

The background of the slide features a large, light blue outline of the Coat of Arms of the Government of Nunavut. The crest includes a crown at the top with four floral motifs. The shield is divided into four quadrants: top-left shows a stylized building, top-right shows a caribou head, bottom-left shows a sailing ship, and bottom-right shows an eagle. A banner at the bottom contains the motto 'ANE FOR A'.

Agenda Item 3

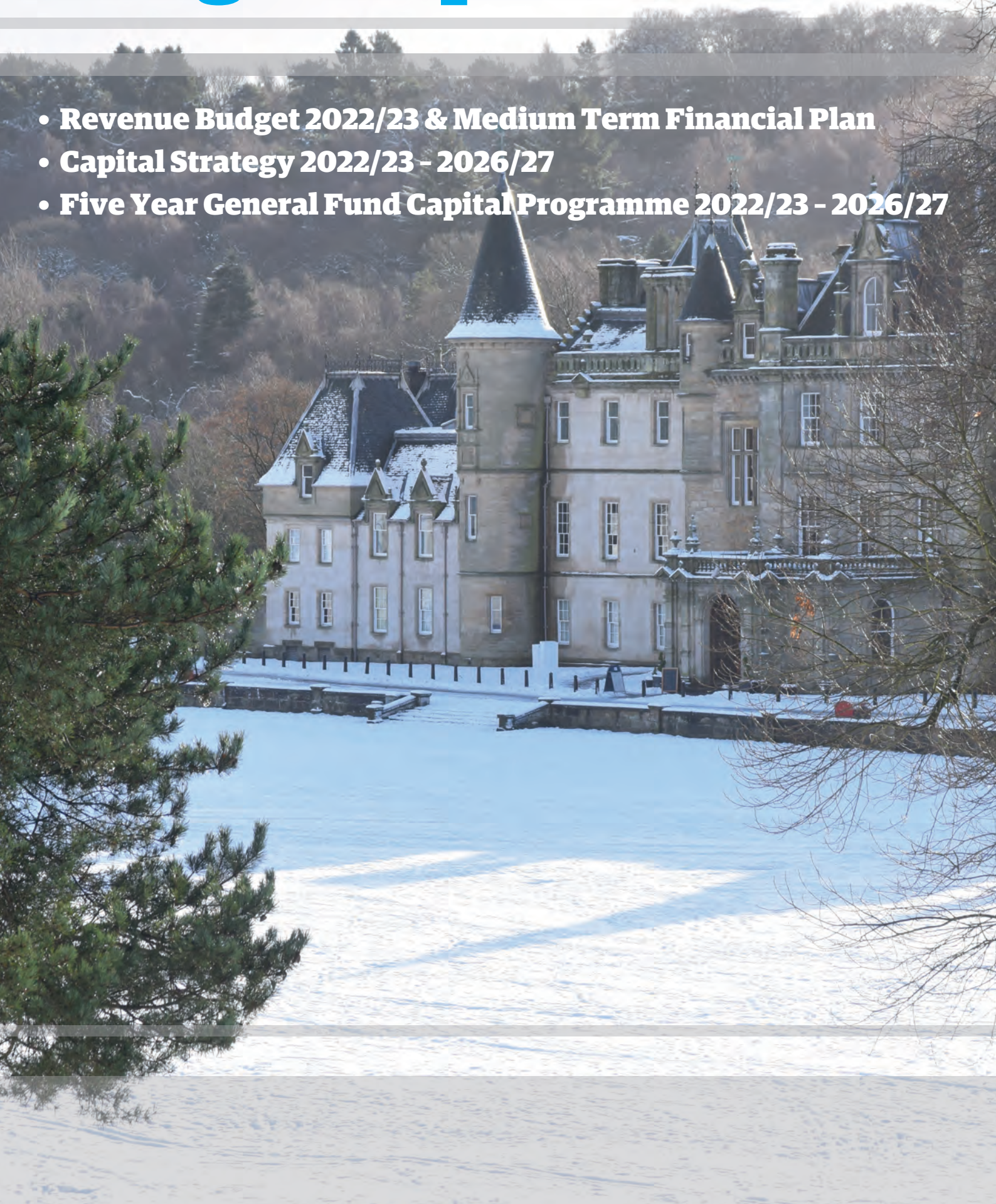
Revenue Budget 2022/23 and Medium Term Financial Plan (MTFP)

Falkirk Council Budget Reports



Falkirk Council

- **Revenue Budget 2022/23 & Medium Term Financial Plan**
- **Capital Strategy 2022/23 - 2026/27**
- **Five Year General Fund Capital Programme 2022/23 - 2026/27**



Budget Book

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REVENUE BUDGET 2022/23

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Agenda Item

Revenue Budget 2022/23 and Medium Term Financial Plan

Falkirk Council

Title: Revenue Budget 2022/23 and Medium Term Financial Plan (MTFP)

Meeting: Falkirk Council

Date: 2 March 2022

Submitted By: Chief Executive and Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 This report sets out options identified by officers, which will enable Council to make selections with a view to achieving a balanced Budget for 2022/23. The report contains the Administration's proposals as to how this may be achieved.
- 1.2 The 2022/23 Budget is clearly placed in the context of the Council's Corporate Plan priorities, Medium Term Financial and Business Plans and the Council of the Future major transformation programme. An updated Business Plan is also presented on this agenda.
- 1.3 The Revenue Budget contains a significant distribution of funding to the Integration Joint Board (IJB) which has responsibility for in-scope Adult Health and Social Care. Refer to section 5.10 of the report. Following the decision of Council, Falkirk Community Trust will now be integrated with Council Services with effect from 1 April 2022. Sections 5.7 and 5.9 refer.
- 1.4 Each Council is legally required to approve an annual balanced Budget and set a council tax, and this is required to be done by 11 March in the preceding financial year. A significant feature of the Local Government Settlement this year, was the return of freedom to councils to set their own level of council tax.
- 1.5 This Budget booklet also contains a separate report with proposals for the General Services Capital Programme. The Capital Programme sits within the context of the MTFP and a Capital Strategy. The HRA Budget reports for both revenue and capital were considered and approved by Council at its Meeting on 19 January.

2. Recommendations

2.1 Council is asked to agree:-

- (1) a balanced Budget for financial year 2022/23 based on this report and its Appendices;
- (2) a Council Tax charge for 2022/23 based on a rise of 4%
- (3) the Business Plan and Service Payment for the Integration Joint Board (IJB) for 2022/23, noting the service changes consequent to Service Payment will be agreed by the IJB;
- (4) to note the update on the implications for the workforce and the actions being taken to ensure changes can be implemented through voluntary methods as far as possible;

- (5) to delegate authority to the Chief Executive to issue a statutory notice to the Trade Unions in respect of the workforce implications of the Budget proposals, if this is required, to ensure the Council complies with its legal obligations;
- (6) to note that the work previously agreed by Members to incorporate the living wage into our pay structure and to review chief officer grades is now complete and further work will be undertaken to assess the posts and grades at the middle to upper levels of the SJC pay structure, to ensure the Council continues to offer an attractive employment package
- (7) to instruct Chief Officers to deliver Services within the Budget allocation for each Service and authorise them to take such actions as may be required within Council policy to give effect to the service delivery proposals adopted to produce the Budget; and
- (8) to note that an updated Medium Term Financial Plan, Business Plan and Corporate Plan will be presented to the newly elected Council after May.

3. Climate Change Implications

- 3.1 The draft Revenue Budget captures all the activities of the Council for the next financial year in financial terms. In consequence, there will be an extensive and diverse array of content with climate implications. Some examples of initiatives geared to meet the climate change challenge are (there are others under Capital):
 - Climate Emergency Action Plan 2022-2030 recently agreed by Executive which includes projects such as reducing waste to landfill
 - Development of climate change project register
 - Energy and Climate Change (ECC) Team updated and developed a new Local Climate Impact Profile
 - Enhancement of the ECC team
 - Carbon Literacy training across the Council
- 3.2 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. The Council agreed to increase efforts to reduce carbon emissions to net zero by 2030.
- 3.3 The Council is working towards embedding a process of carbon budgeting across the Council, ensuring that climate change implications are appropriately considered in all decision making. Carbon budgeting is a methodology to plan and manage emission reductions and ensure that progress can be appropriately measured and monitored.
- 3.4 Carbon budgeting will begin in 2022/23 with this first year being a transitional year, allowing the Council time to build capacity and establish a realistic baseline against which monitoring will be carried out from 2023/24. As part of this work a carbon budgeting tool will be developed to allow services to record projects and the associated carbon impacts to facilitate robust performance measurement.

