

**FALKIRK COUNCIL**

**Subject: EMPLOYMENT AND TRAINING UNIT  
BUDGET POSITION AND EXTERNAL FUNDING**  
**Meeting: FALKIRK COUNCIL**  
**Date: 16 DECEMBER 2015**  
**Author: DIRECTOR OF DEVELOPMENT SERVICES**

**1. INTRODUCTION**

- 1.1 This report provides Members with an update on the budget considerations relating to the Employment and Training Unit (ETU) arising from implementation of the process agreed on 7<sup>th</sup> October 2015. The report specifically focuses on the savings option DV47 within the thematic cluster of Young People and highlights the need for Member consideration and guidance due to consequences arising from the current budget process timetable. The report also highlights the relationship with Fairer Falkirk Funding to enable a full financial picture as this funding is part of the current delivery model.

**2. BACKGROUND**

- 2.1 ETU is a non-statutory service and, as such, included in the Council's options for budget savings previously considered by Members. The budget option extends to a total withdrawal from the delivery of employability services and closure of the unit. Whilst the service delivery is non-statutory, it is a service which is preventative in nature. The ETU provides a range of training programmes, advice, guidance and support to 1200 job seekers each year with many experiencing multiple barriers to entering employment. By developing the skills and employability of young people and other disadvantaged job seekers ETU services increase prosperity, help reduce poverty and prevent additional public sector spend on health and crime etc.
- 2.2 At present there are 33 posts in ETU of which 25 are permanent and 8 are temporary. The gross annual operating budget of the Unit in 2015/16 is £4,881,940 with a current net revenue budget contribution of £1,805,540. A total of £2,396,400 (47%) is externally earned income. A further £680,000 is allocated annually from the Council's Fairer Falkirk funding. Therefore the Council's total financial contribution is currently £2,485,540, leveraging c£1 for each £1 of Council money spent. The total expenditure budget supports payment of £2.2m to vulnerable clients in wages and allowances.
- 2.3 A total of £364,940 of savings was provided in 2015/16 and a further £350,000 has already been identified as savings from the 2016/17 revenue budget. In this financial year Members agreed a saving of £70,000 from Fairer Falkirk funding, with a further £30,000 in 2016/17. This results in a total saving from Council budgets over two years of £744,940.

2.4 Determination as to the level of savings to be attributed to ETU activity in 2017/18 was scheduled to be made by the Council in February of next year, along with all other savings options under consideration. However, as stated in paragraph 2.2, there are significant external funding streams which support ETU and as bidding for this funding requires to be made prior to the February 2016 budget setting meeting, a decision from Members is needed in advance of that date as to:

- whether such bids should be made and consequently,
- the nature and extent of the savings to be made in the ETU operation from 2017/18 moving forward.

### **3. SAVINGS OPTIONS**

3.1 The external funding opportunities arising in December 2015/January 2016 are as follows:-

- National Training Programme income, issued annually under a competitive contract process by Skills Development Scotland, these require a commitment to sustain Modern Apprenticeship activity (which involves match funded support from mainstream budgets) for up to three years post approval, and
- European Social Fund (ESF) monies allocated to the Council from the EU Structural Funds (up to £1.52m of ESF is projected to December 2018).

Each of these opportunities requires clarity on the availability of funding from the Council and the extent of the ETU operational structure moving forward which will be available to deliver the externally supported services.

3.2 Savings of £380k from ETU activities are already proposed in the 2016/17 budget. Savings option DV47, put forward in October 2015, suggests that a further saving of up to £1.4m might be achieved from withdrawal of ETU service delivery with effect from April 2017. This would terminate the Council's capacity to bid for National Training Programmes and access to European Funding as the Council's budget is required as a match funding commitment. It is therefore important for the Council to consider if it wishes to proceed in entering into contracts for the acceptance of these external funds.

3.3 The tables in Annex 1 outline four savings options from total closure to providing a core employability provision. The amounts shown for National Training Programme, Government and EU funds are subject to successful outcome of the bids to be submitted. There is potential for the scale of bids made in this, or future years, to be varied to reflect available budget or to de-commit during the contract's delivery to reflect available funds. Decisions made this year do not bind the Council from looking at savings options in this area of activity in future years.

