

The background of the slide features a large, light blue outline 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 ribbon at the bottom with the motto "A NE FOR A".

Agenda Item 3

Revenue Budget 2024/25 and Financial Strategy

Falkirk Council

Title: Revenue Budget 2024/25 and Financial Strategy

Meeting: Falkirk Council

Date: 28 February 2024

Submitted By: Chief Executive and Director of Transformation,
Communities and Corporate Services

1. Purpose of Report

- 1.1 This supplementary report should be read alongside the Revenue Budget 2024/25 and Financial Strategy report (the substantive report) which has been presented as part of today's agenda.
- 1.2 The Administration have considered the options and have proposed a balanced budget for 2024/25. This is set out in Appendix 1 of this report.
- 1.3 There has been ongoing negotiations and correspondence between CoSLA and the Scottish Government and that is summarised in this report and set out in Appendices 2 to 4.
- 1.4 As noted in the substantive report, each Council is legally required to approve an annual balanced Budget and set a Council Tax, and there is a statutory requirement to do this by 11 March in the preceding financial year.
- 1.5 The Council Plan approved by Members in September 2023 highlighted that Financial Sustainability is an enabler that will support the Council to deliver its vision and support all three Council priorities:
 - 1. Supporting stronger and healthier communities.
 - 2. Promoting opportunities and educational attainment and reducing inequalities.
 - 3. Supporting a thriving economy and a green transition.
- 1.6 This report and its recommendations will directly address the Council's financial sustainability.

2. Recommendations

- 2.1 **Council is asked to note the contents of this report and take these into account when considering the recommendations in the substantive Revenue Budget report.**

3. Climate Change Implications

- 3.1 The substantive report on today's agenda highlights the impact of the Revenue Budget on the Council's climate change ambitions.

4. Background

- 4.1 This report should be read alongside the substantive report also on today's agenda. That report sets out the relevant background for the 2024/25 budget process.
- 4.2 The report to Falkirk Council on 31 January 2024 on the Local Government Financial Settlement sets out the basis of the initial settlement from Scottish Government.

5. Considerations

5.1 Update on the Local Government Financial Settlement

- 5.1.1 The report to Council on 31 January 2024 noted that the funding allocation at that time was provisional and that negotiations were ongoing. These negotiations have continued and there has been movement since the revenue budget report was published on 20 February 2024.
- 5.1.2 The Deputy First Minister and Cabinet Secretary for Finance (DFM) wrote to CoSLA leaders on 21 February 2024 and a copy of this letter is appended at Appendix 2. This letter acknowledges CoSLA's view that there had been a £62.7m reduction in the General Revenue Grant from the previous year and that the potential impact this has on the Council Tax freeze funding. The key points to note from the letter are that:
- The Scottish Government intends to make a further £62.7m of funding available to local authorities;
 - This funding is contingent on the outcomes of the UK Spring Budget on 6 March; and
 - Further discussion on teacher numbers is linked to the Education Assurance Board and the DFM's view that this must be rapidly established.
- 5.1.3 Members should be clear that £45m of the £62.7m comes from the consequentials of the funding announcement for local authorities in England.
- 5.1.4 In response to the letter at Appendix 2, and following discussion with officials in the Scottish Government, CoSLA have written to the DFM to seek clarity on the following points:
- Whether the full £62.7m is dependent on the UK Spring Budget or just the £45m element; and

- If the £62.7m will only be allocated to those local authorities who choose to freeze Council Tax.

5.1.5 CoSLA have requested that the £62.7m is allocated to all local authorities, recognising that this funding replaces a shortfall in the proposed 2024/25 allocation. This letter is presented at Appendix 3.

5.1.6 The DFM has responded to CoSLA and this letter is included at Appendix 4. This letter confirms that the £62.7m is contingent on agreement to freeze the Council Tax and is subject to the funding position following the UK Spring Budget on 6 March 2024.