4. Background

- 4.1 Executive considered reports on the Budget process and savings options at meetings on 19 October and 8 February. Moreover, a report on the Scottish Government Budget and Local Government Settlement was considered at the meeting on 18 January.
- 4.2 Regular meetings of the Budget Working Group have taken place to consider budget matters.
- 4.3 Council considered the Integration Joint Board (IJB) Business Plan and savings options at its meeting on 8 December.
- 4.4 A meeting of Council on 19 January 2022 considered and approved the HRA revenue and capital investment budgets.
- 4.5 The Best Value Assurance Report 2021 was considered by Council at its meeting on 15 February. Members will recall that there are elements in that Review, which are directly pertinent to today's Budget considerations.

5. Considerations

5.1 Budget Context

- 5.1.1 COVID has had a significant impact in the current financial year 2021/22. This will extend into 2022/23 and beyond, albeit with an anticipated reducing impact. This assessment, and in the broader context of the Council's projected financial pressures, has resulted in the harnessing of the temporary Fiscal Flexibilities relaxation in public finance rules.
- 5.1.2 A revised Loans Fund Repayment approach was approved by Council on 19 January. This will deliver a stream of treasury savings of circa £5m over forthcoming financial years which will help manage the acute financial pressures faced by the Council.
- 5.1.3 The economic climate and related public expenditure implications are clearly important, and this is given attention in Section 5.14, in the context of the Medium Term Financial Plan.
- 5.1.4 As has already been noted, the Best Value Review with its focus on decision-making and financial sustainability, and the Business Plan on this agenda, both provide highly relevant context.
- 5.1.5 A new Council will be elected in May. It is intended to present an updated Corporate Plan and Business Plan to the new Council, in the first half of the next financial year.

5.2 Local Government Financial Settlement

- 5.2.1. The Executive at its meeting on 16 January considered a report on the 2022/23 Scottish Government Budget and Local Government Settlement, along with related correspondence between COSLA and the Cabinet Secretary for Finance (Appendix 1). A further update to the Executive in February noted the receipt of additional non-recurring grant, which has now been confirmed as £3.4m. On

the 10 February the 2022/23 Budget Bill was passed by the Scottish Parliament. During the debate it was announced that an additional £290m would be available to eligible households to help address the rising cost of living.

- 5.2.2. The table below shows that Falkirk's Revenue Support Grant (RSG) has increased in cash terms by £19m (6.56%) from its 2021/22 level to £308.5m. However, after removing funding for new commitments, including Health and Social Care which is passed on in full to the Integration Joint Board (IJB) and additional funding for teaching and support which is matched by expenditure, the core grant increased by c£3.9m or 1.35% from 2021/22.

	Movement £'m	RSG £'m	Inc/(Dec) %
RSG 2021/22*	-	289.5	-
Core Grant Increase	3.9		1.35%
Health & Social Care	10.2		3.52%
Teaching & Support Staff	4.0		1.38%
Other New Commitments	<u>0.9</u>		0.31%
		19.0	6.56%
RSG 2022/23		308.5	
*The 2021/22 RSG totalling £298.4m excludes funding for Discretionary Housing Payments of £1.4m which has not been distributed and non-recurring COVID funding of £7.5m.			

- 5.2.3. The overall Settlement also incorporates an estimate of specific grants, the most significant includes the Pupil Equity Fund, Early Learning and Childcare and Criminal Justice. The actual funding will be notified by the relevant Scottish Government Policy Team.
- 5.2.4. The Pupil Equity funding of £3.6m is allocated directly to schools, enabling headteachers to use it for additional staffing or resources with the aim of reducing the poverty related attainment gap.
- 5.2.5. Falkirk Council will also receive £16.8m to support the expansion of Early Learning and Childcare entitlement to 1,140 hours, including ensuring a funded place is provided for all children with a deferred school start date. This represents a decrease of £1.7m in comparison with 2021/22.
- 5.2.6. Funding for Criminal Justice will also be distributed across councils. Falkirk Council's specific grant allocation is estimated at £2.7m, this allocation will also be supplemented by funding for Offender Services which is outwith the Local Government Settlement.
- 5.2.7. The overall Settlement also includes an element of undistributed funding. The most significant elements include the teachers' induction scheme (£37.6m), discretionary housing payments (£80.2m), Scottish child bridging payments (£68.2m), health and social care (£200m), funding for the removal of curriculum charges and music tuition charges (£20m) and free school meals (£63.95m). Each councils' share has still to be confirmed. However, it is assumed that any funding received will be matched by expenditure and will therefore have a neutral effect on the Council's net Budget.

- 5.2.8. In terms of Business Rates, the 2022/23 poundage has been set at 49.8p. Two additional rates are levied on properties with a rateable value over £51,000 (51.1p) and £95,000 (52.4p).
- 5.2.9. The Settlement Circular also covers Capital Grant which is dealt with in the subsequent report in these Budget papers.

5.3. **Budget Gap 2022/23**

- 5.3.1. The Budget Gap essentially reflects the difference between the continuation of existing levels of Council Services, adjusted for inflationary pressures, e.g. pay awards, and the resources available. Recognising that the Council has a statutory responsibility to achieve a balanced Budget, then this shortfall needs to be addressed. This section sets out how the Gap may be bridged.
- 5.3.2. The Table below sets out the Council's Budget Gap for 2022/23 together with the Administration's proposals for how the Gap can be bridged

	£'m	Ref.
Budget Gap	28.8	
Add back Council Tax Increase Assumption	<u>2.8</u>	5.3.3
	31.6	
Adjusted For:-		
Additional Non Recurring Grant Funding	-3.4	5.3.4
Operational/Previously Approved Savings	-2.5	5.3.5
Treasury Management Savings	<u>-4.7</u>	5.3.6
	21.0	
Balanced by:-		
Service Savings	-5.2	5.3.7
Integration Joint Board	-1.5	5.3.8
Council Tax Increase (4%)	-3.4	5.3.9
General Fund Reserves	-5.0	5.3.10
Earmarked COVID Reserves	-5.3	5.3.11
Trust Reserves	-0.6	5.3.12
	-21.0	

- 5.3.3. For presentational purposes the 3% Council Tax rise already assumed and reflected in the Budget Gap figure is added back.
- 5.3.4. Additional non-recurring grant was announced in January by the Cabinet Secretary for Finance, following lobbying by COSLA.
- 5.3.5. Previously approved and Operational savings by their nature do not require Member approval. They are, however, an important element in the balancing equation and are captured here, and in Appendix 7 for transparency.

- 5.3.6. Council recently approved a revised approach for Loans Fund repayments aligned with the life of the underlying asset. This has yielded large treasury savings over 10 years.
- 5.3.7. Service Savings reflect the Administration's selection from the officers' options set out at Appendix 5. Details of each of the savings options are set out in the templates at Appendix 6.
- 5.3.8. The savings options for the Integration Joint Board are considered at section 5.10.
- 5.3.9. The Council now has freedom to determine the level of Council Tax and the Administration are proposing an increase of 4%. Further consideration to Council Tax is given at section 5.12.
- 5.3.10. An application of Reserves down to the General Fund Reserve strategy floor of £7.5m is proposed. This is a very high level of reserve deployment and reflective of the acute financial pressures faced by the Council. Consideration of the implications and consequences of use of reserves, are highlighted elsewhere in this report, and most particularly in the following section.
- 5.3.11. Council at its equivalent Budget meeting last year had agreed the harnessing of Fiscal Flexibilities to help balance the Budget. These are reflected in this earmarked COVID reserve.
- 5.3.12. There is a projected reserve balance with the Trust which will transfer to the Council from 1st April.

