

The background of the slide features the coat of arms of the Government of Nunavut. It is a shield divided into four quadrants. The top-left quadrant shows a yellow sun with rays. The top-right quadrant shows a white reindeer head with antlers. The bottom-left quadrant shows a white sailing ship on blue wavy lines representing water. The bottom-right quadrant shows a white eagle with spread wings. Above the shield is a crown with four points, each topped with a yellow flower. Below the shield is a banner with the text 'ANE FOR A' in white capital letters.

## **Agenda Item 3**

### **Revenue Budget 2021/22 and Medium-Term Financial Plan [MTFP]**

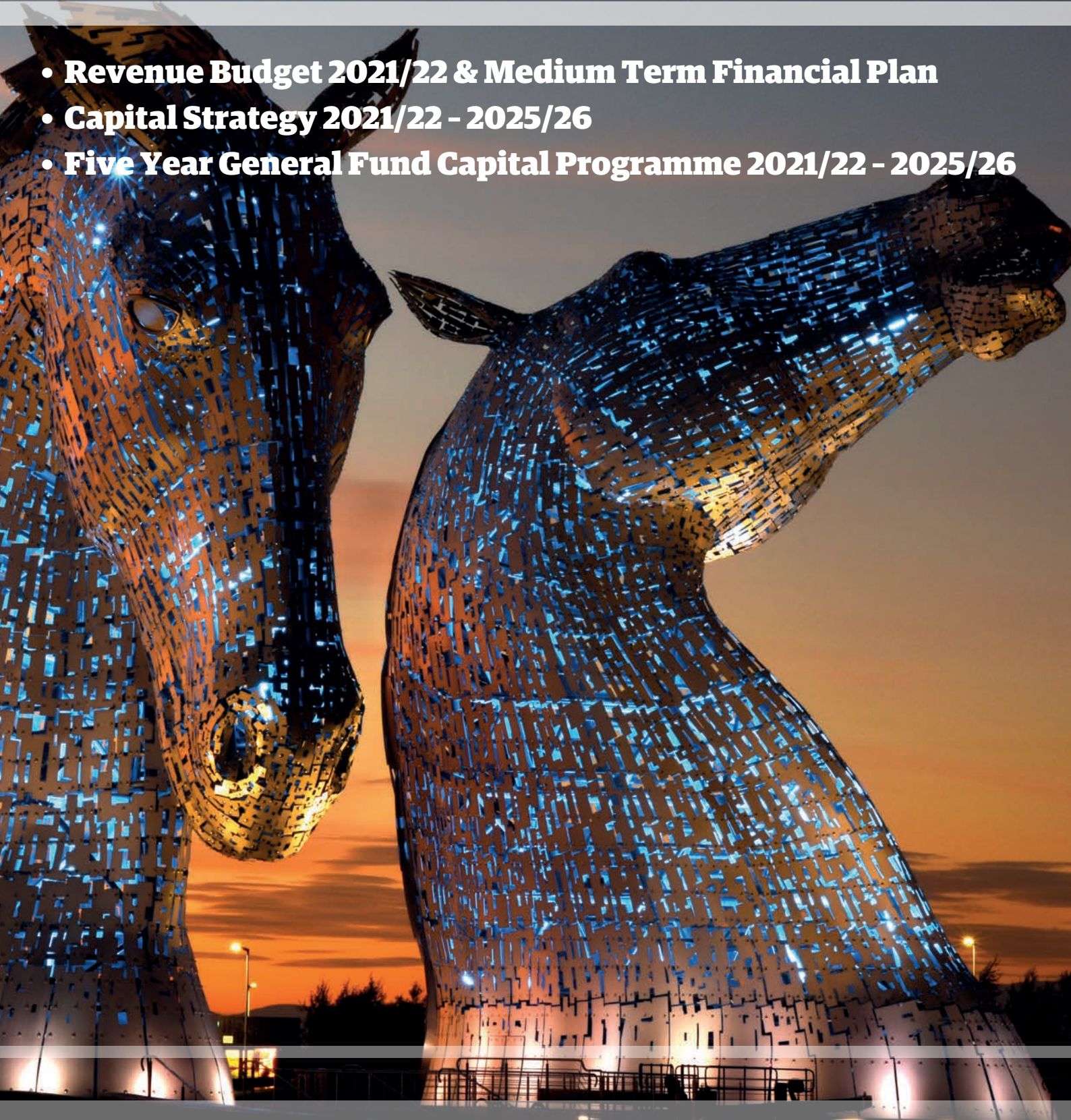
# Falkirk Council

# Budget Reports



Falkirk Council

- **Revenue Budget 2021/22 & Medium Term Financial Plan**
- **Capital Strategy 2021/22 - 2025/26**
- **Five Year General Fund Capital Programme 2021/22 - 2025/26**



# Budget Book

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## **REVENUE BUDGET 2021/22**

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**Falkirk Council**

**Title:** Revenue Budget 2021/22 and Medium-Term Financial Plan [MTFP]  
**Meeting:** Falkirk Council  
**Date:** 11 March 2021  
**Submitted By:** Chief Executive and Director of Corporate and 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 2021/22. The report contains the Administration's proposals as to how this may be achieved.
- 1.2 As in previous years, the Scottish Government Budget and Local Government Settlement, are in draft form and still require to be approved by Parliament. The formal timeline for the Budget Bill extends beyond the preparation of both this report and the date of the Council meeting. Nevertheless, it is hoped that an agreed majority position at Holyrood can be announced before 3 March. There is a prospect that this process may yield additional revenue grant to councils and this has been the case in recent years. Another significant uncertainty, and one which is unique to this Budget, is that the application of a key Fiscal Flexibility, announced by the Scottish Government in October, remains still to be clarified. The report proposes a mechanism by which this uncertainty can be managed.
- 1.3 The 2021/22 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. It is anticipated that an updated Business Plan will be presented to Members in May.
- 1.4 The Revenue Budget contains significant distributions of funding to Falkirk Community Trust and the Integration Joint Board (IJB) which has responsibility for in-scope Adult Health and Social Care. Sections 4.10 and 4.11 respectively deal with these important elements.
- 1.5 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. Clearly the late Scottish Government Budget, necessitated by the deferred Westminster Budget, as indeed was the case last year, has presented a particular challenge in preparing the Council's Budget. The scenario this time reflects the unique context of the multiple impacts of COVID-19. As a consequence, and to reflect the logistical requirements of council tax billing, a decision was taken to separate determination of the council tax level from consideration of the rest of the Revenue Budget. Council is set to determine council tax at its meeting on 3 March.

