



Agenda Item 9

Revenue Budget/Medium Term Financial Plan [MTFP]

Falkirk Council

Title: Revenue Budget/Medium Term Financial Plan [MTFP]
Meeting: Executive
Date: 27 November 2018
Submitted By: Director of Corporate and Housing Services

1. Purpose of Report

- 1.1 The primary purpose of this paper is to update the Executive on savings options identified by officers and changes to the projected budget gap for 2019/20. The savings options are for the information of Members at this time. The opportunity is also taken to provide an update on Budget related matters and map out the way forward to Budget meeting of Council on 27 February 2019.
- 1.2 Whilst the focus in this paper is on the next financial year, 2019/20, Members will recall that in September this year Committee considered a report which set out the intention to prepare five year business plans for each service. Substantial work is currently underway with developing these 5 year Business Plans which will be critical in terms of driving transformational change and savings within the organisation and delivering our Council of The Future Programme. These Business Plans will be presented to the Budget Working Group in December/January.

2. Recommendation

2.1 Executive is asked to note:-

- (1) the overall position set out in the report; and**
(2) that Services will identify further savings options in advance of the budget meeting in February.

3. Background

- 3.1 Executive has previously considered three reports on the development of the MTFP. A key decision taken at the most recent meeting on 25 September 2018 was to allocate the projected deficits over the next five years to service level. The purpose of this is to confront the scale of the financial challenge and thus the need for transformational change in a more direct manner. The Business Plans, give Services ownership of what is required and accountability for delivery of fit for purpose options of scale and, importantly, in a strategic and planned manner.

- 3.2 The Member Budget Working Group has been meeting regularly, most recently on 13 November 2018, when it considered an earlier version of this report.
- 3.3 Previous reports have highlighted the projected unfavourable economic and financial climate.
- 3.4 A key message in the Accounts Commission's "Financial Overview 2016/17" is that, "Robust medium term financial strategies and savings plans are increasingly critical to the financial sustainability of councils."
- 3.5 Members will recall from the last Best Value follow-up there is an explicit expectation that the Council will demonstrate its capacity to deliver the necessary improvements and savings to meet the financial challenges facing the Council.
- 3.6 It must be recognised that by the end of the five year period of the MTFP, the Council will be smaller with less buildings and fewer staff, will be delivering fewer services and those it does retain will be delivered in radically different ways.

4. Considerations

4.1 UK Budget (29/10/18)/Scottish Government Budget [12/12/18]

- 4.1.1 The Office of Budget Responsibility [OBR] revised upwards its estimates of current and future UK tax revenues. Rather than use this fiscal windfall to meet the objective of balancing the budget, the Chancellor has instead used it to bolster public spending mainly to health. As these two elements largely balance out, there is little change to the forecast overall fiscal position of the UK.
- 4.1.2 The Chancellor signalled in this Budget an "end to austerity", but commentators have observed the reality is more of a temporary standstill, with the prospect of increasing demographic pressures, continuing relatively poor productivity and Brexit all casting a significant shadow.
- 4.1.3 The Budget triggered nearly £1B of Barnett Formula consequentials for Scotland. The majority of this relates to health and Cosla will be pressing for a broad view to be taken of health i.e. covering adult social care, rather than being earmarked to the NHS. It will be for the Scottish Government to determine how it allocates its funding having regard to its own recently published MTFP.
- 4.1.4 Looking forward the position for financial years 2020/21 and 2021/22 will be strongly influenced by the outcome of the UK's 2019 Spending Review.

4.1.5 The Scottish Government will announce its own Budget on 12 December 2018 with the Local Government Financial Settlement formally expected the following week. The Settlement is most likely to again be for one year. The Fraser of Allander Institute in its recently published preview of the Scottish Government Budget, note that the resource block grant has improved significantly but this is countered by a reduction in tax revenues. The estimates by the Scottish Fiscal Commission, including the relative economic performance of Scotland to RUK under the new Fiscal Framework, will be significant influences on the Scottish Government Budget.

