The background of the slide features a large, light blue watermark of the University of Alberta crest. The crest is a shield divided into four quadrants. The top-left quadrant shows a building, the top-right shows a stag's head, the bottom-left shows a sailing ship, and the bottom-right shows an eagle with its wings spread. Above the shield is a crown with four floral motifs. Below the shield is a banner with the motto 'ANNE FOR A'.

Agenda Item 5

Financial Overview

Title: Financial Overview
Meeting: Emergency Executive
Date: 25 June 2020
Submitted By: Director of Corporate and Housing Services

1. Purpose of the Report

- 1.1 The main purpose of the report is to provide an initial assessment of the impact on the Council's finances in this unparalleled and uncertain time due to COVID-19. There is also an update on 2019/20 and some initial considerations for the budget planning process going forward. Some content has previously been shared with Group Leaders.
- 1.2 The focus of this report is on the General Fund Services, later reports will provide updates on the Council's capital programmes.

2. Recommendations

2.1 The Emergency Executive is invited to note the:

- (1) Council's year-end financial position subject to Audit for 2019/20**
- (2) initial assessment of the current financial year and to recognise the need for proactive action to manage the situation which may merit a special Members' workshop**
- (3) need for all Service's to exercise effective financial control**
- (4) initial considerations of the MTFP and 2021/22 budget process**
- (5) need to determine a ZBB type budget process suitable for Falkirk Council**

2.2 The Emergency Executive is invited to consider (with Pest Control deferred to later in the agenda) and agree the new savings proposals detailed at paragraph 3.2.34.

3. Considerations

3.1 2019/20 Provisional Outturn

General Fund

- 3.1.1 Appendix 1 sets out both General Fund net expenditure by Service and how it is financed. Movements between budget and projected outturn are expressed in monetary and percentage terms.

3.1.2 Net expenditure at the 31 March 2020 was £350.6m which is £1.782m (0.5%) above the resources available. This is a marginal increase of £0.406m in comparison with the position that was reported to Members in January. The significant movements are summarised below:

- Children's Services – Increased overspend is primarily due to significantly higher residential care costs and higher teaching costs. These increases have been partially offset by a contribution of £0.723m from the DSM Reserve.
- Development Services – improved position due to lower waste services costs
- Corporate & Housing – lower employee costs across the service and reduced supporting people costs has contributed to the increased underspend
- Integration Joint Board – Due to higher care costs, it was advised in January that there would be an overspend of this magnitude
- Capital Charges – A planned repayment of historic debt has not been undertaken due to the more pressing need to maintain the Council's reserve balances. This has increased the underspend by c£1.1m from the previously reported position

3.1.3 Appendix 1 also shows a projected General Fund balance of £9.542m, an increase of c£0.5m from the position reported in January. This is comfortably within the 2% policy range of annual revenue expenditure (giving a range of £7.5m-£11m) and is there to help mitigate the pressures flowing from the current crisis. See later comments on Reserves.

Housing Revenue Account (HRA)

3.1.4 Overall, the HRA spending of £70.82m (Appendix 2) was in line with budget. The figure for the HRA incorporates a payment of £1.414m to the IJB for in scope services e.g. garden aid and adaptation expenditure. There are underspends in staff costs and capital charges which are offset by increased support services, repairs costs and reduced rent income.

3.1.5 The reserve balance brought forward at 1 April 2019 was £5.093m and there was no application of reserves for 2019/20. The current projected level of reserves is considered to be prudent to meet future revenue and capital investment requirements. This level is in line with the Scottish average of c10% of annual expenditure.

3.1.6 The final accounts process is underway and the figures will be subject to final audit review.

3.2 Current Year Overview 2020/21

3.2.1 In responding to the crisis the Council has incurred significant additional costs (i.e. costs that are additional to business as usual) in responding to the crisis. The most significant of these are social care costs. Additional measures will add to these cost pressures, particularly with regard to the opening of schools, as the lock down is lifted and the country enters new phases.

3.2.2 As matters stand there are currently five main financial risks

- Government funding is not sufficient to cover the loss of income and additional costs
- planned budget savings will not be achieved
- Recharges to Capital
- the funding for the IJB Mobilisation Plan will not be sufficient
- the rewind of the furlough scheme does not align with the Trust's ability to operate full revenue generating capacity.

3.2.3 A reporting mechanism has been set-up by Cosla to collate the financial pressures across all Councils. Returns are submitted on a regular basis, with the latest presented on 15th May. Work is currently underway on completing the next return that is due on the 19th June which aims to quantify the full year effect of COVID-19. This report presents the work to date, any significant differences with the finalised return will be reported to Members.

Government Funding

3.2.4 There is an ongoing expectation from Cosla that any additional costs and lost revenue should be met in full by the UK and Scottish Governments. The Scottish Government recently confirmed the allocation of a further £155m to local government. However, the letter from the Cabinet Secretary for Finance on the 26 May noted that there were no more financial resources to allocate. Therefore, there is a significant risk that the funding will fall short of the Council's expectations and requirements over the course of the financial year. A summary of the funding received and anticipated is noted below

Description	£'000	Comments
Revenue Support Grant	4,485	This funding reflects the Council's share of the £155m recently allocated and will be applied to budgetary and cost pressures arising from the crisis
Hardship Fund	1,447	This is a discretionary fund and no specific purpose has been identified. This will be applied to budgetary and cost pressures arising from the crisis with a notional allocation to meet expected excess food costs
Scottish Welfare Fund	615	This was added to the existing budget for the Scottish Welfare Fund and the spend will be monitored as appropriate.
Food Fund	878	A report presented to the Emergency Executive on 28 May provided an update in the use of this funding
Social Security	TBC	Funding is anticipated to meet the expected increase in the cost of the Council Tax Reduction Scheme. No funding has been distributed and it is too early to see the effect on council tax.
Registration	TBC	The Council will receive a share of £600k for registration services. This is to support the recording of deaths over weekends/public holidays over a 12 week period as a result of the crisis.
Total	7,425	

