

FALKIRK COUNCIL

Subject: REVENUE BUDGETS 2011/12 – 2014/15
Meeting: FALKIRK COUNCIL
Date: 8 December 2010
Author: CHIEF EXECUTIVE/DIRECTOR OF FINANCE

1. INTRODUCTION

- 1.1 The last Report to Council in October gave an update on the preparatory work being undertaken on the next four years budgets. The Report stated that significant level of cuts would be required in the coming years (up to £60m over 4 years) but that the exact savings targets would not be known until detailed grant figures are available around end November/December. Since then, the results of the UK Comprehensive Spending Review published on 20 October and the Scottish Government's budget on 17 November have been announced. This Report therefore provides a further update based on the information known at this time.

2. LATEST POSITION

- 2.1 Following the Scottish Government budget announcements, it would appear from the information detailed that:-
- Councils will only be provided with one year's grant figures i.e. 2011/12
 - Local Government's share of the Scottish Government's budget will be retained at 34.5%
 - An average reduction in Government grant to Councils next year will be of the order of 2.6% but only if Councils agree to:
 - Council Tax being frozen next year
 - Police numbers being maintained
 - Pupil teacher ratios in P1-P3 being maintained
 - Protecting teacher posts as far as possible in order to secure places for probationers and reduce the total number of unemployed teachers
 - A review of the McCrone Agreement
 - Continue to deliver commitments on free personal care for which payments will be uprated in 2011/12
 - Continuing to work with the Scottish Government towards implementing the Carers and Young Carers Strategy at local level, including the maintenance of an extra 10,000 weeks respite provision
 - Government support for Capital will reduce by c18% next year
 - Efficiency savings of 3% p.a. across the public sector are anticipated

The Scottish Government have also announced the establishment of a Commission to examine how Scotland's public services can be delivered in future to secure improved outcomes for Communities across the Country. (Appendix 1). In particular, the Commission is asked to:-

- Address the role of public services in improving outcomes, what impact they make and whether this can be done more effectively
- Examine structures, functions and roles, to improve the quality of public service delivery and reduce demand through, for example, early intervention
- Consider the role of a public service ethos, along with cultural change, engaging public sector workers, users and stakeholders

The Commission will be chaired by Dr Campbell Christie and is expected to report with recommendations by the end of June 2011.

2.2 On the basis of the above information, if the package is accepted, the current estimate of revenue savings required next year is at least c£13m although it is again emphasised the exact figure will not be known until Councils receive their individual grant figures in early December. If the package is not accepted, grant will be reduced by 6.4%. It is estimated this would add a further c£11m to the savings required which is equivalent to an 18% rise in Council Tax. In preparing a draft General Capital Programme, the best estimate as stated above, is a reduction in capital grant of 18%. However, in anticipation of a reduction, the current three year programme already reflects an anticipated annual reduction of £1.5m although it must be recognised that this may prove an underestimate once final figures are known.

2.3 In return for delivering these commitments, the Scottish Government:-

- will ensure funding for Police will be subject to a loss of resources no greater than the remainder of the local government family
- will include an additional £15m to cover the Education costs associated with protecting as far as possible the number of teaching posts
- has agreed to consider through the SNC for teachers, a number of changes including a pay freeze for 2011/12 and 2012/13 for all employees (teachers and all associated professionals)
- has allocated £70m for a new change fund in 2011/12 in recognition of the wider pressures on the Health & Social Care System (additional to the local government settlement)

The Scottish Government has made it clear that for Councils to access the full amount of the financial package, each local authority will require to formally agree to the full list of commitments contained within the package. If a Council does not agree to the full package by 21 December, then revenue funding would be reduced not by 2.6% but by 6.4%. A copy of a letter sent to all Council Leaders from John Swinney on behalf of the Scottish Government and Councillor Pat Watters is attached which provides full details of the proposals. (Appendix 2)

2.4 **Public Awareness & Consultation**

Given the scale of the financial challenges, it is important that the public's views are taken account of before any final decisions are made.

The autumn issue of *Falkirk Council News* set out the issues facing the Council in the coming year and some of the difficult financial choices it will have to make and provided feedback on the 700 suggestions submitted earlier this year in the customer satisfaction survey. Local residents were asked to submit their views by returning the form in the newspaper or filling in an online survey on the Council's website. This exercise has had by far the largest response the Council has ever had to a budget consultation, with around 1,300 people filling in the form and over 7,000 individual comments submitted. These responses are being analysed and a summary is attached at Appendix 2.

