



# **Agenda Item 4**

## **Revenue Budget 2017/18**

**Falkirk Council**

**Title:** Revenue Budget 2017/18  
**Meeting:** Falkirk Council  
**Date:** 19 December 2016  
**Submitted By:** Director of Corporate & Housing Services

**1. Purpose of Report**

- 1.1 This report presents a further step in the 2017/18 (and beyond) Budget process and updates Council on a wide range of Budget matters. It will be supplemented by an update on the Scottish Government Budget and Local Government Settlement which will be announced on 15 December. It is intended that this supplement will be issued on 16 December.
- 1.2 Appended to the report are the Budget Business Cases for both Falkirk Community Trust and the Integration Joint Board. This affords the Council the opportunity to give feedback to both organisations in the context of the Council's grant settlement.
- 1.3 Together with a report to January Executive which will contain both the latest revenue projection for 2016/17 and anticipated further analysis on the 2017/18 Local Government Settlement, this report will provide the platform for Council to take the necessary decisions in February to achieve a balanced Budget.
- 1.4 The report also offers Council the opportunity to take a provisional decision on the level of Council Tax for 2017/18. This would both help to demonstrate how the Budget gap can be closed and facilitate the logistics of Council Tax billing.

**2. Recommendations**

**2.1 Council is asked to note:-**

- (1) The broad financial picture presented in Section 4.1 and its linkage with the Council's medium term planning in section 4.12
- (2) The status of engagement with Trade Unions in section 4.4
- (3) The Budget savings options relating to External Organisations presented at section 4.6.
- (4) The status of public engagement in section 5
- (5) A further report will be submitted to January Executive providing an updated Revenue Budget projection for 2016/17 and, it is anticipated, an additional analysis on the 2017/18 Settlement.

**2.2 Council is invited to advise any feedback it wishes to convey to the respective Boards with regard to the Budget submissions from:-**

- (1) Falkirk Community Trust**
- (2) Integration Joint Board**

**2.3 Council is invited to determine if, at this meeting, it wishes to provisionally set a Council Tax Band D rate for 2017/18 in terms of the scope to raise the tax by up to 3%, with the final decision taken at the February Budget meeting where all relevant information will be presented.**

### **3. Background**

3.1 Further to a report on the Medium Term Financial Strategy which was presented to Council on 22 June 2016, an update report on the Budget fiscal environment was considered by Council at its meeting on 21 September 2016. That meeting agreed that Officer savings options would be presented to the October meeting of the Executive.

3.2 Executive duly considered these savings options at its meeting on 18 October, together with an update on negotiations with the Trade Unions.

3.3 In terms of the Member Budget Working Group, there have been further meetings as noted below:-

<u><b>Date</b></u>	<u><b>Agenda Item</b></u>
9 November 2016	The Council of the Future – presentation (all members invited)
14 November 2016	Revenue Budget Gap
29 November 2016	2017/18 Budget Options – Services
6 December 2016	2017/18 Budget Options – Services
	Reserves Strategy
13 December 2016	2017/18 Budget Options – FCT and IJB
	External Organisations
16 December 2016 (t.b.c)	Local Government Finance Settlement

3.4 Whilst the focus of this report is on the General Fund Revenue Budget, it should not be forgotten that parallel workstreams are progressing the other elements of the Council's overall Budget position in terms of:-

- General Services Capital Programme
- HRA Revenue
- HRA Capital

These items along with the Revenue Budget will be presented to Council meeting in February.

## 4. Considerations

### 4.1 Update on the Broad Financial Picture

- 4.1.1 The **Autumn Statement** underpinned by the Office of Budget Responsibility forecasts, downgraded GDP growth with a sharp decline in the next two years with a resultant reduction in fiscal receipts. Spending plans are, however, carried forward from the 2015/16 Spending Review as the Chancellor has elected to cover this shortfall with additional borrowing. CPI inflation is forecast to rise sharply over the next two years.
- 4.1.2 The Chancellor's decision to increase capital investment has resulted in an extra £800m allocation to Scotland over five years. Whilst the additional investment down south is being prioritised for the local road network, the Scottish Government will determine its own priorities.
- 4.1.3 No specific date has been set to achieve fiscal balance albeit with an extra year of austerity added for 2021/22, it will not be before then.
- 4.1.4 **The Fraser of Allender Institute** has published a report on "Scotland's Budget – 2016". The report notes that the fiscal responsibilities of the Scottish Parliament are expanding rapidly and that with the assignment of VAT revenues, 50% of devolved expenditure will be funded by tax revenues collected in Scotland.
- 4.1.5 Consequently, the Scottish Government budget in future will depend on the two key elements of the Scottish block grant as determined by the Barnett Formula and the growth of devolved tax revenues, particularly income tax. Moreover, this means that Scotland's economic performance, particularly relative performance, will have a greater than ever impact on Holyrood's spending plans.
- 4.1.6 The report notes that with the economic uncertainty following Brexit and a fragile Scottish economy, the devolution of new powers, "could not have come at a more challenging time" and "there is a real risk that this new framework will only add strain on Scotland's public finances at least in the near term".
- 4.1.7 The report also notes that, "Real term cuts to the Scottish block grant are likely to continue into the next decade, extending the period of fiscal consolidation to over 10 years".
- 4.1.8 The gloomy prognosis was compounded by recent analysis by the independent think-tank **IPPR Scotland**. Because of Scottish Government decisions to protect certain spending, notably the NHS and Police, cuts to areas such as local government are set to be particularly deep with non-protected areas expected to lose £1.3B per year by 2019/20.
- 4.1.9 The IPPR director notes that, "The Autumn Statement leaves a very significant and unprecedented spending squeeze for Scotland's unprotected departments over coming years".

4.1.10 The **Accounts Commission** have also recently released their “Financial Overview 2015/16” and this will be the subject of a separate report to January Executive. The Overview highlights the significant challenges for local government finance reflecting the combination of long-term decline in funding, (8.4% in real terms since 2010/11) rising demand for services and increasing costs.

4.1.11 Information from the above sources are harnessed to develop the Council’s medium term planning work of which more is said in Section 4.12 of this report.

## 4.2 **Local Government Finance Settlement**

4.2.1 It has been confirmed that the Scottish Budget and 2017/18 Local Government Settlement will be delivered on 15 December. This timing has meant that it will be necessary to issue a supplementary report for Council containing information on the Budget and Settlement. It is intended that this will be done on Friday 16 December.

4.2.2 This compressed timeframe will mean that the supplementary report will focus on the “headline” elements with a more detailed analysis submitted to a meeting of the Executive in January. Council should note that a detailed review of the Settlement figures is conducted by COSLA/Council finance officers over several weeks following the announcement and that these frequently find error which require adjustment to the figures.

4.2.3 As part of the Settlement process, the Grant Aided Expenditure (GAE) indicators will be updated and this could affect the distribution of grant between Councils.

4.2.4 It will be evident from the preceding section that a very difficult Settlement is expected with a cash cut in grant of between 3-5%. Beyond the Scottish Government’s cut in its own grant, the key factor determining impact will be how local government fares relative to other large areas of spend, notably Health & Police.

## 4.3 **Budget Gap**

4.3.1 The projected Budget gap reported to Council (21/09) and Executive (18/10) was based on a grant reduction (3.5%) similar to 2016/17. In the interim, advice from Cosla is that the cash grant reduction could be nearer 5%, which would increase the gap to circa £25m – the same overall Budget gap level as 2016/17.

4.3.2 The primary options to achieve a balanced Budget are presented in the table below, which Council will recognise from the report to the 21 September meeting. The table has been populated with indicative figures, which were considered by the Member Budget Working Group, to give a broad sense of how the gap might be addressed. It is highlighted that on these assumptions virtually all the Council Service savings would require to be accepted to achieve a balanced Budget based on a £20m gap. As noted above, the gap could be nearer £25m in which case a significant further tranche of savings would need to be identified.

<u>Estimated gap</u>	<u>£m</u> <u>20</u>
<u>Options to Bridge the Gap</u>	
Council Service Savings	10.5
Falkirk Community Trust	1.0
Integration Joint Board	2.0
External Organisations	0.5
Strategic Reviews	?
Budget Rebasing	2.7
Council Tax increase	2.0
Terms & Conditions	-
Application of Reserves	<u>2.0</u>
<u>Gap bridged</u>	<u>£20.7m</u>

4.3.3 Subsequent sections in this report give Council more information on most of these options.

#### **4.4 Workforce Update**

4.4.1 The report presented to the Executive Committee in October identified savings options which would result in a workforce reduction of 228.2 FTE posts if savings from terms and conditions are not achieved. Members will be aware however, that these options related to the initial projected £20m of savings that required to be achieved. It is likely that this number will increase if the Settlement results in an increase in the Budget gap.

4.4.2 One option to reduce the number of workforce reductions is for an agreement on changes to terms and conditions to be reached with Trade Unions. Currently, c65 FTE posts within the above figure relate specifically to the £1.5m which requires to be found directly from terms and conditions, if an agreement cannot be reached. Further to the update provided to the Executive in October, discussions have continued with Trade Unions to develop a package which can be issued to employees as part of a ballot on such changes. This has involved very detailed and complex discussions with Trade Union colleagues which are still being progressed. The Trade Unions are also aware that any ballot requires to be undertaken in time to inform the Budget report which Members will consider in February 2017. For Members' information, these discussions are now taking the form of Tripartite meetings, with both the Leader of the Council and the Leader of the Opposition involved in the discussions. The next meeting with Trade Unions is due to take place on 21 December 2016.

4.4.3 One further workforce related matter which may impact on budget projections is the local government pay award for 2017/18. The Council has received information on the starting position for this round of negotiations. This suggests that the cost of the pay award, if it were to be agreed at the initial rates being suggested, could be met from the funds identified within current projections. This is of course subject to progress with negotiations at a national level. The affordability of the pay offer will continue to be assessed if any increase is made to the offer to Trade Unions at a national level. The Council's position on affordability has been relayed to Cosla as part of their engagement with Councils.

## **4.5 Strategic Reviews**

4.5.1 Council agreed in February 2016 as part of the Budget Report (para 4.3) for a range of strategic reviews to be undertaken. A summary of the status of each of these reviews is provided below.

### **4.5.2 Trust Service Delivery & Property Portfolio**

This review has principally been taken forward as part of the Council's wider Strategic Property Review with discussion taking place between the Trust and Development Services. A degree of integration of this work with the work of the Falkirk Community Trust Policy Development Panel will take place pursuant to the decision of the Executive on 27 September which looked to establish a joint working group with the Trust which would consider the treatment of facilities. Officers are discussing arrangements for this working group with management of the Trust.

### **4.5.3 Council Property Portfolio**

A separate report on this review is presented on this agenda. It will be evident that a considerable amount of work has been undertaken to get to this point and that some difficult decisions will be required to be taken by Members in due course.

### **4.5.4 Enhanced Income Generation**

This review is being informed by reports on income generation from the Accounts Commission and CIPFA, together with benchmarking data on fees and charges across Scottish Councils. There are, however, restrictions as many Council services are required by statute and are free at the point of delivery, whilst a number of charges are determined at a national level. A number of options for income generation are reflected in Service savings options already presented to Members and are also reflected in the Business case submission for both the Trust and IJB.

### **4.5.5 Social Work Delivery (Adults & Children)**

#### **4.5.5.1 Adult Social Care**

In the current year the Integration Joint Board is reporting a modest reduction in the projected Adult Social Care services overspend. The remaining overspend will be funded from Integration Funding. A separate IJB budget case submission details savings proposals for 2017/18 is set out in section 4.8 of this report.

4.5.5.2 The transformational change required to deliver effective management of finite financial resources will be enabled by a new approach to eligibility criteria and resource allocation. At its meeting on 2 December 2016, the IJB agreed to consult on a revised Eligibility Criteria Framework and approved the development of a resource allocation system to complement the revised framework. The report considered by the IJB can be accessed at <http://www.falkirk.gov.uk/coins/submissiondocuments.asp?submissionid=13029>. The new framework will embody self directed support principles, giving due regard to the person's strengths and assets and natural supports in contrast to a more service led approach. Eligibility for support will be established at critical and substantial levels of assessed need, while affording opportunity to provide preventative support at moderate level where resources allow. This approach will be phased in during 2017/18.

#### **4.5.5.3 Children and Families**

A progress report on the review of Children and Families will be presented to the Business Transformation Board on 12 December. The development of a three year strategy is nearing completion, with some arising actions already being implemented. As a result of the work to date, the overspend position for Children and Families has improved with c£0.8m forecast for 2016/17. However, Childrens' Services overall are projected to be broadly on budget for 2016/17. In turn, it is anticipated that the current provision for budget pressures of £1.5m included in the 2016/17 budget can largely be removed from the 2017/18 budget and thus contribute to bridging the Budget gap.

#### **4.5.6 Payment to External Organisations**

- 4.5.6.1 The Council funds a number of external organisations through grant funding. Annually this amounts to approximately £3.5m per annum. This total has been reducing slightly over a number of years due to savings being achieved but also due to some funding moving to the Integration Joint Board. This has meant approx. £800,000 this year being taken out of the external funding review.
- 4.5.6.2 Each year Services are asked to identify saving in their funding to external organisations, with last year's budget identifying just over £400,000 in savings. It was agreed by Council that a strategic review would be undertaken to further identify savings. To this end a small group of senior officers has reviewed the spend against all organisations, identified the purpose of funding groups of organisations and then developed a number of options with regards to achieving levels of savings commensurate with the services delivered by each organisation.
- 4.5.6.3 These options are currently being considered but could achieve anywhere from £170,000 to £700,000 in savings in the coming year. Monitoring officers have been asked to engage with all organisations to advise them that savings will be sought and to undertake an initial equality and poverty impact assessment to identify who and how specific groups would be impacted by such savings. It must be clear that the purpose of such assessments is not to measure the impact of savings on the organisation but the people they deliver services to.
- 4.5.6.4 In addition a review is currently underway on the information provided to Scrutiny Committee on each organisation as part of the Council's Following the Public Pound arrangements. The current reporting focuses on what the organisation has delivered over the past year. This does not assist Members to then take difficult decisions on affordability of such services. The form is therefore being revised to reflect the need to provide more focussed and evaluative information that should support Members in the difficult decisions they have to make on continued funding. A proposed way forward reflecting Council Priorities is contained at section 4.6 of this report.



#### 4.5.7 **Alternative Models of Service Delivery**

An update on this review was presented to the Business Transformation Board on 12 December. The first stage of the review identified potential areas of service provision using a range of criteria e.g. areas offering the greatest potential for savings and where there are clear examples of successful operation elsewhere. The update outlined the next steps where more detailed business case analysis and option appraisal would be required. Further consideration of these options will be undertaken by Executive or Council in February/March.

#### 4.5.8 **Summary**

In practice, given the scale of the preparatory work required, it is expected that most of the output from the Strategic Reviews will feed into post 2017/18 Budget rounds.

### 4.6 **External Organisations' Grants**

4.6.1 Over the last five years most externally funded organisations have had some savings attributed to them but very few organisations have had significant savings. Only one or two organisations have had funding stopped completely and where that has been the case this was due to a change in the procurement process or due to significant reserves.

4.6.2 The approach for 2017/18 has been to establish four priority categories for externally funded organisations as follows:

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

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

4.6.4 The table below shows the value of each category and the savings that can be achieved if a percentage reduction of 5 – 20% is applied. This gives a range of scenarios.

<b>Priority</b>	<b>Total Funding in 2016/17</b>	<b>5% Saving</b>	<b>10% Saving</b>	<b>15% Saving</b>	<b>20% Saving</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
One	945,783	47,289	94,579	141,868	189,157
Two	333,824	16,692	33,383	50,074	66,765
Three	2,034,058	101,703	203,406	305,109	406,812
Four	322,381	16,119	32,239	48,358	64,477
<b>Total</b>	<b>3,636,046</b>	<b>181,803</b>	<b>363,607</b>	<b>545,409</b>	<b>727,211</b>

4.6.5 A list of the organisations which sit within each category is being finalised. Discussions will shortly commence with Members on the approach to be taken.

#### **4.7 Falkirk Community Trust – Business Plan**

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

- Cover letter from Trust Chief Executive
- Briefing report from the Trust summarising their submission
- Business Plan Approach 2017-2020 (Appendix 1)
- Savings Proposals 2017/18 (Appendix 2)
- Fees and Charges 2017/18 (Appendix 3)
- Equality & Poverty Impact Assessment (Appendix 4)
- Helix Business Plan Strategy 2017-2020 (Appendix 5)
- Capital Programme 2017/18 (Appendix 6)

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

4.7.3 The current Policy Development Panel review of the Council's relationship with the Trust provides a further context to Council's consideration of the Trust's budget proposals, as does the Strategic Property Review, which is a separate item on this Agenda.

4.7.4 The Trust Board has recognised the extremely challenging economic climate and the financial pressures which the Council, their primary funder, will be facing. As a consequence, the Trust has rethought their approach resulting in a revised 3 year strategy. Essentially, this involves new and more intense community engagement which would sit along side the Council's wider Community Empowerment agenda. This will lead to new ways of developing, managing and delivering all aspects of culture and sport.

4.7.5 A consequence of the Council agreeing to this approach, which requires time to implement, is that the level of savings the Trust would make to bridge the Council's Budget gaps would be skewed towards 2018/19 and subsequent financial years. The Trust's proposed savings for 2017/18, whilst still substantial at c£1m, are below the target level the Council's Services have been working to. The Trust's suggested approach does, however, offer the potential of greater savings in subsequent Budget rounds. It will be for Council to take a view on this.

- 4.7.6 The Trust's savings proposals for 2017/18 are summarised below and detailed in Appendix 2 of the Trust's Budget submission:-

	<b><u>£'000</u></b>	
Income generation	428	
Community Engagement/Transfer	47	
Efficiencies	117	
Service Reductions	378	
	<u>970</u>	
Application of Reserves	100	(Further reserves deployed to meet anticipated redundancy costs)
	<u>1,070</u>	

- 4.7.7 The income generation targets are ambitious and the Trust note that it is with great reluctance that they bring forward service reductions. The Trust also flag that were the Council to seek further savings from them in 2017/18, this is most likely to involve facilities closure.

- 4.7.8 The Trust's submission also includes a Helix Business Plan 2017-20 (Appendix 5) and Capital Programme proposals totalling £520k (Appendix 6).

#### **4.8 Integration Joint Board – Business Case**

- 4.8.1 The Integration Scheme for the Falkirk Health and Social Care Partnership sets out the methodology for determining funding to the Integration Joint Board (IJB). This requires an IJB business case to be presented to both the Council and the Health Board for consideration. The Falkirk Health and Social Care Partnership (the partnership) presented their Business Case for 2017/18 to the Integration Joint Board on 18 November 2016. The IJB approved the Business Case for consideration by Falkirk Council. Appended to this report are the following documents:-

- Cover letter from the Falkirk Health and Social Care Partnership Chief Officer
- Integration Joint Board (IJB) Business Case 2017/18

- 4.8.2 In developing the Business Case, the Chief Finance Officer from the partnership has met with Council finance staff. This has ensured that consistent financial planning assumptions in key areas such as pay awards have been adopted.

- 4.8.3 The partnership has been kept informed of the prevailing economic challenges that the Council is facing and the anticipated Budget gap for 2017/18. The partnership was advised that savings in the order of £2m may be required. The IJB recognises the challenges the Council is facing and has proposed savings totalling £2.455m which would result in a workforce reduction of 38 FTE posts. These savings proposals reflect the strategic priorities and outcomes set out in the IJB's strategic plan and are detailed at Appendix 1 of their submission.

- 4.8.4 It is for the IJB to approve savings options on behalf of the partnership. Responsibility for approving budget savings and/or service redesign for adult social care services no longer rests with the Council. However, it is accepted that the Council will have a keen interest in any proposed savings and can request further information where required.
- 4.8.5 Responsibility for charging policy within Adult Social Care remains with the Council. A proposal to increase income is noted below for Council consideration. This proposal covers both a review of charges and improving business processes and debt recovery in order to reduce the level of debt write off. If approved, charges will be increased in line with general inflation.
- 4.8.6 The IJB's savings proposals are summarised below:-

	<u>£'000</u>
Procurement efficiencies for care at home and supported living services	775
Reviewing models of service delivery	1,380
Review of charging policy	300
	<hr/>
	2,455

- 4.8.7 The Business Case includes detailed information at Appendix 1 on the areas to be targeted for the above savings along with an indication of the confidence level in being able to achieve the savings. Council will wish to note the proposal to fundamentally change the Garden Aid scheme. The IJB is also conducting a review of eligibility criteria as outlined at paragraph 4.5.5.2.
- 4.8.8 The covering letter from the partnership draws the Council's attention to a number of key points to note when reviewing the Business Case, including:
- The treatment of the Integration Funding (to be renamed Social Care Funding) within the 2017/18 Scottish Budget is pivotal to the financial planning for Adult Social Care. The Business Case includes a range of scenarios for this funding and highlights this as a significant financial risk for the IJB. More savings could be required should Integration Funding be lower than expected.
  - The Equality and Poverty Impact Assessments for these savings are currently being prepared.
  - The draft saving programme represents a challenge for the partnership and the Business Case highlights the need for appropriate management and business support to achieve this.
  - A further proposal to consider future support, possibly funded through the Council's Spend to Save reserve will be developed.
- 4.8.9 Council should note that the IJB Business Case focuses on the funding required for Adult Care Social Services. The budget cycle for NHS Boards has traditionally been later than local authorities. The 2017/18 financial plans have not been discussed with the NHS Board at this stage. A revised Business Case, including the NHS plans will be prepared in 2017.