Loss of Income

- 3.2.5 A significant aspect for all Councils, is the loss of income reflecting the reduction in fees and charges for services that are currently not being provided during the current lockdown, such as school meals, parking charges, planning applications and leisure services provided by the Trust. Once the country starts to emerge from the lockdown it may also be some time before income gets to the levels currently budgeted. This is a particularly significant risk for Falkirk Community Trust (see para. 3.2.39). The current estimated loss of income from fees and charges for Council Services is £4m.
- 3.2.6 It is also clear that due to reduced employment many citizens will see their household income negatively impacted. While there is a range of means tested support available to offer some protection it is likely that many will have significant financial difficulties and require support through this transition. It will take more time to collect the sums due and over the course of future financial years debt recovery for areas such as council tax, housing rents and commercial rents will be affected. This can be managed in terms of cashflow but an increase in bad debt provision will need to be factored into the budget.
- 3.2.7 A summary of the key Council income streams are considered in the following paragraphs, but it must be emphasised that due to the significant and

extensive uncertainties allied to the early stage of the financial year, that the estimates derived have to be heavily caveated.

- 3.2.8 Cashflow is being raised by some councils as an issue, but is not viewed as a significant issue given the Council's ability to readily borrow on the money market, the low interest cost & the Scottish Government front-loading of grant payments.

Council Tax

- 3.2.9 There are two main factors which impact on financial outturn relative to budget (£69.49m) and they are the expected increase in tax base (new build properties in the main) and bad debt provision.
- 3.2.10 When the economy contracts house building is routinely impacted and can take some time to recover and therefore the expected growth of £250k in 20/21 is likely to be significantly impacted. A 50% reduction in the estimate would equate to £0.125k.
- 3.2.11 Income from Council Tax in April and May was almost exactly £2.4m lower than same period in 2019, allowing for the 4.84% increase agreed in February budget. Most of the shortfall relates to reduced payment of previous years charges (£1.4m) with the rest attributable to current year instalments (£1m). Based on the limited trend information the aggregate Council Tax debt at end of 2020/21 is expected to be £3.6m higher than it would have been had it not been for COVID-19. All recovery options will be pursued and the majority of this debt will ultimately be recovered but c.25% (£900k) is currently anticipated as being irrecoverable and will require an increase in bad debt provision. Coupled with an estimated reduction of expected growth of 50%, the total financial effect is c£1m.
- 3.2.12 No recovery action was undertaken in April or May and all taxpayers can spread payments from over the remainder of financial year where they are unable to catch up with any missed instalments. Officers are engaging with those taxpayers who have fallen behind to identify any entitlement they may have to financial support (e.g. Council Tax Reduction) and if they have any need for specialist debt or budgeting advice.

Housing Rents

- 3.2.13 By bringing forward the 4 no charge weeks to run from 6th April, immediately after a no charge week that ran from 30th March, the impact of COVID on rent arrears was delayed. May saw an increase in rent debt of £492k and as there will not be an immediate return to normal recovery it is expected that rent arrears will continue to grow, albeit gradually and more slowly, for the remainder of the financial year. The current estimate, based on the limited data available, is that arrears could increase by around £2.7m during 2020/21.
- 3.2.14 Similar to Council Tax the financial impact has more than one component and for rent there these are slower growth in stock numbers (due to reduced buy-backs and potential delays in small number of new build properties planned for 2020/21), the cost of the Tenancy Support Fund (£200k), and the future

need for an increase in bad debt provision. Assuming that 35% of increase in arrears is irrecoverable this would require an increase in Bad Debt Provision of £950k. This would be around 1.6% of the forecast £57.88m to be raised from housing rent in 2020/21.

- 3.2.15 Officers are actively engaging with tenants who are in rent arrears with a clear focus on debt prevention rather than debt recovery. During contact with tenants they establish household circumstances, maximise financial support, and make referrals for specialist advice where appropriate. If it is clear that a tenant has the ability to pay their rent but is choosing not to do so recovery action will progress, but at this stage no legal action will be taken to recover the property.

Non-Domestic Rates

- 3.2.16 While it does not affect the Council's revenue budget, due to the national pooling arrangements, income from Non-Domestic Rates will be reduced because of the additional reliefs introduced by Scottish Government (£15m already awarded to retail, hospitality and leisure businesses) as well as the wider economic impact. As at end of May income received is more than the same period last year but that is due to large value payments from public sector bodies. As rates recovery action does not commence until October the true position will not be clear until late autumn. The rates income distributed to the Council is £70.4m.

Commercial Rents

- 3.2.17 The Council is in the process of developing a rent deferment scheme for tenants who have fallen into rent arrears during the lockdown. The primary focus of this is to retain businesses within the portfolio which will mitigate vacancies and rental income loss. The budget for commercial rental income is £4.5m.
- 3.2.18 The vacancy rate in the portfolio pre lockdown was under 5%. However with economic output in Scotland predicted to decline by 20% - 25% according to Fraser of Allander Institute if current restrictions continue for another 2 months; it is likely that occupancy levels and rental income of the commercial property portfolio will be similarly affected. Early market predictions are that the industrial sector will be resilient but both retail and offices sectors will see a decline. A 25% reduction in commercial rents would equate to £1.1m.