4.2 **Updated Budget Gap**

4.2.1 Members have been advised regularly that the projected Budget Gaps are informed by multiple variables and that these both change and crystallise over time. Rather than adjusting the Gap on a frequent and piecemeal basis, the approach taken is to revise the projected Gap periodically and/or when a material change has taken place.

4.2.2 Flowing from this approach, the Executive is now advised that the estimated Gap for 2019/20 has increased from £14m to £18m. This is primarily attributable to the UK Treasury's triannual valuation of the teachers' pension scheme. Based on the previous valuation, provision had been built into the MTFP, but the scale of the increase this time is of a much greater magnitude. This impacts on councils across the UK and representations are being made to the UK Government to fund this significant cost to local government, albeit it is noted that at the previous valuation, no such support was forthcoming.

4.2.3 Other adjustments have also been built in at this point, notably increased energy costs from the current contract review and the income impact of a new commercial crematorium in Stirling. Service savings targets have been revised to reflect these changes.

4.3 **Service Savings Options**

4.3.1 The current position for 2019/20, accepting this is work-in-progress, is set out in the following table.

| | Savings Target £'m | Savings Options £'m | £'m |
|---|--------------------------|---------------------------|------|
| <u>Budget Gap 2019/20</u> | | | 18 |
| <u>Savings Options</u> | | | |
| Children's Services* | 5.9 | 5.3 | |
| Development Services | 3.0 | 3.7 | |
| Corporate & Housing Services | 2.2 | 2.7 | |
| Community Trust* | 1.1 | 1.1 | |
| Integration Joint Board | 3.0 | 3.0 | |
| | 15.2 | | 15.8 |
| Removal of General Inflation etc | | | 2.2 |
| Remaining Gap | | | Nil |
| *Savings targets to be confirmed | | | |
| CotF projects included within Service savings | | | |

4.3.2 The breakdown for each of the Council's 3 Services are appended. It should be noted that the Director of Children's Services has already taken a report to the Education Executive on 6 November setting out his Service's approach to generating savings options.

4.3.3 Both the Community Trust and the IJB require to take their savings options/business plans through their respective governance processes. The Community Trust is required to submit its Business Plan to the Council by mid November. The business plans for both the Community Trust and the IJB will be submitted to Council on 5 December for consideration.

4.3.4 The Member Budget Working Group at its meeting on 13 November 2018 undertook an initial review of the savings options presented by the Council's 3 Services, the Community Trust and Integration Joint Board.

4.3.5 It is clear more work is required to identify sufficient savings to provide Members with options beyond the Gap figure. It may well be that Service Business Plan options for future years will need to be brought forward.

4.4. **Medium Term Financial Plan [MTFP]**

4.4.1 Members have already agreed that the Council needs to migrate from an annual "salami-slicing" Budget approach, to one focussed on the longer term and offering a much more coherent, strategic and structured approach and one which also provides a platform for the necessary transformational changes.

4.4.2 Consistent with the decisions taken by Executive at its meeting on 25 September 2018, Services are currently busy working up 5 year business plans. It is expected that an early iteration of these will be presented to the Member Budget Working Group later in December and with a more developed version to a meeting of the Working Group in January. Fully worked up versions of these business plans are expected to be presented to Members in early Spring [March/April]. This is of course after the Budget report to Council in February, but they will still materially inform the Budget report with their longer term perspective and potential to shuffle savings options between financial years.

4.5 **Engagement Consultation**

4.5.1 The survey has received 2028 responses. The majority of respondents are aged between 25 and 44 (41%) and 45 and 64 (35%). There are a number of notable findings emerging from the data collected so far. These are listed below:

- 42% of respondents think Council Tax should be increased by the maximum 3%. A further 27% think council tax should be increased but by less than 3%;
- 90% of respondents agree or strongly agree that the Council should look at how savings can be made by better use of its public buildings, such as reviewing opening hours, moving some services or sharing properties with public sector partners;
- 83% of respondents agree or strongly agree that more services should be provided online to reduce costs;

- 74% of respondents agree or strongly agree that local schools that are less than 50% full should be merged with other local schools;
- 55% of respondents think funding to subsidise less popular bus services should be protected;
- 51% of respondents think the Council should sell buildings if it is unable to afford their operation and upkeep.