5.4 **Reserves**

- 5.4.1. Previous reports to Council have advised that councils can hold reserves for three primary purposes:-
 - (i) A working balance to help cushion the effect of uneven cash flows and unnecessary temporary borrowing;
 - (ii) A contingency to cushion the impact of unexpected events or emergencies; and
 - (iii) A means of building up funds to meet known or predicted requirements by earmarking a portion of the General Fund.
- 5.4.2. Members have also been advised regularly that deployment of reserves simply to achieve a balanced Budget is not sustainable as it is not addressing the underlying difference between spending levels and resources, compounded by the reality that reserves are finite, i.e. they can only be used once and then they are gone. Moreover, because they are not addressing the underlying imbalance, they simply get added to the Budget Gap for the subsequent financial year. The core problem doesn't go away – the Council aspires to spend more than the resources available.
- 5.4.3. Members should also note that the external auditors will pay particular attention to the management of reserves and related decisions in a climate of financial stress. This will materially inform their assessment of Financial Sustainability, which is one of their Best Value 4 key dashboard indicators. The recent Best Value Review demonstrates the point - .

“Elected members typically opt to use reserves to balance annual budgets rather than taking more difficult decisions within savings options proposed by officers. This is not sustainable.”

Moreover, EY in their Annual Report to Members and the controller of Audit, presented to Council on 19 January, have RAG rated Financial Sustainability as Red. They specifically note that, “.... the reliance on one-off savings and solutions is not sustainable in the medium term and we consider financial sustainability to remain a significant risk.”

- 5.4.4. The Cabinet Secretary in her letter to Council Leaders dated 9 December made the following comment, “I would encourage all councils to consider whether current levels of General Fund Reserve are an effective use of public funds at this time”. COSLA and Directors of Finance were always concerned that particular focus would be directed to reserves. They are indeed high but largely attributable to COVID and for justifiable reasons.
- 5.4.5. The deployment of reserves however, as a considered part of a strategy geared to transformation and robust medium term financial planning, is much more effective. Council are well aware of the Council of the Future agenda and Section 5.14 of this report develops Medium Term Financial planning.
- 5.4.6. Executive at its meeting on 22 February 2022 considered the final financial projections for the 2021/22 financial year. This projected a General Fund Reserve of circa £12.5m. it should be noted that agreement is still to be reached on the teacher’s pay settlement. From 1 April this will be supplemented by a further projected reserve transfer of c£0.5m from Falkirk Community Trust. This is beyond the indicative range in the Council’s approved Reserve Strategy Policy of £7.5m - £11.5m, which is positive given the acute financial pressures facing the Council. There is in addition, a projected balance of £8.7m in an earmarked COVID fund, maintained primarily by the decision by Council to harness Fiscal Flexibilities. It is noteworthy that there is a clear trend over a number of financial years, that the outturn position results in a higher level of reserve than projected.
- 5.4.7. Members should be aware that notwithstanding COVID-19, the financial impact of which will remain for years to come, the Council’s general financial position continues to “tighten”. What is meant by that is, that as Services’ budgets continue to come under pressure, the scope for underspends becomes much less, and moreover, so does the scope therefore to use such underspends to dampen overspends. An intended ZBB review of all 2020/21 outturn underspends is likely to intensify this position. Consequently, Budgetary control will need to be disciplined in the new financial year and reserves will be needed to cover any overall overspend occurring.
- 5.4.8. Reserves are there to cope with unexpected events and shocks to the Council’s finances. COVID-19 is clearly a live example. But sight should not be lost of other potential impacts e.g. the evolving position on historic child abuse may well result in future calls on the reserve. Another possible call on the reserve would be the impact of voluntary severance payments required, beyond the sum earmarked within the Spend to Save fund, to implement the transformation detailed in the Business Plan. Weather related storm and flooding damage may yet be another as might shocks impacting the local economy.

5.4.9. In considering the harnessing of Reserves, Council in making Budget decisions will want to have regard to a range of factors, and notably: -

- Prudence and judgement.
- The existing Council approved Reserves Strategy with its range of £7.5 - £11.5m.
- The operating environment.
- The very real financial pressures facing the Council in the years beyond 2022/23.
- The comments in the Best Value Review and the views of the auditors.
- The above comments from the Cabinet Secretary.

5.4.10. It is recognised above that COVID-19 is the type of special event that reserves are designed to help the Council cope with. Consequently, it is reasonable and proper to deploy them judiciously in this climate. The Administration's proposals to balance the Budget include the harnessing of £5m from the General Reserve which would take the projected balance down to the Strategy floor of £7.5m. This is certainly a very significant deployment of reserves and the consequential major impact on the 23/24 projected Budget Gap is captured in the Medium Term Financial Plan section (5.14). It is nevertheless reflective of the current acute financial challenges and the balance does remain within the Council's approved Reserves Strategy range. Going forward, a concentrated effort should be made to build up the reserve balance.

5.4.11. To round off this section it is noted that the aggregate Earmarked Reserves total is £14.1m and a balance of £0.9m is anticipated for the Repairs and Renewals Fund.

5.5 Community Engagement

5.5.1. To make sure that people in communities 'have more say in decisions that affect them' (Community Empowerment Act, 2015) the Council held Ward based Budget Conversations and launched a public survey during January 2022. Despite significant promotion, only 54 people registered for the Budget Conversations, with 21 attending. 356 local residents took part in the public survey. Appendix 9a provides details of promotion and challenges when conducting community engagement activity on the budget in January.

5.5.2. Appendix 9b provides detail of the Conversations. In summary, approximately 56% of comments were negative, 34% were neutral and 10% were supportive. The most common themes were: *obscurity/lack of clarity of information* (particularly where funds are spent), *participation*, *deficit ideas*, *frustration*, *uncertainty* and *fairness*.

5.5.3. Suggestions to address the c£29m Budget Gap included: *sharing services with other Councils*, *petitioning for additional funds from Scottish Government*, *continued home working and reducing the need for offices*, *increasing council tax* (though some disagreed with this) and *understanding which cuts would impact people least*.

5.5.4. It was asked if the pandemic had impacted how people value services. Unsurprisingly, *parks and open spaces* (37%), *waste collection and recycling* (36%) and *older people's services* (30%) were the services most people said had become more important over the past 12 months. Conversely *promoting sustainable and active travel* (15%) and *leisure and culture* (sports centres,

libraries and museums) (14%) were services identified as having become less important.

- 5.5.5. It was asked how important Council services are. The services most people said were 'Absolutely Essential' were *Waste collection and recycling* (56%), *Education (Nursery, Primary and Secondary)* (47%), *Older people's services (e.g. home care and residential care)* (43%) and *Roads maintenance and street lighting* (40%). The services most said were 'not important at all' were *Education: Nursery, Primary and secondary schools* (12%), (showing a division on this service between respondents); *Support for vulnerable young people and adults* (9%) and *Housing and homelessness* (8%). Further insights and analysis can be found at Appendix 9c and the Questions and Answers are in Appendix 9d.
- 5.5.6. People expressed concern about the generalised nature of the survey questions and the lack of available information to support them to provide informed answers. Focussing the public survey on specific issues or options in the future, would elicit clearer public opinion.
- 5.5.7. Only 53% of survey participants said that they would like to be involved in shaping how public funds are allocated in the future. The most common reason given (44%) is that they don't think their involvement will make any difference. Many said they will not be listened to, that engagement is a tick box exercise, and expressed concerns about politicised decision making. This sentiment is reinforced by 73% of respondents who think that these budget survey results will have limited or no influence over any decision made about the budget. These views must be considered when planning future engagement.
- 5.5.8. There is significant misunderstanding about fund allocation, particularly the division between the general fund and capital expenditure. Sharing the content developed for the Conversations in an annual digital education campaign, would help future engagement.
- 5.5.9. Despite low attendance, these Conversations are the first step toward establishing a regular program of Budget Conversations, that will encourage community participation in the future. They provided a space for open and frank discussion. Participants shared important insights and thoughtful suggestions. Attendees commented that they found the information helpful in improving their understanding of the budget and expressed thanks for the honesty of the Officers attending. These Conversations afforded Falkirk Council an opportunity to address misunderstandings, change attitudes and most importantly, build trust.
- 5.5.10. Conducting meaningful engagement throughout the budget development and decision-making process, followed by a focussed public survey will ensure that the Council:
- Address the Best Value Audit recommendation to '*make community engagement an integral part of service improvement and delivery*'.
 - Keep the Council's promise to '*ask, listen, and act on what communities say, wherever possible*'.
 - Ensure that options to address the budget-gap are clearly articulated to, and weighed by, residents.
 - Increase public participation in the allocation of public funds.
 - Build a more transparent, trusting relationship with residents.