- 1.6 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 20 January.

## **2. Recommendations**

**Council is asked to agree:-**

- (1) a balanced Budget for financial year 2021/22 based on this report and its Appendices;**
- (2) that with respect to the approved Scottish Government Budget, should additional revenue grant be awarded to the Council, this will be treated consistent with para 4.3.5 of the report;**
- (3) that with respect to the clarification of the Fiscal Flexibilities, the matter to be handled consistent with para 4.3.10;**
- (4) the Business Plan and savings options for Falkirk Community Trust and the consequential Service Payment for 2021/22;**
- (5) the Business Plan and Service Payment for the Integration Joint Board (IJB) for 2021/22, noting the service changes consequent to Service Payment will be agreed by the IJB;**
- (6) 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;**
- (7) that a formal offer to amend the pay structure to that set out as Option 2 and to change the Terms and Conditions as set out in paragraph 4.16.15, is issued to the Trade Unions to enable them to undertake a ballot with the aim of reaching a collective agreement on such changes.**
- (8) 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;**
- (9) 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**
- (10) to note that an updated Business Plan will be presented to Members in May.**

### **3. Background**

- 3.1 Council at its meeting on 30 September considered a range of strategic reports. Recalibrated Council priorities were agreed as part of a new Corporate Plan. A three year Business Plan was agreed and, as a key component of the Strategic Property Review, a way forward was agreed for a new Council HQ and Arts Centre.
- 3.2 Council at its meeting on 2 December 2020 considered the Business Case submitted by the Integration Joint Board. The meeting also considered the business plan submitted by Falkirk Community Trust. It was agreed that further dialogue would take place with the Trust and that the position would be reviewed at the January meeting of Council. That meeting on 20 January agreed the criteria proposed by the three Group Leaders for evaluating Trust savings. Consistent with those criteria, Council approved 2 savings options put forward and agreed with the Trust.
- 3.3 A meeting of Council on 20 January 2021 considered and approved the HRA revenue and capital investment budgets.
- 3.4 Executive at its meeting on 16 February 2021 considered a report on the draft Scottish Government Budget and Local Government Settlement. That report also provided details of all Service savings options identified by officers and these are again appended to this report.
- 3.5 Regular meetings of the Budget Working Group have taken place to consider budget matters.
- 3.6 Members will receive an updated Business Plan in May setting out how, harnessing the transformative Council of the Future agenda, it will bridge the Budget Gaps identified in the updated MTFP.

### **4. Considerations**

#### **4.1 Budget Context**

- 4.1.1 The economic climate is given attention in section 4.14 of the report in the context of the Medium Term Financial Plan. Members will be aware that a significant Best Value Review is scheduled shortly. It can be readily anticipated that review will give considerable attention to the Budget decisions taken on this agenda.

Given the profound impact of COVID-19 the following paragraphs have been given over to conveying, in a very summarised form, a sense of the impact on this Council and the communities it serves. The Workforce section at 4.16 touches on the position with the Council's own staff.

#### ***Communities***

- 4.1.2 The Council is working to build better relationships with communities and the voluntary sector, where:

- they will work together to design services, and
- communities are involved in decision making.

This includes supporting communities to become healthier, stronger, and more prosperous, and empowering them to make key decisions.

- 4.1.3 The Council needs to understand what's important to their communities, post COVID-19, to improve the way it supports them. The Council will hold a series of community conversations to help shape the new Falkirk Community Planning Partnership Falkirk Plan, as well as making sure the right things are delivered through the transformational change programme.
- 4.1.4 As a first step towards shared decision making, Community Choices was launched in February 2021, where people and communities can get involved in the design, development and delivery of activities, infrastructure, and services in their area. Communities across the area will decide how more than £3m is spent in the next two years.
- 4.1.5 Throughout COVID-19 the Council worked with community organisations to ensure people had access to food, medicines, and other essential services. The approach was equitable, and person centred, providing support to meet the specific requirements of a household based on individual circumstances. The Council will build on this approach, continuing to work with communities to make sure people have access to the essentials they need to live, and participate, in today's society. This will include addressing food insecurity and digital exclusion as well as supporting people to maximise their income.
- 4.1.6 Going forward as services are transformed, the Council will seek opportunities to address inequalities and to work with communities to support those most in need.

### ***Enterprise***

- 4.1.7 The local business community has been significantly impacted by COVID-19. In September 2020, the Council and its partners prepared an economic recovery plan to address the COVID-19 situation. It noted the impact of COVID-19 on the UK, Scotland, and the Falkirk area economy. These impacts have been severe.
- 4.1.8 The Council has been keen to work with local businesses to understand the impacts and to prepare its response. A business survey, community survey and series of focus groups were undertaken with businesses and this confirmed the need for early action to address business needs including:
- many Falkirk businesses were heavily impacted by COVID-19. Of those surveyed, 72.3% lost income and 84.8% had applied for financial support during the coronavirus situation. Supply chains have been heavily disrupted;
  - responses to the Council's community survey indicate that 95.6% believe creating employment opportunities and 94.5% believe opportunities for young people, modern apprenticeships, higher and further education, training, voluntary work, employment are either very important or important;



- measures to support the economy were deemed either very important or important;
- town centre businesses reinforced the plight of the town centre arising from the move to online shopping.

4.1.9 The Council has responded to the situation, and the economic recovery plan identified a series of measures to assist business. This includes provision of business grants support, acting on behalf of Scottish Government to disburse 13 grant schemes to a range of retail, hospitality, leisure and other businesses. Officers from Finance and Economic Development services combined their resources to communicate, administer and provide 4,238 individual grant support awards to businesses across the Falkirk area, disbursing £32.8m. Financial support continues to be supplied and further rounds can be expected. The Council agreed to allocate £300k of financial support for the economic recovery plan in 2020/21 and the plan noted a continuing requirement for support of £500k in 2021/22 and 2022/23 to address the economic impacts, attract investment (aligned to the forthcoming Investment Zone) and offer sustained support for business.