More detailed analysis of the survey results will be presented to Members at a later date.

- 4.5.2 There will be engagement with Parent Councils and a briefing of the Community Councils is being convened on 29 November.
- 4.5.3 There will necessarily be engagement with stakeholders as appropriate to inform the preparation of Equality and Poverty Impact Assessments [EPIA's].
- 4.5.4 The position with respect to staff and trade unions are covered in the next section.

4.6 **Workforce**

- 4.6.1 As reflected in the appendices the options presented to Members include a potential reduction in workforce numbers of c180 FTE. These are being presented to enable consultation to be undertaken. The projected impact on the workforce is however, difficult and will require to be managed sensitively. For Members' information, from September 2014 to September 2018, the Council's workforce has reduced by c6.5%.
- 4.6.2 Work will be done with those areas of the workforce identified in the options, to assess how workforce reductions, if agreed, can be made through voluntary methods. This work will include the following:
- Deleting vacant posts;
 - Ending temporary contracts;
 - Monitoring vacancy management;
 - Using any other voluntary method that can be agreed with the employee group;
 - Offering voluntary severance.

- 4.6.3 Members will note that it is becoming increasingly difficult for all changes to be implemented on a voluntary basis, and should be assured that officers will make every effort to work with employees to do this. This will include discussions with employees on the 5 year context of the medium term financial plan, assessing options for transformational changes to the way services are delivered.
- 4.6.4 To ensure full engagement with employees throughout this process, a briefing will take place for employees who work within those areas of service delivery in which options have been presented. The aim is to ensure employees understand the option and what this could mean if it were to be agreed. In addition, work is being done on a communications plan for all employees. This aims to help the workforce understand the 5 year context in which the medium term financial plan is being considered, and what this could mean over the 5 years, as the plan develops. This communications work has started and will continue, to ensure ongoing communications.
- 4.6.5 Trade Unions have also received an update on the Council's budget position at Tripartite meetings. This has helped to ensure Trade Unions have had the opportunity to discuss the approach being taken. Updates will continue to be provided to the Trade Unions and their views on options will be requested.
- 4.6.6 Executive agreed the Council's workforce plan in September. The plan recognised the need for workforce changes. The business plans now being developed as part of the medium term financial planning process will incorporate the impact of the 5 year saving options on the workforce, to ensure appropriate workforce planning is aligned to this process.

4.7 **Other Considerations**

- 4.7.1 COSLA has recently issued a briefing document entitled "Fair Funding for Essential Services 2019/20". This outlines the central role that Local Government plays in both the local and Scottish economy and argues the case for improved funding.
- 4.7.2 There is evidently a re-emergent cross party consensus that more substantive changes are required to the council tax system. Moreover, COSLA is making the case for more scope for different local taxes, notably the "tourist tax". Announcements on these matters may be anticipated in the Scottish Budget on 12 December.

4.8 **Looking Forward**

4.8.1 The following table sets out the main stages leading to the February Budget report to the Council. It also includes particular workstreams for the Budget Working Group.

| <u>Date</u> | <u>Meeting</u> | <u>Purpose</u> |
|-------------|----------------------|---|
| 27 November | Executive | Updated Budget position including new savings. |
| 5 December | Council | Trust and IJB Business Plans |
| 12 December | - | Scottish Government Budget and draft Local Government Settlement |
| December | Budget Working Group | <ul style="list-style-type: none">• General Services Capital Programme• Service Business Plans |
| 15 January | Executive | Scottish Government Budget and Local Government Settlement |
| January | Budget Working Group | <ul style="list-style-type: none">• HRA Rents and Capital• Service Business Plans |
| 23 January | Council | HRA Rents and Capital Budget |
| 27 February | Council | Budget |

5. **Consultation**

5.1 Appropriate engagement and consultation will take place within the framework noted in the report as the corporate approach to engagement but also through engagement through individual EPIAs that will be progressed by Services over the coming weeks and months.