5.2 Administration Proposal

5.2.1 Following consideration of the budget gap, and the options to balance that gap, the Administration have set out their proposals which is included as Appendix 1 to this report. The Administration have proposed to accept the Council Tax freeze. A summary of the proposals is shown in the table below:

	£'m
2024/25 Estimated Budget Gap	30.8
Add back 5% assumed Council Tax Increase and Growth	4.3
2024/25 Budget Gap	35.1
Service Savings	(8.6)
Council Tax Increase	-
Net Council Tax Growth	(0.2)
Scottish Government Grant	(3.8)
Use of Service Concessions	(22.5)
Remaining Gap	-

5.2.2 The Administration propose to agree all the savings, and fees and charges presented by Services with the exception of:

- Remove funding for Police Officers in Schools.
- Cancel annual Callander Park Firework Display.

5.2.3 The above figures do not take into account the potential impact of the £62.7m funding in the DFM letter dated 21 February 2024. This will not be confirmed until after the UK Spring Budget in 2024 and a further report will be submitted to Council to approve the use of any new funds.

- 5.2.4 The impact of a 0% rise on the charges for each property band is outlined in the table below. The annual band D charge will remain at £1,363.82 which in 2023/24 was the 8th lowest in Scotland and 6th lowest in mainland Scotland.

Band	2023/24 Annual Charge	ratio to Band D	0% Increase	
			Increase in Annual Charge	2024/25 Proposed Annual Charge
A	£909.21	0.67	-	£909.21
B	£1,060.75	0.78	-	£1,060.75
C	£1,212.29	0.89	-	£1,212.29
D	£1,363.82	1.00	-	£1,363.82
E	£1,791.91	1.31	-	£1,791.91
F	£2,216.21	1.63	-	£2,216.21
G	£2,670.82	1.96	-	£2,670.82
H	£3,341.36	2.45	-	£3,341.36

6. Consultation

- 6.1 The substantive budget report provides information on the consultation that has taken place in respect of the budget.

7. Implications

Financial

- 7.1 The financial implications of the recommendations in this paper are set out in the body of the report.

Resources

- 7.2 There are significant resources required to prepare the Budget and the ultimate Budget decisions will of themselves impact on resources.

Legal

- 7.3 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

- 7.4 The substantive budget report provides information on the risks that are associated with the revenue budget.

Equalities

- 7.5 The substantive budget report provides information on the equality impacts that are associated with the revenue budget.

Sustainability/Environmental Impact

- 7.6 There are no sustainability/environmental impacts arising from the report recommendations. However, it is recognised that the Council's activities will have a significant impact on carbon emissions. All services will be working towards delivery of the Council's carbon reduction commitments as set out in the Council's Declaration of a Climate Emergency in 2019.

8. Conclusions

- 8.1 This paper provides an update on negotiations between the Scottish Government and CoSLA and sets out the Administrations 2024/25 budget proposal.
- 8.2 An updated Financial Strategy will be presented to Members in September 2024.

Chief Executive

Director of Transformation, Communities and Corporate Services

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Date: 22 February 2024

Appendices

- Appendix 1 Administration Budget Proposal
Appendix 2 Letter from Deputy First Minister 21 February 2024
Appendix 3 Letter from CoSLA to Deputy First Minister 22 February 2024
Appendix 4 Letter from Deputy First Minister 23 February 2024

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:

- Working Paper Files

FALKIRK COUNCILSUMMARY OF REVENUE BUDGET 2024/25

<u>SERVICE</u>	<u>2023/24</u> <u>Budget</u> <u>at Outturn</u> <u>Prices</u> <u>£'000</u>	<u>2024/25</u> <u>Budget</u> <u>at Outturn</u> <u>Prices</u> <u>£'000</u>
Children's Services	251,178	278,166
Social Work Adult Services	4,023	4,156
Place Services	45,120	41,843
Transfrm, Comm & Corporate Services	42,886	38,326
Sub-Total	<u>343,207</u>	<u>362,491</u>
Integration Joint Board	91,076	92,386
Joint Valuation Board	1,494	1,532
Capital Charges	4,569	8,536
Total Net Expenditure	<u>440,346</u>	<u>464,945</u>
Aggregate External Finance	343,164	363,722
Covid Reserves	3,400	-
Service Concessions	15,290	22,532
Council Tax (see below)	78,491	78,691
Total Income	<u>440,345</u>	<u>464,945</u>
Estimated yield of £1 Council Tax	£57,552	£57,699
Council Tax (Band D)	£1,363.82	£1,363.82
Product	<u>78,491</u>	<u>78,691</u>