### ***Innovation***

- 4.1.10 In line with the Corporate Plan priority of Innovation, work has been undertaken to ensure the Council is forward-thinking and considers different ways to deliver services. The Council must be unafraid of change. This ensures effective transformation to ways of working, culture change, good use of data and embracing digital developments, whilst meeting financial challenges. Such need for change and focusing on innovation, has never been needed more than over the period of the COVID-19 pandemic. Throughout this period, work has continued on projects such as the Strategic Property Review (SPR) and new Headquarters.
- 4.1.11 The COVID-19 pandemic and the need to ensure different ways of working has clearly shown the Council can deliver services with fewer buildings, which are fit for purpose. Work on the Anytime Anywhere project fully supported this. Developments over the period of COVID-19 significantly increased the pace of change to the ways in which work is undertaken, with employees working from home and using technology much more widely to deliver services. More detail on this is covered within the Workforce section of this report.
- 4.1.12 The needs of communities, in responding to COVID-19, have also been part of the Innovation work. The Digital Communities project is assessing how support can be provided to communities to be 'on-line', using the internet and other digital offerings. The availability of Wi-Fi and other connections across the Falkirk area are part of this. In recognising the issues of digital exclusion, options to provide communities with access to the internet irrespective of their financial situation are also being assessed, as is the option to provide training for those who need it. From a Council perspective, work continues to ensure on-line services are as close to the same service communities receive if they approach the Council in person or on the telephone. This takes account of feedback from communities of what's important to them as part of our recovery from COVID-19. Whilst the pandemic has presented significant challenges for the Council, it has adapted to

ensure those most in need of support continue to receive this. Whilst not without its challenges, this is an extremely exciting time for the Council in taking forward such developments, which will bring efficiencies in the way it works, as well as improvements to the services offered to our communities and local businesses.

## 4.2 Local Government Financial Settlement

- 4.2.1 This section provides details of the Local Government Financial Settlement. It should be noted that this is a provisional position pending consideration and agreement by the Scottish Parliament. The Scottish Parliament is scheduled to meet on the 25 February and the 8/9 March to consider the Scottish Budget proposals. Members will be aware that this allows the opportunity for these provisional allocations to change.
- 4.2.2 The Executive at its meeting on 16 February considered a report on the 2021/22 Scottish Government Budget and Local Government Settlement, along with related correspondence between COSLA and the Cabinet Secretary for Finance (Appendix 1). The report noted that Falkirk's Revenue Support Grant (RSG) had increased in cash terms by £3.2m (1.14%) from its 2020/21 level to £288.5m. However, after removing the funding for Health and Social Care, which is passed on in full to the Integration Joint Board (IJB), the core grant increased by c£1.3m or 0.45% from 2020/21. This is comparable to COSLA's increase of 0.9% but is lower due to the impact of distributional factors for allocating the total funding to all councils.
- 4.2.3 The table below shows a comparison of the projected RSG per the Medium Term Financial Plan and the RSG received per the Settlement. Overall, the sum received was c£0.8m less than anticipated, adding to the budget gap. However, a further £7.5m is estimated to be received for COVID-19 related pressures, resulting in a net increase of £6.7m. There is also the additional grant of £2.4m for freezing the council tax. It should be noted that the baselining of the additional council tax funding has been deferred until next year's Settlement negotiations.

	Projected RSG £'m	RSG per Settlement £'m	Budget Gap Inc/(Dec) £'m	2021/22 Inc/(Dec) %
Core RSG 2020/21	285.3	285.3	-	-
Additional RSG	1.0	1.3	0.3	0.45%
Health & Social Care	3.0	1.9	(1.1)	0.69%
	<b>289.3</b>	<b>288.5</b>	<b>(0.8)</b>	<b>1.14%</b>
COVID-19 Funding (est*)	-	7.5	7.5	2.63%
Council Tax	-	2.4	2.4	0.83%
	<b>289.3</b>	<b>298.4</b>	<b>9.1</b>	<b>4.59%</b>
*The COVID-19 funding is undistributed but is understood that it will be allocated on the Council's share of Grant Aided Expenditure (GAE)				

- 4.2.4 The overall Settlement also incorporates a number of specific grants, the most significant includes the Pupil Equity Fund, Early Learning and Childcare and Criminal Justice.

- 4.2.5 The Pupil Equity funding of £3.589m has marginally reduced by £0.064m in comparison with last year. This is to be allocated directly to schools, enabling headteachers to use it for additional staffing or resources with the aim of reducing the poverty related attainment gap.
- 4.2.6 Falkirk Council will also receive £18.510m to support the expansion of Early Learning and Childcare entitlement to 1,140 hours by August 2021, a further year was added to the delivery date due to the COVID-19 pandemic. This represents an increase of £1.961m in comparison with 2020/21.
- 4.2.7 Funding for Criminal Justice has also been distributed across councils. Falkirk Council's allocation is £3.286m (2020/21 - £3.303m). In addition to the specific grant of £2.684m, this allocation includes £0.602m of funding for Offender Services which is outwith the Local Government Settlement.
- 4.2.8 The overall Settlement also includes an element of undistributed funding. The most significant elements include the teachers' induction scheme (£37.6m) and discretionary housing payments (£35.4m). 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.
- 4.2.9 In terms of Business Rates, the 2021/22 poundage has been set at 49p, which will be the lowest in the UK and is back to the 2019/20 level. Two additional rates are levied on properties with a rateable value over £51,000 (50.3p) and £95,000 (51.6p).
- 4.2.10 The Settlement Circular also covers Capital Grant which is dealt with in the subsequent report in these Budget papers.

### **4.3 Budget Gap 2021/22**

- 4.3.1 The Budget Gap essentially reflects the difference between the continuation of existing levels of Council Services, but adjusted for e.g. anticipated 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.
- 4.3.2 The table below sets out the Council's updated Budget Gap (before adjusting for Council tax) for 2021/22 together with the Administration's proposals for how the overall Gap can be bridged.

	£'m	Ref.
<b>Original Budget Gap</b>	25.4	
<b>Revised for:-</b>		
Council of the Future	1.0	4.3.3
Funding for Council Tax Freeze	-2.4	4.3.4
Revised Grant Assumptions	-6.7	4.3.5
	17.3	
<b>Adjusted For:-</b>		
Operational/Prior Year Savings	-1.9	4.3.6
	15.4	
<b>Balanced by:-</b>		
Service Savings	-3.2	4.3.7
Falkirk Community Trust	-0.6	4.3.8
Integration Joint Board	-3.1	4.3.8
Application of Reserves	-1.5	4.3.9
Fiscal Flexibilities	-7.0	4.3.10
	-15.4	

The following paragraphs give further explanation of the table content.

