

The background of the slide features a large, light blue watermark of the Coat of Arms of the Government of Yukon. The crest includes a crown with four maple leaves, a shield divided into four quadrants (top-left: a cross, top-right: a stag's head, bottom-left: a sailing ship, bottom-right: an eagle), and a banner at the bottom with the motto "A NE FOR A".

Agenda Item 9

Revenue Budget / Medium Term Financial Plan (MTFP)

Falkirk Council

Title: Revenue Budget / Medium Term Financial Plan (MTFP)
Meeting: Falkirk Council
Date: 4 December 2019
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 This report presents a further step in the Revenue Budget process. In particular, attention is directed to the following three elements:-
- a) Logistical implications arising from the general election date and the consequential delay in the Scottish Government Budget.
 - b) Business case submission by the Falkirk Health & Social Care Partnership (IJB).
 - c) The opportunity to take a provisional view on the level of council tax for 2020/21 to facilitate financial planning and the logistics of billing.

2. Recommendations

2.1 The Council is invited to:-

(1) Note the report.

(2) Provisionally set a council tax band D for 2020/21 subject to a final decision when setting the revenue budget:-

(i) within the anticipated scope to raise the tax by 3%, and

(ii) to consider supplementing that increase within the expected allowable inflation element (c1.5%) to lever additional capital investment of c£20m.

3. Background

- 3.1 Complementary reports on the Revenue Budget / MTFP and the Five year Business Plan were submitted to Executive on 29 October.
- 3.2 This report in the budget cycle would normally also contain the Falkirk Community Trust business plan. The Council agreed in September its submission would be deferred until 6 January with consideration at Council on 22 January.
- 3.3 The Budget Working Group meets regularly to consider the various elements of the broader Budget i.e. including capital and HRA as they emerge.

4. Considerations

4.1 Scottish Government Budget / Local Government Settlement

- 4.1.1. The Cabinet Secretary and the Finance and Constitution Committee are in agreement that the Scottish Government budget can't be progressed until after the Westminster budget. Moreover, they will work together to try and streamline the process given the significantly reduced timeframe.
- 4.1.2. There is a view that a best case scenario would have the Scottish Government budget deferred until early February. Best case assumes no coalition or minority Government at Westminster.
- 4.1.3. A meeting has been arranged with the Cabinet Secretary to allow issues from a local government perspective to be highlighted. This will capture practical issues including base-lining of grant, treatment of the IJB, council tax billing and the budget governance and political process within councils. It is anticipated that a verbal update on the outcome of this meeting will be provided at the Council meeting.
- 4.1.4. Falkirk Council Budget meeting is set for the 26 February, albeit the HRA budget, rent fixing and HRA capital programme will be considered by January Council. There are practical logistical and collection issues if the council tax is not set by the end of February. It is to be expected that council will need to be flexible and agile to manage events as they unfold.
- 4.1.5. A reminder of the main stages in the process which was submitted to Executive on 29 October is set out in the table below. Whilst some content will remain as shown others clearly will need re-profiled once further intelligence is forthcoming.

<u>Date</u>	<u>Meeting</u>	<u>Purpose</u>
25/11/19	Budget Working Group	Consider IJB Business Plan
04/12/19	Council	Consider IJB Business Plan General Budget Update
12/12/19	-	Scottish Government Budget & Draft Local Government Settlement
Mid December	Budget Working Group	Scottish Government Budget Briefing General Services Capital Programme
06/01/20	-	Submissions of Trust Business Plan
January	Budget Working Group	HRA Rents and Capital
14/01/20	Executive	Scottish Government Budget and Settlement
22/01/20	Council	HRA Rents and Capital Trust Business Plan
26/02/20	Council	Budget

- 4.1.6. It is important however, that Members and officers remain focussed on meeting the challenge of bridging an estimated £20m budget deficit in 2020/21. Whereas what has been described above will have timing and information release impact, the need to be capable of bridging a gap of that magnitude remains a constant. Members will be well aware from the savings options already presented, that this will require very difficult decisions.

4.2 Falkirk Health & Social Care Partnership (IJB)

- 4.2.1. There is a separate item on this agenda setting out the IJB's proposals. Council will wish to take the opportunity to provide feedback on these. The Integration Scheme for the Falkirk Health and Social Care Partnership sets out the methodology for determining funding to the Integration Joint Board. This requires an IJB business case to be presented to both the Council and the Health Board for consideration. It is noted that the business case has yet to be considered by the Board.
- 4.2.2. The Council has given the IJB a target of c£3m for 2020/21 as a contribution to bridging the Council's projected gap of £20m. To the extent this target is not met and/or Members decide to support proposals to a lesser value, Council Services would need to cover that shortfall. The same principle applies to the Trust when Members consider its proposals in due course.
- 4.2.3. 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.