2.5 Areas where respondents showed a strong preference included the following:

- 96% agreed the Council should make better use of its buildings, e.g reviewing opening hours, sharing properties.
- 82% agreed a charge should be made for garden aid for those who can afford to pay.
- 75% agreed floral displays and bedding plants should be replaced less often.
- 74% agreed that local schools that are under 50% capacity should be merged with other schools.
- 71% agreed that the Council should try to minimise any reductions in the number of people it employs.

Areas where respondents were less keen included the following:

- 55% disagreed that local schools under 50% capacity should share headteachers and be kept open.
- 53% disagreed that free swimming lessons for P5s should be discontinued
- 51% disagreed that parking charges should be increased.

2.6 **Efficiencies**

The last Report also highlighted the need to continue to drive forward efficiency savings through, for example, procurement, shared services etc and Services will continue to identify efficiency savings as part of an ongoing process. It should be noted that over the last three years, the Council has exceeded its annual efficiency target of 2% as reported in the Annual Efficiency Statement and indeed Councils across Scotland as a whole have also exceeded this target. However, the budget announcement contains an expectation that efficiency savings of 3% are to be achieved in future years.

2.7 **Workforce Planning**

As previously reported to Members, work continues on workforce planning initiatives in order to achieve the saving of £2m in the current year. This work is well underway with savings coming from the restructuring of senior management posts, the voluntary severance trawl, the filling of essential posts only, the use of flexible working options and a reduction of spend in other areas such as overtime. As also reported in October, considerable work has been undertaken with Trade Union colleagues on a Severance Policy for the Council. Good progress has been made and this is addressed in a separate report being presented to Council. Employees have been reminded of the option of voluntary severance with a view to encouraging applications which can be considered subject to the revised Severance Policy being approved. In addition, and as detailed in the report on the Council Management Structure presented to Council in June, the second phase of the review has now commenced. Services are considering their structure arrangements for posts graded K, L and M with a view to achieving further savings from changes at this level. Work also continues on the review of employee terms and conditions.

2.8 **Income Generation**

The potential for exploring new ways of bringing income into the Council will require the Council to consider carefully current levels of charges and also the potential to consider new charges where this is considered a reasonable option in terms of whether we can continue to provide certain services free of charge. The public consultation exercise included this both as a general question on whether the public were prepared to pay new or increased charges to maintain and protect existing services and also included as examples some specific areas such as the garden aid service. The results showed that from the returns there was strong support for the Council to consider options in relation to income generation.

2.9 **Asset Management**

On Asset Management, the consultation also asked local residents whether the Council should look at how savings can be made by better use of its public buildings, reviewing opening hours and sharing properties with other public sector parties. The Council will continue to look at opportunities regarding better use of assets and Education Services move to Sealock House is an example of the Council taking the opportunity to improve its Asset Management portfolio.

2.10 **Joint Boards**

In terms of making savings, an initial target of 4% of Joint Board budgets has been identified but much will depend on the level of Police specific grants to be announced in December as to whether this target is viewed as a reasonable contribution towards the overall savings required, particularly if Police numbers are to be maintained.

2.11 **Current Year Budget**

As stated in the last Report, Scotland's share of this year's cuts announced in the emergency budget (£332m) has been deferred. It is likely that without the deferral, the Council's share of the cuts would have been approx. £3m in the current year. Therefore, it is essential that every effort is made by Services to make savings in the current year to reduce the level of cuts required next year and thereafter. The latest position reported to Policy & Resources Committee in November shows an underspend of c£900k.

2.12 Voluntary Sector Organisations

The scope to achieve, further savings from supporting voluntary sector organisations is underway, with each organisation's funding levels being looked at on an individual basis.

3. CONCLUSIONS

- 3.1 This Report is a further update on the preparatory work being undertaken. It in particular informs Members of the Scottish Government's budget announcements on 17 November and the results of the budget consultation exercise. The next stage involves waiting for details of the local government grant settlement at individual Council level which is expected around mid-December. However, before that Members have to determine the Councils response to the 'package' proposed in Section 2 of this Report.

4. RECOMMENDATIONS

- 4.1 That Members note the latest update Report on preparing the Revenue Budgets 2011/12 – 2014/15 and
- 4.2 Determine the Councils response to the “package” proposed as outlined in Section 2 of this Report.

Chief Executive

Director of Finance

Date: 24 November 2010

Contact Officer: Alex Jannetta

LIST OF BACKGROUND PAPERS

NIL