- 4.3.3 Investment to support the progression of the suite of Council of the Future and Zero Based Budgeting projects geared to achieve transformation and yield significant savings. Investment in the Council of the Future programme is essential if the Council is to deliver on its agreed priorities and achieve both savings and improvement through the transformation of its services.
- 4.3.4 This reflects the Scottish Government grant to finance a council tax freeze for 2021/22.
- 4.3.5 Grant is adjusted to reflect the difference between what was estimated in the Gap Statement and what has been awarded in the draft Settlement. This may of course change as part of the Holyrood agreement of the Scottish Government budget. Should significant (greater than £1m) additional grant be forthcoming this would be considered by Members at an early meeting of Council. Any additional grant of a lower value (less than £1m) would replenish reserves.
- 4.3.6 Certain savings options reflect decisions already approved or are operational in nature. These are listed at Appendix 7.
- 4.3.7 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.
- 4.3.8 Details of the savings options for both Falkirk Community Trust and the Integration Joint Board are presented in sections 4.10 and 4.11, respectively, of the report.

4.3.9 The projected general reserve position and the Council's Reserves Strategy can accommodate the stated application of reserves. This should, however, also be assessed in the context of section 4.4 content.

4.3.10 The Fiscal Flexibilities are a temporary and significant relaxation of conventional accounting and public finance rules. They reflect the seriousness of the COVID-19 impact on councils' finances. There are three strands, and they are outlined below in the order the Cabinet Secretary for Finance, in a letter to COSLA dated 25 February, has advised they should be harnessed:-

- (a) Apply capital receipts to revenue purposes
- (b) A Loans Fund one year repayment holiday
- (c) Revised accounting treatment of PPP/NPDO deals

Whereas the position is relatively clear for (a) and (b) it unfortunately is not yet the case for element (c).

Enough is known, however, to have confidence to build a sum into the Gap Statement, but the actual mix applied in practice will be determined when the guidance and regulations are clarified. Deemed COVID-19 financial impact, application of reserves and the extra related RSG are also factors that need to be assessed when assessing the use of Fiscal Flexibilities.

One other point with respect to element (c) requires particular mention and it is this. A unique feature of Falkirk's NPDO deal was an upfront cash injection of £24m. Dependent on how this is treated by the guidance, this **might** prove a significant benefit to the Council's financial position. In the event this proved to be the case, a report would be brought before Members when the position was clear.

## **4.4 Reserves**

4.4.1 Previous reports to Council have advised that councils can hold reserves for three primary purposes:-

- A working balance to help cushion the effect of uneven cash flows and unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies; and
- A means of building up funds to meet known or predicted requirements by earmarking a portion of the General Fund.

4.4.2 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. This message is also a recurrent feature of Accounts Commission reports most recently in their publication, "2020 Local Government in Scotland Overview".

- 4.4.3 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 4.14 of this report develops Medium Term Financial planning and 4.15 future Business Planning.
- 4.4.4 Executive at its meeting on 12 January 2021 considered the final financial projections for the 2020/21 financial year. This projected a General Fund Reserve of circa £9m. This is within the indicative range in the Council's approved Reserve Strategy Policy of £7.5m - £11m. This looks, however, as it may increase due to late Scottish Government COVID-19 grant distributions. These will be ring-fenced in a special reserve and carried forward. 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.
- 4.4.5 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. Consequently reserves will be needed to cover any overall overspend in future financial years.
- 4.4.6 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 lots of other impacts e.g. the evolving position on historic child abuse may well result in future calls on the Council's reserve, and quite possibly a significant sum. 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. Brexit may yet be another.
- 4.4.7 Members should also note that the external auditors will pay particular attention to the management of reserves in a climate of financial stress. This will materially inform their assessment of Financial Sustainability, which is one of their 4 key dashboard indicators. The imminent Best Value Review injects further focus on this.
- 4.4.8 It is recognised above that COVID-19 is such an 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 proposals to balance the Budget include the harnessing of £1.5m from the General Reserve which would take the projected balance down to the Strategy floor of £7.5m. This recognises the additional COVID-19 grant support, the prudent use of Fiscal Flexibilities and the level of deemed COVID-19 induced financial impact. The application of reserves remains a judgement informed by the Strategy parameters, prudence and with regard to the risks and projected operating environment in the medium and long term.
- 4.4.9 To round off this section it is noted that the aggregate Earmarked Reserves total is £8.5m and a balance of £1.3m is anticipated for the Repairs and Renewals Fund.



## **4.5 Public Engagement**

- 4.5.1 This year's budget process follows on from the agreement of the Corporate Plan and the refreshed Three Year Business Plan in September 2020. That agreement was preceded by a community engagement exercise that helped to shape the priorities in the Corporate Plan. The Council committed to continue with community led conversations to ensure communities can take a lead in service design and also in decision making through Community Choices (4.9.1 – 4.9.8 paras). This is the background against which the spending proposals and savings options have been identified.
- 4.5.2 More focussed engagement has taken place with Community Councils. In addition, specific options or proposals with an impact on services have been subject to the Equality and Poverty Impact Assessment (EPIA) process which will involve engagement and consultation where this is required to understand the impact of any planned change on service users. Falkirk Community Trust and the Integration Joint Board have their own arrangements for consultation.

## **4.6 Equality and Poverty Impact Assessments (EPIAs)**

- 4.6.1 EPIAs have been completed by Services as part of the Council's budgetary process since 2013/14. An EPIA form is completed for each savings option and signed off by the Service Director and should be reviewed by elected Members as part of their decision making processes. In exercising these duties elected Members need to make decisions which shape the practice and policies of the Council. Relevant equality implications must be considered in all decision making processes within the Council, with sufficient information to satisfy the legal requirement to pay 'due regard' to equality.
- 4.6.2 The Equality and Human Rights Commission Scotland 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 savings options on a particular group.
- 4.6.3 COVID-19 has exacerbated existing structural discrimination and disadvantage and as a consequence the impacts on different protected characteristics have been noted. Those from a black or minority ethnic background (BAME) and people with disabilities are more likely to have died or experienced economic consequences; older people are more likely to have died or been socially isolating for longer periods of time; younger people and children have had reduced opportunities for employment and education, more men have died but the additional caring and schooling responsibilities are more likely to have been picked up by women. Women are also more likely to have been furloughed or lost jobs than men. It is more important now than ever before that Council takes steps to redress, or at least not further exacerbate, these underlying structural inequalities.

- 4.6.4 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.
- 4.6.5 This year a number of the EPIAs are initial EPIAs meaning that there is no impact on people. Of the full EPIAs, there are four EPIAs that need further consideration. These are CS40 and 41 and DV33 and 83.
- CS40 and 41 - the removal of breakfast clubs and the reprovisioning of non-statutory baby and toddler places could have potential impacts on low income working families, women and BAME families. However, consultation or engagement has not taken place on the impacts of these options and the effectiveness of the proposed mitigations.
  - DV33 and 83 relate to reductions in the Employment Training Unit (ETU) core budget and could potentially impact on young people with a disability and BAME young people. It has not been possible to carry out consultation with employment providers or young people to better understand the impact of the proposal or the likely effectiveness of any proposed mitigations.
- 4.6.6 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.