Additional Costs

- 3.2.19 To date the Council has incurred £1.7m of additional costs relating to COVID-19. Primarily this has been for repairs to temporary accommodation, childcare provision, food vouchers and school meals. There are also some reductions in Council expenditure, notably from closure of buildings, however these are dwarfed by the negative impact of COVID-19 and are therefore not as material as some may perceive.
- 3.2.20 As noted above work is ongoing to identify the full year effect which will be very dependent on the timescales the country emerges from the lockdown

and the effect of future Scottish Government decisions. The biggest impact is expected on Children's Services which estimates additional unbudgeted costs for areas such as building cleaning, school transport and nursery provision. From the work undertaken to date the initial estimate of additional costs are £7.4m and are shown below. This figure will be continue to be reviewed and evaluated as more information becomes available and the situation becomes clearer.

	£'000
Children's	
School Transport	3,200
Building Cleaning	1,200
School Meals & Food Vouchers	1,100
Other Expenditure	800
Early Years Funding (Para. 3.2.21)	<u>(2,400)</u>
	3,900
Repairs to Temporary Accommodation	800
Personal Protective Equipment (PPE)	1,000
Scottish Welfare Funding	615
Other Expenditure	1,500
Operational Savings	<u>(415)</u>
	7,400

3.2.21 The Scottish Government have agreed flexibility can be applied to early years funding. A total of £2.4m, including £1.7m carried forward from 2019/20, can be utilised to support the response to COVID-19 and services provided to children of key workers and vulnerable children. Creating this funding flexibility has been possible due to effect that the lockdown across the building and construction industry has had on the Council's expansion plans not being delivered and the Scottish Government's decision to temporarily cease their statutory plans for early years expansion to 1140 hours from August 2020. It is still very much remains the aim to progress and deliver 1140 hours of early years provision for all children. However, Children's Services COVID related Local Phased Delivery Plan is currently focussing on ensuring that there is the capacity and resources to delivery 600 hours of provision from August 2020 as a first phase. This has, therefore, reduced the expected level of planned revenue expenditure.

Non Delivery of Planned Budget Savings

3.2.22 In light of the current crisis, Services have reviewed the deliverability of savings for 2020/21, updated EPIAs and have been asked to identify new savings options, some of which will require Member approval. This review is ongoing and the latest position is detailed at Appendix 3 and summarised in the table below.

	Savings Agreed £'000	Savings Achievable £'000	Net Cost/ (Saving) £'000	EPIA Status
<u>Agreed Savings</u>				
Children's Services	(6,204)	(2,766)	3,438	
Development Services	(2,380)	(1,758)	622	
Corporate & Housing Services	<u>(1,547)</u>	<u>(1,122)</u>	<u>425</u>	
	(10,131)	(5,646)	4,485	
<u>Service Operational Savings</u>				
Property Savings	-	(142)	(142)	
HRA Recharges	-	(70)	(70)	
Misc Supplies & Services	-	<u>(70)</u>	<u>(70)</u>	
	-	(282)	(282)	
<u>Council Wide Savings</u>				
Living Wage	-	(500)	(500)	
Non Domestic Rates	-	(180)	(180)	
Loan Charges	-	<u>(293)</u>	<u>(293)</u>	
	-	(973)	(973)	
<u>Savings Requiring Members Approval</u>				
Special Uplift	-	(300)	(300)	Low
Pest Control Services	-	(100)	(100)	Low
Flower Bedding & Baskets	-	(100)	(100)	Low
Close Public Toilets	-	(138)	(138)	Medium
Close Canteen Facilities	-	<u>(30)</u>	<u>(30)</u>	Low
	-	(668)	(668)	
Total New/Alternative Savings	-	(1,923)	(1,923)	
Overall Totals	(10,131)	(7,569)	2,562	

Children's Services

3.2.23 Savings within the Closer to Home project will be delayed but work is underway to review the strategy and consider changes which will support the aims of reducing costs and better outcomes. Transformation underpinned by Closer to Home is primarily driven by projects to shift the balance of care; there are delays in young people moves and foster carer recruitment as a result of the current crisis. It is anticipated that, as the Council emerges from the lockdown, c5months of the planned savings could be achieved.

3.2.24 The target for inflation and demographic rebasing £1.867m will not be met. There are now also unbudgeted challenges in meeting actual staffing requirements, Pupil Teaching Ratio and dealing with COVID19 pressures.

Development Services

- 3.2.25 The savings from the smart car smart travel are dependent on Council approach to pool car use post COVID-19. The amount of the £0.2m savings identified as unachievable has still to be confirmed with any balance being carried forward to 2021/22.
- 3.2.26 Vacant posts identified within Bereavement services of £0.031m cannot be deleted given the permanent changes to service required as part of business continuity.
- 3.2.27 Only 50% £0.125m of the savings identified from a reduction in the overtime worked in Roads and grounds is deemed achievable. This is linked to COVID-19 recovery and contingent on the approach taken to service delivery. Pre COVID-19, management of overtime was in place, APSE report highlights working practice efficiency changes, however the extent to which change can be achieved will be informed by date of working practice change.
- 3.2.28 Staff savings within the commercial property & asset management team will be needed to manage the COVID-19 impact on commercial and industrial property occupation. This saving can be carried forward to 2021/22.

Corporate & Housing Services

- 3.2.29 Of the £0.3m procurement savings planned from supplier contracts only £0.1m is considered to be achievable. Due to the COVID-19 crisis contracts planned for renewal in 2020/21 are being extended for 6 months thus restricting the capacity for savings.
- 3.2.30 Savings planned from contract rebates and prompt payment of invoices £0.079m are also considered unachievable. Contract rebate income is based on contract spending and capacity to generate additional income is restricted due to reduced levels of contract spending, particularly on construction related contracts.
- 3.2.31 The significant staff savings within Customer and Business support are on target however, a reduction of £0.05m is required to allow an additional 2 FTE in the contact centre to improve call handling performance. This will reduce the agreed savings from £0.527m to £0.477m.
- 3.2.32 The Service Operational Savings of £0.282m have been identified to cover half of the identified 'red' savings and work is ongoing to cover the balance.