3.4 Other than option 1, the options identified retain core staff, with options 3 and 4 involving termination of temporary contracts (required for contract delivery) and increased direct delivery. Each of the options considered has implications for service

delivery and a consequence for the corporate savings targets to be achieved from the 2016/17 budget as set out below:

***Option 1 – Total Closure of ETU***

- 3.5 If the option of closure of ETU is selected it can deliver a total saving of £2,105,540 (£1,455,540 from ETU and up to £650,000 of Fairer Falkirk funds to be determined for redirection/other savings) by 2017/18. However this would result in:

- total closure of the service with the loss of 33 jobs at ETU
- consequential job losses and impact on other Council services
- a withdrawal of support for c1200 young people furthest from the labour market including over 500 Modern Apprentices
- loss of income for local third sector delivery organisations
- the termination of employability support for over 800 vulnerable job seekers
- the potential loss of over £2.3m of external income, and
- dismantling of local employability infrastructure

Closure of ETU would be a significant change to the delivery of employability services in the Falkirk area. It would disrupt delivery in a field that has been of high priority in terms of the policies of the Council and its community planning partners.

***Option 2 – Targeted Savings – maintain service delivery capacity***

- 3.6 This option provides targeted savings over the next 3 years and seeks to sustain levels of service equivalent to that currently provided while providing a saving for the Council.
- 3.7 If option 2 is selected it can deliver additional savings of £200,000 from ETU with £100,000 of Fairer Falkirk funds to be determined for redirection/other savings. This option:

- enables the preservation of external funding of c£2.2m per annum
- protects delivery of Modern Apprentice opportunities
- estimated reduction of services for c225 young people
- continues to provide services to vulnerable job seekers with multiple barriers
- supports local third sector providers
- enables retention of delivery infrastructure to attract future devolved employability services

If agreed, this option results in £1,805,540 of savings requiring to be found from elsewhere in Council budgets.

***Option 3 – Greater reduction in budget and services***

- 3.8 This option provides increased savings of £355k from ETU and up to £400k from Fairer Falkirk (to be determined for redirection/other savings) while seeking to sustain service delivery and attraction of external funds. This option:

- enables the preservation of external funding of c£2.2m per annum

- results in a reduction of up to 150 Modern Apprenticeship opportunities
- the loss of up to 4 jobs (temporary) within ETU
- reduction of services for c400 young people
- reduces the number of services delivered by the third sector
- requires a re-modelling of the approach to delivering services
- provides the scope and potential to continue to deliver a level of core services
- requires a greater element of direct delivery and modifications to programmes, matching core staff costs to European Funding

If option 3 is selected £1,350,540 of savings would require to be found from other Council budgets.

***Option 4 – Maintain National Training Programmes and de-commit from ESF/Fairer Falkirk activity***

- 3.9 This option removes the provision of additional support for vulnerable job seekers which is planned to be supported by the £1.52m of European Social Funding allocated to Falkirk Council utilising Fairer Falkirk Funding as part of the match. Service delivery would focus on maintenance of Modern Apprenticeship programmes and the more job ready individuals closer to the labour market. An initial requirement of £350k of Fairer Falkirk funds is required as a contingent liability to sustain the operations of existing Employer Recruitment Incentive activity, match funded by Scottish Government.
- 3.10 This model retains a minimum core infrastructure for delivery of national training programmes. However programmes supporting the hardest to help job seekers would come to an end. This option involves:
- withdrawal of targeted support for the more vulnerable job seekers
  - declining the allocation of EU funding targeted at job seekers with multiple barrier such as care leaver, those with disabilities and ex-offenders
  - preservation of external funding of £1.75m per annum
  - a fundamental remodelling of the approach to services including a reduction in the range and number of services delivered
  - reduced services for 600 people including up to 200 Modern Apprenticeship opportunities
  - loss of to 8 (temporary) jobs within ETU
  - more direct delivery and less engagement with the third sector
  - dismantling of the Council's current approach to employability

If option 4 is selected it can deliver £1,105,000 of savings (£425,000 of ETU (DV47) and £680,000 of Fairer Falkirk Funding) and selection of this option requires £1,000,540 of savings to be found from elsewhere in Council budgets.

## 4. IMPLICATIONS

### 4.1 *Legal*

The national programme contracts and European Funding is accepted with the guidance of the Council's Governance staff as appropriate. It is recognised that both strands of external funding require to be delivered within agreed national operating rules and are subject to external verification, audit and compliance.

### 4.2 *Financial*

Savings from ETU and Fairer Falkirk funding of £364,940 in 2015/16 and £380,000 in 2016/17 have previously been agreed by the Council, resulting in a total saving of £744,940. The additional savings options available for decision are summarised in the table below, with further details in Annex 1:

**Figure 1 – Summary of Savings Options**

Description					
	2016/17 planned	Option 1	Option 2	Option 3	Option 4
External Income anticipated	0	0	2,257,830	2,257,830	1,750,000
Total Council budget	2,105,540	0	1,805,540	1,350,540	1,000,540
Fairer Falkirk Funding saving/redirected	30,000	650,000	100,000	400,000	680,000
Net ETU saving	350,000	1,455,540	200,000	355,000	425,000
<b>Total savings</b>	<b>380,000</b>	<b>2,105,540</b>	<b>300,000</b>	<b>755,000</b>	<b>1,105,000</b>
<b>Amount to be found in other savings</b>		<b>0</b>	<b>1,805,540</b>	<b>1,350,540</b>	<b>1,000,540</b>

Contingent on the option selected the Council will have to initiate work to identify savings in other service areas.