## **4.7 Service Budgets**

- 4.7.1 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 2020/21, Services in their response to the pandemic, incurred additional costs, loss of income and in some cases were not able to achieve previously planned budget savings. Some of these pressures were offset by additional government funding. During the pandemic all Service areas have had to adapt and transform the way in which Services are delivered and communicated and will continue to do so as restrictions ease.
- 4.7.2 The Administration's proposed Service savings as summarised in the Gap Statement at Section 4.3.2. On this basis the budget for each Service for 2021/22 is summarised at Appendix 2. A Summary of Movements Statement which details changes from 2020/21 is at Appendix 3 with the individual Service detail at Appendix 4.
- 4.7.3 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.

- 4.7.4 Council have, in previous budget deliberations, agreed savings proposals that span future years. These savings along with operational savings are detailed at Appendix 7.
- 4.7.5 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 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.
- 4.7.6 Each year existing and new charges are reviewed in line with the Policy as part of the budget process and the proposed charges for 2021/22 are detailed at Appendix 8.
- 4.7.7 **Children's Services**

The proposed Budget for Children's Services is £215.294m, an increase of £5.578m from 2020/21.

#### Budget Increases

The main budget increases proposed include provision for pay inflation and increased pension costs along with:

- An increase for demographics of £2.149m.
- Increase to support the cost pressures of Continuing Care £1.301m.
- £1.245m increase within Looked after Children due to reprofiled 2020/21 Closer to Home savings (£1.179m) and support for cost pressures (£0.066m).
- Inflationary increase to the unitary charges for the Falkirk Schools and Community Schools projects £0.556m.

#### Budget Reductions

The Budget has reduced by £2.190m due to the removal of the 2020/21 one-off COVID-19 funding streams including food fund £0.800m, safe reopening and operation of schools £0.569m, winter hardship £0.402m and mental health and wellbeing response and support £0.419m.

#### Service Savings

Budget savings of £1.830m are proposed and include

- Efficiencies resulting from the implementation and integration of the Early Learning and Childcare expansion £0.775m.
- Review of secondary devolved school management resources and digital learning to offer wider and more flexible curriculum choices (COTF Project) £0.400m.

- Support and learning review of additional support needs including rebalancing external provision to internal in line with the Closer to Home strategy (COTF Project) £0.250m.
- £0.200m from a realignment of primary devolved school management resources where school rolls have reduced along with alternative delivery methods of PE and music tuition (COTF Project).

Previously agreed savings of £0.709m have also been factored into the budget. These were £0.700m for the 5 year Closer to Home strategy (COTF Project) and £0.009m for the full year effect of 2020/21 budget decisions.

#### Fees and Charges

Inflationary increases have been proposed for school meal prices, music tuition, childcare charges and school lets.

The Council are also in the process of phasing in the introduction of 1,140 hours of universal free childcare for some 2 and all 3 to 5 year olds. The Scottish Government have restarted the statutory requirement on local authorities to deliver 1,140 hours from August 2021, having previously placed that requirement “on hold” due to the COVID-19 position.

### **4.7.8 Social Work Adult Services**

The proposed budget for 2021/22 is £3.620m, a small reduction of £0.058m from 2020/21. 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 provided by the IJB, the decision on service user contributions remains with the Council. Proposals include an uplift of 2% in care home fees and c2% increase in non-residential charges. The level of all individual contributions, including MECS, is based on ability to pay following a financial assessment.

### **4.7.9 Development Services**

Development Services proposed Budget of £28.375m is an increase of £0.823m from 2020/21.

#### Budget Increases

The main increases proposed are for pay inflation and pension increases along with £0.500m for Economic Development. Members will recall that Council, at the meeting on 30 September 2020, agreed to support Economic Recovery by allocating £0.300m of funding from reserves in 2020/21, with further incremental sums to be included in future Budget proposals, £0.500m (2021/22) and £0.500m (2022/23). If agreed, details of this proposed expenditure will be the subject of a future report to Executive.

### Service Savings

The budget reflects proposed savings of £0.511m and include £0.120m income generation from Grounds Maintenance (COTF Project), £0.100m income generation from charging for replacement bins and further savings from the Smart Working Smart Travel project (COTF Project) £0.100m.

Previously agreed savings of £0.240m relate to the installation of LED street lighting project (COTF Project) and £0.082m from operational savings.

### Fees and Charges

It is proposed that most charges managed by the Services have an inflationary increase applied except for commercial waste collection charges for paper and card recycling which have reduced by c10%. Interment fees have increased by c10% in line with the policy to align charges with the Scottish average over a three year period. 2021/22 is the final year of this alignment.

Two new charges have been introduced the most significant of which is the charge for memorial wall plaques at the crematorium.

## **4.7.10 Corporate & Housing Services**

The proposed Budget for Corporate & Housing Services is £33.617m, an increase of £4.677m from 2020/21.

### Budget Increases

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

- Funding for COVID-19 pressures anticipated in 2021/22 £5.250m. This will be distributed to Services budgets as appropriate.
- Additional funding for Council of the Future £1.000m.

### Budget Reductions

The Budget has reduced due to the removal of the 2020/21 one-off COVID-19 funding streams £0.792m mainly Scottish Welfare Fund £0.615m and test and protect £0.081m.

### Service Savings

The Budget reflects Service savings of £0.820m and include a redesign of the Customer and Business Support management team structure (COTF Project) £0.450m, automation within Council Tax through increased use of auto processing interfaces (COTF Project) £0.100m and £0.100m from improving financial process with increased reliance on technology and focussing on key strategic financial areas.

Previously agreed savings of £0.224m relate to Absence Service Review £0.134m (COTF Project) and staffing restructure £0.090m. There is also £0.621m from operational savings.

### Fees and Charges

Proposed changes to charges include an uplift of 3% for Taxi and Private Hire equipment and a 1% uplift on Private Sector Landlord Fees. Most charges remain unchanged from 2020/21. Statutory fees chargeable by local registrars for births, deaths, marriages and civil partnerships are set by the General Registrar's Office.

#### 4.7.11 Trading Account

After providing for pay and general inflation, the Building Maintenance Trading account is budgeted to make a surplus of £0.510m.