Council Wide Savings

3.2.33 There are also council wide operational savings of £0.973m that can be utilised to offset the non-delivery of planned savings.

- Councils are required to fully consolidate the Scottish Local Government Living Wage by March 2021. A budget of £0.500m was created in 2020/21 to cover additional costs in implementing these changes but will now not be required until the next financial year.
- The non-domestic rate poundage rate was frozen at previous years levels resulting in a budget saving of c£0.180m.
- Ongoing debt restructuring and management will result in loan charge savings of £0.293m.

Savings Requiring Members Approval

3.2.34 New savings proposals identified by Services that require Members approval for 2020/21 are as follows:

- Closure of Public Toilets £0.138m. Given the current COVID-19 situation it is unlikely that these will be open any time soon.
- Close canteen facilities at Municipal Buildings and Abbotsford House £0.030m. Again due to the current situation it is unlikely that these will be open any time soon and given that the majority of staff are working from home the footfall will be minimal and there would be no business case that would make them viable. Staff would be relocated.
- Reintroduction of Special Uplifts in Waste Services £300k. Although this service has commenced it could be halted and most of saving made.
- Reintroduction of Flower Bedding in Grounds Maintenance £100k. This is currently on hold due to the impact of COVID restrictions and, as such it is unlikely that there will be any significant progress with this until restrictions are relaxed, following which the ability to support or provide the service will be reviewed. The entire saving could therefore be made.
- Reintroduction of Pest Control in Waste Services £100k. A separate report on this follows on the agenda for Members' consideration.

Recharges to Capital

- 3.2.35 In normal circumstances costs incurred by the General Fund are recharged to the HRA or the capital programme. This can be for works undertaken by the BMD and Roads, or professional fees charged for managing the capital programme.
- 3.2.36 These charging arrangements are currently being reviewed in discussion with COSLA and Audit Scotland. While there is agreement that even if the works are not being carried out at the moment the relevant costs can still be charged to the HRA.
- 3.2.37 There is no confirmation that such costs can be charged to capital if the services or works have not actually been undertaken or provided. However, in respect of professional fees as the design work is still being carried out and these costs will be charged to the capital programme as normal. In respect of the actual works, the main exposure relates to the Roads Department. Assuming the country emerges from the lockdown as planned, Development Services are confident the budgeted income of c£5m will still be achieved.

Integration Joint Board

- 3.2.38 The vast majority of work to progress the IJB delivery plan and associated savings initiatives was suspended as a result of the crisis. A mobilisation plan to respond to the crisis was prepared and approved by the Scottish Government. The estimated annual cost, for both Council and NHS services, delivered by the Health and Social Care Partnership, was initially estimated at c£13.7m. This cost includes the non-achievement of the IJB savings of c£2.8m. The plan reflected a worst case scenario and is currently being revised and due to be submitted to the Scottish Government on the 22nd June
- 3.2.39 To date the Scottish Government has only provided the IJB with additional funding of c£1.444m towards immediate COVID-19 related cost pressures within social care services. The Council's financial exposure would be any planned savings and additional costs that were not covered by Government funding. Of the planned savings only c£1m out of the £2.8m is deemed achievable at this stage, and to date, the IJB has incurred £1.082m of additional costs and loss of income due to suspension of charging for certain services. This results in a financial pressure of c£1.4m.
- 3.2.40 Work is underway with service managers to reassess the savings position as part of the IJB's response to phase 1 recovery planning in line with the Scottish Government's "framework for decision making - Scotland's route map through and out of the crisis".

Falkirk Community Trust

- 3.2.41 FCT have made an application through the UK Government's Job Retention Scheme with c£1.1m claimed for employees furloughed during March, April & May. The Job Retention Scheme is aimed at maintaining the current workforce by placing employees on furlough and then applying for a grant that covers 80% of employees' usual monthly wage costs, up to £2,500 a month,

plus associated Employer NI contributions and the minimum employer pension contributions.

3.2.42 The first application to the Scheme has proved successful, however if any sums paid through the scheme were to be recovered by the Government at a later date, then a net cost will arise. The maximum exposure could be the equivalent value to lost monthly income of c£750k less any operational savings.

3.2.43 The Job Retention Scheme will continue in its current form until the end of July. The Scheme, though, is due to end in October and changes from August through to the end of the Scheme will also reduce the amounts payable. The effect of these changes will be captured in the Recovery Plan that is currently being developed by FCT.

3.2.44 Despite the changes to the Scheme and assuming FCT can continue to make successful claims, the costs being incurred by FCT to the end of October should be covered by the combination of the Service Payment from the Council and the grant received from the UK Government. Once the grant is removed, the Trust will again be fully dependent on the Service Payment and paying customers. However, the current social distancing constraints along with fragile public confidence will severely restrict the capacity of the Trust to generate the levels of income previously achieved and will also result in additional costs. The financial effects of reopening will be developed as part of the Recovery Plan process, however the Trust Chief Executive currently estimates that FCT will do well to achieve 15%-25% of the budgeted income for the final five months of the year. Achieving only 15% of budgeted income would create a financial pressure of c£3.2m to the end of the financial year.