### 4.3 *Equalities & Poverty*

An Equalities and Poverty Impact Assessment (EPIA) has been undertaken for the proposals identified and suggests the following impact in respect of each option:

- *Option 1* – This option results in an adverse impact on c1200 young people furthest from the labour market. It is anticipated that 225 individuals with multiple barriers would not be supported and c 800 young people per annum would not receive enhanced employability training with progression to Modern Apprenticeship opportunities withdrawn for up to 500 people. Young people are disproportionately affected by unemployment with the average rate for young people at 15% against 5.5% for all unemployed. Harder to help young people with multiple barriers in accessing employment would be particularly affected.
- *Option 2* – This option will limit the impact on the hardest to help with provision being in place for people with disabilities, ex-offenders and care leavers as well as those who require additional support to increase their skills and enter employment. An estimated reduction of services for 225 young people results from this option.

- *Option 3* – This option will reduce the Council's ability to respond to funding opportunities and will limit the individualised approach required by those who have multiple barriers to employment. The activity with the third sector and specialised providers will be reduced, with more focus on in-house delivery to protect jobs. An estimated reduction of services for 400 people results from this option.
- *Option 4* – This option will have an impact on the most vulnerable. Resources would cease to be directed at those who experience poverty and inequality and require enhanced, targeted and more varied provision enabled via the EU funds and the Fairer Falkirk Funding. Specialist support for those with disabilities would no longer be available. The employment rate for people with a disability is 43% against an average employment rate of 74% illustrating that continued effort is required to close the gap. An estimated reduction of services for 600 people results from this option.

## 5. CONCLUSION

- 5.1 Members are asked to consider the above options in advance of the full budget meeting in February 2016. This is in order to enable the Council to consider its acceptance of future contracts and attract the external funding required to facilitate on-going and new delivery from January 2016. The Council will be able to consider a similar report in relation to external funding bids in next and future years in order to confirm its capacity to bid for and attract these funds and determine the level of activity to sustain.

## 6. RECOMMENDATION

- 6.1 It is recommended that the Council:
- a) Notes the options presented above in respect of the future funding arrangement for the Council's Employment & Training Unit
  - b) Notes the EPIA prepared for the savings option selected to outline the consequences of the agreed decision.
  - c) Agrees a preferred option in order to determine the capacity to support external funding bids and delivery of training contracts.

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pp Director of Development Services

Date: 24 November 2015

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### **Background Papers**

1. National Training Programme Contract Documentation 2015/16 and 2016/17
2. European Social Fund – Employability Pipelines 2014 – 2020 – Falkirk Council Strategic Intervention and Allocations Letter of Grant Offer
3. Employment and Training Unit Operating Plan
4. Consultation Document - The Future of Scotland's Employability Services July 2015
5. Falkirk Council Response to Consultation on Future of Scotland's Employability Services October 2015
6. Local Government Policy Statement on Employability – October 2015
7. Equalities and Poverty Impact Assessment: DV47 Reduction in Employment & Training services.

Any person wishing to inspect the background papers listed above should telephone 01324 504446 and ask for Pamela Smith

## ANNEX 1

### *Summary of Financial Details for ETU Savings Options*

#### *Option 1 – Total Closure of ETU*

Description (£)	2014/15	2015/16	2016/17	2017/18	Saving from 2016/17
National Training Programmes	1,737,590	1,454,350	1,400,000	0	
EU Funding	529,990	455,000	507,830	0	
Government /Other Grants	316,790	487,050	275,000	0	
Total External Income	2,584,370	2,396,400	2,182,830	0	
<b>Fairer Falkirk Funding*</b>	<b>750,000</b>	<b>680,000</b>	<b>650,000</b>	<b>0</b>	<b>650,000</b>
<b>Net ETU Budget</b>	<b>2,100,480</b>	<b>1,805,540</b>	<b>1,455,540</b>	<b>0</b>	<b>1,455,540</b>
<b>Total Expenditure</b>	<b>5,434,850</b>	<b>4,881,940</b>	<b>2,105,540</b>	<b>0</b>	
<b>Total Falkirk Council Budget</b>	<b>2,850,480</b>	<b>2,485,540</b>	<b>2,105,540</b>	<b>0</b>	
<b>Potential Total Savings</b>		<b>364,940</b>	<b>380,000</b>	<b>2,105,540</b>	<b>2,105,540</b>