### 4.8 Service Savings – Council of the Future Themes

- 4.8.1 Members will be aware that the transformational savings planned by Services are grouped by Council of the Future workstream. The following provides a summary of the overall savings and FTE impact for 2021/22.

Workstream	Officers Options £'000	FTE	Admin Proposals £'000	FTE
Communities	2,680	33.75	1,878	18.75
Innovation	887	22.80	782	19.80
Enterprise	1,561	7.00	402	0.00
Business as Usual	3,771	32.75	1,975	6.00
<b>Total</b>	<b>8,899</b>	<b>96.30</b>	<b>5,037</b>	<b>44.55</b>

Appendix 5 details the above savings by Service.

### 4.9 Community Choices Budgeting

- 4.9.1 Community Choices budgeting is the term used in Scotland for Participatory Budgeting (PB) which involves the wider community in local financial decision making and ensures people have a direct say in how a defined budget can be used to address their priorities.
- 4.9.2 Falkirk Council has committed to meeting the COSLA and Scottish Government target of at least 1% of the budget to be spent via Community Choices by end of 2021. However, in late 2020 COSLA and Scottish Government recognised that Scotland has faced almost a year dealing with the impacts on COVID-19 on people and communities. Achieving the ambitions of PB for 20/21 are therefore unlikely and communicated a degree of flexibility in meeting the deadline.
- 4.9.3 Despite this, the Council continued with plans to launch Community Choices, although slightly delayed by the pandemic, because it recognises that it is more important than ever to encourage people to participate fully, help one another and ensure people feel they have permission to take control over their lives and communities.



- 4.9.4 In October 2020 Falkirk Council approved a report on how it would build on the empowered and informed community foundation that has emerged during the pandemic response this year, to fundamentally change the relationship the Council has with its communities. The report recommended that more widely and consistently, the Council needed to adapt internally to continue to build on this renewed relationship, with Community Choices a central tool to learn how to implement more participatory processes and local decision making.
- 4.9.5 On 8 February 2021, the Council opened the first year of Community Choices for Expressions of Interest. The initiative includes:
- Small Grants – Approximately £10,000 per ward distributed as an equal split of 9 Wards. In addition to the Council's revenue funding contribution, the Community Choices budget includes a contribution from Falkirk's Health and Social Care Partnership. Community groups can put forward project ideas for up to £1,500.
  - Place based capital funding – In this pilot year, £1 million of Capital Funds have been allocated across 9 wards based on child poverty rates. Projects in this category will need to offer long term public benefit.
- 4.9.6 The model has a two-stage process for applicants. Stage one will be an Expression of Interest form submitted to and reviewed by an Advisory Panel. If deemed eligible against the criteria, the applicant would be invited to complete a full application form. All eligible project proposals would then be voted on by the public.
- 4.9.7 In each year of the initiative, the Council will evaluate and learn, working towards mainstreaming public deliberation and voting across a wider range of Council budgets by the end of the second year.
- 4.9.8 This will require changes to the way the Council plans and seeks input in the budget process from communities over time, aiming to be routinely offering some form of Community Choices for mainstream budget choices to address inequalities in service provision and resource allocation, engage and empower citizens in discussions on public budgets and stimulate co-production and mutual responsibility.

#### **4.10 Falkirk Community Trust**

- 4.10.1 The COVID-19 pandemic has significantly impacted on the business of the Trust. The year end deficit for 2020/21 is currently estimated at c£0.5m, with a significant loss of income mitigated by reduced operating costs and the Job Retention Scheme. The Council agreed at its meeting on the 30 September to fund the Trust's COVID-19 driven deficit and by implication this has extended to 2021/22.
- 4.10.2 The Funding Agreement between the Trust and the Council requires the Trust to submit its proposed Business Plan by 15 November (which the Trust has done and is attached at Annex 2). The arrangement anticipates dialogue between the two parties with the expectation that an agreed position can be reached by the time of the Council's Budget meeting.

4.10.3 The Trust's Business Plan was considered by the Member Budget Group on 23 November and by Council at its meeting on 2 December. In their submission the Trust noted that whilst they had identified possible savings potential to a value of c£4.5m (the projected deficit at that time) these would entail withdrawal from venues, service impact and job losses. Given the natural sensitivities around this the Trust proposed that further engagement should be progressed to explore criteria for selecting possible savings and by implication the extent of savings. Council agreed to this request.

4.10.4 Meetings consequently took place with the Trust on the 18 December and 6 January. The Trust was represented by their Chairman and Chief Executive and the Council by the 3 Group Leaders, Chief Executive and Chief Finance Officer. The discussions were conducted in a positive and constructive manner.

4.10.5 The discussions readily led to certain criteria which would be fundamental to the Council's evaluation of potential savings by the Trust:-

- (a) Compulsory Redundancies were not acceptable.
- (b) Options with respect to buildings needed to be placed in the context of the Strategic Property Review (SPR).
- (c) Proper regard needed to be paid to the current community engagement.

It became clear that having regard to the latter 2 criteria, would mean that timing was not compatible with the application of most of the considerations in the 2021/22 Council budget.

4.10.6 There were, however, two options that were accepted by Council at that meeting:-

- (a) The first of these was the deployment of £0.500m from the Trust's reserves. This would still leave a balance of £0.142m in unallocated unrestricted reserves.
- (b) The second, increased income from a new Community Membership Scheme which could yield £0.250m. It would seem appropriate and financially prudent to take a more cautious estimate and a total figure of £0.150m has been agreed with the Trust. This would then reduce the Trust's projected revised estimated deficit of c£3m by £0.650m.

It is important that Members appreciate that these savings options are not per se contributing to closing the Council's Budget Gap, but rather reducing the scale of the projected Trust deficit being funded by the Council.

4.10.7 Members will recall that Grangemouth Golf Club expressed an interest in taking over the operation and management of the facility. Discussions are ongoing and the Golf Club continue to work towards having a business plan for approval by the Trust and the Council to enable them to take over operational responsibility from April 2021. In the event that a transfer cannot be agreed by the end of March the Service Payment provides for continuing support for operating the Golf course if it's required.

- 4.10.8 Incorporating the adjustments noted above and continuing the funding for Grangemouth Golf Course will result in a service payment to the Trust of £13.755m for 2021/22.