## 4.9 Reserves

4.9.1 The budget report to Council in February 2016 included a review of the Council's reserve strategy. The review noted that councils can hold reserves for three main purposes:

1. A working balance to help cushion the effect of uneven cash flows and unnecessary temporary borrowing;
2. A contingency to cushion the impact of unexpected events or emergencies; and
3. A means of building up funds to meet known or predicted requirements by earmarking a portion of the General Fund.

4.9.2 Within the report, a recommendation was made and agreed to maintain the uncommitted General Fund balance within a range of £6.6m - £10m. The most recent estimate for the reserve is c£9m.

4.9.3 Audit Scotland's "Local Government in Scotland – Financial Overview 2015/16" included the following statement:

"While usable reserves can be used to support services, Councillors must consider how and when these are used as they can only be used once. Use of reserves must comply with the Council's annually reviewed reserves policy. This should be clearly linked to financial plans and consideration must be given to the impact on the future financial position. Using reserves to support services in the short term is not sustainable unless they are used to support service transformation and generate future savings. A significant proportion of usable reserves held by councils have already been allocated for specific purposes and so will not be available for other uses".

4.9.4 A detailed list of the Council's usable reserves is provided at annex 1. The total usable reserves are £43.0m. The summary includes HRA reserves, capital reserves, the Revenue Grant reserve and the Insurance Fund. **These reserves total £21.9m and the restrictions attached to them mean that they cannot be used to support the revenue Budget gap.**

4.9.5 The General Fund reserve of £8.6m as at 31<sup>st</sup> March 2016 has a lower limit, as approved by Council of £6.6m. There is a circa £2m "cushion" within this reserve. However, Council will note that the Budget gap statement at para 4.3.2 already anticipates this sum being deployed. Moreover, Members will need to consider this reserve in a wider strategic context, bearing in mind the pressures of equal pay negotiations currently underway and potential for additional costs from e.g. winter pressures.

4.9.6 The Spend to Save reserve of £3.1m has been earmarked to fund both transformational projects and voluntary severance payments. There is no slack projected in this reserve. The Devolved School Management Reserve (£3.9m) holds funds on behalf of individual schools and deals with differences between academic and financial years. The remaining balances are used to offset pressures from rising school rolls. Scrutiny Committee has recently considered this reserve in some detail. The remaining reserves are shown in the following table and have been fully allocated. It would be open to Members to revisit previous decisions taken to apply reserve funding where the funding has not yet been committed.

<b>Reserve</b>	<b>Balance £'m</b>
Economic Development	1
Central Energy Efficiency Fund	0.5
Repairs & Renewals	4
	<b>£5.5m</b>

4.9.10 It should be evident from the above analysis that whilst there is a headline figure of £43m, the actual capacity to deploy any further reserves is severely constrained. Indeed, the only additional headroom would be if Members opted to change the already allocated spend in the table above, to the extent it was not already committed.

#### **4.10 Further Savings Options**

4.10.1 The report to 18 October Executive highlighted how challenging it had been for Services to identify the savings options submitted. Moreover, it was noted that as Children's Services being the Council's largest Service, had not been able to identify a proportionate share of savings options, this placed significantly disproportionate pressure on the Council's other Services, with important consequences for service delivery in these areas.

4.10.2 It is evident from the funding gap table at para 4.3.2 that many of these savings options will need to be accepted to bridge a Budget gap of £20m. As noted at para 4.3.1, however, the Settlement on 15 December could increase this gap to nearer £25m.

4.10.3 Whilst Officers are working on options to provide for this contingency, Council needs to understand that in this eventuality, significant additional savings are inevitably going to be required in areas which are held to be discretionary and lower priority. The challenge in dealing with this eventuality will be compounded by the compressed timeframe within which this will need to be progressed ahead of the February Budget meeting. Examples of large areas of spend that will need to be reviewed further include:-

- Children's Services
- Integration Joint Board
- Falkirk Community Trust
- Roads

#### **4.11 Council Tax**

4.11.1 At a recent meeting of the Member Budget Working Group, there was cross party support for an increase of 3% in Council Tax. A 3% increase in Council Tax, combined with the forecast growth in property numbers, will see the 2017/18 yield grow by c£2m from the 2016/17 forecast out-turn. This is in addition to the £200k that will be raised by the Empty Homes Levy and will take the total yield up to around £57.3m. The table below shows the incremental impact of a range of potential increases.

<b>Increase (%age)</b>	<b>2016/17 Out-turn</b>	<b>Growth</b>	<b>Increased Yield</b>	<b>Total Increase</b>	<b>Total Yield</b>
	£'000	£'000	£'000	£'000	£'000
<b>0.0%</b>	55,103	351	0	<b>351</b>	55,454
<b>0.5%</b>			278	<b>629</b>	55,732
<b>1.0%</b>			557	<b>908</b>	56,011
<b>1.5%</b>			835	<b>1,186</b>	56,289
<b>2.0%</b>			1,113	<b>1,464</b>	56,567
<b>2.5%</b>			1,391	<b>1,742</b>	56,845
<b>3.0%</b>			1,670	<b>2,021</b>	57,124
Empty Homes Levy					200
<b>Total Projected Yield 2017/18</b>					<b>57,324</b>

14.11.2 The Band D charge would rise from £1,070 to £1,102, with a 3% increase. With this rise we would remain comfortably below the Scottish average Band D charge, which was £1,149 for 2016/17.

14.11.3 Legislation was passed in November which will see the amount paid by properties in Bands E-H, increase further. The money raised (estimated £100m nationally) will be directed to the national policy of closing the Attainment Gap. The table below shows the combined impact of both the 3% increase and the change in ratios.

<b>Band</b>	<b>2016/17 charge</b>	<b>2017/18 proposed charge</b>	<b>%age increase</b>
<b>A</b>	£713.33	£734.67	3%
<b>B</b>	£832.22	£857.11	3%
<b>C</b>	£951.11	£979.56	3%
<b>D</b>	£1,070.00	£1,102.00	3%
<b>E</b>	£1,307.78	£1,447.91	11%
<b>F</b>	£1,545.56	£1,790.75	16%
<b>G</b>	£1,783.33	£2,158.08	21%
<b>H</b>	£2,140.00	£2,699.90	26%

14.11.4 Households already in receipt of Council Tax Reduction will be protected from both increases. In addition, households with a weekly income below £321 for single adults, or £479 for couples/families, will be protected from the impact of the increased ratios in Bands E-H.

## **4.12 Medium and Long Term Financial Planning**

4.12.1 Financial plans should provide information on the Council's short, medium and longer term financial outlook and the probable impacts that current trends and future decision making will have. To work effectively, financial planning must be part of the overall strategic planning process. This ensures that financial capacity is aligned with future service objectives.

- 4.12.2 A high level medium term financial strategy was presented to Council in June 2016, focussing on the pressures facing the Council in 2017/18 with some indicative information provided for 2018/19. The Accounts Commission placed further emphasis on medium and long term financial planning in their recent publication “The Audit of Best Value and Community Planning – Falkirk Council Best Value audit report”. Their view is that uncertainty over funding and income means forward planning is more important than ever. This includes scenario planning for a range of options. The challenge is to prepare plans and options which are meaningful and can be used to inform strategic decision making.
- 4.12.3 A commitment was given to Council in September 2016 to further develop medium and long term financial planning and report back to Council in December 2016. It has, however, been recognised that one year financial Settlements and significant economic shocks, for example Brexit, can mean such plans are of limited value. Indeed, a recent piece in the “Financial Times” included the following observation : “Forecasts, even a year ahead, indicate little more than the general direction of travel and five years out they are basically fiction”. It is important that in viewing such plans readers have an awareness of this dimension.
- 4.12.4 The Council has committed to further developing the current medium term, three year financial plan into a more robust medium 5 year plan. Beyond that a rationale and pragmatic approach will be taken which focuses on significant known events and best available estimates. The Chartered Institute of Public Finance and Accountancy (CIPFA) has developed a Long Term Financial Planning good practice checklist which help to ensure best practice is adopted.
- 4.12.5 The information within our financial plans is based on a number of key economic projection sources as outlined in section 4.1 of this report. This is a continuous process in what is a volatile and dynamic economic environment.
- 4.12.6 The following sections consider the key elements that must be reviewed as part of a medium and long term financial plan.

### **Funding Forecasts**

- 4.12.7 The Accounts Commission report “Local Government in Scotland – Financial Overview 2015/16” provided detailed information on grant funding trends in recent years. Scottish Government revenue funding fell by almost 7% between 2010/11 and 2016/17. Brexit has clearly added to the uncertainty over the economic outlook with low growth expected, resulting in lower than anticipated tax receipts and reduced funding available for public spending. It is widely expected that the trend will continue to be a reduction in funding into the next decade, albeit the extent of the reduction is unclear. This is the most significant variable in our financial plans. A reduction of 1% equates to roughly £2.7m. This projected reduction in funding will have significant consequences for service delivery. Scottish Government proposals to replace revenue support grant with assigned tax revenues as a result of their new financial powers creates further uncertainty.



4.12.8 Further income streams for the Council include:

- Council Tax – changes in the base and central government policy must be considered;
- Non Domestic Rates; and
- Fees & Charges (see Section 4.5.4). The Accounts Commission report highlights that this is the largest growth area in council income in Scotland.

**Cost drivers**

4.12.9 Identifying the Council's key cost drivers, i.e. what is driving activity and therefore expenditure, is critical. Cost drivers should be used to inform strategic decision making by ensuring that any service redesign takes these drivers into account. By doing this, a clear link should be established between the Council's Single Outcome Local Development Plan (the SOLD) and financial plans. This should include a link between the allocation of budget savings and the Council's stated priorities. This should also consider suitable strategies for minimising and/or mitigating cost growth, demand management and where pressures are unavoidable, consideration of resource shift.

4.12.10 The cost drivers are similar across most local authorities, namely:

- Workforce – c60% of our costs are employee costs and a 0.5% pay rise is roughly the equivalent of £1m. This area of expenditure is clearly affected by the reduction in services, leading to fewer employees, albeit severance packages will offset savings in the early stages. A further significant cost in this area is employer pension costs.
- Population estimates – these impact on demographic pressures, notably on school rolls and adult social care.
- Service specific changes, for example increasing deprivation, leading to the potential for more demand on child protection services.
- Non pay inflation.
- Government policy decisions e.g. early years.
- Other known taxation and statutory changes, for example the changes to national insurance on pension contributions in 2016/17 which added c£4m to the wage bill.
- Interest rates for borrowing and investments.

4.12.11 When developing financial plans, it is important to consider sensitivity testing on key cost drivers to ensure the best and worst case scenarios are identified. These can then be incorporated into scenario planning.

**Progress to date**

This work is continuous and the figures presented in the table below represent the best information available at a point in time. Key assumptions for the next five years are:

	2017/18	2018/19	2019/20	2020/21	2021/22
RSG Reduction	3.5-5%	3.5%	2.75%	2.0%	1.5%
Pay Award	1.25%	1.5%	1.5%	1.5%	1.5%
Inflation	1.5%	2.0%	2.5%	3.0%	3.5%
Demographics	£1m	£1.5m	£1.5m	£1.5m	£1.5m

This information has been used to update our finance system to allow an estimate of future funding gaps to be calculated. Current estimates are shown below:

	<b>Estimated Gap £'m</b>
2017/18	20-25
2018/19	18*
2019/20	18
2020/21	16
2021/22	15

\* n.b. whatever level of reserves Members apply to bridging the Budget gap in 2017/18 will need to be added to this figure.

4.12.12 As noted above, these figures will continue to be refined as information becomes known. However, it is clear that the Council faces a significant challenge. One has to question what scale and Service delivery capacity the Council will have in future if these projections prove accurate. The Audit Scotland report on best value has already emphasised the need for a significant improvement in the pace of change to be able to meet the scale of the financial challenges.

4.12.13 The development of the financial plans will link closely to the Council of the Future change programme that is currently being developed. The next stage will be to further develop our assumptions and develop a scenario planning model. The Scottish Government Budget on 15 December and the Settlement data will give, it is expected, at least some information that will inform subsequent years. This will be integrated with the scenario planning and this will lead to the preparation of Budget gap ranges for subsequent years. Attached at annex 2 is a schematic illustrating the range of factors that are expected to feed into the scenario planning work. A further report will come to Members in the new year. It is essential that we develop and maintain momentum, albeit with constrained capacity within the Council this may need external support.

## **5. Public Engagement**

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

- 5.2 To date there have been almost 10,000 page views, with over 8,000 views by the public and over 1,000 internally, and over 470 comments have been submitted by the public. Via Twitter there have been 40,000 impressions (the number of users Tweets were delivered to) and 2,500 engagements (replies, mentions, retweets, likes).
- 5.3 The majority of the comments relate to Children's Services proposals and most of the feedback received relates to a small number of budget proposals, where multiple comments were received. The feedback has been split down and collated by proposal. The proposals which have generated the most feedback are detailed below:

CLD	40%
ASN / SfLA PROVISION	17%
BREAKFAST CLUBS/BABY PROVISION/SCHOOL MEALS/LETS	13%
EDUCATION – School mergers/Management time	9%
GENERAL STATEMENTS – Children's and Families	5%
TRANSPORT TO SCHOOLS	5%
MUSIC TUITION	3%
LIBRARY PROVISION	2%
SOCIAL WORK	2%
PUBLIC TOILETS	2%
REPAIRS BUDGET, NPDO JANITORS, NPDO REFINANCING	2%

- 5.4 The feedback received from members of the public and service users mostly voice concern about reducing/withdrawing services and highlight the impact that this will have on both children and adult learning and overall education standards across the Falkirk Council area.
- 5.5 There are c60 comments about the savings options proposed for Development Services. The option which attracted the most comments (a third of the total number) was the proposal to charge £25 p.a. for the brown, garden waste bin service, followed by the proposals to charge at Council-owned car parks at Larbert and Polmont stations and the option of banning vans from using the household waste recycling centres. In general, the people who commented were opposed to these options, though a small number agreed with the proposal to charge at station car parks. A very small number of people also said they were opposed to the proposed reductions to subsidised bus services, countryside rangers, school crossing patrols and employment and training services.
- 5.6 A very small number of respondents commented on Corporate & Housing Services budget savings – only 2% of the total comments received so no clear messages emerged.
- 5.7 The comments received from the website are being considered as part of the more detailed EPIA process. The completed EPIAs will be available for Members consideration in the new year.
- 5.8 The engagement that has taken place with Community Councils and Parent Councils is expected to continue in January.

- 5.9 The Trust and IJB will have their own arrangements for consultation and engagement.

## **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.

### **Risk**

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

### **Equalities**

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

### **Sustainability/Environmental Impact**

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

## **7. Conclusions**

- 7.1 This report provides Council with a further update on the landscape impacting on the preparation of the 2017/18 Budget. The critical information on the level of the revenue support grant will be known on 15 December and this will be captured in a supplementary report for Council. This will inform Council's feedback to the Trust and IJB and may well trigger the need for Council Services to identify yet more savings options if the Budget gap widens.
- 7.2 It is clear, and this has been highlighted throughout the Budget process, that Members will require to take very difficult decisions at the Budget meeting on 22 February. It is also clear that many of the savings options identified to date will need to be accepted if a balanced Budget is to be achieved. The question needs to be posed, if a significant number of these savings options are not accepted, what then are the alternatives? Moreover, as this report notes, if the Settlement proves to be worse than anticipated, yet more savings will need to be identified.

- 7.3 It is inevitable that savings of the magnitude implied in this report, both for 2017/18 and beyond, will have a material impact on the Council's service delivery capacity, internally as well as externally and on jobs.
- 7.4 It is emphasised that there is an extremely compressed period from the date of this meeting, also noting the Festive closure, before the Budget report will need to be prepared for the Council meeting in February.

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Director of Corporate & Housing Services

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Date: 9 December 2016

### **Appendices**

- As per para 4.7.1
- As per para 4.8.1
- Annex 1 – Usable Reserves
- Annex 2 – Scenario Planning

### **List of Background Papers:**

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

- Budget Working Papers

Date: 15<sup>th</sup> November 2016  
Tel. No: 01324 590902

Bryan Smail  
Chief Finance Officer  
Falkirk Council  
Corporate & Housing Services  
Municipal Buildings  
Falkirk

Dear Bryan

### **Falkirk Community Trust Business Plan 2017/18 and Three Year Strategy**

In accordance with our Funding Agreement please find enclosed 2 packs of documents that provide detail of the Trust's response to anticipated funding reductions for 2017/18 within a 3 year Business Plan Approach. A briefing paper summarises the content of the pack which was reviewed and approved by the Trust Board at their meeting on 10<sup>th</sup> November.

The anticipated scale of reduction is of such significance that we have rethought our approach within a 3 year strategy recognising that it will take time to address the levels of funding reduction envisaged.

The new approach outlined in Appendix 1 of the enclosed pack has been developed to enable the Trust to work with the community to clarify what matters most in the fulfilment of culture and sport aspirations within the context that we envisage for the foreseeable future. We anticipate a need for new levels of community engagement and involvement in determining priorities and new ways of developing, managing and delivering all aspects of culture and sport. We have a small number of assets that contribute to the national and international profile of Falkirk as a destination and we have many more facilities and services that are integral to the daily quality of life and well-being in the area. This Plan is designed to protect both as far as is practical.

Meantime we have identified shorter term savings for 2017/18 and propose the following:

- Income generation - £428,000
- Community engagement / transfer - £47,000
- Efficiencies - £117,000
- Service reductions - £378,000

The savings above amount to £970,000. This is less than we have been advised of and we propose to utilise £370,000 from our reserves as follows:

- £100,000 – additional savings contribution
- £270,000 – allocation to meet redundancy costs.

We have identified just over £1m of savings that can be achieved in 2017/18. Careful consideration has been given to how best to achieve the savings and it is with great reluctance that the proposals to withdraw services have been brought forward. The proposals around income generation are as ambitious as before and have been made in recognition of the results to date and our awareness of what is still possible. The achievement of the income is entirely dependent on our ability, and that of the Council as landlord, to keep facilities open and operating in a manner that is appealing to customers.

Should the Council be minded to seek further savings from the Trust then we would have little choice but to look to the asset review to provide a suitable outcome. However it should be noted that it is vital for us that we can retain a core of facilities to generate the income levels we propose.

We have commenced an Equality and Poverty Impact Assessment and a summary is enclosed. This work will be on-going through the process. Our Action Plan for 2017/18 along with implementation plans for our 3 year approach are in development and will be finalised in January. Copies of these will be provided to the Council in our final submission ahead of the February Council meeting.

At this time we have an indicative budget for 2017/18 showing movement against 2016/17 and this is set out in the briefing paper.

We will continue to work closely with the Council in relation to each of our respective processes to ensure a co-ordinated approach to the management and communication of the Trust's and the Council's plans for 2017/18 and beyond.

I look forward to hearing from you in due course.

Maureen Campbell  
Chief Executive

## Briefing Note

### Falkirk Community Trust

**Subject:** Falkirk Community Trust : Business Plan 2017/18 and Three Year Strategy  
**To:** Falkirk Council  
**From:** Maureen Campbell, Chief Executive  
**Date:** 15 November 2016

#### 1. Introduction

- 1.1 The Funding Agreement with the Council requires the Trust to submit its annual Business Plan 2017/18, to the Council by the 15<sup>th</sup> of November 2016, as a prerequisite for funding approval for the financial year 2017/18.
- 1.2 Given the current economic climate and its impact on Council funds, the Board has considered a longer term approach to this annual process that anticipates what actions need to be planned for and taken now to ensure the medium term financial viability of the organisation. The approach outlined in the papers attached has significant implications for the future delivery of culture and sport in the area.
- 1.3 This briefing paper outlines the Business Plan Approach for 2017/18 in the context of a 3 year strategy that will review methods of income generation, community engagement and asset transfer, efficiency savings and service reductions. While the level of savings identified fall short of the one year target requested by the Council, the reasons for this are outlined and it is intended that through a longer term 3 year approach, more significant change could be implemented in the following years.