Deputy First Minister and Cabinet Secretary for
Finance

Shona Robison MSP



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Cllr Steven Heddle, COSLA Vice-President
Cllr Katie Hagmann, COSLA Resources
Spokesperson
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21 February 2024

Dear Councillors

Further to our recent discussions, including the conversation with the First Minister on Friday 16 February, and following your correspondence received on 19 February 2024, the First Minister and I have discussed COSLA's position on the Council Tax Freeze and the Local Government Settlement more generally.

We have reflected on the view of Leaders that, in that context, the £147 million allocated to fund the Council Tax Freeze is not sufficient, in particular COSLA's position that the General Revenue Grant is £62.7 million lower than last year. We have also heard your call for a compromise to be reached, as reiterated in my meeting with the Vice President, Cllr Hagmann and Group Leaders this afternoon.

In the light of these discussions, I am prepared to commit that, subject to the overall funding position improving following the UK Government's Spring Budget on 6 March, the Scottish Government will not only pass through to local government the £45 million expected as a result of the recent announcement on ring-fenced Adult Social Care funding in England, and any consequentials received for increased teacher pension contributions, but we will also increase the local government General Revenue Grant by a further £17.7 million.

As I stated in our meeting earlier today, the £45 million which is expected as a result of Michael Gove's announcement on adult social care funding, is being passed through to local government in Scotland as general revenue funding. We are not imposing the same conditions on the use of that funding, or compelling councils to produce productivity improvement plans as part of that package.

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In making this decision we will be allocating an additional £62.7 million to councils in Scotland for them to use as they see fit. In the context of the wide range of demands on the Scottish Budget and challenges across the public sector, I consider that this is a significant offer of compromise.

It will mean that the £147 million in funding allocated will be wholly additional funding. This compromise, in the spirit of constructive discussions we have had in recent weeks, represents a significant protection and improvement in the funding position for local government, which no other portfolio is benefiting from. It is also a demonstration of our commitment to the Verity House Agreement. In return for this significant compromise, I reiterate the position that the funding is conditional upon the freezing on the Council Tax.

It is also my intention that the funding for a Council Tax Freeze will be baselined in future years into the General Revenue Grant for all councils which agree to freeze their Council Tax in 2024-25.

I would highlight the priority placed on Local Government in recent years. Since the Resource Spending Review was published, Ministers have been required to take very difficult in-year decisions including the Emergency Budget Review in 2022-23 and more recently an in year budget savings exercise in 2023-24. Councils were not only fully protected from the challenging decisions taken in those processes but with the addition of the £62.7 million confirmed today, the core Local Government resource budget in 2024-25 is now over £730 million higher than the £10,616 million position published in the Resource Spending Review.

In addition, the Minister for Local Government Empowerment and Planning has today communicated to relevant councils our intention, subject to the funding position after the Spring Budget, to increase the Islands Cost of Living fund by £4 million. We have been listening closely to the island authorities, communities and businesses, and have recognised the needs of islands throughout this budget. This further step is being taken in recognition that there is a review underway led by COSLA and the Improvement Service on the Special Islands Needs Allowance, but that review will take time to complete. This is a small step but one which we hope will aid the island authorities to support their communities in the short term.

Finally, two further matters were raised in my meeting with Group Leaders earlier today and which I committed to clarifying.