#### **4.11 Integration Joint Board [IJB]**

- 4.11.1 The Integration Scheme for the 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.
- 4.11.2 The business case (Annex A) summarises the IJB's funding requirements and financial planning assumptions and forms the basis of 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 20<sup>th</sup> November and was presented to the Budget Working Group on 23 November 2020 and to Council at its meeting on 2 December 2020.
- 4.11.3 The Local Government Finance Settlement confirmed the transfer of £72.6m from the health portfolio to local government, which included a contribution of £34m to the continued delivery of the living wage, a sum of £10.1m to uprate free personal and nursing care payments and £28.5m towards the implementation of the Carers Act. In a letter received on 28 January from the Cabinet Secretary for Finance, it was noted that this funding must be additional to the 2020/21 recurring budgets. Falkirk's share of the distributed amount for the IJB is £1.974m and this will be passed on in full via the agreed IJB payment.
- 4.11.4 The business case at para. 1.15 identified total savings of £4.5m, with £2.8m directly relating to Adult Social Care. A further savings proposal to review home care contractual rates will save a further £0.3m. The savings proposals within the business case are summarised below:
- Residential care services £2.325m – reshaping traditional bed based services towards more care in the community and at home. Savings proposals in this area reflect the initial output of recent capacity modelling work which demonstrates that there is sufficient scope within the system to reduce the bed base, enabling redesign of residential care services and associated budgets.
  - Day care services £0.150m – savings are linked to the previous recommendations flowing from the review of older people's services, together with forthcoming transformation plans for younger adult day care services.
  - Learning Disability services £0.250m – savings proposals reflect ongoing review and assessment, particularly in relation to high cost out of area placements.
  - Non-residential charges £0.100m – proposed uplifts to non-residential charges and benchmarking review (see para. 4.11.5).
  - Home Care contacts £0.265m – savings are expected to be generated through the review of contractual terms, maximising the use of the most economically advantageous tender rates.

4.11.5 The Council has responsibility for setting charges and the overall proposals include an average rise of c2% on residential and non-residential fees. It should be noted that the recently published national review of Adult Social Care has recommended that all non-residential fees and charges be abolished. The Scottish Government are considering their response to all the recommendations in the review.

4.11.6 The Administration's proposal is to require the IJB to deliver total savings of £3.1m. The revised IJB payment for 2021/22 will therefore be:-

	£'000
Falkirk Council General Fund	70,555
Falkirk Council Housing (ring-fenced HRA Tenants)	1,414
Falkirk Council Capital (Private Sector Housing Grants)	<u>327</u>
	<u>72,296</u>

## 4.12 External Funding Overview

4.12.1 Over recent years the Council has taken an overview of savings for external organisations. Given most organisations have had significant reductions in budgets during this time, this year there is only one organisation where a reduction in funding is being proposed. This reflects the savings previously derived from those organisations but also the need to provide some stability to review the value of the spend against the Council's priorities.

The organisation where savings are available for Members to consider is a payment presently made to Falkirk Delivers:-

- DV84 Community Safety – Taxi Marshalling and Safe Base £0.030m. This service, while very valued, is not something the Council is required to provide. This funding supports the provision of taxi marshals and Safe Base operations within Falkirk town centre both of which assist users of the night-time economy to get home safely and working with key community safety partners, contribute to providing a safe night-time environment. Due to COVID-19 business restrictions to the hospitality sector these funds, following review, have in the short term been directed by Falkirk BID towards supporting town centre safety user priorities relating to COVID-19 issues as reported to Scrutiny External Committee. Members are being given the option to consider their funding of this initiative.

4.12.2 The above option is not included in the Administration's proposals. On this basis all organisations that receive funding under the terms of a joint working agreement i.e. over £10k will have the same level of funding as last year for 2021/22. This in effect means that the Council will continue to provide over £2.6m to external organisations in 2021/22.

4.12.3 Recognising however, the Council's projected funding gaps over the life of the MTFP (see para 4.14.5) 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.

#### **4.13 Council Tax**

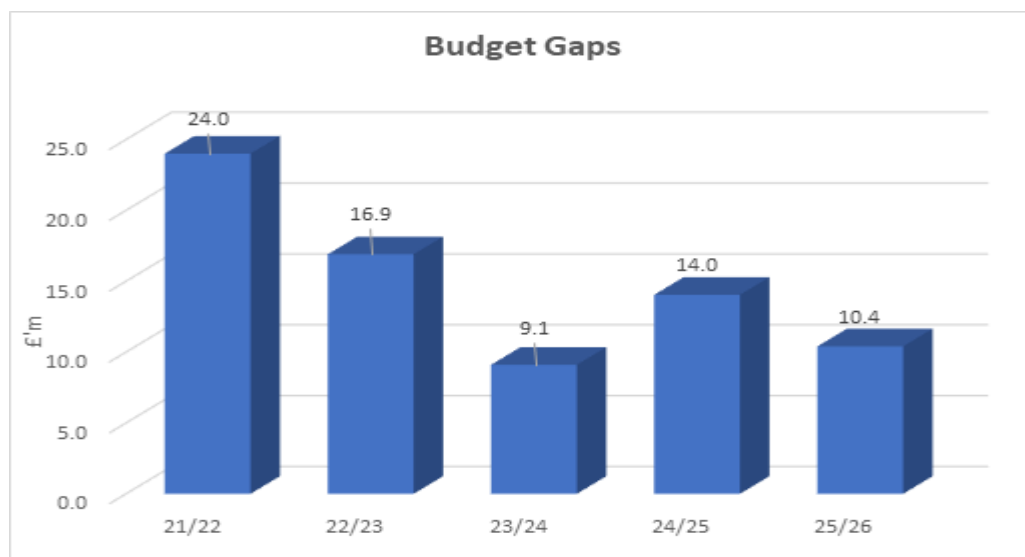
- 4.13.1 Council is required, under section 93 of Local Government Finance Act 1992, to set a council tax charge by 11 of March each year. However, in practice it is essential that charges are set as early as possible to ensure bills can be accurately calculated and received by taxpayers at least two weeks before the first payment is due on 1 April.
- 4.13.2 Recognising this and the broader uncertainty prevailing, it was decided to separate council tax determination from consideration of the broader Revenue Budget and deal with it in an earlier Council meeting. That meeting will be held on 3 March.
- 4.13.3 The expected cross-party consensus on the future of Council Tax, ahead of May's parliamentary elections, has not been achieved due to impact of COVID-19. There is therefore not yet any certainty on whether Council Tax will be replaced or reformed, or the timescale for doing so.