#### *Option 2 – Targeted Savings – maintain service delivery capacity*

Description (£)	2014/15	2015/16	2016/17	2017/18	2018/19	Saving from 2016/17
National Training Programmes	1,737,590	1,454,350	1,400,000	1,400,000	1,400,000	
EU Funding	529,990	455,000	507,830	507,830	507,830	
Government/ Other Grants	361,790	487,050	275,000	300,000	350,000	
Total External Income	2,584,370	2,396,400	2,182,830	2,207,830	2,257,830	
<b>Fairer Falkirk Funding*</b>	<b>750,000</b>	<b>680,000</b>	<b>650,000</b>	<b>600,000</b>	<b>550,000</b>	<b>100,000</b>
<b>Net ETU Budget</b>	<b>2,100,480</b>	<b>1,805,540</b>	<b>1,455,540</b>	<b>1,305,540</b>	<b>1,255,540</b>	<b>200,000</b>
<b>Total Expenditure</b>	<b>5,434,850</b>	<b>4,881,940</b>	<b>4,288,370</b>	<b>4,113,370</b>	<b>4,063,370</b>	
<b>Total Falkirk Council Budget</b>	<b>2,850,480</b>	<b>2,485,540</b>	<b>2,105,540</b>	<b>1,905,540</b>	<b>1,805,540</b>	
<b>Potential Total Savings</b>		<b>364,940</b>	<b>380,000</b>	<b>200,000</b>	<b>100,000</b>	<b>300,000</b>

#### *Option 3 – Greater reduction in budget and services*

Description (£)	2014/15	2015/16	2016/17	2017/18	2018/19	Saving from 2016/17
National Training Programmes	1,737,590	1,454,350	1,400,000	1,400,000	1,400,000	
EU Funding	529,990	455,000	507,830	507,830	507,830	
Government/ Other Grants	361,790	487,050	275,000	300,000	350,000	
Total External Income	2,584,370	2,396,400	2,182,830	2,207,830	2,257,830	
<b>Fairer Falkirk Funding*</b>	<b>750,000</b>	<b>680,000</b>	<b>650,000</b>	<b>380,000</b>	<b>250,000</b>	<b>400,000</b>
<b>Net ETU Budget</b>	<b>2,100,480</b>	<b>1,805,540</b>	<b>1,455,540</b>	<b>1,205,540</b>	<b>1,100,540</b>	<b>355,000</b>
<b>Total Expenditure</b>	<b>5,434,850</b>	<b>4,881,940</b>	<b>4,288,370</b>	<b>3,793,370</b>	<b>3,608,370</b>	



<b>Total Falkirk Council Budget</b>	<b>2,850,480</b>	<b>2,485,540</b>	<b>2,105,540</b>	<b>1,585,540</b>	<b>1,350,540</b>	
<b>Potential Total Savings</b>		<b>364,940</b>	<b>380,000</b>	<b>520,000</b>	<b>235,000</b>	<b>755,000</b>

*Option 4 – Option 4 – Maintain National Training Programmes and de-commit from ESF/Fairer Falkirk activity*

<b>Description (£)</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Saving from 2015/16**</b>
National Training Programmes	1,737,590	1,454,350	1,400,000	1,400,000	1,400,000	
EU Funding	529,990	455,000	0	0	0	
Government/ Other Grants	361,790	487,050	275,000	300,000	350,000	
Total External Income	2,584,370	2,396,400	1,675,000	1,700,000	1,750,000	
<b>Fairer Falkirk Funding</b>	<b>750,000</b>	<b>680,000</b>	<b>350,000</b>	<b>0</b>	<b>0</b>	<b>680,000</b>
<b>Net ETU Budget</b>	<b>2,100,480</b>	<b>1,805,540</b>	<b>1,455,540</b>	<b>1,105,540</b>	<b>1,000,540</b>	<b>425,000</b>
<b>Total Expenditure</b>	<b>5,434,850</b>	<b>4,881,940</b>	<b>3,480,540</b>	<b>2,805,540</b>	<b>2,750,540</b>	
<b>Total Falkirk Council Budget</b>	<b>2,850,480</b>	<b>2,485,540</b>	<b>1,805,540</b>	<b>1,105,540</b>	<b>1,000,540</b>	
<b>Potential Total Savings</b>		<b>364,940</b>	<b>£680,000</b>	<b>£650,000</b>	<b>£105,000</b>	<b>£1,105,000</b>

\* Fairer Falkirk Funding is contingent on Council decision over redirection or other savings required.

\*\* in Option 4 £350,000 of Fairer Falkirk funds are required as contingent liability in 2016/17 for delivery of Scottish Government grant funding.