- 5.5.11. To build on this approach the Council must mainstream enabling ways of working across the organisation. This Council priority is embedded into the Corporate and Business Plans, which make a promise to 'ask, listen, and act on what our communities tell us...'. The Community Partnership Team has worked with colleagues and residents to baseline current practices and identify barriers. They developed a roadmap to embed enabling, responsive and collaborative practices across the Council. Over the past 13 months they have offered support to 36 Council of the Future projects and a further 36 projects have asked for support with engagement.
- 5.5.12. The scope of this change is significant. The Best Value Audit report, whilst acknowledging that some progress has been made, identifies the need for a greater focus on community empowerment. It highlights the need to make community engagement an integral part of service improvement and delivery; and to clearly communicate the results of, and the Council's response to, community engagement. To address this, the Community Partnership Team will deliver a long-term Council Enabling Communities Programme that extends beyond implementing the immediate recommendations of the Communities Shaping Falkirk's Future change project. These recommendations set the foundations for change through:
- further organisational development.
 - rolling out a new digital engagement platform.
 - implementing the Community Engagement Strategy.
 - ensuring governance and oversight of Falkirk Council's relationship with communities.
 - providing ongoing expertise to colleagues.
- 5.5.13. Engagement has also taken place with Head Teachers and Parent Council representatives in Children's Services. There is also engagement under the Council's Equalities and Poverty Impact (EPIA) process which is explained at section 5.6. Staff engagement is also very important, and this is referred to at section 5.13.

5.6. **EPIA Overview**

- 5.6.1. Equality and Poverty Impact Assessments (EPIAs) have been completed by services as part of the Council's budgetary process since 2013/14. The form is completed by officers within Services and signed off by the Service Director. Relevant equality implications must be considered in all decision making processes within the Council.
- 5.6.2. The EHRC Scotland Briefing Note on the public sector equality duty highlights that elected Members need to ensure that EPIAs are sufficiently robust and given appropriate weighting in decision-making processes, and that consideration should be given to each of the protected characteristics. In addition to impacts identified in individual EPIAs, it is also important to have in mind the potential cumulative impact of two or more proposals on a particular group.
- 5.6.3. In addition, the Council requires to consider the impact of its decisions on people in poverty both in terms of its own policy approach and to reflect the statutory Fairer Scotland Duty. The same people impacted by COVID 19 are unsurprisingly those who are most likely to experience economic inequality.

The EPIAs for the budget proposals are available to all elected members within a folder in member share.

- 5.6.4. EPIAs are used to inform decisions. However, they should not prevent Members from taking difficult decisions. They help to ensure that Members and officers have fully considered the impact on protected characteristic groups before a decision is taken. Often impacts can be mitigated to some extent by some other action or change to a service, however the impacts need to be known and understood before this can happen.

5.7. **Service Budgets**

- 5.7.1. This section of the report summarises the position for each Service area, highlighting matters of particular significance or note. As Members will be aware from the financial position reports presented during 2021/22 Services, in their response to the ongoing pandemic, continue to incur additional costs and some loss of income. Some of these pressures are offset by additional government funding. As the pandemic continues all Service areas adapt to current guidelines and transform the way in which Services are delivered and communicated and will continue to do so.
- 5.7.2. The Administration's proposed Service savings as summarised in the Gap Statement at Section 5.3.2. On this basis the budget for each Service for 2022/23 is summarised at Appendix 2. A Summary of Movements Statement which details changes from 2021/22 is at Appendix 3 with the individual Service detail at Appendix 4.
- 5.7.3. A full list of Service savings options identified by officers during the Budget process is set out at Appendix 5. The selected options proposed by the Administration are highlighted. Further information on the savings options is contained within the Budget templates at Appendix 6.
- 5.7.4. Council have, in previous budget deliberations, agreed savings proposals that span future years. These savings along with operational savings are detailed at Appendix 7.
- 5.7.5. The Corporate Charging and Concessions Policy agreed by Executive in October 2018 sets out the principles of best practice, including:
- All fees and charges should cover the full cost of providing services unless specific exemptions have been approved
 - Determining the basis for a charging or charging structure, such as commercial rates, full cost recovery or subsidised
 - Considering the need to recover costs with the challenges of poverty and social inclusion
 - A consistent approach to applying concessions
- 5.7.6. Each year existing and new charges are reviewed in line with the Policy as part of the budget process and the proposed changes for 2022/23 are detailed at Appendix 8.

5.7.7. **Children's Services**

The proposed Budget for Children's Services is £224.699m, a decrease of £1.028m from 2021/22.

Budget Increases

The main budget increases proposed include:

- £3.517m provision for pay inflation
- Inflationary increases of £1.129m and a further £1.623m for the Falkirk Schools and Community Schools projects
- An increase for demographics of £0.726m
- Teaching and Support staff increase of £2.485m for which we've received increased funding
- The transfer of the Sport and Leisure Division from the Trust to Children's Services has resulted in additional budget growth of £5.122m with an in-year review to take place aimed at reducing by £0.750m across all three services.

Budget Reductions

The Budget has reduced by £3.376m for one-off COVID-19 funding streams relating to Education Recovery and Residential Care. The budget has also been adjusted to reflect a reduction in the Early Years Expansion funding grant of £1.7m in 2022/23. Details of how this will be managed will be provided to a future meeting of the Education, Children and Young People's Executive (see para 5.2.5).

Service Savings

Budget savings of £2.283m are proposed and include:

- Efficiencies resulting from the implementation and integration of the Early Learning and Childcare expansion £0.200m
- Review of secondary devolved school management resources (CoTF Project) £1.005m
- Community Learning and Development – Closer To Communities project £0.115m
- Assessment of COVID funding needs £0.575m
- In-year review of Education £0.500m

Previously agreed savings of £1.547m have also been factored into the budget. These were mainly £1.532m for the Closer to Home strategy (CoTF Project).

Fees and Charges

Inflationary increases have been proposed for school meal prices, childcare charges and school lets. Charges for music tuition have been removed as they are now funded by the Scottish Government. While fees have increased the budget has been impacted by the expansion of universal free school meals to P4 and P5 pupils and the introduction of 1,140 hours of universal free early learning and childcare for eligible 2 year olds and all 3 to 5 year olds from August 2021.

Budget Facts

Teaching

- £ 106m
- 1,688 Teachers
- 11,934 Primary Pupils
- 9,634 Secondary Pupils



School Buildings

- £ 43.6m
- 8 Secondary Schools
- 48 Primary Schools
- 3 Special Schools



Early Years

- £ 29.3m
- 536 Early Years Officers
- 14 Early Years Centres
- 3,112 Children



Looked After Children

- £ 18m
- 252 Children in Kinship & Foster Care
- 98 Children in Residential Care



Sport & Fitness

- £ 5m
- 14 Facilities (9 main facilities plus use of 5 schools)
- 1m Customer Admissions/participation (19/20)



5.7.8 Social Work Adult Services

The proposed budget for 2021/22 is £3.531m, an increase of £0.159m from 2021/22. This is the element of the Social Work Adult Services budget that remains with the Council and primarily consists of property and fleet transport costs. It includes one area of direct social work provision, the mental health officer services.

Fees and Charges

Although adult social work services are delegated to the IJB, the decision on service user contributions remains with the Council. Proposals include an uplift of 3% for the majority of care home fees and an average 3.2% increase in non-residential charges.