4.2.4. Responsibility for charging policy within Adult Social Care remains, however with the Council. In considering any changing proposals, the Council will wish to place these within the context of its recently approved Corporate Charging and Concessions Policy.

4.2.5. The Budget Working Group considered the IJB's proposals at its meeting on 25 November.

4.3 Provisional Council Tax

4.3.1. In February 2019 Scottish Government confirmed that maximum annual increases in Council Tax would no longer be limited to 3% but would be 3% 'in real terms'. For 2019/20 that allowed a maximum increase of up to 4.79%. Council decided to restrict increase in 2019/20 to the 3% that had been provisionally agreed.

4.3.2. The maximum increase for 2020/21 has not yet been announced but it is likely to be at least 4.5%. A 4.5% increase in Council Tax would see the 2020/21 yield grow by almost £3m from the 2019/20 forecast out-turn. This could take the total yield up to around £69.3m. The table below shows the incremental impact of a range of potential increases.

Increase %	Increased Yield £'000	Total Yield £'000
0.00%	-	66,343
0.50%	332	66,675
1.00%	664	67,007
1.50%	995	67,338
2.00%	1,327	67,670
2.50%	1,659	68,002
3.00%	1,991	68,334
3.50%	2,322	68,665
4.00%	2,654	68,997
4.50%	2,986	69,329

4.3.3 If the 4.5% increase is applied the Band D charge would rise from £1,169 to £1,222. To put this into context, Falkirk Council currently has the 4th lowest Band D Council Tax level in mainland Scotland and consequently has a significant lower yield than neighbouring councils. For example

Council	Band D	Yield £'000	Increase £'000
Falkirk	1,169	66,343	-
West Lothian	1,217	69,095	2,752
Stirling	1,282	72,769	6,426
Midlothian	1,344	76,300	9,957

4.3.4 Given the expectation that all Council's will increase Council Tax by at least 3%, even a 4.5% rise will leave the Council below the Scottish Average Band

D charge, which is £1,251 for 2019/20. Council should note that the Budget gap of £20m already assumes a 3% increase in the Tax.

- 4.3.5 The table below shows the impact of both a 3% and 4.5% increase on each property band.

Band	2019/20 Charge	3%		4.5%	
		2020/21 Charge	Increase	2020/21 Charge	Increase
A	£779.33	£802.67	£23.33	£814.67	£35.33
B	£909.22	£936.44	£27.22	£950.44	£41.22
C	£1,039.11	£1,070.22	£31.11	£1,086.22	£47.11
D	£1,169.00	£1,204.00	£35.00	£1,222.00	£53.00
E	£1,535.94	£1,581.92	£45.99	£1,605.57	£69.64
F	£1,899.63	£1,956.50	£56.88	£1,985.75	£86.13
G	£2,289.29	£2,357.83	£68.54	£2,393.08	£103.79
H	£2,864.05	£2,949.80	£85.75	£2,993.90	£129.85

- 4.3.6 Households in receipt of Council Tax Reduction will be protected from any increase.
- 4.3.7 In terms of the anticipated extra headroom of c1.5% it is drawn to Members' attention that the emergent 5 year General Services Capital Programme is experiencing immense pressure in terms of capital bids relative to expected resources. The position will become evident when the draft Programme is presented to Members.
- 4.3.8 If this c1.5% was applied, it would yield an extra c£1m revenue which could be levered-up to generate extra capital investment of some £20m. To the extent this option remained in force (and council tax remained in place), this could be c£20m each year, which over a 5 year Programme could equate to c£100m. This represents a tremendous opportunity for "game-changing" investment with attendant positive local economic benefits such as job creation. This would allow a wide range of projects to be progressed across the Falkirk Council area and Services, which otherwise would not be affordable.
- 4.3.9 A provisional decision on the level of council tax would aid effective billing in early March to all households, especially with the likely delays in Scottish Government Budget. This would help ensure that 2020/21 Council tax bills can be calculated to reflect the increase and mailed out to both meet statutory obligations and afford council taxpayers adequate advance notice of the new charges.

5. Consultation

- 5.1 Appropriate engagement and consultation will take place with appropriate parties and 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 2020/21 Budget and Medium Term Financial Plan in a timely manner.

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 necessary slippage in the timing of the Scottish Government budget has injected significant uncertainty and time pressures into what was already a challenging Council budget, in terms of projected gap of £20m.
- 7.2 Linkage was made with the IJB business plan which is a separate item on this agenda.

- 7.3 Council is invited to follow last years decision and agree a provisional council tax rise of 3%, which has already been factored into the Budget gap calculation. Moreover, there is the opportunity to increase this by an inflationary element of c1.5%, which would lever additional capital investment of c£20m.

Director of Corporate & Housing Services

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Appendices

None

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:

None