Overall Financial Effect

3.2.45 The current estimated full year net financial effect is **£14.2m** and is summarised below.

	Para. Ref.	£'000
Government Funding	3.2.4	(7,425)
Loss of Income:-		
Service Fees and Charges	3.2.5	4,000
Council Tax	3.2.11	1,000
Housing Rents	3.2.14	950
Commercial Rents	3.2.18	1,100
Additional Costs	3.2.19	7,400
Budget Savings Not Achieved	3.2.20	4,485
New/Alternative Budget Savings	3.2.20	(1,923)
Integration Joint Board	3.2.37	1,400
Falkirk Community Trust	3.2.42	3,200
Overall Net Cost		14,187

3.2.46 Whilst a Reserve level of £9.5m is appropriate for normal times, these most evidently are exceptional times and, critically, the consequences will impact for many years and most acutely for the following several years. In these circumstances, whilst some level of reserve will need to be applied to balance the current financial year, this resource needs to be protected to help deal with the inevitable financial pressures in the subsequent years. Consequently, it is evident that additional proactive decisions will be required by both officers and Members to secure the financial integrity of the Council in the current financial year.

3.3 Business Grants

Wave 1 – Business Support Grants

3.3.1 On 24th March a Business Support Grant scheme was launched with grants of £10,000 and £25,000 available. Eligibility for the £10,000 grant was for ratepayers with a rateable value below £18,000 and, at least initially, where they were in receipt of Small Business Bonus Scheme Relief (or would have been had they not received one of a limited number of other reliefs). The £25,000 grant was for ratepayers who had a retail, hospitality, or leisure premise with a rateable value between £18,001 and £51,000.

3.3.2 Businesses were initially limited to a single grant, within whole of Scotland, no matter how many premises they occupied.

3.3.3 As expected, with a brand new scheme designed to respond to the pandemic, there then followed a number of clarifications to scheme and extensions to eligibility. A couple of the more material issues were:

- a. Ratepayers who were not liable on 17th March 2020, but should have been, were confirmed as eligible in late April
- b. Charities were confirmed as eligible for the £10,000 grant on 11th May

3.3.4 In addition, on 5th May, a phase 2 scheme was launched which allowed some businesses with multiple properties to get a further grant for each additional property at 75% of the value of the original grants (i.e. £7,500 and £18,750 respectively).

3.3.5 The table below shows the volume and value of grants awarded as at 9th June for both phase 1 and phase 2.

	£7,500 Grant	£10,000 Grant	£18,750 Grant	£25,000 Grant	Total
No. of grants paid	94	1,655	27	159	1,935
Value of grants paid	£0.705m	£16,550m	£0.506m	£3.975m	£21,736m

- 3.3.6 On 8th June a Phase 3 commenced which allowed some retail, hospitality, and leisure businesses with multiple properties to be eligible for additional grant payments on properties with a rateable value below £18,000, as long as total rateable value of all their properties does not exceed £500,000. Phase 3 also allows some businesses who share office/workspace with other businesses, and are not the ratepayer, to be eligible for a £10,000 grant.
- 3.3.7 The scheme was originally intended to be open to applications until 31st March 2021 but this has now been amended and the last date for applications will be 10th July 2020.

Wave 2 - Newly Self-employed/Micro Businesses

- 3.3.8 On the 15th April the Scottish Government announced a further package of support for self-employed people, viable micro and SME businesses in distress due to COVID. Subsequently the Economy Secretary on the 21st April announced specific details of the £34m (Falkirk's share is £0.5m)- Newly Self Employed Hardship Fund to be managed by local authorities with grants of £2,000 to be allocated to the newly self-employed (post 6th April 2019) facing hardship and not eligible to receive other previously announced business support packages by UK and Scottish Governments.
- 3.3.9 The fund was launched by Falkirk Council along with all other local authorities on 30th April. All eligible applications have been processed within 10 working days with due diligence exercised by Falkirk Council to meet SG hardship fund guidance and eligibility criteria.
- 3.3.10 Using the same application processes established for the support grants, hardship fund applications are received, administered, managed, processed and reported by Economic Development, with Revenues and Corporate Fraud Team supporting the processing and verification of approved payments.
- 3.3.11 The application process for the newly self-employed is based on self-declaration criteria where Scottish Government set out specific eligibility conditions requiring to be met including:
- to be a resident in the local authority area,
 - not in receipt of or awaiting any form of Universal Credit (specifically, Universal Credit, Statutory Sick Pay, Employment and Support Allowance, Job Seekers' Allowance, Income Support, or have applied for but not yet started receiving Universal Credit or an advanced payment of Universal Credit),
- 3.3.12 Based on data provided by HMRC, an upper threshold of potentially 495 eligible self-employed businesses in the Falkirk area with a take-up rate anticipated at potentially 80% was estimated. Falkirk Council was allocated £817k to be awarded from the fund. As at 9th June 193 grant applications