6. **Implications**

Financial

6.1 Effective forward financial planning is a cornerstone of the Council's corporate governance obligations.

Resources

6.2 It will be evident that significant Service and Corporate resources will need to be harnessed to progress the 2019/20 Budget and Medium Term Financial Plan in a timely manner. The recently approved Change Fund will assist with that.

Legal

- 6.3 No legal implications arise from the report recommendations.

Risk

- 6.4 There is a risk that the Council does not act proactively and effectively to manage the projected Budget Gaps.

Equalities

- 6.5 Equality and poverty impact assessments will be carried out at the appropriate time. This means that an Equalities and Poverty impact assessment will be undertaken on all individual budget options as well as the overall budget in due course. These will be reported to Members in due course and prior to final decisions on the budget.

Sustainability/Environmental Impact

- 6.6 No assessment relevant at this point.

7. Conclusions

- 7.1 The financial environment facing the Council over the medium term will remain extremely challenging. It is essential that the Council is proactive in its forward strategic planning to manage this environment and ensure its financial robustness and sustainability.
- 7.2 The report demonstrates that considerable progress has been made in progressing the MTFP and the closely related COtF transformation agenda and that the Council is on a positive trajectory. There are, however, considerable challenges ahead for both officers and Members and much work to be done.

Director of Corporate and Housing Services

Author: Bryan Smail, Chief Finance Officer, 01324 506300,
bryan.smail@falkirk.gov.uk

Date: 13 November 2018

Appendices

2019/20 Officers Budget Savings Proposals

List of Background Papers:

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

- Budget Working Paper Files

Summary of 2019/20 Officer's Savings Options
Children's Services Savings

Appendix 1

| No | Description | Officer's Options | | | | | |
|----|---|-------------------|---------------|----------------|----------------------|---------------------|--------------|
| | | Savings £'000 | FTE Impact | EPIA Rating | Priorities Impact | Risks to Council | PI Impact |
| 1 | Breakfast Clubs - Cease Provision from the 35 schools which operate them. Operational savings. | 155 | - | Low | A | A | |
| 2 | Home to School Transport (Primary). Move to statutory minimum entitlement limit of 2 miles for pupils that are 8 years old and younger. Operational Budget Saving. | 62 | - | Medium | G | A | |
| 3 | Stop some Community Lets at Weekends - Stop the hire of Bo'ness and Graeme HS on weekends (Saturday) to all users groups other than the Schools. (circa £15k Subsidised Costs to community groups hiring schools) | 15 | - | Low | G | G | |
| 4 | Reduce Music Instruction - decreased staffing by up to 2FTE, review temporary contracts and reduction of staffing. | 75 | 2.00 | Low | G | G | |
| 5 | Home to School Transport (Secondary) - Move to statutory minimum entitlement limit of 3 miles for Seondary pupils. Operational Budget Saving. | 94 | - | Low | G | A | |
| 6 | Stop All Non-Statutory Childcare - Remove all non-statutory services (Baby Provision). Staff would be redeployed to other posts. Operational Budget Saving. | 75 | - | Low | A | A | |
| 7 | Closure of Public Toilets. Close 3 public conveniences. Reduced operational and staffing costs. | 138 | 0.60 | Medium | G | G | |
| 8 | Closure of Canteen. Operational cost savings and staff savings. | 30 | - | Low | G | G | |
| 9 | Building Cleaning - reduce level of service across all council facilities. Operational costs and staff savings. | 300 | 10.70 | Low | A | A | |
| 10 | Review of C&F Social Work Staff. Staff savings reduction of staff. | 290 | 7.00 | Medium | A | A | |
| 11 | Reduction of Holiday Prog - Children with Disabilities. 50% reduction in service. Operational budget saving. | 35 | - | Medium | A | G | |
| 12 | School Estate Mothballing - Review schools with <10 catchment pupils on roll. Operational and potential staff savings. | 101 | - | Low | G | G | |