5.7.9 Place Services

Place Services proposed Budget of £33.474m is an increase of £3.864m from 2021/22.

Budget Increases

While the overall budget has increased by £3.864m, £5.142m relates to Trust activities being brought into the service. Moderate increases for pay and inflation have been offset by a reduction of £1.299m relating to COVID pressures and redeterminations.

Service Savings

The budget reflects proposed savings of £0.866m and include £0.300m for transformation of roads and grounds cleansing, £0.100m review of bus subsidies and a further £0.100m adjustment to pest control services. An in-year ZBB approached review of Transport will also be carried out tasked with realising a £0.500m saving.

Previously agreed savings of £0.270m relate to £0.115m from the installation of LED street lighting project (CoTF Project) and £0.155m from operational efficiencies.

Fees and Charges

It is proposed that most charges managed by the service have an inflationary increase applied except for some above inflation increases in Roads and Bereavement to bring in line with national averages. Some fees have been refreshed to reflect revisions to national fee structures.

Budget Facts

Roads & Street Cleansing

- £ 5m
- 990km of carriageways
- 1,023 km of footways/paths
- 283 bridges/underpasses/culverts



Waste

- £ 10.4m
- 77,000 tonnes
- 74,000 households
- 22 Refuse Vehicles



Street Lights

- £ 1.6m
- 29,000 Street Lights
- 98.9% of Street Lights are LED



Bus Subsidies

- £ 1.2m
- 12 Bus Routes
- 74,000 Journeys per annum
- 590,000 miles per annum



5.7.10 Corporate & Housing Services

The proposed Budget for Corporate & Housing Services is £36.777m, an increase of £5.002m from 2021/22.

Budget Increases

The Budget has been adjusted to provide for pay inflation and living wage increases along with:

- Additional funding for software licences £0.986m which were previously capital spend
- The impact of bringing Libraries and Business Administration into the service increases the budget by £3.766m
- Delivery of the Best Value Report recommendations requires the Community Partnership Team to become a permanent resource within the Council at a cost of circa £0.200m
- Local Government Elections £0.350m
- £0.050m is allocated for a post to provide capacity for equalities work which has been identified as a priority in the Best Value Action Plan. This will also give scope to better support the work of the Gender Based Violence Partnership – a priority in the Falkirk Plan

Budget Reductions

The Budget has reduced by £1.424m for discretionary housing payments to reflect that the grant funding has not been distributed (see para 5.2.7).

Service Savings

The Budget reflects Service savings of £0.054m for establishment of an in-house Digital Alarms hub (CoTF Project).

Previously agreed savings of £0.657m for Absence Service Review £0.134m (CoTF Project), other CoTF projects £0.299m and staffing and operational savings £0.224m.

Fees and Charges

Many of the Service's charges have been held at 2021/22 rates. Where possible any increases have been held below inflation. Statutory fees chargeable by local registrars for births, deaths, marriages and civil partnerships are set by the General Registrar's Office.

Budget Facts

Libraries

- £ 2.6m
- 8 Libraries
- 494,264 Customer Visits (19/20)
- 700,706 Library Issues (19/20)



Central Support

- £ 22.1m
- 639 FTE Employees



5.7.11 Trading Account

After providing for pay and general inflation, the Building Maintenance Trading account is budgeted to make a surplus of £0.512m.

5.8 Community Choice Budget

5.8.1 Community Choices budgeting is a form of local decision making. It invites communities to have direct say in how public money is spent. In 2021/22 Falkirk Council worked alongside partners in the Falkirk Health and Social Care Partnership to launch and develop the Community Choices initiative – a fund of over £3m invested in local community projects, created by local groups and voted for by local residents. The fund is divided across Falkirk's 9 electoral wards based on child poverty rates of each ward.

5.8.2 Phase 1 – In February 2021, the first pilot phase of Community Choices opened for expressions of interest and project ideas for both the Small Grants and the Place-Based Capital programmes. Key facts:

- 113 Expressions of Interest were received, 65 of which were capital projects.
- Voting for the Small Grants was open between 24 May and 18 June 2021.
- 1679 eligible votes were cast resulting in £51,000 of funds being awarded across the 9 Wards.
- Voting for the Capital programme was open between 21 June and 16 July.
- 13,366 eligible votes were cast resulting in £578,130 of funds being awarded across the 9 wards.
- Approximately 5% of Falkirk's residents voted in pilot phase 1.
- A total of £629,130 of public funds were invested in community identified and community led priorities and activities.

5.8.3 Phase 2 – launched in October 2021 after a full evaluation of Phase 1 was completed. Key Facts:

- Small Grants opened for between November – December 2021.
- 3,278 eligible votes we cast resulting in £109,985 of funds being awarded across the 9 wards.
- 27 Place Based Capital Grant project ideas were submitted by January 2022 for a total of £1,665,651 of capital funding.
- Public Voting for the Place Based Capital Grant projects is still open at the time publishing of this report.

5.8.4 Mainstreaming - In the coming financial year, The Council wish to continue investing in local communities through the Community Choices grant programmes. However, alongside this, the Council will be working to develop Falkirk Council's first Mainstream Participatory Budgeting programme which will

enable the direct participation of citizens in internal resource allocations and service re-designs. This moves beyond identifying specific budgets to be provided as grants and increases the identification of separate budgets for community engagement and consultation, that will offer the public more influence over decisions on the allocation of existing resources across a range of Council services. Mainstreamed Community Choices will address key issues the public identified through this year's budget conversations relating to fairness, better information on public budgets, increased transparency, and increased influence of public opinion in resource allocation.

5.9 Falkirk Community Trust Transition

5.9.1. In January 2021 the council agreed to bring the services provided by Falkirk Community Trust back in-house with a targeted date of 1 April 2022. A further report to the Council on the 23 June 2021 agreed the proposed transfer of the Trust functions within the Council service structure. The financial effect of the transfer is summarised in the table below, which shows:

- That service budgets have been increased by £13.8m, which is the equivalent of the final Trust Service Payment for 2021/22
- A cost of c£1.4m for the loss of non-domestic rates savings that the charitable status of the Trust allowed. This loss is partially offset by a VAT benefit of c£0.2m.
- An increase in the income targets of £1.5m, which reflects the return of customers following the various COVID restrictions over the past year. This will return income levels to around c85% of pre-COVID levels.
- £0.6m of costs for transferred services that will be financed by projected reserves received from the Trust.
- An adjustment for central support charges, reflecting the removal of internal recharges, where one service is charging the other for the provision of services, such as payroll, legal, finance and human resources. This adjustment does not have a financial impact on the Council.

	Childrens Services £'m	Place Services £'m	Corporate & Housing Services £'m	Total £'m
Budget Transfer	5.4	5.4	3.0	13.8
Rates	0.8	0.3	0.3	1.4
Savings	-	-	-0.2	-0.2
Income Adjustment	-0.7	-0.3	-0.5	-1.5
Reserves Adjustment	-	-	0.6	0.6
Central Support Services	-0.3	-0.3	0.6	-
	5.2	5.1	3.8	14.1

5.9.2. With the exception of the senior management savings on c£0.2m (para 5.13.8), it is premature to consider other savings concurrent with transferring staff

coming into the Council and to do so would require the Council to notify the Trust of such a measure that would require consultation under the TUPE regulations. Service Directors will also need time to align the transferring service areas with their existing service structures. Consequently, a review will be conducted with the aim of maximising opportunities from the transference of Trust services that may generate additional income or efficiency savings of £0.750m from the consolidation and integration of the new configured council services.

5.9.3. With regard to the fees and charges, it was agreed by the Project Management Team that the Trust would introduce a revised set of charges from 1st January, which would also be applicable from the start of the next financial year. This allows the Council further time to consider these charges in accordance with the current Charges and Concessions Policy.

