

FC16. Financial Overview

Council considered a report by the Director of Corporate and Housing Services which provided an updated assessment of the impact on the Council's finances of the COVID-19 pandemic. The report set out some initial considerations for the budget planning process going forward.

The net projected impact on reserves at 31 March 2021 was forecast to be a reduction of £0.928m. This was a significant improvement from the deficit of £12.4m (excluding HRA costs) reported in June. The main reasons for the movement included the receipt of additional Scottish Government funding, operational savings and significantly reduced impact arising from COVID-19.

The significant variations were summarised for each Service:-

Children's Services – (Over budget by £5.179m, 2.5%)

The budget pressures had been partially offset by Scottish Government funding of £4.8m.

Development Services – (Over budget by £2.179m, 8.0%)

The Service had developed a rent deferment scheme for commercial tenants who had fallen into rent arrears during the lockdown. The primary focus of this was to retain businesses within the portfolio which would mitigate vacancies and rental income loss. The projected shortfall in budgeted income was £0.3m.

The Service had led work on the economic recovery plan and identified the need for additional resources to deliver on the measures contained in the plan, particularly to assist work relating to the Investment Zone, support for business, employability and town centres. It was proposed that revenue funding of £300k should be allocated for 2020/21, with further incremental sums included in future Budget proposals.

Corporate and Housing Services – (Under budget by £0.044m, (0.1%))

Integration Joint Board – (Over budget by £0.659m, 0.1%)

Falkirk Community Trust – (Over budget by £1.384m, 12.7%)

Given that like the Council, the Trust budgeted for a balanced position at the start of the financial year the Trust Board sought formal confirmation that the Council would cover the COVID-19 driven year end deficit. Whilst this was the anticipated position, Council was asked to confirm this as the case.

Council had agreed, at its budget meeting in February, to pursue a Zero Based Budget (ZBB) approach and mandated officers to explore this. Corporate Management Team considered this with particular guiding criteria, notably that the process needed to be tailored to be effective in Falkirk and should be as streamlined and as non-bureaucratic as possible.

There was a clear expectation that this approach would identify substantial savings options for Elected Members to consider. A three strand approach was proposed:-

- a) Identify the Council's areas of Discretionary spend i.e. the areas which albeit provide valuable services, the Council is not required to provide. This readily aligns with the essence of ZBB.
- b) The ZBB approach is formally integrated into existing and future Council of the Future projects.
- c) Service areas are targeted for in-depth reviews. It is suggested that this should start with the Council's largest area of expenditure, Education, and that primary schools could be the specific area. This would be supplemented by a second more cross-cutting review of Transport. If Members were agreeable to those two initial projects, Member suggestions for further areas would be pursued.

Councillor Meiklejohn, seconded by Councillor Bouse, moved that Council:-

- (1) notes the updated assessment of the current financial year and recognises the need for all Services to exercise effective financial control;
- (2) approves a revenue allocation of c£180k to provide school meal support during the October 2020 school holiday;
- (3) approves revenue funding of £300k in the current financial year to support the Economic Recovery Plan, with further funding considered as part of the 2021/22 and 2022/23 Revenue Budgets;
- (1) confirms to the Board of Falkirk Community Trust that the Council will fund the Trust's 2020/21 COVID-19 driven deficit. Recognising the challenging financial circumstances that the Council is working within and the potential benefits of bringing the Trust back in-house such as allowing:-
 - (i) decisions to be taken by the Council as a single decision maker in line with its agreed priorities;
 - (ii) a more integrated and streamlined approach to treatment of facilities, resources and transformational project work, and
 - (iii) the return of public services to direct democratic accountability, it is requested that the Chief Executive, having consulted with the Trust, prepares a report to the December meeting of Council outlining:-
 - (a) the process, work and any risk factors that would be involved should a decision be taken by the Council to bring the Trust back in-house, and

- (b) the advantages and disadvantages that would result should the Trust be brought back in-house addressing the issues noted above and including finance, workforce and governance implications - what the anticipated timescale would be.
- (2) notes the initial considerations of the MTFP and 2021/22 budget process;
- (3) agrees the ZBB budget approach presented in the report, and
- (4) agrees that the Member Budget Working Group should now be reconvened.

As an amendment, Councillor Bissett, seconded by Councillor Nimmo, moved the terms of the motion with clauses (4) and (6) amended to read as follows:-

- (4) confirms to the Trust Board that the Council will fund the Trust's 20/21 covid driven deficit;
- (6) agrees that a wider approach to ZBB be taken encompassing all of the Council Services, that this be aligned with the work of the Budget Working Group to allow members the fullest understanding of the budgets and that it aims to move the Council away from the current deficit model of identifying savings options, and

Council adjourned at 12.20pm and reconvened at 12.35pm with all members present as per the sederunt. Council then adjourned for lunch at 12.40pm and reconvened at 1.25pm with all members present as per the sederunt.

In terms of Standing order 22.1, the vote was taken by roll call, there being 30 members present with voting as undernoted:-

For the motion (20) – Depute Provost Ritchie; and Councillors Alexander, Balfour, Binnie, Bouse, Coleman, Collie, Flynn, Garner, Grant, Harris, Hughes, Kerr, McCue, Meiklejohn, Munro, Murtagh, Nicol, Patrick and Spears.

For the amendment (10) – Provost Buchanan; and Councillors Aitchison, Bissett, Black, Blackwood, Coombes, Goldie, McLuckie, Nimmo and Reid.

Decision

Council agreed the motion.