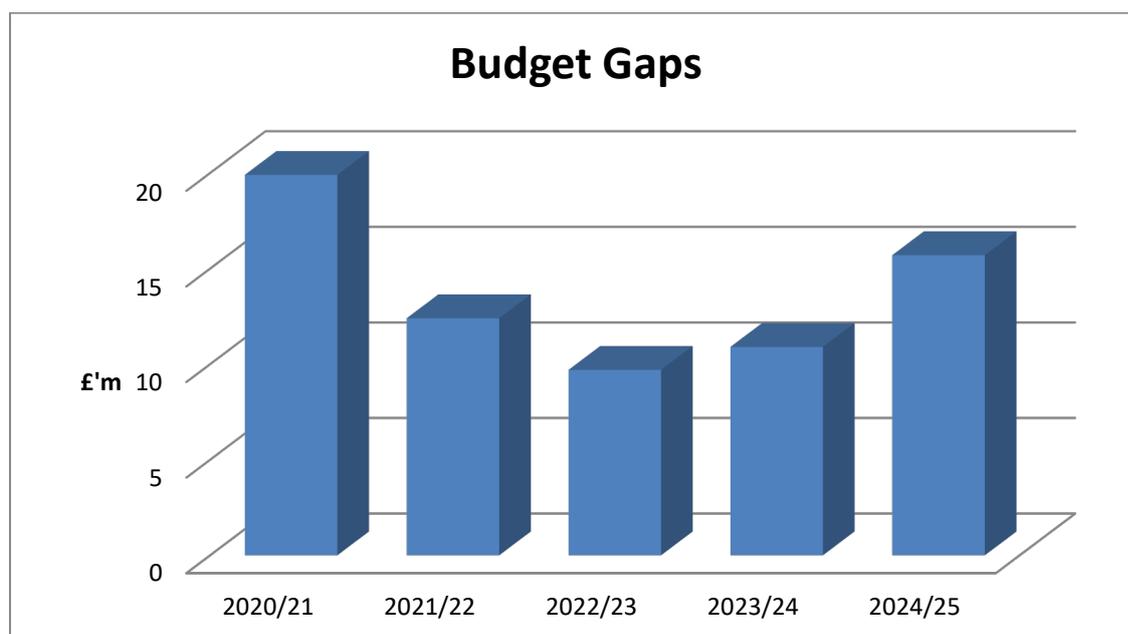
have been received, 133 awarded and 50 rejected, with a total of £266k payments processed.

3.3.13 Specific areas of concern have related to some of the eligibility criteria set out by Scottish Government specifically around those in receipt of or having applied for Universal Credit from the commencement of lockdown. This may account for the low take up of the Newly Self Employed Hardship Fund, replicated nationally, and the cause of frustration and anxiety within the self-employed sector where no other support is available. Local authorities through SLAED have sought clarification on this matter. On 22nd May Scottish Government reconfirmed its position.

3.3.14 On 2nd June the Scottish Government announced expansion of this fund with a new additional £3,000 grant to support small B&Bs and self-catering accommodation who were ineligible for other support due to not having a business bank account. This funding will again be administered by local authorities and applications are expected to open on 15 June. The fund is being promoted through the business support communication channels.

3.4 MTFP/Budget 2021/22

3.4.1 Although subject to review as the position crystallises, a reminder of the original projected budget gaps in the MTFP are shown in the bar chart below.



3.4.2 The updated Business Plan scheduled to be submitted to Members after the summer recess will consider how these budget gaps will be addressed. Given both the need for the Council to stabilise and understand its new operating environment together with the problematic public finances. It is suggested that officers & Members focus on the more immediate challenge of balancing years 2021/22 & 2022/23, returning to the later years at another point in the future. A review of the Corporate Plan may also result in revised priorities which would need to be factored into the Budget process.

3.4.3 Council agreed at the February Budget meeting that Zero Based Budgeting (ZBB) would be introduced to assist with the Budget process. The Corporate Management Team are preparing an approach suitable for effective operation in the Council and will bring this forward to Members.

3.4.4 It is clear that balancing future budgets against a backcloth of rising unemployment & increased poverty & vulnerability & against likely reduced government grant & income streams, will be extremely challenging. A recent Cosla paper noted “there is a realisation that there will simply be less cash in the whole system and as a consequence some services will have to be significantly reconfigured or stopped altogether as things are prioritised”

3.4.5 Additional factors which will be relevant to the budget process include:-

- The likelihood that there will be no multiyear grant settlement
- Review of the proposed 2021/22 savings to be undertaken to assess if any have been compromised as a result of the COVID-19 outbreak.
- There may be more resistance to Council Tax/Rent increases.
- Extent to which the Scottish Government listens to Cosla arguments on Fiscal Empowerment with secure and stable funding and tax reform.

4. Consultation

4.1 There is no requirement to carry out a consultation based on the report proposals.

5. Implications

Financial

5.1 The financial implications are detailed within the report.

Resources

5.2 There are no resource implications arising from the report recommendations.

Legal

5.3 There are no legal implications arising from the report recommendations.

Risk

5.4 The report has flagged significant risks to the financial sustainability of the Council.

Equalities

- 5.5 EPIAs, as appropriate, were carried out as part of the Budget process which led to the approved Budget Savings and are updated as appropriate.

Sustainability/Environmental Impact

- 5.6 A sustainability assessment was not required.

6. Conclusions

- 6.1 The financial outturn for 2019/20 has broadly ended in line with the position reported to Members in January. The General Fund Reserve at the end of the financial year is £9.5m.
- 6.2 The current crisis due to the COVID 19 emergency is challenging and unprecedented and has impacted on the Council finances in the new financial year in terms of managing additional costs, significant loss of income and on the Services' ability to deliver savings as planned. The scale of shortfall in the delivery of approved budget savings in Children's Services and also the IJB represents a significant financial exposure for the Council. The recovery process is also dependant on containment of the virus and there is no significant second spike in cases.
- 6.3 There must be genuine concern that the dramatic financial impact on the Council will not be covered by government grant. The Reserves will act as a buffer to a limited degree, but more proactive actions will be needed to reduce expenditure. This will require very difficult decisions to be taken by Members. It should also be borne in mind that the financial pressures are likely to last for at least several years beyond this, and that a strong Reserve position will be needed to help deal with that and maintain a resilient underpinning to the Council's finances.
- 6.4 Whilst there is an ongoing need for the Council to effectively respond to the crisis and focus on frontline service delivery, it is important more than ever to continue to exercise effective financial control.
- 6.5 The sense of achievement in getting the Business Grant schemes up & running swiftly & effectively deserves mention. This sits with the over-arching manner in which colleagues across the Council's spectrum of services have dealt with the challenges thrown up by the crisis.