#### 2. Background

- 2.1 The Trust successfully achieved the required savings in each year of operation since our inception and have improved the overall performance as follows:
  - Increased customer income by 64% to £5.9m per annum
  - Trading business turned around from a loss of £250k to a surplus of £160k
  - Attracted a total of over £2.5m from external fundraising and grants
  - Increased the number of visits to our services by 66% or 1.5m
  - Customer Survey in 2016 shows that 86% of our customers are satisfied or highly satisfied and 99% would recommend us to others
- 2.2 Actions are currently in place to deliver the agreed 2016/17 savings this year of £1.352m. However the Council has advised of their intention to further reduce their annual funding allocation to the Trust by £1.8m in 2017/18. Such a funding reduction, given the significant scale of the previous reductions, will have a serious impact on the delivery of services. If savings on this scale were to be repeated over the following years there would be a requirement to dramatically reduce the number of facilities the Trust operates along with a consequent reduction in jobs.
- 2.3 The current delivery of culture and sport services in Falkirk faces an unprecedented level of funding reductions that put at risk the Trust's ability to contribute to jointly agreed objectives. In addition the reductions may impact on the long term health and well-being of the community and the achievement of the Strategic Community Plan Strategic Outcomes Local Delivery Plan (SOLD) and *Inspiring Active Lives*.



- 2.4 The Board considered the financial position and likely funding constraints at their meeting on the 27<sup>th</sup> of August and at a subsequent briefing meeting on the 22<sup>nd</sup> September. Decisions were taken at their meeting on 10<sup>th</sup> November which considered a route map for the future.
- 2.5 The Council has established a working group, including Trust representation, to undertake a strategic review of assets that includes both facilities leased to the Trust and those managed directly by the Council. Given the complex nature of such a review, it has taken some time to gather the baseline information, carry out analysis and make recommendations. The Trust understands that an update on the work to date will be presented to the Council in December 2016. This is beyond our timescale of the Business Plan. It is envisaged that there will be a need for consultation around the proposals and that the ability to generate savings is more likely to materialise in 2018. The proposals set out in the Business Plan Approach, described below take cognisance of this work.
- 2.6 The pack of papers attached are each summarised in the sections that follow. They set the scene in terms of where the Trust would like to be and the short term action that is considered necessary to begin the process of transformation while achieving a level of savings that assists the Council with its budget gap and allows time for the asset review referred to above to be completed.

### **3. Business Plan Approach 2017- 2020**

- 3.1 Attached in Appendix 1 is the Draft Business Plan Approach 2017-2020. This paper describes at a high level the approach the Trust is proposing that will enable a transformational shift in the way that culture and sport is developed, managed and delivered in the Falkirk area. It requires full support and buy-in from existing stakeholders, supporters, groups and clubs. It is proposed to drive this forward through focussing facilities within three core groupings:

#### **Community engagement / involvement**

- Facilities that could be managed in partnership with community groups with a view to considering transferring them in part or whole over time.

#### **Community infrastructure / need**

- Facilities that are a core part of the community infrastructure that don't yet have an identifiable community support mechanism but make a significant contribution to meeting need.

#### **Income Generation**

- Facilities that have the potential to grow income to reduce subsidy while contributing to "Inspiring Active Lives" and the area's strategic objectives.

- 3.2 In seeking to engage the wider community through the community engagement and involvement strand the Trust will seek to demonstrate an appropriate sense of urgency to the groups that we would want to be working with. We will achieve this by strong communication of the messages, clear and honest engagement and reference to the frameworks set in Inspiring Active Lives and its associated delivery plans.
- 3.3 In parallel with the community engagement strand it is recognised that the Trust's resources and that of the community will need time to grow and develop. We have therefore identified a second strand that will maintain the existing infrastructure to allow time for new community interest and support to be created and for learning to be embedded more widely across the Trust.

- 3.4 To support the transition to wider community involvement we have identified a step change in our approach to income generation in our key business areas. We have shown that our skills and expertise in this area are progressing well and the achievements set out in 2.1 demonstrate this point effectively.
- 3.5 The implementation of this approach will take much time and effort from all involved. Gaining support from the Council as principal stakeholder will greatly influence the Trust's ability to succeed and so we seek their endorsement and buy in accordingly.

#### **4. Savings Proposals 2017/18**

- 4.1 Appendix 2 sets out proposals to achieve £0.97m of savings in 2017/18. These savings are largely attributable to continuing our drive for increased custom through generating more income and appealing to new customers. We have identified some savings as a result of transferring the management of two facilities to others and have reluctantly proposed that two sections offering school and community facing activity be withdrawn. In reaching the latter recommendations the Management Team considered the impact of the service on our corporate objectives, the availability of similar services from other providers and the requirement to demonstrate to the Council a willingness to take difficult decisions that reflect the overall financial pressures. It is likely that the requirement to stop providing services directly will continue and the partnership approach being set out in Appendix 1 is intended to mitigate the impact for the community.
- 4.2 Taking all of the above into account the proposals contained within Appendix 2 outline a total of £0.97m of savings comprising the following:
- Income generation and growth plans £428k
  - Community Engagement/transfer £47k
  - Securing efficiency savings £117k
  - Service reductions £378k
- 4.3 The proposals do not meet the budgetary target of £1.8m. Similarly, at this stage it is anticipated that redundancy costs of approximately £270k may be required.
- 4.4 However as described earlier, the 3 year strategy outlines a longer term approach that aims to return additional and higher levels of savings in each of the next two years, amounting to a greater annual reduction in the Trust's budget.

#### **5. Fees and Charges**

- 5.1 A review of charges is undertaken each year which has as its focus the generation of additional income, however it is important that customers perceive the services being delivered as representing good 'value for money'.
- 5.2 The general economic climate and increased levels of competition in the area are having an impact on Trust services and the temptation to respond by reducing our charges has previously been resisted in favour of improved promotion of our services to the local community the introduction of monthly discounted charges to families, regular customers and easier methods of payment by way of direct debit options.
- 5.3 The focus of the review of charges for 2017/18 has therefore been on the following items and Appendix 3 outlines further details of the specific key areas of review, which is designed to attract additional income of approximately £100k:
- Appropriate inflationary increases being applied to charges, but only where it is felt appropriate to do so, to reduce the potential risk of a reduction in participation levels.

- Health and Fitness charges, in relation to our need to remain competitive within the marketplace.
- Expansion of the Trust's current Gift Voucher scheme beyond Arts activities to include all Trust services and products.
- Further review of the Town Hall charges as they remain lower than competitor charges.
- Review of the Polmonthill Snowsports Centre prices to ensure a fairer distribution of prices between skiing and snowboarding.
- The introduction of new prices for the planned Mariner Soft Play facility.
- Above inflationary increases being applied to charges for the Outdoor Activities programme, given the increased demand and quality of service being provided.

## **6. Equality and Poverty Impact Assessment**

- 6.1 To comply with duties placed on Local Authorities under the Equality Act the Council has an equality impact assessment process which they have widened to include a poverty impact assessment. The Trust previously undertook this assessment as part of our budget savings plans and have done so again.
- 6.2 Each of the savings proposed in section 4 have been assessed to determine their impact level. This is an iterative process and for some budget saving proposals the full impact may not be currently understood until it is informed for example by employee consultation. In such cases the impact rating will be reviewed as the process is worked through.
- 6.3 Currently the impact assessment is summarised as follows:
  - Those with no impact represent £327k of the Trust's overall saving.
  - Those with a low impact represent £435k of the Trust's overall saving; a low impact rating requires minimal mitigating actions
  - Those with a medium impact represent £208k of the Trust's overall saving; a medium impact rating identified mitigating actions which will further inform the proposal and potentially reduce the level of impact.
- 6.4 The Impact Assessment Summary is attached as Appendix 4.

## **7. Helix Business Plan Strategy 2017-2020**

- 7.1 The Council asks that we share our Business Plan for the Helix. The Plan has been reviewed and updated to reflect our learning from a full year of all facilities being open taking account of the feedback from customers, stakeholders and staff.
- 7.2 The vision and objectives with the delivery themes of People, Place and Enterprise that were created in the inception phase remain valid as we continue to move through the operational phases and into a period of consolidating in some areas, while allocating time to explore new opportunities that will attract new markets, develop training opportunities and possibly new revenue streams. The search for new income streams is a shared priority with the project partners.
- 7.3 2016/17 will be the first full year of operation and we see 2017/18 as a further period of development when we can really work on engaging more local people to visit more often and fully establishing the Helix and the Kelpies as a national and international tourism destination

## 8. Capital Proposals

- 8.1 The Council's capital programme allocation for funding the Trusts capital projects in 2017/18 is £520k. The Council has once again advised that only bids of "inescapable high priority" would be considered. Following review at the August meeting of the Trust's Audit and Performance Sub Group the following proposals are recommended:

Grangemouth Sports Complex	Improve Sauna area	£70k
Mariner	Improve Level 1 toilets	£10k
Bo'ness Town Hall	Refurbish electrical works	£11k
Grangemouth Town Hall	Replacement of fire alarm & refurbish electrical works	£41k
Falkirk Town Hall	Replacement seating	£142k
Bo'ness Recreation Centre	Pool filters refurbishment	£25k
Grangemouth Sports Complex	Pool filters & plant refurbishment	£46k
Mariner Centre	Roof refurbishment	£50k
Grangemouth Golf Course	Sprinkler system refurbishment	£20k
Callendar House	Improvements to external windows, doors & guttering	£40k
Grangemouth Stadium	Upgrade corridors for DDA compliance	£50k
Falkirk Town Hall	Replacement lighting deck	£15k
		<b><u>£520k</u></b>

- 8.2 Details of the rationale for the above proposals are outlined further in Appendix 6.

## 9. Financial Implications

- 9.1 The projected budget for 2017/18 is shown below. This reflects the proposed budget savings of £0.97m and a contribution from reserves of £370k. The allocation from reserves is made up of a contribution to the savings of £100k giving a total of £1.07m savings for 2017/18 and an allocation of £270k for redundancy costs. We are assuming that the approach being put forward will be acceptable to the Council and that significant savings will be generated in subsequent years.

	<b>Budget 2016/17 £'000</b>	<b>Proposed Budget 2017/18 £'000</b>
Employee Expenses	11,924	12,074
Property Expenses	2,331	2,307
Transport Expenses	209	187
Supplies & Services	3,685	3,620
Third Party Payments	314	363
Support Services	806	806
Capital Costs	<u>14</u>	<u>14</u>
<b>Total Expenditure</b>	<b>19,283</b>	<b>19,371</b>
Service Payment	11,934	11,290
Other Income	7,349	7,711
Contribution from Reserves	<u>---</u>	<u>370</u>
<b>Total Income</b>	<b><u>19,283</u></b>	<b><u>19,371</u></b>
<b>Net Expenditure</b>	<b><u>0</u></b>	<b><u>0</u></b>

- 9.2 In the event that the Council continues to seek additional savings then the budget projections would need to be revisited to identify the desired amount. As has been stated elsewhere the scope for non-facility related savings is very limited. There is scope for facility related saving pending the outcome of the Council asset review. It is vital that we retain the ability to generate the income levels being proposed in the savings plan and to embrace the new approach being set out in section 3.

## **10 Human Resource Implications**

- 10.1 Given the nature of Trust services, any reduction in service will significantly impact on its staffing levels. Staffing costs account for the majority of the Trust's total expenditure and it is inevitable that to achieve the savings required, staffing levels will have to be reduced.
- 10.2 However, any reduction in staffing levels will result in potential redundancy costs, which at this time are unable to be calculated precisely as such costs are dependent upon each individual member of staff's length of service, age and whether they are in the Falkirk Pension Fund or not. It will also be the Trust's intention to attempt to redeploy any staff member who may be at risk of redundancy. However the number of potential staff at risk is such that it will not be possible to redeploy the majority of those affected.
- 10.3 The Trust will therefore need to meet the costs of any redundancy payments. The Trust has no existing fund set aside to enable this to occur, so to meet such costs will result in the depletion of the Company reserves.
- 10.4 The senior staff structure will be affected by the decisions taken and there is expected to be a further financial saving from this element which at this time is unable to be quantified until certainty is provided on the proposed 3 year strategy. A number of vacancies are being held to support the implementation of the review.
- 10.5 Further work will be undertaken to ascertain the potential costs for the Human Resources implications of the 2017/18 savings proposals.
- 10.6 The Trust has a desire to begin a consultation process with employees and their associated Trade Unions on whether the current alignment to the Council's staff terms and conditions should be continued or if the time has come to consider an employee package that is more relevant to the Trust's business and that better meet the Trust's employees' expectations.
- 10.7 More specifically, discussions have been held with the Falkirk Pension Fund Advisor on the potential to retain the existing arrangements for current staff, but close the scheme to new employees, with a different scheme being put in place for new recruits. However, due to the time such a move would take to recover the additional short term costs incurred, this option is now considered not to be beneficial at this time.

## **11 Community Implications**

- 11.1 The proposed new approach outlined in section 3 requires a different form and structure of community engagement. We are looking to establish mechanisms for joint collaboration. We are hoping that there will be people in the community who share our passion and commitment to culture and sport and will be willing to join us in developing this work. We are also aware that there will be many different "asks" on the wider community. We recognise that many people are already heavily involved in a range of volunteering roles and so we will endeavour to respect their existing demands and to draw in new support to augment the huge contribution already evident.



- 11.2 We plan to communicate effectively with the wider community about what support we are looking for, how they can get involved and to commit to ensure that they are not overburdened in the process.

## **12. Risk Implications**

- 12.1 Where relevant, the appendices to the report identify a number of specific risks. A consideration of risk and review of the Risk Register is a component of preparing the Business Plan and will continue over the coming months.
- 12.2 In light of the Council's funding position risks associated with both revenue and capital funding for the Trust have previously been revised upwards to the highest level red risks reflecting the increased certainty of continued funding reduction.

## **13. Board Decisions**

- 13.1 The Board considered the Business Plan at their meeting on 10<sup>th</sup> November and took the following decisions:
- a) Approved the draft Business Plan Approach 2017-2020;
  - b) Approved the various initiatives to tackle the reduction in funding in 2017/18 as outlined in Appendix 2;
  - c) Endorsed the approach to the fees and charges for 2017/18 as considered by the Audit and Performance Sub-Group as outlined in section 5;
  - d) Approved the Helix Business Plan for 2017/18 set out in Appendix 5;
  - e) Endorsed the capital proposals for 2017/18 as recommended by the Audit and Performance Sub Group as outlined in section 8;
  - f) Agreed to submit to the Council the appendices to this report to seek their agreement to our approach to the Business Plan for 2017/18 by 15<sup>th</sup> November 2016;
  - g) Agreed to hold a special meeting of the Board in January 2017 to consider the Council feedback and appropriate next steps.
- 13.2 The Board authorised me to make the submission to the Council on 15<sup>th</sup> November, and will hold a special meeting in January 2017 to consider the Council feedback.

## **14. Conclusions**

- 14.1 The proposals outlined in this paper have been developed in recognition that the Council financial pressures are likely to be sustained over a considerable period of time and that coupled with the savings already delivered incremental reduction is no longer possible.
- 14.2 The new approach outlined in Appendix 1 has been developed to enable the Trust to work with the community to clarify what matters most in the fulfilment of culture and sport aspirations within the context that we envisage for the foreseeable future. We anticipate a need for new levels of community engagement and involvement in determining priorities and new ways of developing, managing and delivering all aspects of culture and sport. We have a small number of assets that contribute to the national and international profile of Falkirk as a destination and we have many more facilities and services that are integral to the daily quality of life and well-being in the area. This plan is designed to protect both as far as is practical.

- 14.3 We will require the Council and other stakeholders to support this journey of transformation. However in the meantime we have identified just over £1m of savings that can be achieved in 2017/18. Careful consideration has been given to how best to achieve the savings and it is with great reluctance that the proposals to withdraw services have been brought forward. The proposals around income generation are as ambitious as before and have been made in recognition of the results to date and our awareness of what is still possible. The achievement of the income is entirely dependent on our ability, and that of the Council as landlord, to keep facilities open and operating in a manner that is appealing to customers.
- 14.4 We have a number of new developments planned for 2017 with a refreshed tea room in Callendar House, new library in Denny, soft play centre at the Mariner and improvements at Grangemouth Sports Complex and Grangemouth Stadium. These will enable us to retain our existing customers and to appeal to new ones. Our recent customer survey showed that our customer satisfaction is very high at 86% and 99% of them would recommend us to others. We now need to actively engage them in that task.
- 14.5 Our staff remains our key resource and we will support them through this period of change and uncertainty. There are a number of developments in hand that will assist in that regard. For those that face uncertainty we will keep them informed at every step and use the learning from our experiences of job loss last year to minimise the anxiety or stress where possible.
- 14.6 Finally the board have embraced the challenge of addressing the stringent financial pressures presented and have identified an appropriate response. Having initiated the approach we now need to step forward and lead the wider community engagement and drive to retain and grow the services that we and the community value so highly.
- 14.7 We will continue to work closely with the Council in relation to each of our respective processes to ensure a co-ordinated approach to the management and communication of the Trust's and the Council's plans for 2017/18 and beyond.

Maureen Campbell  
Chief Executive

#### Appendices

- |            |   |
|------------|---|
| Appendix 1 | Draft Three Year Approach 2017- 2020          |
| Appendix 2 | Savings Proposals 2017/18                     |
| Appendix 3 | Fees and Charges 2017/18                      |
| Appendix 4 | Equality and Poverty Impact Assessment        |
| Appendix 5 | Draft Helix Business Plan Strategy 2017- 2020 |
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Falkirk Community Trust

# Business Plan Approach

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2017-2020

November 2016

Company Registration No. SC400657 | Charity No. SC042403

**DRAFT**



## INTRODUCTION

Falkirk Community Planning Partnership has published a Strategic Outcomes and Local Delivery Plan 2016-2020 (SOLD). It sets out the Partnership's commitment to focus its attention, resources and efforts on the things that will make our area '*The place to be*'. The Plan drives what key partners and stakeholders, including the Trust, will deliver for this area and its neighbourhoods. The Plan will be underpinned with a number of focussed delivery plans which will:

- Be based on evidence;
- Look to adopt a preventative approach;
- Ensure early intervention will be our priority wherever on a person's journey they are;
- Identify and address inequalities; and
- Wherever possible seek to co-produce solutions.

The Trust has a role to play across the priorities and outcomes contained within the Plan, but in particular our work to:

- Provide access to culture and sport for all young people, irrespective of their life circumstances;
- Increase physical activity levels by motivating the inactive to be more active, and inspiring the active to stay active throughout life;
- Support mental wellbeing and resilience in communities through participation in culture, sport, lifelong learning and volunteering.

We are doing this through *Inspiring Active Lives* a 10 year strategy for culture and sport in the Falkirk area with a vision which is:

***"A place with vibrant culture and sporting opportunities where people can achieve fulfilled and active lifestyles".***

The Trust is charged with delivery of this Strategy which was adopted by Falkirk Council in 2014. Delivery of the vision is through partnership input from a range of community interests and key to success is active leadership from the Trust. We have been developing delivery plans for all the sectors of culture and sport in collaboration with the relevant local and national interest groups and each of these is underpinned by the four themes of: **Participation, Motivation, Venues and Partnership.**

When *Inspiring Active Lives* was launched in 2014 it was against a backdrop of public funding decline. There was an expectation that, in order to continue to increase and broaden participation and help secure recognition for the Falkirk area as a vibrant place, partnership would be vital. We have made a sound start in collaborating with others; with the health service and organisations in the heritage, arts and sport sectors but also with community groups, customers and individual volunteers.

The impact of the economic climate has been significant and is continuing, so we expect to face financial pressures for some time to come. We see increased partnership working as crucial for the development of culture and sport and going forwards a far greater role for the Trust in supporting and empowering others to "do it for themselves".

Our Business Strategy for 2014-2019 has 3 strategic objectives:

- Meeting customer needs;
- Organisational development;
- Financial sustainability.