5.9.4. As a result of the Grangemouth Golf Club not completing their Business Plan at this time last year, Falkirk Community Trust allowed the Club to manage and operate the facility, from the 1st of April 2021, under a 'Licence to Operate' type agreement. This arrangement ensured the continued employment of the associated FCT staff and their use of the specialist vehicles, machinery and equipment. FCT has made arrangements to transfer both their staff and equipment to the Council upon the winding up of FCT on the 31st of March. At this time the current agreement to operate the facility, between FCT and the Club, will terminate. Place Services are currently arranging a new agreement between the Council and the Club, similar to that currently in place between the FCT and the Club. The financial arrangement ensures that the facility 'breaks-even' as all FCT's operational costs are met by the Club. Meanwhile it remains the Club's ambitions to complete their Business Plan for consideration by the Council at a future date.

5.10. **Integration Joint Board (IJB)**

5.10.1. The Integration Scheme for 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.

5.10.2. The business case (Annex A) summarises the IJB's funding requirements and financial planning assumptions and forms the basis of initial negotiations with both the Council and NHS Forth Valley on funding for the next financial year. The business case was approved by the IJB on the 19 November and was presented to the Budget Working Group on 29 November 2021 and to Council at its meeting on 8 December 2021. An updated version of the business case will be presented to the IJB on 18 March for final approval.

5.10.3. The Local Government Finance Settlement confirmed the funding of £354m for health and social care, which includes a contribution of £174.5m for the continued delivery of the living wage, a sum of £15m to uprate free personal and nursing care payments, £20.4m towards the implementation of the Carers Act, £124m to provide care at home and £20m to support interim care. A further £22m has also been recently allocated for additional social workers and support staff.

5.10.4. In the letter received on 9 December 2021 from the Cabinet Secretary for Finance (Appendix 1), it was noted that Scottish Government funding must be

additional to the 2021/22 recurring budgets. Falkirk's share of the distributed amount for the IJB is £10.2m and this will be passed on in full via the agreed IJB payment. In addition, Falkirk will receive a share of £200m of undistributed funding. This is largely for further living wage increases effective from 1 April together with the full year effect of recurring commitments arising from winter planning arrangements. Any remaining balance can be spent on other areas relating to Adult Social Care. Falkirk's estimated share is c£5.8m.

- 5.10.5. The IJB requested that the Council increases its funding contribution by a further £0.3m, reflecting parity with the Health contribution and in the spirit of integration and collaborative working.
- 5.10.6. The business case at para. 6.2 identified total savings of £3.8m, with £2.4m directly relating to Adult Social Care. The savings proposals within the business case are summarised below:
- Review of homecare contractual arrangements and rates £1.6m
 - Income generation from new charges for telecare connectivity (MECS charges) and charges for non-residential services. £0.124m
 - A non-recurring contribution of £0.224m from general reserves
 - A review of high cost care packages (including out of area placements) £0.250m
 - Review of Housing with Care Service and Day Care services £0.101m
 - Savings from premises £0.053m
 - MECS procurement savings £0.074m
- 5.10.7. The Council has responsibility for setting charges and the overall proposals include an average rise of c3% on residential and non-residential fees. As noted above, the IJB savings proposals include the introduction of a new charge for MECS service users, reflecting the additional broadband connectivity costs. However, given that the Scottish Government is committed to abolishing non-residential charges for adult social care during 2022/23 this new charge will not be taken forward. This reduces the proposed saving totals to £2.3m.
- 5.10.8. Having considered the IJB's business plan and recognising the particular pressures faced by the health and social care sector, it is proposed to provide additional non-recurring funding of £1.8m. Providing the funding on a non-recurring basis, will allow the Council to review the position for 2023/24. Based on current projected spend, the IJB will be required to deliver savings of £1.5m out of the total proposed savings of £2.3m in 2022/23. The revised IJB payment for 2022/23 will therefore be:-

	Movement £'m	Funding £'m	Inc/(Dec) %
General Fund 2021/22*	-	71.3	-
Scottish Government Funding	10.2		14.3%
Falkirk Council Non- Recurring Funding	<u>1.8</u>		2.5%
		<u>12.0</u>	16.8%
General Fund 2022/23		83.3	
Housing (ring fenced HRA Tenants)		1.4	
Capital (Private Sector Housing Grants)		0.3	
Total IJB Payment		85.0	
*The 2021/22 general payment of £70.6m has been increased by £0.7m due to services transferring to the IJB, principally the Central Matching & Commissioning Service and the Alcohol & Drug Partnership.			

- 5.10.9 In August 2021 the Scottish Government launched a consultation on a National Care Service, with responses due by November 2021. From correspondence with COSLA, it is clear that Ministers will be bringing forward proposals for a National Care Service following publication and analysis of the consultation responses. This will have a significant impact on how care services for both adults and children are managed and delivered going forward.

Budget Facts

Care at Home <ul style="list-style-type: none"> £ 47m 2,376 Clients 	Residential Care Costs <ul style="list-style-type: none"> £ 37m 895 Clients 	Day Care Services <ul style="list-style-type: none"> £ 4m 244 Clients 
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5.11. External Funding Overview

- 5.11.1. Over recent years the Council has taken an overview of savings for external organisations. This year there is one organisation, Barnardos (CS58), where a reduction in funding is proposed.
- 5.11.2. The above option is included in the Administration's proposals.
- 5.11.3. Recognising however, the Council's projected funding gaps over the life of the MTFP (see para 5.14.7) it is likely that funding to many of these organisations will need to reduce and it would be prudent for them to plan for this eventuality.

5.12. Council Tax

- 5.12.1. Council is required, under section 93 of Local Government Finance Act 1992, to set a Council Tax charge by 11 of March each year. However, in practice it is essential that charges are set as early as possible to ensure bills can be accurately calculated and received by taxpayers at least two weeks before the first payment is due on 1 April.
- 5.12.2. Council will be aware that following 10 years of band D charge being £1,070 Council Tax has been increased by 3% for 3 consecutive years before an increase of 4.8% was applied in 2020/21. In 2021/22 no increase was applied, consistent with all other Scottish local authorities, because of Scottish

Government funding. Therefore in 2020/21 and 2021/22 Falkirk Council had a band D charge of £1,225.58 which was £82.42 below the Scottish Average of £1,308 and the 5th lowest in mainland Scotland.

- 5.12.3. Having a Council Tax below the national average comes at a cost because, relative to other local authorities, it reduces capacity for revenue expenditure. To illustrate this the table below outlines the increased revenue, in 2021/22, had Falkirk Council Tax charge been equivalent to the national average or some neighbouring authorities. Bringing Council Tax in line with national average would relieve some budgetary pressures or facilitate increased capital expenditure.

2021/22 Band D Charges				
	Falkirk	Average	W. Lothian	Stirling
Est yield of £1 Council Tax	56,700	56,700	56,700	56,700
Council Tax (Band D)	1,226	1,308	1,276	1,344
Total Yield (£'000's)	69,490	73,682	72,373	76,221
Difference (£,000's)		4,192	2,883	6,730

- 5.12.4. The Cabinet Secretary for Finance and Economy has intimated an increase of £120m in the funding to local authorities, beyond the draft budget position, to negate the need for 'inflation-busting increases' in Council Tax this year. Inflation is forecast to be over 5%.
- 5.12.5. From 1 April 2022 there are some changes to the Council Tax Reduction (CTR) scheme, as it applies to Universal Credit claimants. These changes have little, or no, impact for most Universal credit claimants but there will be a small number of households who will be slightly better or worse off. The total cost of CTR is forecast to increase as a result and this increased cost is reflected in a reduced 'Forecast Growth' shown in the table in section 5.12.6.
- 5.12.6. The forecast yield from Council Tax is presented in the table below in 0.5% increments. The 4% rise proposed by the Administration would generate £72.903m.

%age Increase	2021/22 Outturn £,000s	Forecast Growth £,000's	Increased Yield £,000's	Total Increase £,000's	Total Yield £,000's
0.0%	69,690	480	-	480	70,170
0.5%			342	822	70,512
1.0%			683	1,163	70,853
1.5%			1,025	1,505	71,195
2.0%			1,366	1,846	71,536
2.5%			1,708	2,188	71,878
3.0%			2,050	2,530	72,220
3.5%			2,391	2,871	72,561
4.0%			2,733	3,213	72,903
4.5%			3,075	3,555	73,245
5.0%			3,416	3,896	73,586

- 5.12.7. The impact of a 4% rise on the charges for each property band is outlined in the table below. The annual band D charge would increase by £49.02 to £1,274.60. Even with this increase Falkirk charge would remain less than the Scottish average, Stirling, and West Lothian charges in 2021/22.