Group Leaders raised with me their views about the need for a dialogue on teacher numbers and the wider education workforce, it is my view that the proposed Education Assurance Board needs to be rapidly established and begin its work to best enable those discussions to take place. A date for the first meeting of that Board should be identified as soon as possible.

In addition, in respect of delegation of services under the National Care Service, I can confirm that there is no intention to consider the requirement for the delegation of homelessness services as part of the NCS. We are committed to ensuring a clear interface between social care reform and other initiatives designed to support those experiencing or at risk of homelessness, and the letter simply intended to restate that commitment.

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I trust that this confirmation on funding supports those councils still to make a decision on their Council Tax and budget setting in that process, and that the clarifications above help us to move the discussion on other matters forward in the spirit of the Verity House Agreement.

SHONA ROBISON

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**From: COSLA President Cllr Shona Morrison; COSLA Vice President Cllr Steven Heddle;
and COSLA Resources Spokesperson Cllr Katie Hagmann**



Shona Robison MSP – Deputy First Minister
Joe FitzPatrick MSP – Minister for Local Government Empowerment and Planning
Scottish Government

Via email: DFMCSF@gov.scot

Cc: Ellen.Leaver@gov.scot

22 February 2024

Dear Shona and Joe,

We are writing following our meeting yesterday and by way of follow up to your letter dated 21 February and reflecting the concerns raised this morning by Council Leaders, Chief Executives and Section 95 officers.

To address the General Revenue Grant (GRG) shortfall in 24/25 of £62.7m, you have outlined a package of funding. This addresses the policy and pay commitments made during 2023/24 and on which Local Government was relying just to achieve a flat cash position next year. However, concerns remain which have now been confirmed by your civil servants:

- Within the letter (and during discussions yesterday) you reference an additional £17.7m GRG. However, it now seems that this is contingent upon the outcome of the UK Spring Budget on 6 March. Whilst we clearly understood from yesterday's meeting that the £45m is contingent upon confirmation of additional consequentials (as a result of the UK Government's announcement of an additional £500m), it was not clear from the discussion that the £17.7m was also contingent on the UK Spring Budget outcome.
- Within the letter, you now state that "*the funding is conditional upon the freezing of the Council Tax*". Many of our council leaders and officers who have read this letter understood that to mean the £147m (for CT freeze), but civil servants have now confirmed that both the £147m and the £62.7m are contingent on councils implementing the council tax freeze.

Whilst not yielding the compromise we had hoped for in relation to the council tax freeze, we believed that our discussions yesterday did go some way to recognising our position in terms of the general revenue shortfall. It has now been confirmed by civil servants that any council which does not implement a freeze will not receive any of the funding, which will in fact mean a financial sanction (counter to Scottish Government's previous public position).

We would ask that this additional funding of £62.7m is allocated to all councils flexibly, no matter what their decision in relation to the council tax freeze.

As you know, Leaders meet at 11am tomorrow so any updates you are able to provide would be most appreciated.

Yours sincerely,

Cllr Shona Morrison

Cllr Steven Heddle

Cllr Katie Hagmann

Deputy First Minister and Cabinet Secretary for
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By Email.

23 February 2024

Dear Councillors

Further to your request for clarification on the offer of additional funding, I confirm that as set out in my letter of 21 February the offer of a £62.7 million increase in the General Revenue Grant is contingent on agreement to freeze the Council Tax.

In making the offer of this additional funding, subject to the funding position post UK Spring Budget, I have responded to your request for a compromise and the position of COSLA that the £147 million allocated for the freeze was not fully funded.

In relation to the additional funding for the Islands Cost of Living fund, it is my strong belief that raising the Council Tax is wholly incompatible with addressing the cost of living. It would undermine the benefit of that funding if any of the relevant authorities were to raise their Council Tax.

I am pleased that the majority of councils which have set their budgets to date have chosen to accept the additional funding and freeze council tax in 2024-25. I hope that all other councils yet to make their decision also freeze their council tax now that we have offered this compromise.

SHONA ROBISON

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