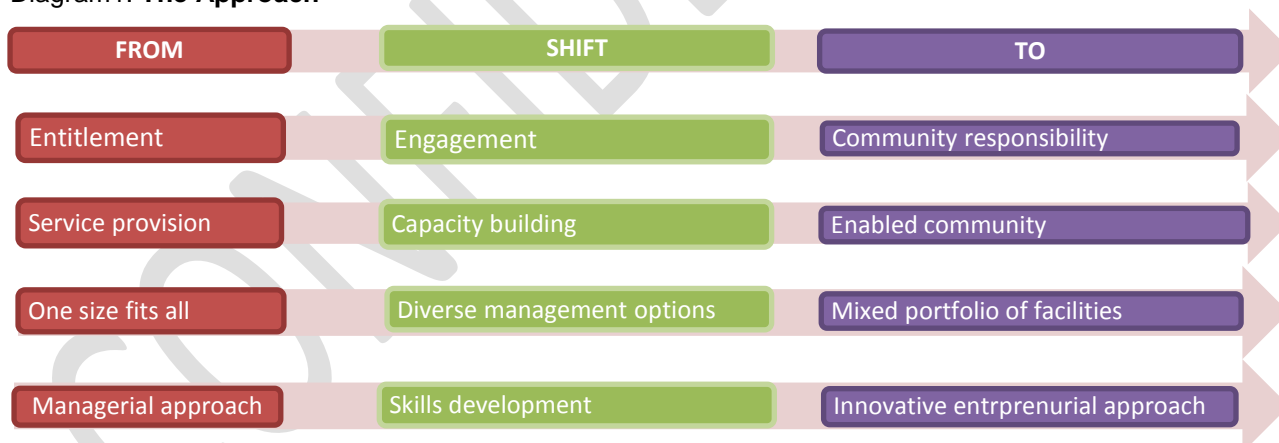
These are fundamental and, along with our identified priorities, will continue to direct business improvement activity for the foreseeable future. However how we organise and go about business delivery is inevitably set to change.

We have been advised that the Council is looking at savings of circa £20m per annum over the next three years. We have assumed that we will be asked to make a significant contribution to this deficit and have developed an approach to our Business Plan on the basis of the potential for our service payment to be reduced by as much as 50% by 2020 compared with today's support. The Trust has an annual turnover of £19.3m (2015/16) and such scale of reduction is going to require action that goes beyond that envisaged in current plans. We have developed an approach that provides a route map for necessary change.

## STRATEGY and APPROACH

The basic approach needs to be rethought if we are not to see an accelerating decline in facilities and services. The future will require a number of shifts; from entitlement to community responsibility; from service provision to community enablement and education; from one size fits all to a portfolio of diverse facilities, management models, service delivery options and sources of income; from a managerial approach to an innovative entrepreneurial approach, as illustrated in the diagram below.

Diagram1: **The Approach**



The Trust Board reached the conclusions above following a series of meetings to generate a deeper understanding of the challenges faced, the impacts of change and to form a view of where we are going. The view they formed is outlined below.

- FCT has a reduced portfolio of core assets with clear purpose;
- FCT is leading, guiding and supporting others;
- Enabled communities are called to action;
- Volunteers are engaged and motivated;

- Multiple interests can invest in other culture and sport assets;
- What the community values most will drive all programmes and services;
- There are diverse sources of income;
- Technology is used to inform decision making and priorities and better promote services.

The shifts we describe to get there are not for the Trust to take alone, although as leaders for culture and sport we know we will be critical to success. But organisations that form the bedrock of the local culture and sport community and stakeholders, particularly Falkirk Council, are also essential players.

The wider community make up is shifting too. Demographics are changing with the working age population decreasing, the older population increasing and the pre-work population slowly rising. The total population is expected to increase by 10.4% between now and 2037. This is higher than the national average of 8.8% and the Falkirk area is unusual in having an increasing number of school age people.

The impact on the Trust is that our customer base is changing. In addition there is a shift in focus to improve mental health and wellbeing in addition to other health issues. Being driven through the areas Strategic Community Planning Partnership, the Trust has a role in supporting the Partnership deliver a preventative (ill) health agenda across many fronts.

It is five years since the Trust was formed and it has been five years of change in shifting from a Council department to an independent and flourishing charitable body, with decreasing funding reliance on the Council, down from 72% to 66%. We've increased customer income by 64% from £3.6m in 10/11 when services were in the Council to £5.9m in 15/16. In four full years attendances have grown by 66% or 1.5million and volunteers have increased from c500 to over 1,500.

The change journey is continuous but must step up a gear if we are quickly to reach a position whereby we can balance delivery of good core services and generating income, with facilitating and co-ordinating others. Much of our focus will need to move from managing to leading and facilitating.

Culture and sport facilities are inevitably the most visible elements of service delivery and so we have set out an approach that responds to their potential. Principle areas of focus going forward are set out in table 1 below.

Table 1: **Areas of Focus**

**Community engagement / involvement**

- Facilities that could be managed in partnership with community groups with a view to considering transferring them in part or whole over time.

**Community infrastructure / need**

- Facilities that are a core part of the community infrastructure that don't yet have an identifiable community support mechanism but make a significant contribution to meeting need.

**Income Generation**

- Facilities that have the potential to grow income to reduce subsidy while contributing to "Inspiring Active Lives" and the area's strategic objectives.

The above areas for focus came about following an in depth review of facility performance which looked at gross expenditure, income and subsidy level along with the role each facility plays within the community. From that we concluded that across the piece there is potential for both greater community involvement and for securing untapped income growth. The alternative to this approach was to look at continuing to reduce the asset base through withdrawal. However the level of subsidy of many facilities is low and if we withdrew from such a building the resultant saving would be more than offset by the ensuing rates bill. Without an alternative operator the rates burden would fall to the Council. The subsidy levels are explained further under financial analysis.

The approach we have identified is pragmatic. It spreads responsibility and involvement across a greater number of charitable and community organisations, allows the Trust as lead body on culture and sport to focus on developing core services and growing its leadership and community development capacity. We firmly believe the approach is not an “easier option”; it could be argued that it is more complex. What is of appeal is that it presents the most viable option for protecting access to culture and sport services for the people of the Falkirk area.

Innovative new approaches will be required and learning from others is always a good place to start. We believe there is plenty potential for us to innovate – two examples of what other Trusts or similar organisations are doing successfully elsewhere but would be new for us, are summarised below.

**ARC, Stockton Arts Centre,** introduced its **Pay What You Decide** policy in January 2015 which was available for a selection of drama, dance and spoken word performances. PWYD is simple: customers attending designated performances have been able to decide for themselves how much they want to pay for a ticket, based on their enjoyment of the performance and overall experience. The first full year’s results, for 2015, showed that audiences were up by 34.5%, income was up by 52%, average ticket yield was up by 32%, audiences new to the venue were up by 31.25%, and audiences new to theatre at ARC (i.e. had attended other artforms or activities) were up by 13%, compared to 2014. A survey of audiences attending PWYD performance showed that 60% of people said that they came more often as a result of PWYD, and 30% said PWYD enabled them to bring other people. The policy at ARC is continuing in 2016. As well as US theatres, a number of UK venues have also decided to trial the pricing method including Harlow Playhouse, Alnwick Playhouse and The Customs House.

**Planned strategic investment approach.** As part of a long term asset plan a Trust in Scotland that operated a small Victorian pool facility within a heavily populated area at an annual surplus of £25k per annum, improved its financial performance and achieved annual surpluses of £200k, in a period of only 8 years, by following a planned investment programme in its activity areas through the upgrading of its fitness studio, followed by an extension to its gym, three years later and a subsequent refurbishment of the facility a whole 5 years later. The same Trust reduced its annual deficit of a much larger city centre facility from £900k to £300k over a period of 7 years, again through a planned approach to facility improvements such as the refurbishment of its gym, upgrading of its equipment a few years later, and the subsequent introduction of a soft play area. This focus on providing a great customer experience was rewarded with significant improvements in both visitor numbers attracted and income generated.

## REVIEW OF PERFORMANCE

Council funding for the Trust decreased from £12.6m to £11.9m in 2016/17 following on from a £620,000 decrease in 2015/16. We have responded well to budget reductions to date and during 2015/16 began a process of moving to a much leaner operating model that was implemented from April 2016. At the same time customer income at £5.8m increased by 3% on the previous year and combined with grants and fundraising along with prudent management of expenditure and good performance from Trading, brought the Trust reserves to a healthy position at the end of 15/16. This is to be welcomed as it will help to manage further anticipated savings and provides an opportunity to deploy funds on activities aimed at generating additional income.

Wherever we can generate income it helps to protect non income generating services, supports concessionary access for those most in need, develops programme for vulnerable groups and contributes to bringing down the level of subsidy across services.

In 2015 income generating projects included the revitalised wave machine at the Mariner Centre, opening Stenhousemuir Gym, new track at Grangemouth Sports Stadium and commencing operating the Helix Visitor Centre café and shop. In 2016/17 projects include the development of soft play at the Mariner Centre, new flumes, spinning studio and ladies changing room refurbishment at Grangemouth Sports Complex, further improvements at Grangemouth Stadium and re-launching a refurbished tea room at Callendar House.

Looking at 2016/17 income generation we have prioritised how we deploy our marketing resources with the following income generating areas as top priority:

- Kelpie Tours
- Retail
- Other Trading / Tea room
- Mariner Centre
- Grangemouth Sports Complex Flumes
- Health & Fitness
- Swimming / Sports Development programmes
- Hippodrome / FTH programme.

We recently conducted a customer survey and 89% of our customers are satisfied or very satisfied with what we offer and 99% of our customers said they would recommend us to others. We are motivated and encouraged by our recent progress and while we still have some way to go to reach the upper half of the ranking for Scottish Statutory returns for cost per admission in sport and leisure, we are confident in our ability to improve with appropriate investment.

Critical to achieving greater market penetration is knowledge and the ability to gather and analyse data on usage. For example by creating unique contact points with each customer, not just those on existing membership schemes, we can offer incentives to engage this loyal audience to introduce new customers. Generating customer information provides a stronger evidence base for decision making and a platform for integrated sales activity. Therefore another important project that we are exploring in 2016/17 is development and investment in a new website and integration across all our customer systems. Marketing and ICT are identified priorities in our Business Strategy.

Uplift in community engagement and involvement is central to the approach outlined above. There will need to be a shift from control and management of facilities and services to facilitating community capacity. At the same time there will need to be a greater focus on income generating business development. We've had some notable success so far.

#### **Supporting community capacity**

Capacity building has been a key part of the "Learn, Explore, Enjoy" project at Muiravonside Country Park aimed at developing the Park into a thriving community resource. A good example is the community food growing initiative on site which incorporates plots for individual growing as well as an orchard. The local community around the site were looking for opportunities to grow their own food, increasing the affordability of healthy food and cutting the carbon footprint associated with its production. They were keen to develop a space on site where this could happen so we worked with them to come up with a sustainable design. We were able to bring professional expertise such as project planning and fundraising for the capital works as well as facilitating training for the participants to get things started. The community formed an association and now fully manage the initiative.

#### **Volunteer development**

Since 2012 we have grown the number of volunteers engaged from some 500 to over 1,500. Volunteering is well established in our Active Schools team who worked with 850 volunteers during the course of last year, developing Youth Leaders who, through increased confidence and leadership skills, help deliver events and undertake coaching schools and clubs. Volunteering is integral to the Helix and programmes such as the green gym along with a growing cohort of event volunteers enhance service delivery. Conservation action at Muiravonside Country Park is largely undertaken with volunteers as are numerous walking groups that we run through the Step Forth initiative.

#### **Generating income**

Customer income has grown from £4.54m (12/13) to £5.88m (15/16). With Falkirk Council support, investment in venues has developed new and increased income. The new gym at Stenhousemuir opened in September 2015 and in the first partial year of operating contributed to our fitness income exceeding target. Investment in revitalising the waves at the Mariner Centre along with improved catering helped secure increased income and further planned investment is expected to continue to reduce the level of subsidy at this venue. Similarly at Grangemouth Stadium the investment in the track resulted in income levels ahead of target and increased on the previous year, again further investment in the indoor facilities is expected to continue this trend.

The examples above show good progress in building capacity and growing income and demonstrate that we have a foundation from which to develop further.

### **FACILITY ANALYSIS**

To apply the strategy and approach we have assessed all main facilities in regard to their performance and potential and analysed this to develop an appropriate approach to each individual asset. An extract of the defined criteria we utilised is illustrated in table 2 below.



Table 2: Facility analysis criteria

Score	Community Need	Community Engagement	Place Making	Potential for income Growth	Usage	Energy Improvement
10	In area of multiple deprivation Recognised health and social impact	Group in place, combined desire, some capability	National Cultural icon Tourism Impact Uniqueness	>+£500k	+50% increase	Large user of energy, scope for improvement Large area for renewables Potential for energy export
8				>+£100k		
5	Services Falkirk wide community	Group not identified but potential for volunteering	Anchor project Specialist building Last Building standing	>+£50k	+25% increase	
1	Affluent community	Not desired (managed in the context of whole portfolio) or No groups	Limited community value Relocatable service	<£10k	No additional potential	No potential As energy efficient as can be

We included energy improvement as a criterion having identified the opportunity to utilise the asset base to generate renewable energy. The realisation of this will require a feasibility study however early discussion with the renewables sector points to good potential to offset costs and yield income.

From the above exercise we were able to use a numerical score to chart what each facility's strengths and weakness are. We then were able to assign facilities to one of the "Areas for Focus" headings to guide the approach for development. The results are set out in table 3 below.

Table 3: Facility development approaches

Community Engagement	Community Infrastructure / Need	Income Generation
Larbert HS Kinneil Museum Meadowbank Library Larbert Library Bo'ness Library Denny Football Centre Woodlands Games Hall Polmonthill Snowsports Centre Stenhousemuir Sports Centre Polmont Sports Centre Denny Sport Centre Grangemouth Golf Course	Bankier Sports Centre Hallglen Sports Centre Slamannan Library Bonnybridge Library Denny Library Grangemouth Library Falkirk Library Callendar Park Kinneil Estate Bo'ness Town Hall Grangemouth Town Hall	Grangemouth Sports Complex Mariner Leisure Centre Grangemouth Stadium Helix incl Visitor Centre Hippodrome Callendar House Falkirk Town Hall Muiravonside Country Park Bo'ness Recreation Centre Braes HS Denny HS Falkirk HS Grangemouth HS St Mungo's HS Stenhousemuir Gym

We acknowledge that the Council has been conducting a strategic review across all its property assets which we have contributed to. We note that at the time of writing, this review has not been concluded and that our proposed facility development approaches will require to be considered within the context of the Council review. It is possible that the review may recommend the Trust withdraw from some facilities to enable asset disposal.

## **COMMUNITY INVOLVEMENT**

Developing and growing the capacity of communities is longitudinal in nature and can take time. Beginning with our supportive customer base it will involve finding mechanisms to better plan together, moving on to grow and identify volunteer capacity to take on some responsibilities right through to organisational and governance capacity to take on potential asset transfer.

Under the heading of “community engagement” we have identified facilities where we believe there is either latent capacity within the community or readily identifiable and organised user groups with whom we can collaborate. There are many different levels of community engagement:

- commitment growing from actively informed customers with good two way communication;
- volunteering in a supported way that enhances or takes on aspects of service delivery;
- partial or full transition of responsibility and management “ownership”.

It is likely that all of the above will need to be worked through and will require different approaches so although we expect some savings to be generated through reduction in staffing costs shifting to volunteers or community asset transfer, we know we will need to retain sufficient staff within the Trust to co-ordinate and facilitate community involvement at whatever level is appropriate.

Similarly retention of some property costs over a period of time is envisaged to protect assets whilst this organic process of developing community capacity progresses. However the approach is predicated on good potential for transfer of assets to generate savings in future years but will depend on capacity development. This is also the case for the facilities listed under “community infrastructure /need” where we have not been able, at this time, to identify immediate potential for community engagement. We see this as being a future phase of community engagement work that will draw on experience and lessons learned.

## **FINANCIAL STRATEGY**

Services delivered by the Trust are subsidised through public funding. We have been able to reduce the level of subsidy year on year through growth in customer income and efficiencies. The scope and potential to reduce our dependency on public funds is becoming increasingly difficult.

Broadly speaking far greater potential exists within Sport compared to Culture where services such as Libraries and Heritage have limited income generating potential. To date the subsidy reduction in Sport has been through income driven projects eg new Gym at Stenhousemuir and in Culture through efficiencies e.g. restructuring in Libraries. To illustrate this point, at opposite ends of a subsidy league table based on 16/17 budgets are Stenhousemuir Gym with a £21.4k surplus and Falkirk Library with a £377.3k subsidy.



Culture and Sport services make equally valuable contributions to the areas strategic priorities and outcomes. Ensuring access to culture and sport for those who are less able to pay is fundamental to improving people's lives. If we are to continue to make a strategic contribution and maintain access, the need for subsidy is not going to go away. But we have to ensure that sufficient income is generated wherever it can be, in order to reduce the overall subsidy level and to better utilise both public funding and other income to help protect those areas of service where it is most needed.

This is a 3 year strategy and recognising that the full potential for income growth will take time to develop and that time is required for community engagement to begin to realise significant savings we have identified shorter term savings for 2017/18. Our proposals for year 1 are summarised below:

- Income generation - £428,000
- Community engagement / transfer – £47,000
- Efficiencies - £117,000
- Service reductions - £378,000

With a £100,000 contribution from our reserves this yields a total of £1,070,000. This is £0.8m short of the level of savings requested by the Council. However we seek support and agreement to take this 3 year approach that we have planned with a greater level of savings being achieved in years 2 and 3. We estimate that this approach will reduce our public subsidy by circa £5m over the 3 years. Our financial strategy going forward must also recognise that additionally severance payments may be necessary as will investment to keep stimulating income growth. Maintaining a good level of reserves is therefore part of our strategy.

## RISK ASSESSMENT

The highest level business risk for the Trust is around reduction in funding from the Council impacting on the quality and range of services we can deliver. Whilst the approach we set out in this paper has been developed in mitigation of that risk, the approach itself brings some inherent risk that we must monitor and manage.

Risk Statement	Control Measures	Risk Rating
There is a lack of interest and /or capacity in communities and insufficient number of people engaged to be able to generate anticipated outcomes.	<ul style="list-style-type: none"> <li>• Relationship building with local culture and sport organisations;</li> <li>• Communication channels and briefing of stakeholders and wider community;</li> <li>• Co-ordinated planning with the Council to minimise over expectation and 'ask' of a community or community of interest.</li> </ul>	
The Trust is unable to develop and grow the capacity and skills in its workforce to facilitate community development and build capacity of community.	<ul style="list-style-type: none"> <li>• Employee development plan to grow skills;</li> <li>• Retention of adequate levels of staffing budget;</li> <li>• Effective partnership with other 3<sup>rd</sup> sector organisations e.g. social enterprise agencies, CVS and skills development organisations.</li> </ul>	
The Trust is unable to develop viable income generating projects and fails to attract investment.	<ul style="list-style-type: none"> <li>• Employee development plan to grow entrepreneurial skills;</li> <li>• Effective partnership with the Council to make capital investment;</li> <li>• Fundraising strategy;</li> <li>• Borrowing strategy and reinvestment plans.</li> </ul>	

The wider economic climate constrains customers' ability to spend and the Trust fails to grow income from its customer base.	<ul style="list-style-type: none"> <li>Marketing plan and programme of activities to attract new customer base;</li> <li>Investment in technology infrastructure to aid marketing;</li> <li>Pricing strategy that offers value for money.</li> </ul>	
The Council faces increased pressure for savings and requires greater financial contribution from the Trust than currently envisaged resulting in withdrawal from community engagement approaches.	<ul style="list-style-type: none"> <li>Joint work with the Council on the strategic asset review;</li> <li>Regular communications and briefings with Council officer liaison group.</li> </ul>	

## NEXT STEPS

The challenge is to implement action that will secure circa £5m of savings over 3 years. To give us the best possible chance of success we must develop an implementation plan in the next few months ready to roll it out in 2017/18. This plan will set out more detail on how we will achieve the strategic and organisational shift in direction and a change dimension will be the key purpose of the implementation plan.

The plan will set out a programme of work with key milestones and gateways and will be regularly reviewed and reported to the Trust Board.

Meantime in 2017/18 in addition to delivering the implementation plan to lay the foundations for new income projects and community engagement we will continue to deliver priority business actions including:

- IT project development to integrate our customer systems within a new transactional website that will help income generation and marketing activity;
- Implementation of a new soft play development at the Mariner Centre that will continue the revitalisation of the venue as a destination for families and generate income;
- Grangemouth Stadium programme development and secondary spend generation on the back of phase 2 refurbishment;
- Continuing Trading turnaround – Mariner Centre Café, Callendar House tea room and Helix Visitor Centre;
- Growing usage and programme at CATS Schools;
- Continuing to develop programme and motivational initiatives that promote health & wellbeing targeting resource to support the next generation of older aged people to live healthier and more active lives and encouraging more women to be active;
- Delivering our Employee Development Plan to grow a skill set and an ability to adapt to our new approach, to develop programme, customer service and support communities;
- Succession Planning – several of the Board founding Directors reach the end of their term of office;
- Horizon scanning and forward planning – being mindful of the need for continual improvement in the medium to longer term we will begin options appraisal of potential new areas of business.

