

FC49. Budget Report

Council considered a report from the Director of Transformation, Communities and Corporate Services which provided an update on budget related matters. The Financial Strategy was a multi-year document and whilst the focus was on 2023/24, any financial decisions should be considered in that longer term context. The Council Plan highlighted Financial Sustainability as a key enabler to help the Council deliver on its three core priorities.

An updated gap position was set out as £67m for the next four years. However, there were a number of outstanding factors which would impact on the budget gap, including:-

Government grant confirmation (the Scottish Budget for 2023/24 was due to be published on 15 December)

Pay Award settlements – for teachers in 2022/23 and all staff groups in future years
IJB funding settlement (usually included in the financial circular provided by Scottish Government)

The main movements in the funding gap were pay awards and energy estimates. Services had been working on a range of proposals in advance of the budget setting. However, even if all proposals were accepted there would still remain a gap of £40m over the next four years.

On 1 November the Deputy First Minister and Cabinet Secretary for Covid Recovery wrote to the Convention of Scottish Local Authorities (COSLA) outlining consideration for policy flexibilities which could support the challenging resource position facing councils as a result of the 2022/23 pay deal.

The Scottish Government announced its Emergency Budget Review on 2 November 2022. The review identified £615m of in year savings to tackle the challenges of rising inflation. Added to the £560m of savings identified in September, the total in year movement in the 2022/23 budget was almost £1.2bn. The EBR included a reprioritisation of spend of £400m within the health and social care budget and £150m of savings from capital and financial transactions. The savings identified were mainly to help fund the additional pay uplifts for 2022/23 which were estimated at approximately £714m.

The UK Government Autumn Statement was presented on 17 November and the key messages were:-

- Tax increases from a variety of sources
- Increased payments to households
- Reductions in departmental budgets
- Increase in borrowing

The Scottish Government had issued a finance circular which allowed the Council to consider changing the statutory accounting treatment for Service Concession Arrangements (SCAs). For Falkirk Council this was relevant to the accounting arrangements for Class 98 and the NPDO schools. Work continued with the Council's Treasury Advisors, Link Asset Services, to understand how these changes could impact on Falkirk Council. SCAs would be an important tool in the budget process.

However, any SCAs used would need to be paid back. In effect service concessions allow the Council to borrow back some money in the short term which must be repaid over the longer term.

To support Zero Based Budgeting (ZBB) a temporary ZBB officer post was put in place as part of the Programme Management Office. However, to date the roll out of ZBB had not been as successful as initially hoped. Children's Services managed to deliver their target of £0.5m of savings but mainly through alternative means. The ZBB review of Transport had been more successful with a report presented to Executive in October 2022. However, it had not been possible for changes to be fully implemented in 2022/23 that would deliver the £0.5m target, albeit savings beyond £0.5m were anticipated over a number of years. The ZBB approach still required difficult decisions to be made. ZBB was a methodology that could be applied to any area of service review. It was resource intensive and its suitability for use would be dependent on the area under review.

A budget survey would be published online. The purpose of the survey was to inform the public of the financial challenge that the Council faced and to get their views on various areas of spend, including their views on Council Tax. This work would sit alongside more detailed budget consultations on individual proposals, for example the Strategic Property Review and the Libraries Plan.

The Council usually set rents and the Housing Investment Programme in January of each year. The Scottish Government passed the Cost of Living (Tenant Protection) (Scotland) Act in October 2022. This legislation put a rent freeze in place until at least 31 March 2023. The Scottish Government had indicated that they would make a further announcement on 14 January 2022 to confirm if the rent freeze would be extended. As a result, it was proposed that the Housing rent setting paper would not be brought to the 18 January 2023 Council meeting and that a meeting in February was arranged. The decision on rent setting levels had a direct impact on the affordability of the Housing investment Programme and the two aspects must be considered at the same time.

Councillor Meiklejohn, seconded by Councillor Garner, moved that Council:-

- (1) notes the report, and
- (2) agrees that the Council meeting arranged for January 2023 will instead take place in February on a date to be arranged.

As an amendment, Councillor Hannah, moved the terms of the motion with the addition of a new clause (3):-

- (3) as a member of the Convention of Scottish Local Authorities, publicly support COSLA's Save Our Services Campaign to increase Local Government Funding.

Councillor Meiklejohn, with the consent of the Provost and Councillor Garner, as her seconder, adjusted the motion to incorporate the terms of the amendment. The amendment accordingly fell.

Councillor McCabe gave notice of a further amendment. Having heard from the Chief Finance Officer regarding the timing of the budget decisions for Council, Councillor McCabe intimated that he no longer required to move a further amendment.

Council adjourned at 1.10pm and reconvened at 2.05pm with all members present as per the sederunt.

Decision

Council:-

- (1) noted the report;**
- (2) agreed that the Council meeting arranged for January 2023 would instead take place in February on a date to be arranged, and**
- (3) as a member of the Convention of Scottish Local Authorities, publicly support COSLA's Save Our Services Campaign to increase Local Government Funding.**