four percent of net cost of services. A number of councils have non-earmarked general fund reserves greater than the level set out in their policies, which may be prudent in the current environment”. It is useful to see how Falkirk Council’s reserves compare with other councils and the following chart sourced from Audit Scotland is helpful in this respect.

Exhibit 4: Total usable reserves carried forward as a proportion of net revenue spend



Source: Audit Scotland - 2012/13 analytical review of council accounts

5.7.3 The General Fund balance includes £2.2m underspend forecast for the 2013/14 financial year as reported to Executive in January. The budget balancing statement at para 5.3 shows that it is proposed to deploy £1.5m from the General Fund Reserve in 2014/15. This will reduce that reserve down to £12.5m, relative to the Council’s reserve strategy range of £7-£10m. It is important to recognise that the deployment of reserves for this purpose and particularly of a large scale is not sustainable. This is both because the reserves are finite and the underlying gap between expenditure and available resources is not being addressed. This is a point forcibly made by Audit Scotland, the Council’s auditors. The level of reserves should also be placed in the context of the expected scale of cuts anticipated in forthcoming years as set out in section 8. The deployment of reserves implied in the medium term strategy allied to the proposed replenishment of Spend to Save resources per para 5.7.5 would over the medium term take the level of reserves down to the strategy floor.

- 5.7.4 It should be appreciated that the General Fund Reserve's primary purpose is to deal with significant unexpected liabilities impacting on the Council and in these terms can be viewed as a "financial shock-absorber". One topical illustration of this is the current Pensions Bill which would remove national insurance protection from public sector schemes such as the LGPS. Whilst the details are not yet clear and implementation is not scheduled until 2016, it could cost the Council circa £4m p.a. The challenge of Welfare Reform is another example.
- 5.7.5 The Council had previously agreed to set aside £3.5m from the General Fund as an earmarked resource to fund Spend to Save Initiatives. This initiative has proved to be very successful and allowed projects such as rental lease buyouts and "refreshing the profession" in Education to progress. Indeed, only £1m of these earmarked funds remain and should Members elect to approve a proposal from the Trust at the 25 February Executive this balance will be depleted. In consequence, it is proposed that £1.5m of General Fund reserves are earmarked to replenish this fund and Services should be diligent in identifying savings options for evaluation.
- 5.7.6 A primary purpose of the Education Devolved Schools Management Reserve is to manage the timing differences between the academic and financial years. A review of this Reserve has led to an assessment that it had accumulated a level of balance that would allow a proportion to contribute to helping balance the Council's overall financial gap. In consequence, it is proposed to draw on £0.2m for this purpose.
- 5.7.7 As noted at para 6.2, should the Equality & Poverty Impact Assessment process result in any savings proposals not being progressed, any such shortfall would be covered by reserves as would any other relevant savings necessitating future consultations. This could amount to a maximum of c£0.700m.

6. SERVICE BUDGETS

- 6.1 This section of the report summarises the position for each Service area. The detail for the Services is presented at Appendix 3 and this forms the bulk of the budget booklet. Within each Service section there is a Summary of Movements statement which details changes from 2013/14.
- 6.2 Equality and Poverty Impact Assessments have been carried out on the Revenue Budget proposals. Information on the process undertaken in assessing the impact on equalities is attached at Appendix 5 together with, at Appendix 5b, a summary of the assessed impact in relation to each budget proposal summarised from the fuller assessments. Members will see in the following paragraphs that where savings have been proposed by Services that these are cross-referenced in the EQIA summary at Appendix 5b. Where after following due process of consultations and engagement it is decided not to progress a particular savings proposal, the shortfall will be covered by Reserves (see para 5.7.7). Officers have also ensured that the Budget proposals are consistent with the Council's Anti-Poverty Strategy.
- 6.3 A separate item on the Council's agenda presents the Community Trust's Business Plan. The Trust's Business Plan is in alignment with the budget proposals contained in this report.