## CONCLUSION

The context within which this plan has been prepared is one of stringent financial pressures across all aspects of community life. The levels of funding reduction being contemplated will radically reduce the scope and range of culture and sport services that we are able to deliver and will have a consequent impact on jobs across our workforce.

The clearly articulated aims and objectives of the SOLD Plan may be severely compromised and our contribution greatly diminished unless this new approach is implemented.

The approach requires a transformational shift from managing to facilitating, helping and supporting others. To achieve that shift, the importance of stakeholder engagement at all levels cannot be underestimated. Equally the availability of the voluntary effort cannot be overestimated and working in a new landscape for Culture and Sport will necessitate new levels of collaboration and a shift in attitudes and organisational and community culture.

Finding new ways and new people to manage assets is only part of the answer. Equally challenging will be finding new ways to invest in core facilities, if we are to maintain a vibrant healthy and active community where pride in the area leads to greater participation.

Whilst challenging we believe this strategy offers the best possible vehicle for the many passionate interests in culture and sport to pull together and protect opportunities for their communities.

We believe that we have set out an approach that can embrace the opportunity being created by the current environment enabling the SOLD Plan to be successfully achieved and new ground to be broken in community engagement and involvement.

## Savings Proposals 2017/18

**1. Introduction**

- 1.1 This section outlines the specific items to be considered as the Trust attempts to achieve significant levels of savings in its 2017/18 budget as referred to in the main text of the report.

**2. Background**

- 2.1 The Council is in the process of completing a strategic review of its portfolio of assets. An update report is expected to be considered by an appropriate Committee in December. It is therefore considered inappropriate for the Trust to propose withdrawing from any facility at this time, pending the Council's conclusions from their review, that may impact on facilities that the Trust currently operate under a long term lease arrangement.
- 2.2 However, due to the Council's 'in principle' intention to transfer the operation of Woodlands Games Hall to the newly formed Community Group, Woodlands Community Sport Ltd, (WCSL), the Trust is currently making arrangements to withdraw from this particular facility from April the 1<sup>st</sup> 2017. Savings have been identified that reflect the Trust's current costs.
- 2.3 The Trust though is constrained in its ability to (a) achieve the Council's target of a £1.8m funding reduction and (b) avoid significant job losses and reduced services to the community given the uncertainty that surrounds the potential future operation of the Council's assets, i.e. the facilities that we operate.

**3. Savings Proposals**

- 3.1 Given this background the proposals contained within the table below outline a total of £970k of savings comprising the following:
- Income generation and growth plans £428k
  - Community Engagement/transfer £47k
  - Securing efficiency savings £117k
  - Service reductions £378k

PROPOSAL	17/18 - (£)
<b>Income Generation</b>	
(a) Grangemouth Sports Complex	50k
(b) Mariner Leisure Centre	70k
(c) Grangemouth Stadium	10k
(d) Helix	101k
(e) Hippodrome	20k
(f) Callendar House	20k
(g) Falkirk Town Hall	20k
(h) Muiravonside Country Park	30k
(i) Bo'ness Recreation Centre	30k
(j) Five Community Access Schools	10k
(k) Health & Fitness membership growth	67k
<b>Sub-Total Income</b>	<b>428K</b>

<b>Community Engagement/Transfer</b>	
(l) Larbert High School	25k
(m) Woodlands Games Hall	22k
<b>Sub-Total Community Engagement</b>	<b>47K</b>
<b>Efficiencies</b>	
(n) Energy Savings	30k
(o) Community Recreation	18k
(p) Turnover savings	50k
(q) Administrative Savings	19k
<b>Sub-Total Efficiencies</b>	<b>117k</b>
<b>Service Reductions</b>	
(r) Winter closure of Callendar Park kiosk	10k
(s) Withdraw from fireworks event (unless it becomes self-sufficient)	28k
(t) Withdraw heritage development support for schools/community groups	76k
(u) Withdraw outdoor activities support for schools	132k
(v) Withdraw outdoor activities programme to the community	132k
<b>Sub-Total Service Reductions</b>	<b>378k</b>
<b>CUMULATIVE TOTAL SAVINGS</b>	<b>970k</b>

- 3.2 At this stage it is anticipated that redundancy costs of approximately £270k may be required.
- 3.3 The proposals shown above do not meet the budgetary target of £1.8m.
- 3.4 The Trust's projected level of reserves at March 2017 is £718k. It is important for the Trust to retain an appropriate level of surpluses that complies with the Board's previously approved policy on this matter. This policy states that reserves should be maintained between the range of £253K to £380k. However, there is scope for £100k of the reserves to be used to contribute towards the savings plan and a further £270k of the reserves to be used to fund potential redundancy payments.
- 3.5 It is therefore considered appropriate to use £370k of the current Trust reserves, as described above, as a one off course of action to help support the savings plan, whilst being in a position to accommodate anticipated redundancy costs. The reserves will be reduced from £718k to £348k, which will still be at a level that complies with the reserves policy.
- 3.6 The Savings Plan will therefore achieve a total of £1,070k, which remains £730k short of the budgetary target.
- 3.7 However the three year strategy outlines a longer term approach that aims to return additional and higher levels of savings in each of the next two years, but at this stage no additional saving of over £1,070k can be achieved if the Trust is required to continue to operate its existing portfolio of facilities.

#### **4. Human Resource Implications**

- 4.1 Given the nature of Trust services, any reduction in service will significantly impact on its staffing levels. Staffing costs account for the majority of the Trust's total expenditure and it is inevitable that to achieve the savings required, staffing levels will have to be reduced.

- 4.2 However, any reduction in staffing levels will result in potential redundancy costs, which at this time are unable to be calculated as such costs are dependent upon each individual member of staff's length of service, age and whether they are in the Falkirk Pension Fund or not.
- 4.3 At this time it is estimated that 21 posts will be affected, working an average of 29.3 hrs per week. This equates to a full time equivalent loss of 16.63 FTEs. Potential redundancy costs have been estimated as 21 posts with annual salaries of approximately £13k.
- 4.4 It will be the Trust's intention to attempt to redeploy any staff member who may be at risk of redundancy. However, given the number of potential staff at risk and their particular roles, it will not be possible to redeploy the majority of those affected. Similarly, the process of supporting voluntary redundancies for such staff will be put in place.
- 4.5 The Trust will need to meet the costs of any redundancy payments. The Trust has no existing fund set aside to enable this to occur, so to meet such costs will either result in the depletion of the Company reserves and/or the reduction of additional services to simply meet the redundancy costs.
- 4.6 The senior staff structure will be affected by the decisions taken by Directors and there is expected to be a further financial saving from this element, which at this time is unable to be quantified until certainty is provided on the proposed three year strategy.
- 4.7 Directors will recall that in preparation for the 2016/17 business plan, an allocation of approximately £170k was identified, in anticipation of the acceptance of the Council's proposals to amend staff terms and conditions that would equally apply to Trust staff. Their failure to reach an agreement resulted in the Trust having to fund an additional shortfall of £170k in its 2016/17 budget. It is for this reason that the Trust has assumed that no savings can be achieved from this area in 2017/18.
- 4.8 Appropriate consultation with relevant unions will be arranged, however UNISON has advised of their recent survey of their membership of Trust employees that has provided them with a perspective on what their Trust members' views are, in anticipation of potential impacts on staff in 2017/18. The Trust considers such information helpful to ensure that union consultations are meaningful to the specific issues that pertain to Trust employees and not Council employees.
- 4.9 The Trust has a desire to begin a consultation process with employees and their associated trade unions on whether the current alignment to the Council's staff terms and conditions should be continued or if the time has come to consider an employee package that is more relevant to the Trust's business and that better meet the Trust's employees' expectations.
- 4.10 Further work will be undertaken following the November Board discussions to ascertain the potential costs for the Human Resources implications of the 2017/18 savings proposals. Similarly, a plan will be put in place to ensure appropriate consultation with the necessary trade unions along with any necessary formal notification processes.

## **5. Community Implications**

- 5.1 The impact of the Savings Plan for some areas of the local community could potentially be significant. There will certainly be implications on the Council's Children's Services in relation to the specific withdrawal of Heritage Learning and Outdoor Activities programmes currently being delivered directly to schools. Early discussions have taken place with the Director of Children's Services seeking the potential opportunity to have the educational elements of these existing services transferred to the Council, given their importance to the National Curriculum of Excellence. Similarly, there may also be the opportunity for these to be funded by Children's Services by way of any additional funds they may receive from the Scottish Government as they focus their attention on 'closing the attainment gap' or indeed by simply passing on the costs of their delivery directly to school budgets.

- 5.2 The Trust will communicate with all its affected user groups in an attempt to mitigate and reduce the impact of the proposed service efficiencies and reductions.

## **6. Risks**

- 6.1 A review of the risks associated with the implementation of this plan has been considered and the following key areas identified:

- The condition of some of the major facilities is relatively poor and our ability to generate additional income within these sites will be dependent upon these facilities being well maintained and in a good operational condition.
- The transfer of Larbert HS and Woodlands Games Hall to others is out of the Trust's control and dependent upon external organisations' ability and willingness to help to progress such transfers.
- Should the Council's Children's Services not wish to have the Outdoor Activities and Heritage Learning team's services transferred to them, the services to both schoolchildren and the local community will suffer and impact negatively on our ability to inspire and motivate the community of the future in such areas.
- There will be negative PR from the community because of the service reductions and of course from the staff who will be at risk of losing their job that may damage the image and reputation of the Trust.
- The uncertainty that will exist, from the time of the Board's decision on the Business Plan on the 10<sup>th</sup> of November to the Council's approval or otherwise in February 2017 will impact on our customers and staff which will be a risk to the image and reputation of the Trust.
- Our inability to deliver these savings will put the financial viability of the Trust as a whole at risk.

## **7. Conclusions**

- 7.1 Savings proposals have been identified that avoids the Trust withdrawing from the operation of any facility in 2017/18.
- 7.2 The transfer of Woodlands Games Hall to the newly formed Woodlands Community Sport Ltd from the 1<sup>st</sup> of April, as agreed in principle with the Council, is assumed as proceeding that will lead to a financial saving of approximately £22k.
- 7.3 The savings proposals shown in section 3 achieve a total saving of approximately £1,070k
- 7.4 The Council's intended reduction of its funding allocation to the Trust of 15%, i.e. £1.8m, has not been achieved, given the Council's outstanding strategic asset review considerations.
- 7.5 The main report explains a longer term approach to the achievement of significant savings, which are more likely to be successful over the next three year period.

## **Fees and Charges 2017/18**

### **1 Introduction**

- 1.1 This report provides an update on the work that has been undertaken in preparation for the implementation of the Trust's fees and charges for 2016/17 and follows the Audit and Performance Sub Group's consideration of early proposals at their meeting on the 11<sup>th</sup> of August.

### **2. Background**

- 2.1 A review of charges is undertaken each year which has as its focus the generation of additional income, however it is important that customers perceive the services being delivered as representing good 'value for money'.
- 2.2 The charges proposed attempt to adhere to the 'key principles' adopted by the Board in November 2012 as shown below:
- FCT 'charges' should not be seen by potential customers as a 'barrier to their participation'.
  - Concessionary charges should ensure that those who can least afford to pay for our services are supported the most.
  - FCT charges should be easily accessible and simple to understand.
  - The timing of the introduction of any revised charge should consider the impact this will have on customers.
  - Charges can be flexible with the ability to offer promotional discounts at appropriate times to actively promote new services or boost falling attendances.
  - Charges will be levied which fully considers local competitors and neighbouring Trusts and Local Authorities' charges.
  - Charges will enable improved levels of income generation, where market rates and the ability of our customers to pay, allow.
- 2.3 The general direction of this year's review of charges was considered by the Audit and Performance Sub Group on the 11<sup>th</sup> of August and this Appendix describes in greater detail the key proposals for fees and charges for 2017/18 that will form part of the Trust's Business Plan.

### **3. Review of Charges Process**

- 3.1 The Trust's Charges Working Group, which is made up of front line, supervisory and managerial staff, representing each of the Trust's key service areas, have been reviewing the current charges in anticipation of implementing new charges in 2017/18.
- 3.2 This review is set against the 2015/16 and most up to date performance information. The delivery of many of our services are affected by weather conditions and indeed the condition of the facilities that we operate with building 'failures' increasingly impacting on ability to generate income. However, the Trust must take every action it can to offset such uncontrollable factors and plan for the future in the knowledge that the generation of income can be erratic and influenced by external factors.
- 3.3 The general economic climate and increased levels of competition in the area are also having an impact on Trust services and the temptation to respond by reducing our charges has been resisted in previous years in favour of improved promotion of our services to the local community, the introduction of monthly discounted charges to families and regular customers and easier methods of payment by way of direct debit options.



- 3.4 Previous investment in the refurbishment of the Mariner wave machine and the improvement of the Grangemouth Sports Complex flumes has helped 'make swimming fun again'. Other investments that are due to be completed in this financial year such as the provision of a spinning studio and the refurbishment of the ladies dry changing area at Grangemouth Sports Complex, the improved Reception and changing areas and new indoor track at Grangemouth Stadium and the refurbishment of the Callendar House Tea Room will all support the attraction of additional customer visits and therefore increased levels of income.
- 3.5 The revised opening hours recently introduced at Bo'ness Recreation Centre is further evidence that customers needs are being better met by these improvements by the Trust and the customer survey results that demonstrated that 99% of our customers would recommend us to others is an impressive achievement and one that everyone in the Trust should be proud of.
- 3.6 The Trust's activity charges must be seen as an integral part of the overall marketing of our services and with this in mind, it is apparent from our increased number of visitors and income over the years, as well as their satisfaction with our services, that our customers are willing to pay for quality services. The income generating opportunities that arise from this position must be maximised, but at the same time the appropriate concessionary schemes must continue to operate to ensure that our charges are not a barrier to participation by those in our community who may be of the greatest need of our services.
- 3.7 Whilst the Prices Working Group continued to refer to the adopted key principles referred to in section 2 throughout the review process, this year they have focussed on the following specific areas which they believed needed specific consideration:
- Appropriate inflationary increases being applied to charges, but only where it is felt appropriate to do so, to reduce the potential risk of a reduction in participation levels.
  - Health and Fitness charges, in relation to our need to remain competitive within the marketplace.
  - Expansion of the Trust's current Gift Voucher scheme beyond Arts activities to include all Trust services and products.
  - Further review of the Town Hall charges as they remain lower than competitor charges.
  - Review of the Polmonthill Snowsports Centre prices to ensure a fairer distribution of prices between skiing and snowboarding.
  - The introduction of new prices for the planned Mariner Soft Play facility.
  - Above inflationary increases being applied to charges for the Outdoor Activities programme, given the increased demand and quality of service being provided.

## **4. General Proposals and Implications**

### **4.1 Inflationary Increases**

An average inflationary increase of approximately 1% was implemented to the majority of standard Trust charges in 2016/17. However, many actions were taken which either significantly reduced or increased specific charges where it was felt appropriate to do so given market rates, comparison with others and the need to increase income levels.

The Consumer Price Index (CPI), as reported in June 2016, indicated a 0.5% change from the same period in 2015. The Retail Price Index (RPI), as reported in June 2016, indicated a 1.6% change from the same period in 2015. However given the amount of political uncertainty at this time it is difficult to predict what these indices may be nearer April 2017, at the time the Trust's updated prices are introduced. It is therefore considered appropriate at this time that the general inflationary increase to Trust charges in 2017/18 be no less than 1%, but given the current financial position be place between the range of 1% to 3%. Such a relatively small increase on many activity charges may have the actual impact of 'freezing' some Trust charges, as to increase some of our smaller charges by this amount will have little monetary effect. Once the inflationary increases are applied there will be a 'rounding up' exercise undertaken to ensure the charges are easy to pay from a customers' perspective and apply from a staff's perspective.

#### 4.2 Health and Fitness Charges

Trust health and fitness membership charges were increased by approximately 2.7% from April 2016, following a period of these general charges having been frozen in the previous four years. This was in recognition of the improvements made to the services with the addition of the new Stenhousemuir facility in particular and other improvements to some equipment at other sites.

The increased level of competition in the Falkirk area has impacted on Trust membership levels. The number of sales achieved during the May campaign was below target however a similar campaign in September attracted some of our highest membership levels, which is most encouraging. However, it is felt that a general review of the Health and Fitness charges is required as well as a focus on techniques to aid retention levels.

The Trust continues to improve its products and services to existing customers and members, highlighting the Trust's unique selling points (USPs) of free parking, staff in attendance and providing friendly support, the additional benefits of our ancillary facilities such as free swims and saunas, together with the message that being a health and fitness member ensures support for the future provision of other front line, Trust operated community services. Further improvements involving the provision of a new spinning studio, new cardiovascular equipment and the refurbishment of the dry side ladies changing rooms at Grangemouth Sports Complex will continue to attract new members.

In relation to our general health and fitness offer, involving access to our four gyms, just under 200 fitness classes each week and access to all our swimming pools and saunas, the competitor 'budget gyms' offer in the area offer a very limited service. Our membership charges are competitive however we do need to focus on ensuring such messages are effectively promoted to potential new members.

Our retention levels however can be improved upon. The upcoming installation of membership software will help improve our customer interactions with our highly trained instructors that will better motivate our customers to continue their membership to reach their health and fitness goals.

In relation to the health and fitness charges however a number of changes are being proposed as described below:

- Reducing our peak prices to help attract new members and to retain current members who may be considering leaving.
- Increasing our off peak prices given the demand for this category.
- Maintaining our 10% discount for corporate memberships.
- Maintaining our 20% discount for Lifestyle (Council staff) members.
- Maintaining our 33% discount for our concessionary Go Card members.
- Amending the conditions of our fitness class booking system to allow preference to members by offering members the opportunity to book a class seven days in advance instead of five days for casual customers.

Previous revised charges in health and fitness services have been introduced in January of each year, to help coincide with the annual January promotional campaigns. However, this process was previously delayed from January 2016 to April 2016, given the pre-sales campaign in September 2015 for the new Stenhousemuir gym. It is felt important to re-introduce the revision of new charges in January 2016, to have a more effective impact at such a vital time of the year in terms of membership promotional activity.

#### 4.3 Gift Voucher Scheme

The expansion of the Trust's current Gift Voucher scheme beyond Arts activities to include all Trust services and products has been introduced in October, to maximise this opportunity before the Christmas period. The vouchers will be able to have a specific monetary value attached to it, dependent upon the wishes of the customer, which will allow the voucher to be purchased for a present for example for a specific activity, course or to a preset total value that can be redeemed by the customer as they see fit. Similarly, such vouchers can also be

used as a loyalty benefits to certain customers or rewards for particular achievements or behaviours.

#### **4.4 Town Hall Charges**

Much work has previously been completed in relation to the Town Hall charges at Grangemouth and Bo'ness, specifically to ensure that these facilities remained competitive in the market place, whilst remaining supportive of local culture and arts groups. However, existing charges still appear to be significantly lower than neighbouring authorities, at some time periods and in this respect a review has been undertaken which seeks to increase Trust charges, above the rate of inflation whilst still remaining very competitively priced.

#### **4.5 Polmonthill Snowsports Centre**

A review of the Polmonthill Snowsports Centre charges has been undertaken to ensure a fairer distribution of charges between skiing and snowboarding. Historically the charges for snowboarding were significantly higher than the charges for skiing and such a differential is no longer relevant, given the increased popularity of snowboarding over the years. The 'freezing' of the snowboarding charges and increasing the skiing charges above the rate of inflation in previous years has helped narrow the difference but the gap is such that a complete review is required to rationalise the Centre's prices as a whole to be fairer to all the customers of that facility.

#### **4.6 Mariner Soft Play Facility**

The launch of the planned Mariner Soft Play facility will require the introduction of a new set of prices in 2017/18, which are significantly different from the current soft play prices for the much smaller soft play areas within the Mariner and Grangemouth Sports Complex, when compared with the larger and improved quality of the planned Mariner facility. A review of other and competitor prices has already been undertaken as part of the preparation of its Business Plan which will aid the final determination of our likely prices for its planned opening of around August 2017.

#### **4.7 Outdoor Activities Programme**

It is proposed to significantly increase the charges made for the outdoor activities programme to the community. The demand for this programme remains high and the quality of service provided by the Trust is excellent. However there is an opportunity to maximise our income by increasing such programme charges significantly above the inflationary rate, which although will help support the deficit incurred by Trust's Outdoor Activity team, will not completely eradicate such a deficit. It is expected that there will be little impact on those in the community that may be unable to afford such activities.

#### **4.8 Trading Company**

Any prices charged for retail and catering items are not reviewed by this annual process. Given the nature of the business there is a need to adjust the prices as and when required to ensure appropriate gross profit margins are maintained. The Trading Company Board regularly monitors the performance of retail and catering outlets.