6.6 Inevitably consideration will also soon have to be given to the MTFP, Business Plan and the budget for 2021/22.

Director of Corporate & Housing Services

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Date: 19 June 2020

APPENDICES

Appendix 1 – General Fund Outturn Statement 2019/20

Appendix 2 – Housing Revenue Account 2019/20

Appendix 3 – Savings Assessments

FALKIRK COUNCIL

GENERAL FUND

PROVISIONAL REVENUE OUTTURN STATEMENT 2019/20 AS AT 31/03/2020

	Budget	Projected	(Fav)/ Adv		Previous
	£'000	Outturn	Variance		(Fav)/Adv
		£'000	£'000	%	£'000
Childrens Services	196,124	201,790	5,666	2.9	4,382
Social Work - Adult Services	4,105	4,110	5	0.1	-
Development Services	28,042	27,622	(420)	(1.5)	(279)
Corporate & Housing Services	27,414	26,969	(445)	(1.6)	(127)
Trading Accounts	(808)	(839)	(31)	3.8	-
Sub - Total	254,877	259,652	4,775	1.9	3,976
Falkirk Community Trust	10,899	10,899	-	-	-
Valuation Board	1,345	1,257	(88)	(6.5)	-
Integration Joint Board	64,263	65,022	759	1.2	-
Employee Related Liabilities	696	696	-	-	-
Capital Financing Costs	15,506	13,031	(2,475)	(16.0)	(1,500)
NET EXPENDITURE	347,586	350,557	2,971	0.9	2,476
Financed By :					
General Revenue Funding	210,293	211,869	(1,576)	(0.7)	(1,400)
Non-Domestic Rates	69,739	69,739	-	-	-
Council Tax / Council Tax Reduction Scheme	66,604	66,217	387	0.6	300
NET INCOME	346,636	347,825	(1,189)	(0.3)	(1,100)
SURPLUS/(DEFICIT)	(950)	(2,732)	1,782	0.5	1,376
Add : General Fund Surplus as at 1 April 2019		11,342			
Transfers (to)/from Earmarked Funds		932			
General Fund Balance as at 31 March 2020		9,542			

FALKIRK COUNCIL

HOUSING REVENUE ACCOUNT

PROJECTED REVENUE OUTTURN STATEMENT 2019/20

	<u>Budget</u> £'000	<u>Projected</u> <u>Outturn</u> £'000	<u>(Fav)/ Adv</u> <u>Variance</u>		<u>Previous</u> <u>(Fav)/ Adv</u> <u>Variance</u> £'000
			£'000	%	
Employee Expenses	5,730	5,039	(691)	(12.1)	(722)
Property Expenses	23,565	23,818	253	1.1	748
Transport Expenses	29	21	(8)	(27.6)	-
Supplies and Services	6,129	6,513	384	6.3	(71)
Third Party Payments	1,765	1,897	132	7.5	-
Support Services	4,733	5,065	332	7.0	(203)
Capital Charges	28,612	26,984	(1,628)	(5.7)	(152)
Sub-Total	70,563	69,337	(1,226)	(1.7)	(400)
Integration Joint Board	1,414	1,484	70	5.0	-
Compensatory Lump Sums	-	-	-	-	-
Gross Expenditure	71,977	70,821	(1,156)	(1.6)	(400)
Income	71,977	70,821	(1,156)	(1.6)	(400)
Surplus/(Deficit)	-	-	-		-
Add: Surplus brought forward at 1 April 2019		5,093			
Projected Surplus at 31 March 2020		5,093			

No	Year	Ref	Description	Agreed		Deliverability		
				Savings £'000	FTE Impact			
1	20/21	CS21	Support and Learning Review of Additional Support Needs Services	427	2.0		352	75
2	20/21	CS25	Review and Reduction of Childrens Services Central Support Staff	72	2.0		47	25
3	20/21	CS26	Fees and Charges	75	0.0	75		
4	20/21	CS29	Secondary and Digital Learning Review	380	9.7			380
5	20/21	CS30	Primary Learning Review	367	7.6			367
6	19/20	CS12	Reprovisioning of the School Estate-Mothballing. Full Year Effect of 2019/20 Budget decision	76	0.0			76
7	19/20	CS13	ELC-Realignment of Early years Peripatetic Team. Full Year Effect of 2019/20 Budget decision	225	6.5			225
8	19/20	CS15	Secondary Savings Target - Re-provisioning of school registration process. Full Year Effect of 2019/20 Budget decision	261	0.0			261
9	19/20	CS16	Adjusting the demogaphic growth projections within secondary schools. Full Year Effect of 2019/20 Budget decision	151	0.0			151
10	19/20	CS18	Primary Savings Target - Redesign of teaching support in nursery classes. Full Year Effect of 2019/20 Budget decision	315	0.0			315
11	19/20	CS19	Primary Savings Target - Removal of additional discretionary support classess. Full Year Effect of 2019/20 Budget decision	109	0.0			109
12	19/20	CS28	Closer to Home - Social Work Childrens Services. Shifting the balance of care and external provision to support children	1,879	0.0	1,097		782
13	20/21		Demographics and Inflation rebasing	1,867	0.0	1,867		
				6,204	27.80	3,039	399	2,766

		Ref	Description	Alternative Savings		Deliverability		
				£'000	FTE Impact			
14	New Proposals	CS7	Close Public Toilets	138	0.0			138
15	New Proposals	CS8	Close Canteen Facilities at Municipal Buildings and Abbotsford House	30	0.0			30
				168	0.0	0	0	168