6.4 **Education**

- 6.4.1 The Education Services budget includes provision for pay awards, increments, increased pension costs and price inflation and is set to increase by £2.379m to £169.322m (1.4%). This incorporates £1.559m to implement the early learning and childcare provisions contained within the Children and Young People Scotland Bill which includes increasing nursery provision from 475 hours to 600 hours per annum. In addition an allowance of £0.414m has been made to cover the full cost of delivering the entitlement to 25 hour teaching time per week for all primary aged pupils which was implemented in August 2013. There is also a provision of £0.200m to reflect demographic pressures.
- 6.4.2 The budget has been adjusted to take account of rebasing adjustments of £0.650m which reflect current projected underspends in some operational areas. It is also proposed to reduce teaching costs (ED5, 7, 8) by £0.380m while still maintaining the commitment to meet nationally agreed targets. This will be achieved through a range of measures aimed at reducing and rationalising management structures and achieving timetabling efficiencies. A saving of £0.500m (ED1, 3, 9-12) is also proposed through the review and reduction in the number of support staff across the Service.
- 6.4.3 A further proposal aims to save £0.125m through a programme of voluntary severance and early retirement packages for teachers. This “Refreshing the Profession” initiative has been financed under the Spend to Save Scheme.
- 6.4.4 A proposal will be considered by the next meeting of the Education Executive to amend the Councils Admissions Policy to Denominational Schools by only automatically accepting catchment children who have been baptised as Roman Catholics (ED30). This will mean that all other children will have to submit a placing request. This proposal whilst giving additional controls over admissions will also provide anticipated savings of £0.307m, as free transport is not provided for placing request children. This proposal will, however, be subject to a statutory consultation.
- 6.4.5 Further operational savings are proposed to be obtained through a range of measures including reviewing the contractual arrangements (ED19, 23, 25) for the secondary schools (£0.210m), reducing £0.060m from the repairs and maintenance budgets (ED17) and £0.050m from schools per capita budgets (ED22). In addition it is proposed to save £0.065m by stopping free swimming lessons (ED29) for primary 5 pupils.
- 6.4.6 It is also proposed to make efficiency savings of £0.050m by reallocating staff (ED16) between Sealock House and Camelon Education Centre and promoting the use of parental contracts (ED24) for transporting children with additional support needs rather than taxis (£0.010m).
- 6.4.7 It is also further proposed to increase fees and charges by £0.171m. These proposals include increasing childcare fees by 5% (ED15), ensuring charges reflect the higher cost of providing baby care(ED4) and aligning the charges of schools lets (ED21) to those of the Community Trust. It is proposed, however, to freeze the cost of school meals, ensuring that Falkirk Council will still have one of the lowest charges within Scotland. Details of these increases are provided in Appendix 3 to this report.

6.5 **Social Work**

- 6.5.1 The Social Work budget is set to increase by £2.140m to £89.715m (2.4%). Provision for pay awards, incremental increases for staff, increased pension costs and provision for price inflation for purchase of care from external providers are the main reasons for the increase. There is also provision of £0.250m to reflect demographic movements. Savings of £0.237m are anticipated from proposed reviews of procurement arrangements for the purchase of community care from external providers (SW11 and SW13), £0.103m from proposed reductions in staffing (SW24), £0.050m from a review of transport eligibility and charging (SW6) and £0.340m as a result of budget rebasing. There is also provision for increased income of £0.165m from non-residential charging and meals charges (SW1 and SW7), an additional £0.100m from external agencies (SW10) and savings of £0.010m from changing invoice processing arrangements (SW3 and SW25). Proposed changes to fees and charges are included in Appendix 3 to this report. These include charges made to other local authorities for services provided by Falkirk Council.
- 6.5.2 The budget includes expenditure funded by the Change Fund for Older People's Services which provided nationally £80m in 2012/13, £80m in 2013/14 and £70m in 2014/15. The fund is distributed through NHS boards and spending is overseen by local partnerships on the basis of local change plans which are agreed between NHS boards, local government and the third and independent sectors. The allocation to the Falkirk Partnership in each of these years was £2.14m/£2.15m/£1.89m respectively. The Scottish Government has confirmed that this will be replaced in 2015/16 by a £100m fund which will be available to be allocated via Health Boards in 2015/16 to help drive the shift towards prevention.