Band	2021/22 Charge	Ratio	4%	
			Increase in Annual Charge	2022/23 Proposed Annual Charge
A	£817.05	0.67	£32.68	£849.74
B	£953.23	0.78	£38.13	£991.36
C	£1,089.40	0.89	£43.58	£1,132.98
D	£1,225.58	1.00	£49.02	£1,274.60
E	£1,610.28	1.31	£64.41	£1,674.69
F	£1,991.57	1.63	£79.66	£2,071.23
G	£2,400.09	1.96	£96.00	£2,496.10
H	£3,002.67	2.45	£120.11	£3,122.78

- 5.12.8. Low income households, already in receipt of Council Tax Reduction, would be protected from any increase that Council approves. It is worth noting that low income households are not fully protected from Scottish Water increases of 4.2%. Water and wastewater charges are collected along with Council Tax. A household in receipt of full Council Tax Reduction pays 65% of water charges. Band D water and wastewater charge will increase from £459.18 to £478.44, an increase of £19.26, and 65% of this increase is £12.58.
- 5.12.9. In addition to the protection of households already receiving CTR, any household in financial difficulty can quickly check if they would be entitled to CTR, and other means tested benefits, via an online calculator (<https://falkirk.gov.uk/services/benefits-support/benefit-calculator.aspx>). Where CTR is then awarded those households would not only see their net charge reduce but also be protected from any future increases.
- 5.12.10. Around 56,000 Falkirk Council Taxpayers will receive a payment of £150 towards their Council Tax or be paid by BACS/cheque where they have no Council Tax payable in April 2022. This includes every occupied property in bands A-D as well as those in receipt of CTR, and certain exemptions, in bands E-H. Students who are exempt will not receive the payment. For vast majority (c. 55,000) it is anticipated that the £150 payment will be included in the annual bills issued in mid-March and reflected in reduced monthly payments. This means that around 75% of households will effectively pay less Council Tax in 2022/23 than they did in 2021/22.
- 5.12.11. The future of Council Tax remains uncertain with a Citizens Assembly planned for this year to consult on alternatives and a report to then be made. There is an expectation that the report would be debated in Parliament in late 2023. It is reasonable to assume that Council Tax will remain in place until at least March 2025.

5.13. **Workforce**

Workforce Strategy

- 5.13.1 There is a continuing need to ensure the Council retains the right people, in the right roles, with the right skills and attitude. This is essential to deliver on the Council's Business Plan, and to respond to the challenges faced, as well as the opportunities.
- 5.13.2 The workforce must feel engaged in the development of the Council and the changes being made. Whilst engagement activities have been restricted due to COVID, they have now restarted with leadership forums and listening events having been held in the past few months. The organisational development programme includes a range of skill training, to ensure the workforce has the skills to deliver what is needed as the Council goes forward. Whilst leadership development is part of this programme, it is being enhanced further as part of the Best Value Action Plan. Other actions within the plan which involve the workforce include, for example, the work being done on equalities, culture, community engagement and transformational change. In addition, the Council continue to undertake a range of Service and project specific engagement activities. There is always more that can be done on this, and work continues with employees to develop the approach. This work is within the scope of the Workforce Strategy and Workforce Plan, as set out in the Business Plan (covered by a separate report on this agenda).

Workforce Changes

- 5.13.3 The Business Plan covers the work required to deliver on priorities whilst delivering savings to support the Medium Term Financial Plan. This incorporates the Workforce Strategy and Workforce Plan. It is, however, inevitable that the changes required to be made, will result a reduction in the workforce given c60% of costs are workforce related. The options being presented for Members' consideration to address the budget gap in 2022/23, if agreed, result in a net workforce reduction of c44 FTE. The options have been shared with Trade Union colleagues, who have also received a briefing on the budget. A discussion also took place at the Tripartite meeting, and an offer of further discussions was made, if Trade Unions felt these to be of assistance. Managers were also asked to ensure their teams were fully briefed on the options being presented to Members and kept engaged throughout the process. Further discussions will take place following Council, as appropriate.
- 5.13.4 To implement the options agreed by Members, work will be done to achieve the required workforce reductions through a variety of voluntary mechanisms, as far as possible. Work has already commenced and will continue to be undertaken on this. The range of voluntary options include the following areas.
- Where posts become vacant, subsequently deleting these where possible
 - Ending temporary contracts
 - Reviewing the use of agency workers or other consultant roles if any are in place
 - Monitoring vacancy management
 - Promoting redeployment where appropriate
 - Using any other voluntary method that can be agreed with the employee group
 - Offering voluntary severance

It must be noted that using such voluntary methods is becoming increasingly difficult given the on-going need to reduce workforce numbers.

- 5.13.5 Where there is a risk of redundancy, everything possible will be done to avoid this. In such circumstances and even where redundancy may eventually be avoided, there is still an obligation to provide an appropriate statutory notice to both Trade Unions and employees. This will be prepared and issued to Trade Unions following the meeting of Council, and subject to Member decisions. In this regard, steps will be taken to ensure the Council complies with its legal obligations.

Workforce Package

- 5.13.6 Whilst the budget challenges are likely to result in a reduction of workforce in some areas of the Council, it is essential that the Council remains a good employer for all employees who continue to work for the Council. The workforce package must remain attractive. The Council must ensure it can continue to recruit and retain good quality employees and have an employment package which represents Falkirk as a Council of the Future. As part of this, Members will recall that during 2021 the grades of the lowest paid jobs were reviewed to ensure the living wage is built into the pay structure. This has now been implemented.
- 5.13.7 In March 2021, as part of the Service management restructure, Council also agreed to review the Chief Officer pay structure to ensure maintenance of equal pay and reflect the new management structure. At the time it was agreed the current upper limit of pay for Chief Officers would be maintained, and any additional costs met from within existing budgets.
- 5.13.8 With support from an external consultant, to ensure an element of independence, the Chief Officer job evaluation exercise and salary benchmarking has now been completed. The total cost of implementing outcomes of this exercise for all relevant Chief Officer posts is c£63k plus employee oncosts (per annum), with new salaries taking effect from 1 April 2022. Costs will be met from within existing budgets. This compares with the net savings generated as a result of the restructure report of c£275k over 5 years and the additional savings included in this report of c£230k per annum arising from the deletion of the CEO and General Manager posts in Falkirk Community Trust.
- 5.13.9 Whilst it was agreed at Council in March 2021, that the current upper limit of pay should be maintained, it is worth noting that in terms of relativities, local benchmarking data suggests the upper limit for Directors, may benefit from review at some stage to ensure the Council is able to recruit and retain innovative and transformational leaders.
- 5.13.10 There is also awareness that the grades for those posts sitting in the middle to upper levels of the SJC pay structure have not been reviewed as part of the work now undertaken. There are also current recruitment difficulties relating to some of these posts (e.g., social workers, IT, HR, and other similarly paid posts, as well as some associated management posts). Work will therefore be undertaken over the next year to review the grades and posts in place across the Council at these levels, to ensure the Council continues to offer an attractive employment package.