Summary of 2019/20 Officer's Savings Options
Children's Services Savings

Appendix 1

| No | Description | Officer's Options | | | | | |
|----|--|-------------------|---------------|----------------|----------------------|---------------------|--------------|
| | | Savings £'000 | FTE Impact | EPIA Rating | Priorities Impact | Risks to Council | PI Impact |
| 13 | Realignment of Early Years Team - Staff savings (2fte). 2 peripatetic vacant posts deleted. | 70 | 2.00 | Low | G | G | |
| 14 | Efficiencies Derived from Staffing Realignments & Review of Assets (linked to Strategic Property Review) | 125 | - | Low | G | G | |
| 15 | Secondary Savings Target of £2.5m (Year1) as per Education Executive on 6/11/18. Estimated staff savings of 50FTE. | 1,560 | 50.00 | Medium | G | A | G |
| 16 | Primary Savings Target of £1.8m (Year1) as per Education Executive on 6/11/18. Estimated staff savings of 36FTE | 1,120 | 36.00 | Medium | G | A | G |
| 17 | Sensory Service Review. Redesign of Sensory Services. Staff Saving. | 120 | 4.00 | Medium | A | A | A |
| 18 | ASN - Returning Pupils to the local schools rather than external special provisions. Reducing the cost of current Service provision. | 100 | - | Medium | G | G | G |
| 19 | CLD Review - Community Centres & Wings. Staff savings | 320 | 16.00 | Medium | A | A | |
| 20 | Replace Cartons of Milk/Fruit Juice with Water. | 125 | - | Low | G | G | G |
| 21 | Review and reduction of Central Support staff (Sealock House & Camelon EC) | 228 | 4.00 | Low | G | G | G |
| 22 | Fees & Charges | 75 | - | Low | G | G | G |
| 23 | Review of SLA/Commissioning | 100 | - | Low | G | G | G |
| | | 5,313 | 132.30 | | | | |

Summary of 2019/20 Officer's Savings Options
Development Services Savings

Appendix 2

| No | Description | Officer's Options | | | | | |
|----|---|-------------------|---------------|----------------|----------------------|---------------------|--------------|
| | | Savings £'000 | FTE Impact | EPIA Rating | Priorities Impact | Risks to Council | PI Impact |
| 1 | Removal of Pest Control Services | 10 | 0.50 | Low | G | G | G |
| 2 | Waste Recycling Centres opening Hours | 200 | 10.00 | None | G | G | G |
| 3 | Revised special uplift arrangements | 300 | 6.00 | None | G | G | G |
| 4 | Revised permit arrangements for vans | 200 | 0.00 | None | G | G | G |
| 5 | Brown Bin Fortnightly | 166 | 6.00 | Low | G | G | G |
| 6 | Brown Bin charges | 433 | -7.00 | Low | G | G | G |
| 7 | CCTV Surveillance | 20 | 0.00 | None | G | G | G |
| 8 | Reduction in Street Cleansing | 200 | 3.00 | None | G | G | G |
| 9 | Remove Community Safety team provision in General Services budget | 323 | 5.00 | Med | G | G | G |
| 10 | Reduce School Crossing Patrols to national standards | 30 | 1.82 | Low | G | G | G |
| 11 | Bus Subsidies reduction | 352 | 0.00 | Med | A | A | G |
| 12 | Bus Subsidies removal | 719 | 0.00 | Med | A | A | G |
| 13 | Reduce Shopmobility Service | 10 | 0.00 | Low | A | A | G |
| 14 | Remove provision for Free after Three | 53 | 0.00 | None | G | G | G |
| 15 | Remove contribution to Bo'ness Community Bus | 10 | 0.00 | None | G | G | G |
| 16 | Roads Maintenance Reduction | 200 | 2.00 | Low | G | G | G |
| 17 | Remove flower bedding and baskets provision | 100 | 2.00 | Low | A | G | G |
| 18 | Reduce taxicard budget overprovision | 28 | 0.00 | Low | G | G | G |
| 19 | Review Learning and Physical Disability Transport | 88 | 2.00 | Low | G | G | G |
| 20 | SLA recharge Clacks, traffic count income | 10 | 0.00 | None | G | G | G |
| 21 | SLA recharge (structural and Lighting Clacks) | 20 | 0.00 | None | G | G | G |
| 22 | SLA Recharge (gritters/drivers Stir/Clacks) | 10 | 0.00 | None | G | G | G |
| 23 | Remove Christmas lights provision | 150 | 0.00 | None | G | G | G |
| 24 | Reduce Growth and Investment budget | 27 | 0.00 | Low | A | G | A |
| 25 | Reduce support for Ec Development (Tourism) | 21 | 0.00 | Low | A | G | A |
| 26 | Reduce FCT property maintenance budget | 12 | 0.00 | Low | A | G | A |
| | | 3,692 | 31.32 | | | | |