6.6 **Development Services**

- 6.6.1 The Development Services budget including provision for pay awards, increments, increased pension costs and price inflation is set to reduce by £1.204m to £34.922m (3.3%). As part of the rebasing exercise, the budget has been reduced by £0.500m to reflect the projected resource requirements for managing waste disposal. Savings of £0.095m are also anticipated by changing the residual waste collection from fortnightly to 3-weekly as previously approved by Members at the full Council meeting on 11 December 2013 and reducing the amount of waste actually sent to landfill. The budget provision for bus services was enhanced in 2012 by £0.350m in order to allow the emergency replacement of services about to be withdrawn by a commercial bus operator. This will now be saved by a combination of retendering, alternative timetabling and service adjustment all in accordance with the Council's existing policies (DV8).
- 6.6.2 Spend to save initiatives will lead to a total budget saving of £0.740m as a result of lease buy-outs at Central Park and reduced costs for street lighting as previously approved by Members.
- 6.6.3 It is also proposed to remove the rail concession (DV6) which allows half fare rail travel for elderly and disabled people, resulting in a budget saving of £0.060m. Alternatives to the rail concession include the Scotrail cards for disabled people and senior citizens, this allows the traveller up to a third off standard and first class travel throughout the UK. In addition there is also the free national bus pass and the Dial a Journey Scheme.

6.6.4 Increased income of £0.123m (DV4) will arise should Members approve the introduction of charges for public parking at the Municipal Buildings. This level of saving will be contingent on satisfactory completion of the relevant statutory process. Further, in the event that it is determined by Members that this car park should be included in the “Free after three” and free Christmas parking initiatives, this sum will reduce to £0.092m. Blue badge holders will be exempt from these charges. Further savings of £0.390m (DV2, 5, 14) will be generated by reducing both staffing costs and supplies and services.

6.7 **Corporate & Neighbourhood Services**

The Corporate & Neighbourhood Services budget is set to increase by £0.123m to £15.685m (0.8%). Provision has been made for pay awards, increased pension costs and the Hostel Grant which was previously a specific grant and is now mainstreamed in the Finance settlement. There is provision for £0.150m additional income from proposed increases in charges for Bereavement Services and Trade Waste together with a proposed new charge on developers for the provision of bins for new houses (CN17, 19 and 12). There are also savings of £0.500m from the budget rebasing exercise and £0.250m (CN15) in Fleet costs which have been allocated to individual Services. Proposed changes to fees and charges are also included in Appendix 3 to this report.

6.8 **Miscellaneous**

The Miscellaneous Services budget has reduced by £0.669m to £10.759m (5.9%). After providing £0.226m for additional costs relating to the carbon reduction commitments scheme £0.095m reduced income from housing benefit admin subsidy, the budget has reduced by £0.900m for corporate procurement savings (CE3) and £0.210m for non-domestic rates appeals (CS1). Included in these calculations is a proposed saving of £0.034m generated by concentrating the provision of registration services within the existing offices in Grangemouth, Denny and Falkirk and closing the offices in Bo’ness, Brightons and Larbert (CE15). The Bo’ness and Brightons offices currently operate on a part time basis, the former for 21 hours per week and the latter for 9 hours. They have the lowest number of registrations per office among the 6 offices. Closure of these offices, which are owned by the Council, would also give rise to the potential for disposal on the open market which could generate a capital receipt estimated to be in the region of £0.048m. The registration office in Larbert has already been highlighted for redevelopment. It is in a fairly poor condition and registration is now the sole occupant of the building. If a registration office was to be maintained in Larbert, alternative premises would be required. Premises within the Health Centre have been costed at c.£28k per annum but would not include provision to carry out wedding ceremonies. Taking this opportunity to rationalise the registration estate would generate property savings in addition to greater flexibility for office cover with existing staffing resources. A preliminary screening assessment of the proposal for equalities purposes has not identified any adverse impact on groups with protected characteristics but this will be further clarified from analysis of usage data if it is agreed to take the proposal forward. In the event that a materially adverse impact is identified, a report would be submitted to Council for further consideration but, if not, the proposal would be implemented.

6.9 **Trading Account**

The Building Maintenance Trading Account is budgeted to make a surplus of £0.772m which is in line with the current year’s budget.

6.10 **Central Support Services**

The budget for Central Support Services is set to rise by £0.170m to £23.297m (0.7%). This takes into account an increase of £0.245m covering increased Capital Charges and Central Support reallocation. The budget makes provision for increased pensions contributions, salary increments, and inflation and there is provision of £0.025m for increased income from Printworks (CE 11) Provision is also made for savings of £0.366m arising from the budget rebasing exercise.