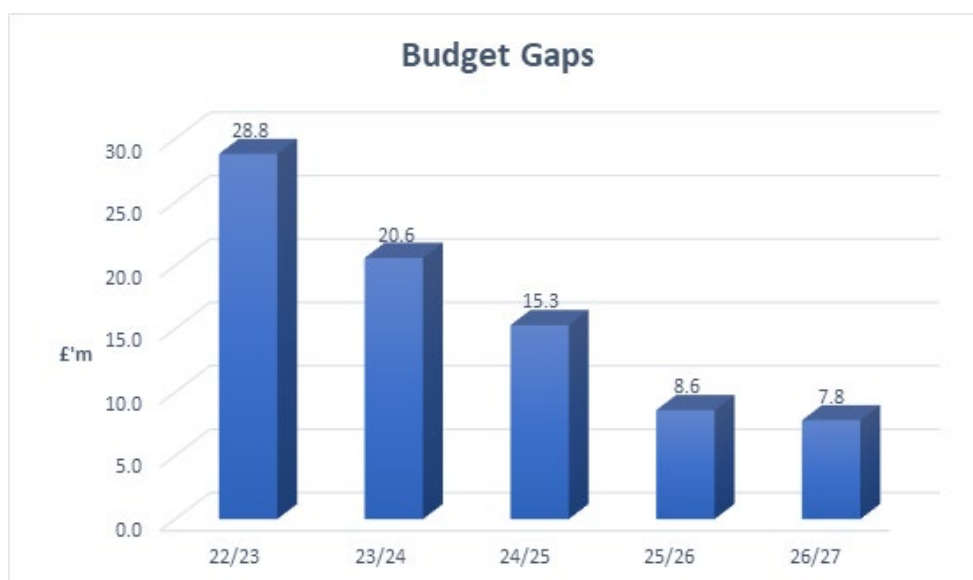
5.14. **Medium Term Financial Plan (MTFP)**

- 5.14.1. A key message from the Accounts Commission remains, “Medium and long term financial planning are important tools for making well-informed decisions and to effectively manage continuing financial challenges”.
- 5.14.2. The Council does have a medium and long-term focus. Services have access to relevant demographic data to inform forward planning e.g., demand for school places. The Council’s c£230m debt profile is clearly set out for 50 years forward. Housing operates a 50-year financial model which includes assumptions on both revenue and capital together with resources. There is also a Capital Strategy Framework.
- 5.14.3. The MTFP sets out the estimated deficits the Council is expected to encounter over the medium term and assists with proactive financial management. It comprises multiple variables but the two biggest are pay on the expenditure side and revenue support grant on the income side. In terms of pay, the rise in inflation is a factor driving upward pressure and this is reflected in emergent pay awards from trade unions. These are simply not affordable unless government funding aligns with such costs. Related to inflation, interest rates are now on a clear upwards trajectory. With respect to grant, the Scottish Government has confirmed that it will announce in May a provisional multi-year Settlement. This is a most welcome and long awaited development and will materially improve the robustness of medium term financial planning. COVID will remain a factor impacting both expenditure and income, but it is reasonable to expect that adverse effect to diminish over time.
- 5.14.4. Having estimated the forward deficits, the hard part is identifying how they may be bridged. This is the task of the Business plan which is presented as a separate item on this agenda. The ability of Council of the Future (CoTF) projects to actually deliver material savings will be a key factor. Both the Business Plan and the MTFP will be reviewed in the summer to capture the forward grant information and other significant emergent financial developments. Moreover, they will be aligned with a refreshed Corporate Plan. This portfolio of key strategic documents will provide the new Council with a solid platform to move forward and meet the evident challenges.
- 5.14.5. It is evident that COVID-19 has had a devastating impact on the public finances, and this is likely to be felt for many years to come, as the necessary repairs to the public finances are implemented. This will be a combination of tax increases, borrowing and public spending constraint, at least for those areas not protected.
- 5.14.6. The economic & public expenditure environment in Scotland looks to be particularly challenging going forward. There are several factors leading to this assessment:-
 - a) The Scottish Fiscal Commission (SFC) expects Scottish income tax revenues to grow more slowly than the rest of the UK with significant implications for the size of the Scottish spending envelope. This happens through the mechanism of the Block Grant Adjustment. The SFC expects this problem to compound over the period to 2026/27.
 - b) The Scottish Government’s cap on revenue borrowing will soon be reached, removing the ability for the above rolling deficits to be covered in this

manner (the current review of the Fiscal Agreement could change these metrics)

- c) The SFC draws attention to the gap in social security spend relative to UK funding where by 2024/25 this is expected to reach £750m
- d) The UK Spending Review positioned 2022/23 as the best of the 3 years. The actual outcome for 2022/23 has raised concern as to what then the subsequent two years hold. Flowing from this, it is known that councils are revising downwards their grant projections for these years
- e) Finally, history shows that local government tends not to do well in relative resource allocation, compared to other sectors, notably Health

5.14.7. The following chart provides the current projected deficits over the medium term. Notwithstanding 2022/23 will be balanced, large non-recurring elements used to balance that year, notably reserves, Fiscal Flexibilities and grant have been added onto the deficit for 2023/24. This reflects the point in the earlier section on Reserves and illustrates the underlying gap between expenditure and resources remains to be addressed in a sustainable manner. Having used these resources, Council needs to be aware that it faces an exceptionally challenging Budget in 2023/24. The aggregate projected deficit over the next 4 years is c£52m. Further work will need to be progressed in terms of scenario planning and sensitivity analysis.



5.14.8. There are several significant factors that will need to be factored into the MTFP and Business Plan update in the summer:-

- The new National Care Service where draft legislation signals major change
- The contract for the schools under the Council's initial PPP contract concludes in 2025. There is provision for the schools to be returned to the Council, or potentially, the contract could be extended. The significant financial implications of this are being worked through. The matter is also picked up in the Capital Programme report.
- The development of a strategy to move the Council's council tax rate towards the Scottish average. This will provide funding to meet revenue pressures and Service aspirations, as well as potentially capacity to provide gearing to the Capital Programme.

- The extra resources yielded by changes under the capital regime, to the treatment of PPP contract Service Concessions.

5.14.9. There are also important linkages with the Capital Strategy and Programme which are considered later on this agenda. Capital investment decisions have material implications for revenue forward planning. Proper regard must be had to the requirements of the Prudential Code, including affordability.

6. **Consultation**

6.1 Refer to sections 5.5, 5.6, 5.8 and 5.13.

7. **Implications**

Financial

7.1 Preparation of a balanced Budget and compliance with it thereafter is a cornerstone of the Council's corporate governance obligations.

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 (albeit it is not invalid merely because it is set on or after that date).

Risk

7.4 Risk is considered both in terms of delivery as reflected in the savings templates or set out in Appendix 6 as part of the EPIA process.

Equalities

7.5 Preparation of Equality and Poverty Impact Assessments (EPIAs) are an integral part of the budget process.

Sustainability/Environmental Impact

7.6 Refer to section 3.

8. **Conclusions**

8.1 A key part of the Budget is always the Revenue Support Grant allocation, given its materiality. The sum announced in the Scottish Government Budget in December was disappointing, but this was mitigated by a subsequent allocation announced by the Cabinet Secretary for Finance in January. A key and welcome development in this Local Government Financial Settlement was the restoration of freedom for councils to set their own level of Council Tax.

8.2 Further key components in reaching a draft balanced Budget position, are the harnessing of Fiscal Flexibilities and the revision to the profile of loans fund repayments, both approved by Council.

- 8.3 So, reaching a draft balanced position to bridge an unprecedented c£29m Gap represents a significant achievement. But it must be tempered by the recognition that three large components in achieving that are non-recurring:-

	£m
Reserves	5.5
RSG	3.4
Fiscal Flexibilities	5.3
Total	14.2

It can readily be seen that nearly half of the Gap has been met by elements that are not sustainable. They have consequently been added onto the Gap for 2023/24. As has been emphasised at several points in this report, this demonstrate that the Council continues to spend beyond its means and that this remains to be addressed in a sustainable manner. The ability of the Council of the Future portfolio of projects to actually deliver material savings, will be critical in meeting this challenge.

- 8.4 Beyond the 23/24 Budget challenge noted above, there are other near horizon events that will have significance, notably:-

- The emergence of a new Rules Based Fiscal Framework between Local and Scottish Governments, including multi-year grant settlements
- The introduction of a new National Care Service
- The termination of the Class 98 school's contract.
- The election of a new Council in May

In dealing with these challenges it is essential that the Council thinks (and acts) strategically and takes a medium/long term perspective.

- 8.5 Finally, whilst the focus is perhaps inevitably on the savings required to achieve a balanced Budget, sight is sometimes lost of the c£0.5B gross revenue expenditure which is approved. This provides a wide portfolio of valuable and valued services for the communities the Council serves.

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Appendices

As per contents page to Budget Booklet.

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