### **5. Conclusions**

- 5.1 This report only highlights the significant changes or proposals to Trust prices in 2016/17, as there are many other adjustments which will be made. Following acceptance of the recommendations shown below, a full list of the Trust's prices will be prepared and will be made available on request. This information will also be widely distributed to Trust sites and also shown on the Trust's web-site, following the approval of the Trust's Business Plan by the Council in February 2017.
- 5.2 Given the draft nature of this Business Plan, pending Board and subsequent Council approval, this report assumes that the services referred to within will continue to operate beyond the 1<sup>st</sup> of April, however this may not be the case in some activity areas. It is a matter solely for the Trust however as to the charges it sets.

- 5.3 It is expected that the actions proposed in this annual review of fees and charges will deliver additional income in 2017/18, assuming participation levels are retained at existing levels, however such additional income has been accounted for in the income growth items shown within the overall savings plan appendix as part of the main report.

**6. Recommendations**

- 6.1 That all the proposed changes as outlined in Section 4 are introduced and are included in the annual Business Plan that is subsequently submitted to the Council.

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**2017/18 FALKIRK COMMUNITY TRUST SAVINGS PROPOSALS BY IMPACT LEVEL**  
**November 2016**

<b>EQUALITY AND POVERTY IMPACT ASSESSMENT – 2017/18 BUDGET PROPOSALS</b>				
<b>REFERENCE CODE</b>	<b>DESCRIPTION</b>	<b>SAVINGS £'000</b>	<b>Assessment of Impact</b>	<b>Comments</b>
<b>EPIA RISK RATING – NO IMPACT</b>				
FCT a)	Grangemouth Sport Complex Income	50	Income generated through new programme initiatives and improved customer experience including new spinning studio, refurbished ladies changing area, refreshed café area increasing usage. Go Card concessions apply to those in greatest need.	
FCT b)	Mariner Leisure Centre Income	70	Income generated through new soft play venture and new café space attracting new users. Go Card concessions apply to those in greatest need.	
FCT c)	Grangemouth Stadium Income	10	Income generated through refurbished indoor centre and improved athletes facilities increasing use at off peak times and increased secondary spend. Go Card concessions apply to those in greatest need.	
FCT f)	Callendar House Income	20	Income generated through increased use of refurbished tea room and donations supported by new programme development. Admissions to the House remain free of charge.	
FCT g)	FTH Income	20	Expansion of programme, new product to fill more ends of week/weekend nights attracting expanded audiences. Go Card concessions apply to those in greatest need.	
FCT j)	Five Community Access Schools	10	Income generated through attracting 2 new lets to each school over a 40 week period and increased swim lets. Increased programme in local neighbourhoods expected to have a positive impact for local communities. Go Card concessions apply to those in greatest need.	
FCT k)	Health & Fitness Membership Growth	67	Income generated through continued performance of direct debit membership scheme. Go Card concessions apply to those in greatest need.	
FCT n)	Energy Savings	30	Savings from pursuing efficiencies in energy consumption and new measures through use of renewables. No impact on staff or customer groups.	

FCT p)	Turnover savings	50	Savings from the normal turnover of staff, administration of which results in vacancy gaps that often do not require to be filled temporarily whilst recruiting. No impact on customers or staff.	
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EPIA RISK RATING – LOW IMPACT				
REFERENCE CODE	DESCRIPTION	SAVINGS £'000	Assessment of Impact	Comments
FCT d)	Helix Income	101	Income generated from application of charges for events and activities on site. Free access to the Helix site and to free parking at Falkirk Stadium will remain in place. Parks are traditionally viewed as accessible resources particularly valued by those who are least able to pay. There may be a perception that the Helix is no longer accessible for those families on low incomes. Areas of multiple deprivations are within the immediate catchment area for the Helix.	
FCT e)	Hippodrome Income	20	Income generated from programme and charges. Go Card concessions apply to those in greatest need. The Hippodrome promotes regular programme for young people and when combined with travel costs to reach Bo'ness costs may become beyond the reach of some lower income families, who are not assisted through the Go Card.	
FCT h)	Muiravonside Country Park	30	Income generated from attracting increased donations. Donations introduced at the Farm have been successful and this proposal is based on attracting a voluntary donation per car visiting the Park. Parks are traditionally viewed as accessible resources particularly valued by those who are least able to pay. There may be a perception that Muiravonside is no longer accessible for those families on low incomes. However because of its relatively isolated location access is already constrained for many such families owing to the need to travel.	
FCT i)	Bo'ness Recreation Centre	30	Income generated from continued programme development and appropriate charging. Go Card concessions apply to those in greatest need. Bo'ness Recreation Centre provides sport and recreation programmes for young people and increased charges may affect some families on lower levels	

			of income who are not assisted through the Go Card.	
FCT l)	Larbert High School	25	Transfer of management and operations to the High School through the Tryst Community Sport Hub. Little impact on users is anticipated. Should there be some negative effect the Trust will work with user group(s) to explore relocation options.	
FCT m)	Woodlands Games Hall	22	Transfer of management and operations to a community group. Little impact on users is anticipated. Should there be some negative effect the Trust will work with user group(s) to explore relocation options.	
FCT o)	Community Recreation Savings	18	This proposal utilises a vacancy and reduces the number of posts available to the job market by 1. The management of community recreation programmes which are delivered through external funding has either transferred internally or ceased.	
FCT q)	Administrative Savings	19	This proposal utilises a vacant secretarial post and reduces the number of posts available to the job market by 1.	
FCT r)	Winter Closure of Callendar Park Kiosk	10	The levels of income generated in winter months are minimal and the service is mainly utilised by school children from Graeme High School. 2 staff members' hours would be reduced.	EPIA process will be informed by HR policies and consultation.
FCT s)	Withdraw from Fireworks Event	28	Traditionally viewed as an accessible event that supports community safety however no specific link to EPIA groups. Efforts to retain an event at a break-even point through charging or increased donations will be explored. No staffing implications.	
FCT v)	Withdraw Outdoor Activities Programme to the Community	132	No evidenced link to EPIA groups on this paid for programme of training and leisure activity. Service impact is considered low. Staff at risk of redundancy and will seek to redeploy where possible.	EPIA process will be informed by HR policies and consultation.

EPIA RISK RATING – MEDIUM IMPACT				
REFERENCE CODE	DESCRIPTION	SAVINGS £'000	Assessment of Impact	Comments
FCT t)	Withdraw Heritage Development Support for Schools	76	Heritage learning projects are mainly provided to school groups therefore impact on ability of young people who may be experiencing poverty to access heritage in addition to the school curriculum could be affected. Callendar House remains freely accessible but would not include the added value of heritage learning services. Staff at risk of redundancy and will seek to redeploy where possible.	Discussions commenced with Children's Services to assess impact further. EPIA process will be informed by HR policies and consultation.
FCT u)	Withdraw Outdoor Activities Support for Schools	132	Outdoor activities service is provided directly to schools to support the 'Curriculum for Excellence' and includes the outdoor elements of the DofE awards. Physical activity within school and through Active Schools programme would continue. Young people who may be experiencing poverty could be impacted on as they are less likely to be able to participate in these activities in an out of school/family setting. Staff at risk of redundancy and will seek to redeploy where possible.	Discussions commenced with Children's Services to assess impact further. EPIA process will be informed by HR policies and consultation.

	Number of Proposals	Savings £'000
No Impact	9	327
Low Impact	11	435
Medium Impact	2	208
<b>TOTAL</b>	<b>22</b>	<b>970</b>



**Falkirk Community Trust**

# **Helix Business Plan Strategy**

**2017 – 2020**

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## 1. INTRODUCTION

This document offers our vision for building on the last three years of the Helix moving from construction of the Kelpies; the launch and unprecedented rise of the Kelpies as iconic structures; development of the parkland and finally opening of the visitor centre.

As a partnership project this document will need to sit in parallel with the strategic route proposed by Scottish Canals and Falkirk Council. Learning from the last few months we believe that further clarity surrounding all our aspirations and a firmer alignment is critical to the success of the Plan.

Our long term vision for the Helix as a place of transformation remains unchanged and we are committed to consolidating and developing this new green heart for the communities of Falkirk and Grangemouth. The area has been transformed and diverse habitats and rich wildlife is emerging. Our visitor numbers on the site prove that the Helix has become a major destination for visitors and locals alike. Groups are using the site and activity is growing. The local business community have embraced the Kelpies as their own and at a national level they are seen as a symbol of creativity and a forward looking Scotland. In the short life of the project enterprise, training and employment opportunities have begun to blossom.

The vision and objectives with the delivery themes of People, Place and Enterprise were created in the inception phase and remain valid as we move through the operational phases and into a period of consolidating in some areas, meanwhile having the foresight to spend time looking in depth at the new opportunities that will attract new markets, develop training opportunities and possibly new revenue streams.

## 2. WHERE ARE WE NOW?

Our second year of operations continued to be one where we welcomed visitors in high numbers. The opening of the Visitor Centre at the end of 2015 provided us with an opportunity to finally engage deeply with visitors, tell the story of the Kelpies and the wider area, share our story of the transformation and also realise some of the trading opportunities on the site. Customer income has increased; visitor generated content and feedback on our service is excellent; our events programme has grown and there are already some anchor events primed for growth; the Park is maturing and wildlife appearing in the heart of the community.

We have made good progress against our vision but there is still work to be done to develop further:

Our Asset Management Plan provides a clear direction of travel but the project partners must work harder to resolve the defects on the Park.

Our events team have established some unique events that have the capacity to grow, develop and differentiate us from the current events offer in Scotland. Indeed differentiating ourselves will be crucial to development.

The volunteers on the site have been re-energised but we need to integrate better with the work of the Trust as a whole to lay the foundation of how we see volunteers adding value to the work of the Helix and our family of locations across the Trust.

Enterprise, training and employment have been partly achieved throughout the Trust but our interpretation of this aim needs to explore further our sphere of influence and raise awareness of the social enterprise movement and its place on the Helix site. Moreover our relationship with higher education partners needs to be explored as both a route to new graduate entrants but also in relation to enterprise initiatives and long term research opportunities.

Similarly trading on the site has had to respond to fluid trading conditions and some constraints. As a result much of what we need to focus on now is about learning to respond to the conditions and overcome the constraints.

### 3. STRATEGIC CONTEXT

The Helix is established as a significant local and regional asset and development of any plan must resonate with a wide range of strategic priorities.

#### 3.1 Trusts' Business Plan

Development of the Helix, aimed at both the local community and visitors to the area, has already established the project as a key driver to achieving many of the Trust's own business objectives of:

- Financial sustainability
- Meeting customer needs.

#### 3.2 VisitFalkirk Tourism Strategy 2020

The area wide Tourism Strategy seeks to make Falkirk a destination of first choice for high quality, value for money and world-class attractions offering memorable customer experience, delivered by skilled and passionate people. This development resonates with two strategic priorities:

- Providing enjoyable and memorable experiences
- Improving the customer journey.

This Strategy in part supports the key priorities for Scottish Tourism Alliance 2020 and also the Heritage Tourism Strategy 2020. In particular the emphasis on improving the customer journey, making our heritage assets authentic and enjoyable experience.

#### 3.3 Scotland Social Enterprise Strategy 2025

Movements for the social economy and social enterprise are gaining more traction and proponents are working to construct a political, financial and legislative conditions that can help create an economy that is better for the majority.

The challenge is for us to be able to make lasting change and to create the conditions for social enterprise to flourish in and around the site.

#### **4. STRATEGIC DIRECTION**

Through the process of review and reflection with our staff four Key themes have emerged that help illustrate our direction of travel for the next three years:

##### **Consolidation**

We must all remember that we are still at the early stages of a long term project. 2017 will be the first full 'steady state' trading year where we have the opportunity to review information, perfect forecasting and plan more effectively. Over the life of the Plan we will make firm our plans and strengthen our position by making use of the time to carry out detailed customer, business and staff research. Time spent on this will help us refine the visitor offer, build on our staff training programme and make noticeable improvements.

We will combine the opportunities for engagement with visitors and increase the number of 'touch points' with all that use the site. The depth and breadth of the visitor offer, paths network and park land and the opportunities it provides for local residents and visitors will come more to the fore as we grow into the site. This will include opportunities to volunteer; active engagement through social media; a growing events programme; new opportunities to see the site animated and also new areas for income generation.

Consolidating our relationship with the community will also be essential if we are to harness the power and passion for the site and all that it has to offer the people of the area and beyond. Furthermore we will explore partner opportunities for long term research projects that relate to the impacts, both social and economic, from the site. Indeed this knowledge will be important when demonstrating the value of the project, improving our spheres of influence and leveraging funds, nurturing important friendships and ensuring the project is always moving on a forward trajectory.

##### **Amplification**

We are starting from a strong position with a powerful and positive story to tell. We must now expand on this positive narrative and deliver a message of substance. Part of amplifying the positive will also be taking ownership of the brands we have and articulating key messages that support our Business Plan themes. The business has two strong brands, The Helix and The Kelpies. The Helix brand resonates locally, while the Kelpies have acquired significant national and international recognition. Ownership will mean developing, applying and enforcing clear guidelines for use of images, language and associations. Establishing our authority and ownership will be essential over the next year and the partners must support this.

Up-selling and cross-selling across and through the brands will be fundamental to achieving greater noise in markets and compatible partners who can expose us to new markets will be essential to incremental growth.

Central to the continued success of the business will be ensuring both brands visibility continues to penetrate key audiences.

Social media will play a pivotal role in this and generating valuable and unique experiences on site will achieve more for both brands. Capturing those unique moments needs to be at the forefront of every customer interaction we create via animation, events, volunteering, activities and direct engagement.

### **Development and Planning Ahead**

To date the success of the project has been attributed to research, consultation and planning. As the project enters phase two these should continue to be our guiding principles.

A decline in visitor numbers is a foregone conclusion with any new attraction unless time is allocated to consider new opportunities and new markets. This aspect of the Plan will focus on exploring our options for expansion of the Visitor Centre, refreshing interpretation and making best use of the spaces in the centre, developing our engagement with new markets and supporting the development of the Events Strategy. Key to the future success of the project will be the continued development of 'touch points' that generate revenue, activity on site, engagement with visitors, fun and a unique position for the site. Development time must allow for robust exploration of these options to ensure any new idea is a long term viable option that achieves our aims and supports our Financial Strategy.

Moreover further thought is required on how we measure the long term aims for the project. In the first instance establishing our baseline position and in particular exploring the measurement of its social impacts. Again this may be with academics partners or organisations that have shared interests in exploring this area of study.

### **Making it last**

Financial sustainability will underpin our thinking throughout the life of the Plan. Pilgrimage visits must be cultivated to maximise income generation, where as local repeat visits must be nurtured to maximise engagement, social and health benefits.

The financial pressures on the funding partners are acknowledged and the business will continually strive to increase income and control costs. Our life time partnerships will also need to be nurtured to build trust and further strengthen and understand shared goals.

The lasting impacts we want to sustain are inherently linked to the standards we must maintain within the Park and finance is required for future developments so that the project can fully achieve the positive impacts on the health, wealth and wellbeing of the community.

Balancing these factors will be always be a challenge, however with diligent planning, a focus on exceeding our customers' expectations, developing new partnership will help the business align to the funders budgetary constraints.

## 5. DELIVERING THE PLAN

The development of Unit Action Plans for marketing, asset management, events, volunteering and trading will allow us to highlight routine operating activity as well as development tasks. Project Plans will also be developed for key initiatives, including but not limited to, Visitor Centre development, an extension to opening hours and tour development.

### A Partnership

Working in partnership with others will be an essential part of delivering more effectively. Examining and recalibrating our project partnership is an important first step and critical to the continued success of the project. If we achieve consensus we should also be in a better position to agree on leads for key areas of business growth for example tourism, destination marketing, and event development or brand guardianship. Furthermore with a unified voice we will be in a stronger position to develop new partnership opportunities that will sustain the project.

### Asset Management Plan

The Asset Management Plan (AMP) for the site was developed at the start of the project to detail the maintenance tasks required to keep the wide variety of different components of Helix Park in good condition. The Plan is outcomes based and success is judged on key identifiers of quality rather than task frequency. At the heart of developing the AMP is a feedback loop generated by staff and customer feedback on the planned maintenance and the achievement of key quality identifiers. As such the Plan is reviewed each year by the operational team and the next years' work program set on the basis of the feedback loop established. This process has been put under pressure by reductions in the core budget for Helix Park maintenance but using creative new techniques and a collaborative partnership approach we aim to minimise the negative impacts for customers.

### Marketing Strategy – Summary

Digital first will be a cornerstone of our Strategy. We will continue to focus on maximising use of all digital channels, combined with investing in a new digital platform for FCT that will signify a shift in how we approach marketing. This significant investment will see demonstrable improvements in the way we can target and track marketing activity. By 2018 our new platform will be able to track return on marketing investment and as a consequence our activity will be far more effective. This digital shift will also see us driving the creation of more video content, either as user generated or commissioned. A new app will also provide innovative ways for us to engage with visitors to the site. This approach will also provide us with robust data that will help us refine our tactical activity even further.

Alongside a digital shift we will, with the support of all the partners, be clearer and stronger around protecting and promoting the brands we have. As operators of the site we will define ourselves as custodians of the two brands, gain more control and direction for how the brands are perceived in all markets.

Developing the international profile of the site is another cornerstone of the Strategy. We will be working in close partnership with VisitFalkirk, Scottish Canals and VisitScotland to develop international markets further and grow the profile of the area as a credible destination. We will continue to develop our local and day-tripper markets with new products, encouraging repeat visits, and seek to monetise activity such as evening events or events utilising the Visitor Centre. The growing secondary spend will be top of mind when we approach marketing activity.

And finally we will also seek to develop relationships with partners such as Cruise Forth, more accommodation providers, key business community and travel providers who can help augment the marketing budgets we have and also penetrate deeper the internal independent visitor market.

### **Commercial Development - Summary**

Retail growth must come from an emphasis on pilgrimage purchase with exclusive access to the Andy Scott official Kelpie merchandise for a six month period we will fully capitalise on the opportunities that scarcity and authenticity allows us. Our relationship with Andy Scott Merchandise will continue to be nurtured to ensure we can influence improvements in product design, selection and presentation. The production of the 3D mini sculptures in 2017/18 and higher value items will be fundamental to a growth in sales and establishing us as a retail "pilgrimage" destination. Our retail offer will also be the quick route to supporting social enterprises, local business and entrepreneurs. We will further expand on these opportunities so that we open up greater connections to the long term objectives for the project. During 2017/18 we will make better use of sales data, streamlining the Andy Scott ranges, focusing on fewer lines and also matching sales data alongside improvements to merchandising. Our investment in digital will also allow us to test distance selling on key items.

Great customer service will continue in the Visitor Centre and this is also key to developing further a relaxed and enjoyable shopping experience, moreover leading visitors to the idea of reciprocity or the obligation to buy having enjoyed free admission, access to the interpretation and the Park as a whole. We must also continue to stay true to our well defined ranges and show commitment and consistency in this area with only short bursts of changes in spring and autumn.

Catering growth will come from the development of our repeat customers alongside speedy service, seasonal changes to the menus and work on reducing our cost of sales. Exploring the viability of extending evening service will be central to growing the sales. The Visitor Centre is currently only trading 65% of its potential opening hours and to exploit these additional hours efficiently, research will be required to explore potential target markets and to run trial operations. Constraints to operating additional hours is primarily staffing and engaging with the target audience.

### Measuring Progress

Our core KPI's will be as follows and supplemented with additional information from our research programme.

KPI's	Methodology
No. transactions	Management information/Epos
Gross Profit	Management information/Epos
Value of transactions	Management information/Epos
Engagement/Interactions on site	Management information -Visitor Numbers/sales data/event data Observational information
Engagement/Interactions off site	Digital Data – web/social media/Tripadvisor
Volunteering hours	Management information –staff logs

## 6. FINANCIAL STRATEGY

The emphasis for the business over the coming period is to maximise the income generated right across the site. Introduce new chargeable activities and fully exploiting our assets.

To provide new opportunities to engage with a greater number of visitors across the whole site, these 'touch points' will engage the customers by way of information, animation and monetisation.

The Business Plan is projecting a £100,000 uplift on income during 2017/18 compared to 2016/17, this will be achieved with an increased outdoor activities offer at the lagoon. Other areas of income will see incremental increases.

2018/19 projects a £10,000 reduction in the level of income as to 2017/18, this is due to a predicted reduction in car parking and outdoor catering income somewhat offset by the incremental lift in visitor centre catering and retail.

The reduction in car parking is expected as locals discover free local parking, better public transport links and walking and cycling routes into the site.