6.11 **Falkirk Community Trust**

In the event that Council accepts the proposals included in the Trust's Business Plan which appear earlier on the agenda for this meeting, the Council's payment to Falkirk Community Trust for 2014/15 will be £13.161m. This represents an increase of £0.666m (5.3%) on the previous year's Service Payment.

6.12 **Workforce**

- 6.12.1 As is explained in previous paragraphs within this section of the report, there are areas being presented for Members' consideration which necessitate a reduction of up to c45 in workforce numbers if the respective savings are to be achieved. Such impact on the workforce is always one which the Council has aimed to avoid. Despite such an approach, it has been necessary to consider options which reduce workforce spend. This is inevitable with a gap in budget of c£10.5m for the next year, and spend on workforce equating to c60% of the Council's budget.
- 6.12.2 In this regard, meetings with Trade Unions are being held with a view to progressing options which may help to achieve such changes in workforce. The preferred method will be by voluntary means through the use of the severance policy, the redeployment policy and any other such voluntary methods. In addition, discussions will be held with the Trade Unions to assess whether changes to terms and conditions can be identified as an alternative method of achieving such workforce related savings. It must be highlighted however, that the Trade Unions have indicated that they are unwilling to enter into discussions unless there is a potential for the loss of jobs.
- 6.12.3 A formal statutory notice covering the option of redundancy will require to be issued to the Trade Unions to comply with the Council's obligations under employment legislation, and to ensure that the Trade Unions are aware that redundancy may become necessary, in the event that there are insufficient volunteers or changes to conditions to achieve the savings attributable to workforce spend.
- 6.12.4 As detailed in Appendix 5 of this report, the equality and poverty impact assessments associated with any proposed changes which require to be considered as part of the statutory notice, will be refined as the impact on the workforce is better determined in these areas following consultation with the Trade Unions.
- 6.12.5 During such discussions, consideration will be given to all options which could help to achieve the necessary savings in workforce spend and avoid compulsory redundancies. As can be seen from the Medium Term Financial Plan in Section 8 of this report, the Council is faced with a budget gap which is now estimated to be c£35m over three years to 2017/18. This is equivalent to a reduction in spend of c11% of the Council's net revenue budget and as such, discussions will also be aimed at achieving sustainable savings which may also assist in reducing workforce spend in future years. A variety of options in this regard will be considered including the following areas:

- Targeted Voluntary Severance - Those areas highlighted in this report which impact on workforce numbers will be targeted to identify reductions in workforce through voluntary severance. In addition, where there is a potential to achieve sustainable savings for future years in other areas of service delivery, employee groups in these areas will also be approached.
- Review of Previous Severance Applications - applications from employees for severance have been received since the initial trawl in 2010. Since then, c240 applications have been granted. Of those that were rejected, the reason was mainly due to the post requiring to be re-filled and/or the cost of the severance. Given the lapse in time since the receipt of some of these applications, they will be revisited to determine whether any can now, in the current budget climate, be granted. There is however, an issue in relation to the cost of such severances which is addressed below.
- Review of Vacancies - As vacancies arise through normal turnover, they are normally assessed by each Service to ensure it is essential to continue to fill the post given the need to achieve savings. Arrangements will now be put in place to increase the level of scrutiny of such posts on a cross service basis. In addition, consideration will be given to filling vacancies, as appropriate, on different contractual arrangements, e.g., temporary or alternative working hours to assist with any further reductions that are required in future years.
- Redeployment - the option of redeployment will be considered for all posts on which the budget proposals have an impact. In addition, redeployment will now be promoted as an option which employees can volunteer for, as well as an option which will be available to managers to discuss with employees to determine whether the employee may be interested in being considered for redeployment.
- Terms and Conditions - as detailed above, consideration will be given to options for reviewing terms and conditions which may assist with current and longer term savings. This will be discussed with the Trade Unions and in turn, employees will be asked for their views on areas for possible change, to assist with such discussions.
- Working Patterns - In accordance with the agreement reached with the Trade Unions in April 2012, the working patterns of relevant employee groups will continue to be considered in consultation with Trade Unions to determine whether beneficial changes can be made which will assist with service delivery and reduce overtime costs.