Summary of 2019/20 Officer's Savings Options
Corporate & Housing Savings

Appendix 3

| No | Description | Officer's Options | | | | | |
|----|---|-------------------|---------------|----------------|----------------------|---------------------|--------------|
| | | Savings £'000 | FTE Impact | EPIA Rating | Priorities Impact | Risks to Council | PI Impact |
| 1 | General Fund Housing - Transfer the Travelling Peoples Site to the HRA (£28k), remove the budget for the Hostel (£172k) and staffing adjustments (£60k) | 260 | | | | | |
| 2 | Procurement operational savings including, procurement savings (£300k) increasing income from contract rebates and prompt payment of invoices (£105k), transfer Repair and Renewal Balance (£30k), sale of surplus stock (£15k) and delete a vacant post (£33k) | 483 | 1.50 | | | | |
| 3 | Policy, Technology and Improvement operational savings, including savings from ICT contracts (£100k), review of leased IT lines (£15k), Town Twinning £11k, Falkirk News £20k and staffing restructure (£13k) | 159 | | Low | | | |
| 4 | Withdrawal of monitored CCTV services and moving to a recorded only services | 145 | | Low | A | G | |
| 5 | Reduce Fairer Falkirk Funding for employability and financial inclusion | 195 | | Medium | A | A | |
| 6 | Governance operational savings, including reduced costs from replacing the sound system within the committee suite (£10k), realignment of budgets within Members Support (£42k), increased income from Childrens Hearing Scotland (£50k), reduction in supplies and services £29k and savings (£15k) from delivery of the absent voting process | 146 | | | | | |
| 7 | Finance operational savings including, reduced loans fund charges (£213k), removal of a vacant post (£32k) and miscellaneous supplies and services savings (£23k) | 268 | 1.00 | Low | G | G | G |
| 8 | Staff savings linked to the Hub delivery model resulting in more efficient working practices and no direct impact on service provision (£90k), improved collection of hard to collect debts (£80k) and reduction (£270k) in council tax bad debt provision. | 440 | 3.00 | Low | G | G | G |
| 9 | Remove second home council tax discount for owners of second homes | 15 | | None | G | G | G |

**Summary of 2019/20 Officer's Savings Options
Corporate & Housing Savings**

Appendix 3

| No | Description | Officer's Options | | | | | |
|----|---|-------------------|---------------|----------------|----------------------|---------------------|--------------|
| | | Savings £'000 | FTE Impact | EPIA Rating | Priorities Impact | Risks to Council | PI Impact |
| 10 | Human Resources and Business Transformation staffing savings, including reduction in Organisational Development Support (£30k), reducing local office support currently provided to services (£170k), removal of HR support for redeployment (£18k), savings (£100k) from purchasing annual leave scheme, integration of email system into Contact Centre telephony (£25k) and review business support charges (£200k). | 543 | 10.40 | Low | A | A | |
| | | 2,654 | 15.90 | | | | |