3,039	399	2,934
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Assessment of 2020/2021 Agreed Savings Options
Development Services

No	Year	Ref	Description	Agreed		Deliverability		
				Savings £'000	FTE Impact			
1	20/21	DV9	Review of the Waste Strategy	65	1.00			65
2	20/21	DV31	Staff reduction within the Planning and Environment Unit.	30	1.00			30
3	20/21	DV36	Smart Working Smart Travel Project	200	0.00		200	
4	20/21	DV43	Review of Cemeteries and Crematorium operations	34	0.00			34
5	20/21	DV44	Staff reduction in waste Services	90	2.00			90
6	20/21	DV45	Savings through improved efficiency of service - Roads and Grounds Maintenance	155	2.00			155
7	20/21	DV46	Reform of the Planning and Building Standards Service	186	2.80		186	
8	20/21	DV47	Staff savings through improved efficiency of design, Roads and Transport Services	100	1.50			100
9	20/21	DV48	Review of short term vehicle/plant hires	50	0.00			50
10	20/21	DV50	Reduce revenue budgets in Planning & Environment Unit	54	0.00			54
11	20/21	DV55	Reduce the NHSFV travel contractover provision	39	0.00			39
12	20/21	DV61	Electric Vehicle (EV) chargepoint income	10	0.00		10	
13	20/21	DV63	Cemeteries and Crematorium staff Savings	31	0.65	31		
14	20/21	DV64	Reduction in Roads Maintenance Budget	110	0.00			110
15	20/21	DV66	Reduction in Overtime Working - Roads Maintenance	200	4.00	100		100
16	20/21	DV67	Reduction in Overtime Working - Grounds Maintenance	50	1.00	25		25
17	20/21	DV68	Staff reduction in Environmental Health services	50	1.00			50

Assessment of 2020/2021 Agreed Savings Options
Development Services

No	Year	Ref	Description	Agreed		Deliverability		
				Savings £'000	FTE Impact			
18	20/21	DV75	Review of commercial property and asset management - third party payments	32	0.00			32
19	20/21	DV79	Commercial property & Asset Management Unit staff savings.	70	1.50	70		
20	20/21	DV80	Commercial property & Asset Management review of head leases.	58	0.00			58
21	20/21	DV81	Commercial property & Asset Management savings in supplies & services	20	0.00			20
22	19/20	DV37	Savings from installing LED street lighting	199	0.00			199
23	20/21		Inflation Rebasing	547	0.00			547
				2,380	18.45	226	396	1,758
				Alternative Savings		Deliverability		
				£'000	FTE Impact			
24	20/21		Reintroduction of Special Uplifts in Waste Services - this additional investment will automatically be removed from 21/22 base budget. Service commenced but could be halted and most of the savng made	300				300
25	20/21		Reintroduction of Flower Bedding in Grounds Maintenance - this additional investment will automatically be removed from 21/22 base budget. On hold due to the impact of Covid-19 restrictions, as such unlikely there will be signifcant progress with this.	100				100
26	20/21		Reintroduction of Pest Control in Waste Services - this additional investment will automatically be removed from 21/22 base budget. Difficulties in recruiting in the current situation.	100				100
				500	0	0	0	500
						226	396	2,258

Assessment of 2020/2021 Agreed Savings Options
Corporate & Housing Services

No	Year	Ref	Description	Agreed		Deliverability		
				Savings £'000	FTE Impact			
1	20/21	CHS4	Procurement savings from supplier contracts	300	0.0	200		100
2	20/21	CHS5	Increased income from contract rebates and prompt payment of invoices	79	0.0	79		
3	20/21	CHS7	Procurement - staffing - vacancy management	25	0.5			25
4	20/21	CHS12	PT&I Staffing Restructure	98	1.0			98
5	20/21	CHS41	Absence Service Review	134	-			134
6	20/21	CHS47	Increased fee income - licensing and registration	18	0.0		9	9
7	20/21	CHS48	Increased legal fee income	12	0.0		6	6
8	20/21	CHS54	Increase vacancy management	16	0.0			16
9	20/21	CHS55	Licensing digital channel shift	28	1.0	28		
10	20/21	CHS60	Health & Safety Incident Reporting System	30	1.0			30
11	20/21	CHS61	Self-service payroll support	25	1.0			25
12	20/21	CHS69	Reduction in customer and business support staffing levels	527	24.0	50		477
13	20/21	CHS72	Reduce audit and checking undertaken on the payroll	25	1.0			25
14	20/21	CHS82	Extend purchase of annual leave	20	0.0			20
15	20/21	CHS85	Digital subscriptions	3	0.0			3
16	20/21	CHS86	Telecoms - Review Provision of Telephony	53	0.0	53		
17	20/21	CHS90	Savings from lower commission on debt recovery	54	0.0			54

Assessment of 2020/2021 Agreed Savings Options
Corporate & Housing Services

No	Year	Ref	Description	Agreed		Deliverability		
				Savings £'000	FTE Impact			
18	20/21	CHS93	Staff savings - Communications & Participation	21	-			21
19	20/21	CHS95	Staff savings - Policy & Community Planning and Welfare Reform	21	0.5			21
20	20/21	CHS96	Staff savings - Governance	18	0.5			18
21	20/21		Inflation Rebasing	40				40
				1,547	30.50	410	15	1,122

			Description	Alternative Savings		Deliverability		
				£'000	FTE Impact			
22			20/21 Property Savings for Bo'ness/Camelon One-stop shop (one year only - underspend)	142				142
23			Miscellaneous Supplies & Services	70				70
24			Recharge to HRA	70				70
				282				282

410	15	1,404
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