6.12.6 In addition to the above, a Business Transformation project has commenced with the aim of reviewing areas of service delivery to ensure the most efficient and effective methods of delivery are being implemented, assessing the basis for delivery, the mode of delivery, the resources utilised and the opportunities for changes and improvements. Ultimately, the project aims to contribute to the overall projected savings to be achieved by the Council in the medium to long term. Examples of initial workstreams being considered through this project include:

- Further developing e-procurement;
- Increased efficiency in methods of internal re-charging;
- Mobile and Home Working
- System Integration
- Integration of HR and Payroll functions;
- Review of cleaning schedules.
- Review of fleet efficiency

- Review of commissioning arrangements for social care services arising from the implementation of self directed support

Research work is also being undertaken to assess additional workstreams which will be taken forward during 2014/15, with a view to achieving efficiencies and savings. Relevant employee groups will be contacted as each project workstream progresses. This may result in targeted voluntary severance and/or redeployment in such areas being considered along with other initiatives, as detailed above, to enable efficiencies and savings to be achieved. A further report on such work will be presented to Members as this project progresses.

- 6.12.7 As also detailed above, the severance policy will be a key tool to help managers achieve workforce savings. There are however, a reducing number of severance applications being approved and as noted, this is often due to the cost of the severance. In approving any application managers must achieve, within a period of 5 years, savings that equate to 100% of the severance applicant's salary. This has proved in recent months to be increasingly difficult. With this in mind, it is suggested that a change is made to the savings level for a time defined period, reducing the saving requirement to the equivalent of 50% of salary over a period of 5 years. If agreed, it is further suggested that this be applied from the date of the decision to 31st March 2015, for any applications received within that period with a leaving date of any time up to and including 31st March 2017. Such an approach will enable managers to approve severances over the next year which will assist with workforce planning arrangements over the next three financial years.
- 6.12.8 In addition, it is further suggested that work is undertaken in consultation with the Trade Unions, to develop a revised severance policy which will reduce the overall cost of the severance package. If considered appropriate, options for a revised scheme will be presented to Members for consideration, with any changes to the severance package being applicable from 1st April 2015 onwards. This approach may also help to encourage applications for severance over the next year, with the aim of assisting in achieving workforce savings that are of a voluntary nature.
- 6.12.9 Appropriate Equality and Poverty Impact Assessments will be undertaken, as detailed in Appendix 5 of this report and as required, for the workforce related initiatives and projects which are progressing.
- 6.13 **External Funding**
- 6.13.1 It is proposed that the funding for external organisations that fall within the Following the Public Pound organisations remains the same in the coming year with the exception of the area discussed in the following paragraph. Given the projected financial pressures the Council is facing and the resultant impact on service delivery capacity, it would be prudent for external organisations to plan for a potential reduction in Council funding in future years.

- 6.13.2 A review of services for those affected by abuse is currently underway. There is currently a lack of a strategic service specification directing provision of services within this category. Officers have identified that there may be a degree of duplication in service provision and uncertainty regarding how performance is currently supporting Council and community planning partner's priorities. The review will consider short term impacts of any change in terms of ongoing support for service users, and also longer term impacts which will ensure that services focus on early and/or preventative interventions. It is anticipated that by establishing a consistent service specification, which places national policy translated into local delivery at the core, an efficiency saving of £0.068m (SW22) is achievable during the coming financial year. Recommendations of the review will be reported to Scrutiny Committee in the first instance, for referral to Executive for final approval.
- 6.13.3 The Council in addition to awarding funding to organisations provides in-kind support to external organisations, including, for example, free or reduced lets of Council owned premises or property. It is proposed that this type of support should continue in line with Council policy, as a direct contractual relationship is formed between the Council and the external organisation. However, the Council has also for historical reasons provided support by contracting with suppliers to provide equipment, such as stages, for external organisations and it is suggested that this type of in-kind support should cease. The main reason for this is that there is no direct contractual relationship between the external organisation and the supplier. This situation exposes the Council to potential financial claims over which it has no control. It is suggested that organisations should continue to submit applications for support, but if successful, a grant should be provided to the organisation so that it can contract direct with the supplier. This would not result in any reduction in support for external organisations as the allocation of the grant would be the same value as that allocated last year. It is anticipated that this will apply mainly to Bo'ness Children's Fair Festival and Dawson Gala day.