Footfall for the site is estimated at 850,000 for 2017/18 with an anticipated average spend of £1.50 per visitor.

The Marketing and Events Strategies are focused on maintaining the footfall to the site for the following 3 years at 850,000

What we know is that not everyone accessing the site is currently a purchasing customer and we will strive to convert more of these users to spending customers. The ambition is to monetise these interactions so that all visitors coming to the site have a reason to financially connect with the Helix. Once again placing emphasis on the idea of reciprocity.



These touch points will not just be facilitated by Falkirk Community Trust. The original ethos of the Helix Project was to involve 3<sup>rd</sup> party providers. The Trust is keen to explore social enterprise opportunities as well as partnership with commercial operators. These operators have the potential to provide catering, activities and animation across the Park, either on a temporary or long-term contracted basis. The effective use of third party operators can mitigate risks to the business, in terms of capital out lay, recruitment and condensing a timeline.

Data from 2016 indicates that some 40% of visitors financially contribute to the business. The projection for 2017/18 is a spend per head of £3.50 achieved from those 40% of visitors.

**Table 1: Gross Profit and Spend Per Head 17-20**

	Gross Profit			Spend Per Head		
	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Visitor Centre catering	60%	65%	68%	£3.50	£3.50	£3.80
Retail	56%	57%	58%			
Plaza	69%	69%	69%			

The focus on the budget has been to maintain the marketing and events budgets to generate footfall across the site and to secure the asset management budgets to ensure the quality of the Park is maintained.

The summary below gives a breakdown of the general cost centres.

**(Table 2: General Costs Centres 17-20**

Grouping	Sum of 17/18 Estimate	Sum of 18/19 Estimate	Sum of 19/20 Estimate
Employee Costs	976,000	991,220	1,004,360
Property Costs	147,950	143,660	144,890
Transport Costs	21,820	21,500	21,500
Supplies & Services	867,740	847,930	856,410
Depreciation	13,690	13,690	13,690
Income	(1,278,000)	(1,268,000)	(1,290,500)
<b>Total Funding</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>

Costs are increased in 2019/20 to account for potential additional maintenance at this stage of the project life cycle.

## 7. CONCLUSION

We believe the proposed Business Plan charts a realistic path for the development of the project and the long term goals. Most notable are some of the critical relationships that need to be re-established and the sharing of each other's plans for the development of the site.

The delivery of the Plan also involves us managing a wide range of risks which require a consistent approach to identifying, review, adopting corrective action if required and further monitoring. The Trust manages risk effectively in each service area and contributes to a risk register. The Helix is no exception and is included within this process.

Above all the financial context within which the Business Plan has to deliver is one of the most challenging but our commitment to robust and rigorous development of new opportunities with new partners and in new ways will be essential to sustaining the project into the future and delivering all of our hopes for the project.

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## Capital Programme 2017/18

### 1. Introduction

- 1.1 The Council has allocated £520k of funding to the Trust for 2017/18 from its General Capital programme. However, as in previous years, they have reiterated that only items of an “inescapable high priority” should be applied for. In this respect, the Audit & Performance Sub Group, at this time last year, agreed that the Trust’s Capital Programme should consist of projects that resulted in one or more of the following outcomes:

- Resolution of appropriate health and safety related matters
- Ensure facilities or services continue to operate
- Retention of existing levels of usage and/or income.

It was also intended that the delivery of projects that met the aforementioned criteria would also improve the customers’ experience and in the attraction of additional income.

### 2. Capital Programme Bids

- 2.1 Senior Management sought ideas from the wider Management Team for possible ‘bids’ that they considered appropriate for the 2017/18 programme. These were collated and reviewed by the Senior Management Team to ensure their relevance to the agreed criteria and the Trust’s objectives, whilst ensuring that the budgetary allocation of £520k was achieved.
- 2.2 The Council’s process required the Trust to submit individual capital programme ‘bid applications’ and these were subsequently submitted by their deadline of the 30<sup>th</sup> of June 2016 as described below:

<u>Facility/Service</u>	<u>Item</u>	<u>Costs</u>
(a) G/mouth SC	Improve Sauna area	£70k
(b) Mariner	Improve Level 1 toilets	£10k
(c) Bo’ness Town Hall	Refurbish electrical works	£11k
(d) Grangemouth TH	Replacement of fire alarm & refurbish electrical works	£41k
(e) Falkirk Town Hall	Replacement seating	£142k
(f) Bo’ness RC	Pool filters refurbishment	£25k
(g) G/mouth SC	Pool filters & plant refurbishment	£46k
(h) Mariner	Roof refurbishment	£50k
(i) G/mouth Golf Course	Sprinkler system refurbishment	£20k
(j) Callendar House	Improvements to external windows, doors & guttering	£40k
(k) Grangemouth Stad	Upgrade corridors for DDA compliance	£50k
(l) Falkirk Town Hall	Replacement lighting deck	£15k
		<b><u>£520k</u></b>

- 2.3 The Audit and Performance Sub Group considered these capital programme items at their meeting on the 11<sup>th</sup> of August and agreed that given the urgency of some of these items, arrangements should be made to bring forward some of the financial allocations to this year to ensure their swift resolution and these particular items are shown from (f) to (l).
- 2.4 A number of building/plant ‘failures’ have occurred this year and in recognition of this, the Audit and Performance Sub Group were asked to consider setting a sum of money aside within the £520k allocated, to cover for unexpected and business critical breakdowns in 2017/18. With this in mind, item number 5, as shown above, i.e. the replacement bleacher seating in Falkirk Town Hall will be progressed, however, should another item of a greater priority be required, then the replacement seating at the Town Hall may have to be held over to the following year. At the time of writing a ‘failure’ has occurred and the revolving door at

the main entrance to the Falkirk Town Hall is out of action whilst an alternative or replacement is sourced that meets the necessary building standards. We may be able to attract external funding for its replacement alongside an overall improvement plan of the FTH, by using the existing allocation of £142k as leverage. However, it may be that this allocation may be required to replace the failed revolving door.

- 2.5 In recognition of the relatively poor condition of many Trust operated facilities, a single capital bid was also submitted to the Council for £4.116m, to reflect the estimated costs of the maintenance backlog, to help return the facilities to an appropriate condition. It is considered most unlikely that such an allocation will be provided.
- 2.6 The planned provision of a soft play facility within the Mariner Leisure Centre involves a significant capital outlay of approximately £1m, however this is not being funded from the Council's capital programme as this amount is being loaned to the Trust from the Council on a five year payback period basis.

### **3. Conclusions**

- 3.1 The Trust has identified twelve projects which are believed to be vital to the continued use of services and to protect existing usage and income levels, the last five of which, as shown in section 2.2, being able to be 'brought forward' to be completed in this financial year, given their urgency.
- 3.2 Twelve proposals amounting to the approved total allocation of £520k have been included in the Business Plan for the approval of the Board and subsequent consideration by the Council.

Enquiries to: Patricia Cassidy  
Direct Dial: 01324 504013  
Our Ref: PC/AS/010-16  
Date: 7 December 2016

Mrs Mary Pitcaithly  
Chief Executive Officer  
Falkirk Council  
Municipal Buildings  
West Bridge Street  
Falkirk  
FK1 5RS

Dear

### **Integration Joint Board (IJB) Business Case 2017/18**

Please find attached the IJB's Business Case for financial year 2017/18 which was approved by the IJB at its special meeting of 18 November 2016.

The business case was prepared, as far as possible, using the relevant element of the Finance Guidance for IJB's, also known as IRAG guidance, published by Scottish Government. Given the current level of maturity of the performance reporting arrangements for the partnership it is not currently possible to realistically assess the impact of savings on the performance of the partnership.

The document itself is fairly self-explanatory however we would wish to draw out a few key points as follows:

- The key planning assumptions applied to the payment from the Council from the IJB are consistent with those being used by the council overall in terms of pays and impact of general inflation.
- The assessment of the cost impacts of demographic growth have been based on information available from finance and procurement teams at the time of writing. Whilst we are of the opinion the overall quantum of these cost pressures is realistic the relative share of the increase between care at home and residential care is likely to change as measures are taken forward to implement the priorities of the IJB's Strategic Plan such as discharge to assess.

The financial report being presented to the IJB meeting on 2 December 2016 documents a notably reduced level of projected overspend in relation to residential care in

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relation to the projected impact of on-going work in negotiating and harmonising rates with external providers.

- An assessment of other cost pressures including transitions of care packages from children's to adult services. This assessment is undergoing further detailed review and our current understanding is that the estimate is likely to increase as a consequence. We are, however, awaiting the outputs from this review to be in a position to advise further.

It may however be prudent to consider this along with the projected reduction in the level of overspend in residential care when further information becomes available.

- The treatment of the Integration, or Social Care Fund, within the 2017/18 Scottish Budget is pivotal to the financial planning for Adult Social Care. Given the levels of uncertainty around this a range of scenarios have been developed as detailed in Section 6.16 of the document. These include the estimated cost of the full year effect of implementation of the Scottish Living Wage and uplift to the hourly rate from 1 April 2017.

The estimates around the Scottish Living Wage are likely to still be at the prudent end of the scale and we will continue to review these with procurement and finance colleagues to be in a position to quickly assess the implications how the Integration Fund is treated within the Draft Scottish Budget for 2017/18.

- The draft savings programme incorporated within the case totals a quantum of £2.455m and has been assessed in terms of confidence of delivery with a score of 3 reflecting high confidence of delivery, 2 medium confidence and 1 low confidence. Further detail in relation to the draft savings programme being developed including Equality and Poverty Impact Assessments.
- The draft savings programme includes a proposal to review the charging policy. Approval of the charging policy is power reserved to Falkirk Council though the impact of the policy in place affects the financial position of the IJB.

The estimated quantum of an additional £0.300m in relation to charging is based on a combination of a review of charges and improving business processes and debt recovery. Further detail is being prepared however the basic premise of the proposal is increasing charges at a level in line with general inflation whilst reviewing and improving business processes to have a positive impact on debt recovery by reducing the level of debt write off.

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- Whilst appreciating the draft saving programme is less than a pro-rata share of the savings challenges facing the council the draft programme is ambitious and challenging in an environment of rising demand and expectation. Section 6.26 of the business case document refers to the need to ensure appropriate management and business support capacity to lever and manage change both in the short and medium to longer term.

We current estimate this requirement at £0.220m and will bring forward detailed proposals in the near future for consideration. It may be that a combination of funding sources could be considered including 'Spend to Save' funding and Partnership Funding.

We trust that this letter adds some further context to the business case document approved by the IJB. Clearly, given the high level of uncertainty around the Draft Scottish Budget and, in particular the treatment of the Integration Fund including the settlement for the Scottish Living Wage there will be a need for officers across the partnership to continue to work closely to take account of implications from the budget when it is announced.

Meantime, if there are any other questions or information requirements that would help the council considerations please let us know.

Yours sincerely,

.....  
Patricia Cassidy  
Chief Officer  
Falkirk Health & Social Care Partnership

.....  
Ewan Murray  
Chief Finance Officer  
Falkirk Health & Social Care Partnership

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**Title/Subject:        Integration Joint Board Business Case 2017/18**

**Meeting:              Integration Joint Board**

**Date:                  18 November 2016**

**Submitted By:        Chief Finance Officer**

**Action:                For Decision**

## **1.        INTRODUCTION**

- 1.1        The purpose of the report is to present an update on preparation of the IJB Business Case for 2017/18 and present to the IJB the estimated budget requirements and savings proposals for Adult Social Care services and an outline of budget preparation in relation to in-scope NHS Services.
- 1.2        This document has been prepared, as far as possible, in line with the terms of the Integration Scheme and extant national finance guidance from the Integrated Resources Advisory Group (IRAG) on setting IJB budgets post the initial year. It is not currently possible to fully assess the savings proposals against performance on outcomes.

## **2.        RECOMMENDATIONS**

The IJB is asked to:

- 2.1        Note the background in which this report has been prepared including the relevant sections of the Integration Scheme and extant national finance guidance from IRAG.
- 2.2        Note the Strategic Plan Delivery Update
- 2.3        Note the Financial and Economic Outlook and current intelligence on likely financial settlements for Local Authorities and NHS Boards
- 2.4        Note the estimated resource requirement for delegated Adult Social Care Services taking account of:
- Key Planning Assumptions
  - Estimated Cost Impact of Demographic and Other Cost Pressures
  - The impact of the Living Wage and the impact of possible scenarios modelled around the treatment of the Integration Fund within the 2017/18 Scottish Draft Budget
  - Draft Savings Programme



- 2.5 Approve the estimated resource requirement and the draft programme of savings options as outlined in Section 6 for Adult Social Care Services for submission to Falkirk Council for consideration within the 2017/18 budget setting process, and note that these will be subject to completion of equalities impact assessments and, where appropriate, consultation on the impact of the proposed savings options.
- 2.6 Note the other financial considerations
- 2.7 Note the update on budget setting for in-scope NHS Services.
- 2.8 Approve the creation of a reserve from any balance of the Integration Fund remaining at the end of 2016/17.
- 2.9 Agree that the business case is submitted to Falkirk Council as part of their budget setting process. A revised business case will be presented to the 3 February 2017 IJB as the NHS budget is developed and will be submitted to NHS Forth Valley Board as part of their budget process.
- 2.10 Note the post due diligence issues still requiring resolution.

### **3. BACKGROUND**

- 3.1 Section 8.3 of the Integration Scheme sets out the arrangements for agreeing the IJB budget or payment for the years subsequent to the initial year. This paper has been written to support this process taking into account, as far as possible, the extant national finance guidance for partnerships from IRAG.
- 3.2 As described in the Integration Scheme a degree of flexibility and pragmatism has been applied in interpreting and applying the national guidance specifically in relation to:
- The relatively early stage of the evolution of the partnership
  - The current stage of development of performance management reporting and timing of available data
  - Differences in financial planning and budget setting cycles of Local Authorities and NHS Boards
  - Quality and availability of information in relation to in-scope services
  - Current demand and costs pressures across in-scope services
  - Ongoing work to develop the Delivery Plan and locality planning arrangements to implement the priorities of the strategic plan, including supporting detailed financial plans
  - Current levels of economic and financial uncertainty.
- 3.3 The sophistication and therefore robustness of this process will improve in the coming years as the partnership arrangements develop and the co-relation between Strategic Plan delivery (including development of localities), Performance and Finance develops.

#### **4. STRATEGIC PLAN DELIVERY UPDATE**

- 4.1 The IJB approved the Integrated Strategic Plan 2016 – 19 on 24 March 2016, with further work required to develop a local delivery plan using 'logic modelling' methodology. Workshops were held in June/July with key stakeholders and as a result of these events, 3 logic models were developed and presented to the Board for information.
- 4.2 The activities shown on the models are high level and represent multiple projects, programme and services. In order to provide the Board with more comprehensive and detailed information on the demand, capacity and performance of these services that will inform our understanding of the whole system, further work was identified. An online questionnaire has been issued to managers to score their services against agreed questions based on the RE-AIM framework.
- 4.3 The logic modelling and feedback from the service questionnaire work will be used to finalise the local delivery plan, with linkages to financial planning and workforce information being developed via the Leadership and HR workforce groups respectively.
- 4.4 It is currently anticipated the draft delivery plan will be presented to the February IJB meeting for consideration.
- 4.5 In the interim work is proceeding on key areas:-
- Development of the Frailty Pathway and rapid assessment in Emergency Department. A test of change is taking place during the week of 6 November.
  - Development and Pilot of the Discharge to Assess model due to be begin at the end of November dependent on the development of the multi-disciplinary team and results of the Test of Change and contractual arrangements being concluded
  - Development of the re-ablement programme
  - Review of partnership funded initiatives to ensure investment is aligned to the local outcomes.

#### **5. FINANCIAL AND ECONOMIC OUTLOOK**

- 5.1 As detailed in the financial report to the October IJB meeting continued economic uncertainty post the outcome of the EU Referendum will result in a single year financial settlement for 2017/18.
- 5.2 The Autumn statement will be announced by the UK Chancellor on 23 November 2016 with the Draft 2017/18 Scottish Budget following on 15 December 2016.
- 5.3 The expected impact of the above is that Local Authorities have been advised to anticipate a financial settlement of a similar order to 2016/17 and

NHS Boards to anticipate a financial settlement that would require cash releasing savings of 5%.

- 5.4 As previously advised to the IJB the treatment of the £250m Integration (or Social Care) Fund within the Scottish Budget, particularly in relation to the full year cost of the Living Wage, is pivotal to the financial position of the IJB and therefore financial planning for 2017/18. This paper examines the possible scenarios around this and their potential impact on resources available.
- 5.5 Taking the above into account the IJB should anticipate the level of budget available to deliver in-scope services in 2017/18 to be adjusted by the constituent authorities to a degree that is reasonable and proportionate.

## 6. ADULT SOCIAL CARE SERVICES

- 6.1 As detailed in Section 1.1 the primary purpose of this report is to present to the IJB the estimated budget requirements and savings proposals for Adult Social Care services and seek the IJB's approval to submit these to Falkirk Council for consideration in line with the terms of the Integration Scheme.

### Key Planning Assumptions

- 6.2 The key planning assumptions used in calculating the estimated budget requirements are:

▪ Pay Inflation of	1.25%
▪ Prices Inflation in relation to Care at Home	1.90%
▪ Prices Inflation in relation to External Care Homes	2.00%
▪ Prices Inflation in relation to Other Supplies and Costs	2.00%

- 6.3 The impact of the pay and prices assumptions above on the 16/17 payment to the IJB from Falkirk Council is illustrated in the table below.

Falkirk Council IJB Payment 16/17 (Net Excluding Housing)

	16/17 £m	Planning Assumption Used	Requirement at Est 17/18 Prices £m
Pay Costs	2.677	1.25%	2.710
Care at Home	15.494	1.90%	15.788
External Care Homes	33.046	2.00%	33.707
Other Supplies	2.799	2.00%	2.855
Other Costs	5.060	2.00%	5.161
Other Cost Increases including Pensions increases		Per specific calculations	0.201
Reverse impact of Applying Inflation Assumptions to Income			0.621
<b>TOTAL</b>	<b>59.076</b>		<b>61.044</b>

Pay & Prices Requirements

1.968

- 6.4 The projected cost of in-scope adult social care services in 2016/17 is being met, in part, by utilisation of £2.896m of the Integration Fund, which is in line with the permitted use of the fund.

### **Estimated Cost Impact of Demographic and Other Cost Pressures**

- 6.5 The significant cost pressures experienced in the Adult Social Care budgets in 2016/17 relate to demand and associated cost increases in relation to Care and Home and Residential Care.
- 6.6 Externally purchased Care at Home Services are experiencing growth in demand of around 6.8% and assuming this continues in 17/18 a further cost pressure of £0.442m is projected.
- 6.7 Demand for and cost of residential care is projected to create a cost pressure of £0.905m in 2016/17. It is assumed that the impact of the whole system approach, review of the frailty pathway and savings programme will mitigate this increase to a degree however it would be prudent to plan for a similar levels of additional cost increase in 2017/18 driven by demography and increasing costs and complexity of care.
- 6.8 The costs associated with care packages for young people in transition from Children's to Adult Services is currently estimated at £0.239m. This estimate requires further detailed review with Children's Services.
- 6.9 Per the financial report to the October IJB meeting the full year effect of the costs of care packages for Learning Disability clients being discharged from the Lochview inpatient facility is £0.153m. This estimate will require further review in light of emergent plans for further discharges.
- 6.10 It should be noted that there is some risk that the current projections for 2016/17 will increase further as a result of current demands across the system including measures being taken to address delayed discharges, expedite care packages and the numbers of clients waiting for care home places.
- 6.11 However, taking the pressures detailed in 6.6 to 6.10 together would indicate demographic and other cost pressures totalling £1.739m before being partially mitigated through some of the proposals within the savings programme.

### **Integration Fund and Scottish Living Wage**

- 6.12 Falkirk IJBs share of the national £250m Integration (or Social Care) Fund for 2016/17 is £7.070m.
- 6.13 Per the financial report to the October IJB meeting the commitments against this funding in 2016/17 are:

<b>INTEGRATION FUND</b>	<b>£m</b>
<b>Partnership Allocation</b>	<b>7.070</b>
<b>Commitments</b>	
Living Wage from 1 October 2016 & Other Cost Pressures	3.540
Assumption per IJB Initial Budget Setting	1.000
Allocation per 16/17 Budget Recovery Plan	1.000
Requirement to Meet Projected Overspend Per 5 Aug IJB	0.896
Discharge to Assess Funding Per 7 October IJB	0.100
<b>Balance Remaining</b>	<b><u>0.534</u></b>

6.14 As previously reported a significant financial risk for the IJB is the full year effect of implementing the Scottish Living Wage from 1 October 2016 and the impact of the recently announced increase in the rate payable from 1 April 2017 from £8.25 to £8.45 per hour.