The full list of funding to external organisations that fall under the Following the Public Pound is noted in Appendix 4.

7. SERVICE INITIATIVES

- 7.1 Notwithstanding the challenges the Council faces to produce a balanced budget, the following are highlighted as examples of resources directed to priority areas:-
- The Capital Programme for next year contains a sum of £1.6m to accommodate projects being completed under the Tax Increment Financing Scheme. The associated financing costs are designed to be met by additional income from Non-Domestic Rates
 - Education Services budget incorporates a sum of £1.559m to implement the early learning and childcare provisions contained within the Children and Young People Bill
 - An allowance of £0.414m has been made to cover the full cost of delivering the entitlement to 25 hour teaching time per week for all primary aged pupils
 - A sum of £0.450m has been added to the Education and Social Work budgets to recognise the demographic pressures being faced by the Services especially in terms of early years provision and services to older people
 - Freezing the cost of school meals, ensuring that Falkirk Council will still have one of the lowest charges within Scotland
 - The budget contains a sum of c£0.100m reflecting an increase to the Living Wage to bring it up from £7.50 per hour to £7.65 per hour

In addition, certain funding elements originally included as part of the 2012/13 budget have been retained.

- The Development Services budget contains a sum of £0.500m to continue the accelerated youth employment programme and the Falkirk Employability Award continues to be met from existing resources
- The Social Work budget contains £0.100m for the employment of 3 additional Welfare Advice staff who will continue to provide assistance in helping to protect claimants' benefit entitlement
- A sum of £0.290m has been retained in the Education Budget to fund the successful nurturing programme in primary schools. In addition, £0.031m has been retained to continue to provide free school meals in our Special Schools
- The Miscellaneous Services budget includes £0.020m to continue funding to the Citizens Advice Bureau for the Armed Services Advice Project
- The Social Work budget also contains a sum of £0.195m to provide 5 additional OT qualified community care worker posts.

8. MEDIUM TERM FINANCIAL PLAN

- 8.1 It is good practice for an organisation of the scale of Falkirk Council and with its diverse range of activities, to have a medium term financial planning horizon. This is certainly something Audit Scotland supports and encourages. Moreover, this needs to align with the objectives, outcomes and priorities as set out in the Council's Corporate Plan.
- 8.2 The Scottish Government's 3 year Settlement covering the period 2012/13 to 2014/15 provided an initial underpinning to the medium term financial plan. This was supplemented by the Scottish Government's 1 year spending review for 2015/16. Although the 2015/16 figures have still to be agreed at individual Council level, an estimate can be made as to Falkirk Council's share. The Medium Term Financial Plan by its nature also contains other important assumptions in terms of pay awards, inflation, demographics etc.
- 8.3 Whilst financial planning for this budget (2014/15) can take place with the security of knowing the government grant funding under the current Settlement and to some extent, the subsequent year, the position post 2015/16 is uncertain. Given the continued precarious state of the public finances and the Chancellors' recent Autumn Statement, where an additional year of austerity (2018/19) has been added, the outlook for the public sector and local government in particular is concerning.
- 8.4 To illustrate this point, a recent paper from the Improvement Service has estimated a cash reduction in grant of 3.8% for Scottish Councils over the period 2016/17 to 2018/19. To some extent this should be mitigated for Councils such as Falkirk which have rising populations. These figures are of course themselves based on a range of assumptions such as continued protection of Health and the performance of the wider economy and as such should be treated with a degree of caution. The following statement shows the implications for the Council's budget gap for the next 3 years based on the Improvement Service paper and with further assumptions for the deployment of reserves.

	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
	<u>£'m</u>	<u>£'m</u>	<u>£'m</u>
Core Gap	8.5	8.8	8.8
Assumed Grant Loss	-	3.0	5.4
Reserves Impact*	0.5	-	-
	9.0	11.8	14.2
Cumulative	9.0	20.8	35.0

* Assumption of usage of Reserves of £1.15m in each of the three years.

Over the 3 year period the projected accumulated deficit amounts to £35m. This level of deficit is an important context for assessing the level of reserves the Council holds and how best they should be deployed. In addition these figures do not include a potential shortfall of £4m in 2016/17 for increased employers NI through the loss of contracting out status.

- 8.5 Accepting the figures are derived from estimates and the position will inevitably ebb and flow as information crystallises, the broad quantum of the deficit is however robust. This represents an immense challenge for the Council going forward. It is anticipated that the Council will need to move to a multi-year approach to budgeting with a continued focus on priorities as reflected in the Corporate Plan and with a particular need for engagement and consultation with partners, the public and stakeholders.

9. COUNCIL TAX

- 9.1 After taking account of the share of the additional funding of £70m to allow the Council Tax to be frozen for the seventh consecutive year, the 2014/15 Budget can be summarised as follows:

Total Net Expenditure (see Appendix 3)	<u>£'m</u> 329.354
Less: Scottish Government General Grant and share of Non-Domestic Rates	275.393
Surplus Balances deployed	1.689
Balance to be met from Council Tax	52.272
Council Tax yield of £1	£57,030
Therefore, Band D Council Tax	£1,070

- 9.2 Members will be aware that Council Tax Benefit was abolished from April 2013 with responsibility transferring from the DWP to the Scottish Government who are now operating their own Council Tax Reduction Scheme. Scottish Government has confirmed that for 2014/15 the Council Tax Reduction will continue to be calculated in the same way as the former Council Tax Benefit scheme. This will ensure claimants remain protected from the changeover. The funding to deliver the scheme is now included in the Scottish Government Grant albeit at a reduced level.

9.3 The charge for each band is set out in the following table:-

	No of Chargeable Dwellings	% of Houses in Band	Ratio to Band D	Annual Council Tax
Band A	21,419	30.4	6/9	713.33
Band B	18,849	26.8	7/9	832.22
Band C	6,345	9.0	8/9	951.11
Band D	8,275	11.7	9/9	1,070.00
Band E	8,213	11.7	11/9	1,307.78
Band F	4,957	7.0	13/9	1,545.56
Band G	2,328	3.3	15/9	1,783.33
Band H	60	0.1	18/9	2,140.00
TOTAL	70,446	100.0		

10. CONCLUSION

10.1 Members are presented with a balanced Budget as legally required. The capacity to achieve this is greatly influenced by the level of the grant settlement and more so in the context of a continuing Council Tax freeze. Services have had to identify some challenging savings to achieve a balanced budget. On a positive vein, however, the Budget does contain proposals for new initiatives which will help our community. Given the projected economic climate and precarious state of the public finances, it is inevitable that Council will face difficult decisions over the medium term.

11. RECOMMENDATIONS

11.1 It is recommended that Council considers the foregoing budget proposals and determines whether to:

- (a) accept the Draft Budget for 2014/15 as proposed in this report and as appended
- (b) levy a Council Tax for 2014/15 as follows:-
 - (i) A Council Tax to be paid in respect of a chargeable dwelling in Council Tax Valuation Band D of £1,070, representing a nil increase;
 - (ii) A Council Tax to be paid in respect of a chargeable dwelling in each of the other Council Tax Valuations Bands in accordance with Section 74 (1) of the Local Government Act 1992 (as set out in paragraph 10.3 above);
- (c) replenish the earmarked Spend to Save Reserve by £1.5m as set out in para 5.7.5;
- (d) agree that any shortfall in savings proposals flowing from due Equality & Poverty Impact Assessment process, together with other necessary consultations, will be covered by reserves (paras 5.7.7 & 6.2 refer);
- (e) agree 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;

- (f) note the actions being taken to assist with reductions in workforce spend, and to avoid compulsory redundancies as far as possible, as outlined at Section 6;
- (g) note the development of the Business Transformation project and agree to such work progressing with updates being provided to the Executive at appropriate stages;
- (h) agree to change the savings criteria contained within the Severance Policy as detailed at Section 6 ;
- (i) agree to a further review of the Severance Policy to reduce the cost of the severance package with a report being submitted to the Executive on proposed changes, as detailed at Section 6;
- (j) instruct Chief Officers to deliver Services within the specific budget allocation for each Service and authorise them to take such actions as may be required to give effect to the service delivery proposals outlined in section 6 of this report.

Chief Executive

Chief Finance Officer

Date: 31 January 2014

Contact Officer: Bryan Smail

LIST OF BACKGROUND PAPERS

1. Scottish Government Finance Circular No. 6/2013

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 506300 and ask for Bryan Smail.