6.15 The full year cost of the Scottish Living Wage at £8.25 is estimated at £6.5m and the estimated additional cost of the increase in the rate to £8.45 is a further £1.5m giving a 2017/18 total estimated cost of £8m

6.16 The treatment of the Integration Fund in the 2017/18 Scottish Budget including the funding for the Scottish Living Wage is pivotal to the financial position of the IJB going forward. At the time of writing it is not clear how this will be treated with the Scottish Budget and therefore 4 scenarios have been modelled.

**Scenario 1:** No increase from 2016/17 Allocation

**Scenario 2:** 16/17 Allocation Plus Full Year Effect of Living Wage at £8.25 per hour

**Scenario 3:** 16/17 Allocation Plus Full Year Effect of Living Wage at £8.45 per hour

**Scenario 4:** The £250m allocation at a national level becomes £500m continuing the general approach started in the 2016/17 budget.

The net funding remaining after meeting the estimated full year costs of the Scottish Living Wage are detailed in the table below.

	Scenario 1 (No increase from 2016/17 allocation) £m	Scenario 2 (16/17 Allocation Plus Full Year Effect of Living Wage @ 16/17 Rate) £m	Scenario 3 (16/17 Allocation + Full Year Effect of Living Wage @ 17/18 Rate) £m	Scenario 4 (16/17 approach continued - Share of £500m nationally) £m
Estimated Allocation	7.070	10.320	11.820	14.140
Full Year Cost of Living Wage @ £8.25	6.500	6.500	6.500	6.500
Impact of Increase to £8.45 ph	1.500	1.500	1.500	1.500
<b>Remaining Balance Available for Demographic Growth and Cost Pressures</b>	<b>(0.930)</b>	<b>2.320</b>	<b>3.820</b>	<b>6.140</b>

### Draft Savings Programme

- 6.17 It is recognised that the economic outlook will require ongoing constraint in public expenditure for the foreseeable future and that the IJB will wish to deliver cost reductions in a manner that is congruent with the direction of the Strategic Plan.
- 6.18 A draft savings programme has been developed in relation to in-scope Adult Social Care Services. The IJB will receive a report in December which will bring forward proposals in relation to Eligibility Criteria and a resource allocation Framework. Subject to the Board's consideration and decision, this could implement revised eligibility framework and operating tighter criteria and provision in line with an outcome focussed assessment. ,
- The approach to savings will be enabled and supported by implementation of revised eligibility framework, operating tighter criteria, and offering lower cost packages of care to meet need where that is appropriate. Transformational savings will be delivered through managing demand getting prevention right, diverting more people away from formal paid service, through reablement.
- 6.19 The confidence level of delivery of savings has been assessed using a scale of (1-3) where 3 represents high confidence of delivering the estimated savings.
- 6.20 The summary of the proposed savings programme is attached as Appendix I and totals a quantum of £2.415m and is split into 3 categories
- Reducing costs where feasible and appropriate in procured care at home and supported living services through efficiencies, for example by reviewing cost care packages
  - Reviewing models of service delivery
  - Increasing income through increasing charges
- 6.21 It should be noted approval of the charging policy is a decision which is reserved to be taken by Falkirk Council although it impacts the overall financial position in relation to services delegated by the IJB.

- 6.22 A full Equality and Poverty Impact Assessment will be completed on the proposed savings. Officers will seek the views of interested groups and stakeholders to assist with the decision making process.

### **Changes in Legislative and Other Policy Requirements**

- 6.23 It is not anticipated that the financial impact associated with the Carers Act will have a material financial impact on costs until 2018/19. A further assessment of the cost implications associated with this will be undertaken as part of future planning.
- 6.24 The changes in relation to Criminal Justice Authorities do have the potential to have a financial impact. It is anticipated this will become clearer within the draft Scottish Budget in December and will be considered and reported to the Board in due course.

### **Estimated Adult Social Care Budget Requirement for 2017/18**

- 6.25 Taking the factors above into account the total estimated budget requirements for 2017/18 are detailed below.

<b>Summary Requirements</b>	<b>£m</b>
Falkirk Council Base Payment at 17/18 Prices	61.044
Less: Proposed Savings Programme	(2.455)
16/17 Demographic Growth and Cost Pressures Being Met from Integration Fund	2.896
Demographic Growth: Significant Growth Areas	
Care at Home	0.442
Residential Care	0.905
Other Cost Pressures : Full Year Effect of LD Discharges	0.153
Transitions	0.239
Full Year Cost of Living Wage @ 8.25	6.500
Impact of Increase in Living Wage to £8.45	1.500
<b>NET ESTIMATED 2017/18 EXPENDITURE REQUIREMENT</b>	<b>71.224</b>

<b>Consisting Of:</b>	<b>£m</b>
Net Requirement at 17/18 prices excluding cost of living wage, demographic growth and other cost pressures being managed from Integration Fund in 2016/17	58.589
Cost of living wage, demographic growth and other cost pressures currently being managed from Integration Fund	12.635
<b>TOTAL</b>	<b>71.224</b>

## **Other Financial Considerations**

- 6.26 In order to begin to lever change, support the implementation of the savings programmes and the whole system approach a degree of investment in management and business support capacity is required. Requirements are currently being developed and are currently anticipated to cost in the region of £0.220m. These proposals require further discussion and refinement and it is proposed that the IJB Chief Officer and Chief Finance officer lead the further development of the proposals and takes forward discussions around how they might be financed with the Chief Executives of Falkirk Council and NHS Forth Valley and the Chair and Vice Chair of the IJB.

## **7. NHS BUDGETS**

### **Overview of Current Position**

- 7.1 As referred to above NHS Budget Setting cycles have traditionally run behind those of Local Authorities for various reasons including the timing of confirmation of allocations from Scottish Government and not having the legislative requirements to set budgets and Council Tax rates in February. 2017/18 plans have not at this stage been discussed by the NHS Board and therefore the indicative savings requirements detailed in section 7.6 were calculated by the IJB Chief Finance Officer and should be regarded as illustrative.
- 7.2 Whilst the aspiration is to align budget setting cycles and in line with the Integration Scheme this will not be fully achieved for 2017/18 budget setting.
- 7.3 At the current point in time it only possible to give an outline of planning assumptions for NHS Boards and broad thematics of savings approaches.
- 7.4 As reported above current intelligence suggests NHS Boards should plan for a financial settlement which would require cash releasing savings of 5%. In terms of NHS Forth Valley this would require cash releasing savings of circa £24m.

### **Key Financial Planning Assumptions**

- 7.5 NHS Forth Valley are currently working through financial modelling for pay, price and prescribing inflation factors and known cost commitments including national and regional developments.

Within the NHS Forth Valley's most recent published financial plan for which covers the period from 2016/17 to 2020/21 the key financial planning assumptions for 17/18 were as follows:

Basic Pay Increase	1%
Basic Prices Increase (General Inflation)	2%
Resource Transfer	1%
Prescribing in Hospitals / Secondary Care	10%
Prescribing in Primary Care	4.25%



### **Indicative Savings Requirements and Broad Savings Thematics**

- 7.6 Based on the set-aside, operational and universal elements of the NHS budgets for the partnership at September 2016 the indicative relative shares of savings relating to the partnership would be:

	Annual Budget	5% Indicative Savings Requirement
	£m	£m
Set-Aside	24.849	1.242
Operational (excluding Partnership Funds)	42.528	2.126
Universal (excluding budgets relating to national terms and conditions)	30.269	1.513
<b>TOTAL</b>	<b>97.646</b>	<b>4.882</b>

- 7.7 Financial Performance to date in relation to the Set-Aside, Operational and Universal elements of the partnership budget illustrate costs pressures in relation to:

With the Set-Aside budget (not reported at partnership level in year):  
Accident and Emergency Services, Geriatric Medicine, Learning Disability Inpatients; and Mental Health Inpatient Services

Within the Operational Budget:  
District Nursing and Community Allied Health Professional Services

Within Universal Services Budget:  
Family Health Services Prescribing

- 7.8 Clearly taking in account the pressures above, the indicative savings requirements for 2017/18 and the priorities of the Strategic Plan this represents a complex and challenging set of financial circumstances.

### **2017/18 Broad NHS Savings Thematics**

- 7.9 Broad thematics in terms of a savings programme in relation to in-scope NHS budgets are likely to be structured across the following areas:

- Service Change –including redesign and improved productivity
- Workforce – efficient use of staffing resources
- Prescribing – both in Hospital / Secondary care and Primary Care
- Procurement – pricing and contract focus

- 7.10 Given the relatively early stage of budget preparation in comparison to Adult Social Work Services it is proposed that the IJB Chief Officer and Chief Finance Officer work closely with the Chief Executive, Director of Finance and other senior officers from NHS Forth Valley to prepare a revised business case for approval by the IJB.

## **8. TRANSFERS FROM THE SET-ASIDE BUDGET FOR LARGE HOSPITAL SERVICES**

- 8.1 The IJB approved the service changes in relation to the Lochview Learning Disability Inpatient facility and services for female patients with complex mental health needs at its meeting of 7 October 2016.
- 8.2 As detailed within the resource implications for these service changes virement or transfer of resources between the set-aside and operational elements of the budgets will be required as a result of the changes.
- 8.3 It is proposed the relevant transfer of resources be incorporated within the IJB's detailed IJB financial plan for 2017/18.

## **9. POST DUE DILIGENCE ISSUES**

- 9.1 As previously reported to the IJB two significant post due diligence issues remain to be resolved. These relate to Community Hospitals and Parity or Equity of the allocation of NHS Budgets between the Falkirk and Clackmannanshire and Stirling Partnerships.

The Finance Workstream has still to conclude the work examining these issues and agree professional advice to support resolution. The intention is that these matters should be concluded to allow reporting the February 2017 meetings of both Partnerships.

Until resolution is reached on these issues they should be considered a risk in terms of the IJB business case.

## **10. RESERVES STRATEGY**

- 10.1 In line with the IJBs financial regulations and reserves strategy it is proposed to create an IJB reserve from any remaining balance of the Integration Fund in 2017/18. The creation of this reserve should be viewed as part of developing prudent financial planning and governance arrangements for the IJB and would be intended to be available to be called upon in relation to unforeseen financial pressures emerging in 2017/18 which are congruent with the restrictions applicable to the use of the Integration Fund.
- 10.2 It should be noted that it is not intended for the IJB to create significant levels of general reserves.

## **11. CONCLUSIONS**

### **Resource Implications**

The resource implications are detailed in the body of the report.

**Impact on IJB Outcomes and Priorities**

The partnership budget consists of payments from the constituent authorities, set-aside budget for large hospital services and partnership funding streams (including Integrated Care Fund and Delayed Discharges Funding) allocated from Scottish Government via NHS Boards for IJBs to invest in line with Strategic Plan priorities.

**Legal & Risk Implications**

A statement that highlights any legal issues and risk that may arise, relating to the integration authority or the constituent partners.

**Consultation**

Requirements for consultation on the proposed savings programme will require to be considered and will utilise existing mechanisms of the partner organisations as part of their respective budget options consultation processes.

**Equalities Assessment**

An equalities assessment will require to be prepared for each of the savings proposals.

**Author – Ewan C. Murray, Chief Finance Officer**

**Date:** 15 November 2016

**List of Background Papers:**

Integration Scheme  
Integrated Resourcing Advisory Group (IRAG) Finance Guidance  
Falkirk Health and Social Care Partnership Strategic Plan and Joint Strategic Needs Assessment (JSNA)  
IJB 2016/17 Budget  
IJB Budget Recovery Plan  
Previous IJB Financial Reports

<b>APPENDIX I</b> <b>Falkirk IJB –Draft Social Work Adult Services Savings Proposals</b> <b>November 2016</b>				
<b>Savings approach</b>		<b>Area of Focus</b>	<b>£m</b>	<b>Confidence Level (1 – 3)</b>
1	Reducing costs where feasible and appropriate in procured care at home and supported living services through efficiencies, for example by reviewing higher cost care packages	1.1 Review of high cost care packages	0.500	3
		1.2 Home care provision - shift from directly provided to procured services	0.200	1.5
		1.3 Increased efficiencies derived from real time monitoring	0.075	2 – Internal 1 - External
2	Reviewing models of service delivery	2.1 Review of Garden Aid Scheme	0.250	2
		2.2 Review of day services for Older People	0.100	2
		2.3 Review of day services for Younger Adults	0.230	2
		2.4 Reducing costs of in house and external provision of residential care	0.800	3
3	Increasing revenue income	3.1 Review of Charging policy	0.300	2
		<b>Total</b>	<b>2.455</b>	
The approach to savings will be enabled and supported by implementation of revised eligibility framework, operating tighter criteria, and offering lower cost packages of care to meet need where that is appropriate. Transformational savings will be delivered through managing demand getting prevention right, diverting more people away from formal paid service, through reablement.				

With regards to confidence level 3 indicates a high level of confidence, 2 medium and 1 low.

## **APPENDIX II – Extract from Integration Scheme**

### **8.3 Payment in subsequent years**

- 8.3.1 The method for determining the amount to be paid by the Parties to the Integration Joint Board in respect of each of the Integration Functions (other than those to which paragraph 8.2.2 above applies, i.e. the Integrated Budget) shall be based on and take account of the following:
- I. The indicative three year financial element in the Strategic Plan, subject to annual approval through the Parties' respective budget setting processes.
  - II. The Integration Joint Board business case which shall be presented to the Parties for consideration against their other priorities and negotiation of their contributions.
  - III. The business case should be evidence based with full transparency on its assumptions and take account of the factors listed at paragraph 4.2.8 (as adjusted) of the IRAG Professional Guidance.
  - IV. Regard should continue to be directed to the implications of actual and projections relative to budget for recent financial years.
  - V. Recognition that additional one-off funding may be provided to a Party or Parties by the Scottish Government, or some other body, for expenditure in respect of Integration Functions.
  - VI. Recognition that a degree of flexibility and pragmatism will be required.
- 8.3.2 The method for determining the Set aside Budget shall be as described in paragraph 8.2.2 above.
- 8.3.3 If the Strategic Plan identifies a change in hospital utilisation, the resource implications for the Set aside Budget will be determined through a detailed business case to be approved by the Parties.
- 8.3.4 Due diligence will require to be carried out by the Council's Chief Finance Officer, the accountable officer of NHS Forth Valley and the Integration Joint Board's Chief Finance Officer to assess the adequacy of the Payment made in respect of the Integrated Budget and the sum set aside in terms of the Set aside Budget.

## APPENDIX III – Extract from IRAG Guidance

### **Extract From IRAG Guidance**

*4.2.8 The Chief Officer, and the Integration Joint Board financial officer where such is appointed separately, should develop a case for the Integrated Budget based on the Strategic Plan and present it to the Local Authority and Health Board for consideration and agreement as part of the annual budget setting process. The business case should be evidence based with full transparency on its assumptions and take account of:*

- **Activity Changes.** *The impact on resources in respect of increased demand (e.g. demographic pressures and increased prevalence of long term conditions) and for other planned activity changes;*
- **Cost inflation.** *Pay and supplies cost increases;*
- **Efficiencies.** *All savings (including increased income opportunities and service rationalisations/cessations) should be agreed between the Integration Joint Board, Local Authority and Health Board as part of the annual rolling financial planning process to ensure transparency;*
- **Performance on outcomes.** *The potential impact of efficiencies on agreed outcomes must be clearly stated and open to challenge by the Local Authority and Health Board;*
- **Legal requirements.** *Legislation may entail expenditure commitments that should be taken into account in adjusting the payment;*
- **Transfers to/from the notional budget for hospital services** *set out in the Strategic Plan. See section 4.3.1*
- **Adjustments to address equity.** *The Local Authority and Health Boards may choose to adjust contributions to smooth the variation in weighted capita resource allocations across partnerships; information to support this will be provided by ISD15 and ASD.*

*4.2.9 The partner Local Authority and Health Board will evaluate the case for the Integrated Budget against their other priorities and are expected to negotiate their respective contributions accordingly. The allocations will be a negotiated process based on priority and need and it should not be assumed that they will be the same as the historic or national allocations to the Health Board and Local Authority. The method for determining the contributions is required to be included in the Integration Scheme (**Section 1(3)**).*

<b>USABLE RESERVES - 2016/17</b>
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Balance 1/4/16		
	£'000	Comments
<b>HRA CAPITAL</b>		
Capital Receipts - HRA	2,426	These are receipts that have been achieved through the sale of council houses and/or land on the HRA register. Any such receipt can only be used for HRA capital expenditure or the repayment of debt.
Capital Grants Unapplied - HRA	1,082	These receipts will include specific external contributions or grant funding which has restrictions attached to it. Failure to apply the funding correctly could result in the Council having to return the funds.
	<b>3,508</b>	
<b>HRA REVENUE</b>	<b>5,093</b>	The HRA revenue reserve has been built up through housing rents, with a view to delivery of housing improvements over a period of time. It can only be used for HRA purposes.
<b>TOTAL HRA RESERVES</b>	<b>8,601</b>	<b>Only available for HRA purposes.</b>

Balance 1/4/16		
	£'000	Comments
<b>GENERAL FUND CAPITAL</b>		
Capital Receipts - General Fund	4,072	These are receipts that have been achieved through the sale of council assets. Any such receipt can only be used for capital expenditure or the repayment of debt. An exception to this is the revised guidance from Scottish Government on using capital receipts for some elements of equal pay or voluntary severance payments.
Capital Grants Unapplied - General Fund	2,544	These receipts will include specific external contributions or grant funding which has restrictions attached to it. Failure to apply the funding correctly could result in the Council having to return the funds.
	<b>6,616</b>	<b>Only available for capital purposes (subject to above SG guidance).</b>
<b>GENERAL FUND REVENUE</b>		
General Fund Revenue Reserve	8,562	It is prudent and necessary to have a reserve which can help to cushion the effect of uneven cash flows and the impact of unexpected events or emergencies. However, each £1 can only be spent once and the application of reserves to help balance the budget does not address the underlying funding issues.
Revenue Grant Reserve	1,508	Technical reserve – ring fenced grant funding that we have been given approval to carry forward to fund specific initiatives/projects etc. All funds are effectively earmarked.
Repairs & Renewals Fund	4,021	A sum of £0.193m has already been transferred back to the General Fund as a contribution towards savings targets in 2017/18. The remaining funds have been earmarked for specific purposes as detailed in the financial projection reports and attached sheet. However there is scope to incorporate some of the proposals into the capital programme, such as the proposed expenditure of £0.6m on Castings Hostel.
Devolved Schools Management	3,890	As part of previous budget savings, a contribution of £0.5m was factored into the budget. In addition a sum of £0.5m has already been transferred back to the General Fund as a contribution towards savings targets in 2017/18. The remaining balances will help to offset pressures from rising school rolls and the new Carrongrange school. A large element of the reserve is held on behalf of individual schools and deals with differences between the academic and financial years. Scrutiny Committee have recently considered this reserve in some detail.
Economic Development	1,003	These funds are earmarked for specific projects, including £0.5m for the Falkirk Townscape Initiative (FTI), £0.284m for dilapidations and £0.219m for business support/landscape initiatives. As with the R&R Fund there is scope to incorporate some of the proposals into the capital programme - i.e. the £0.5m for the FTI.
Central Energy Efficiency Fund	500	The loan fund was initially established in 2004 with money provided by the Scottish Government to enable energy management projects. The Council has provisionally been awarded another £0.500m of match loan funding from Salix, a government funded company which provides grants and loans to public organisations across the UK. It is anticipated that the remaining capital will be spent through the Scottish Government's Non-Domestic Energy Efficiency Framework. Proposed works under this framework will be completed by the end of 2017/18, and will improve energy efficiency and reduce costs at up to 15 non-domestic buildings, including schools, leisure centres and care homes.
Insurance	5,180	It is necessary to maintain an Insurance fund to settle liabilities arising from past or future insurance claims. A triennial valuation of the insurance fund is carried out by an actuary to assess the appropriate level for the fund. The last actuarial valuation in 2015 recommended that the fund should remain at current levels. The fund can only be used for the purpose it was established.
Spend to Save	3,136	This reserve has previously been ring-fenced to fund specific spend to save projects and voluntary severance costs. To date, voluntary severance costs have been met from existing revenue budgets. However, going forward it is anticipated that this reserve will be required to fund these costs.
	<b>27,800</b>	
<b>TOTAL GENERAL FUND RESERVES</b>	<b>34,416</b>	
<b>Overall Total</b>	<b>43,017</b>	

Spend and transfers are as per the Projected Financial Position 2016/17 Report that went to Executive on 18 October for Revenue and the Capital Programmes Update 2016/17 that went to Executive 29 November.