#### **4.14 Medium Term Financial Plan (MTFP)**

- 4.14.1 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".
- 4.14.2 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 the latter it remains disappointing, if understandable, that there is not medium term figures furnished. Having estimated the deficits, the hard part is identifying how they may be bridged. This is the task of the Business Plan and that is pursued in the next section. MTFP figures will be reviewed to feed into the updated Business Plan in May.
- 4.14.3 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. This will be against a backdrop of higher unemployment. The Chancellor's spring budget on 3 March will give a clearer sense of path ahead being mapped. One tangible indication of the exceptional impact on public finances, has been the formal triggering of an economic shock status under the Fiscal Framework in Scotland, which will give the Scottish Government additional fiscal flexibility over 3 years. The Scottish Fiscal Commission estimate that Scotland will not return to pre-pandemic levels of economic output until 2024.
- 4.14.4 COVID-19 of course impacts very directly at the individual council level. There is the human impact, of health whether physical or mental, or perhaps unemployment or the threat of it, and of course poverty far from being reduced is expanding. This affects communities and indeed the Council's own staff. This in turn flows through to Services, in many cases increasing demand for them and in others such as leisure and sport reducing demand (and income). Major revenue

streams and notably council tax and rents will inevitably see reduced collection rates. Expenditure will continue to be required in terms of cleaning and PPE.

- 4.14.5 The following considerations along with others, some noted below feed into the updated version of the MTFP presented in the chart below, notwithstanding 2021/22 will be balanced, the projected gaps for the remaining years total £50.4m. Further work is being progressed on scenario planning for optimistic/pessimistic outliers from these central projections.



- 4.14.6 Examples of specific items built into forward planning are:-

- In terms of the Council decision on 20 January the services provided by Falkirk Community Trust will be brought back in-house from 1 April 2022. This is a significant logistical exercise and the necessary planning has started. Focus will remain on improving further these services to the community.
- 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.

- 4.14.7 There is 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.

## 4.15 Falkirk Council Business Plan

- 4.15.1 In September 2020, Falkirk Council approved the Corporate Plan and Business Plan to re-set the priorities for the Council and to progress the work that needs to be done to deliver on them.



- 4.15.2 The Council of the Future (COTF) change programme was part of this, to make sure the right transformation projects were in play to deliver on the Council's priorities.
- 4.15.3 In November 2020, work was undertaken with an external partner to power-up efforts to deliver sustainable and ambitious project plans and benefits for all projects within the COTF change programme.
- 4.15.4 This has resulted in the Powering Our Priorities' action plan which is re-calibrating the COTF change programme in terms of transformation and financial profiling of projects.
- 4.15.5 This includes the approach for ZBB (Zero Based Budgeting) which will be built into the Council's project management methodology and will be reported during 2021/22.
- 4.15.6 The end product of this work will feature in a refresh of the Business Plan, due to report to Council in May 2021.

#### **Council of the Future (COTF) – Transformational Savings**

- 4.15.7 The full impact of the Powering Our Priorities action plan will be reported in May as part of the refreshed Business Plan where more detailed narrative will be provided on the re-calibration of COTF projects and savings.
- 4.15.8 Members will be aware of the benefits of savings realised from COTF transformation projects as opposed to cuts in services. The nature of the COTF change projects are such that they cover multi-year transformation of service delivery with associated savings along the way. Reports will be brought forward to Members throughout the year seeking early Member agreement to progress these projects with suitable gateways to keep Members updated on progress with implementation.

#### **Business Plan Resources**

- 4.15.9 Building on existing business planning, the focus will be on the prioritised list of COTF projects, to deliver significant transformational change and savings. Having the right resources in place is crucial to these projects, most of which have multi-year delivery plans.
- 4.15.10 Since the inception of COTF, funding for these projects has been subject to an annual review through the COTF Change Fund. A more managed and controlled approach is being adopted, given the multi-year lifecycle of these projects and the projected asks for the critical COTF projects has been profiled.
- 4.15.11 To support this, £1m has been included in the budget gap statement. The resource ask is more than this and will need to be factored into future budget considerations.
- 4.15.12 There is a credible risk that if the investment to fund these resources is not considered as part of the 2021/22 budget – and beyond – the projects may fail to deliver on commitments.

4.15.13 The following projects are those which require funding in order to procure additional capacity and/or skills/knowledge.

- Succeed Today, Excel Tomorrow
- Closer to Home
- Climate Change
- HQ (SPR)
- Central Support: Finance/HR/Commercial Manager

#### **4.16 Workforce**

4.16.1 Over the past year there have been significant changes to the way in which employees work. This has happened right across the Council. The workforce has risen to the challenges faced as a result of the COVID-19 pandemic. For front line employees who have continued to support communities throughout the pandemic, this has been an extremely challenging time. The employees adapted to delivering services in different ways to ensure the safety of both themselves and communities. This includes wearing protective equipment and following the FACTS guidance.

4.16.2 The workforce has seen significant pressures due to the additional support some communities needed throughout the period of the pandemic; and such work continues. Teams that work with local businesses have also experienced similar pressures, responding to the needs of businesses, and delivering all of the support to assist with our economic recovery. The pandemic has impacted on all employees. Those normally office based have worked at home for most of the past year. There has been significant progress in the adoption and use of technology to support such different ways of working. This includes video conferencing which a year ago, was rarely used. This is something which the Council now cannot imagine being without. It is likely that employees will not return to Council buildings in the way they were previously used. Such developments have significantly increased the pace of changes intending to be made through the Anytime Anywhere project, and to support the SPR and new HQ developments. This work will continue, as will the work to support the wellbeing of the workforce throughout this period which has been at the heart of much of what has been delivered.

#### **Workforce Strategy**

4.16.3 The Council's Workforce Strategy reflects the need for the workforce to be agile, supporting the changes needed and working in different ways. There is a continuing need to ensure retention of the right people, in the right roles, with the right skills and attitude. This is essential forward planning for the delivery of the Council's Business Plan, which incorporates the Medium Term Financial Plan and the transformational change programme.

4.16.4 Engagement with the workforce is important to ensuring the workforce contribute to such changes and have the skills to do this. Over the past year, the engagement activities were paused due to COVID-19. These have, however, now begun to be restarted and include a range of methods to encourage full engagement in forward plans. The organisational development and engagement programme includes skill training, leadership programmes, front line employee

development, leadership forums and listening events. Also used are hackathons to seek views on different issues, involving a range of employees. Sparkathons are used to ensure we seek different views on how the Council can be as ambitious as possible. These areas of engagement work alongside a range of other Service and project specific engagement activities. There is always more that can be done on this and there is continuing work with employees to develop the approach to engagement to ensure full support and have 'buy in' to the changes needed. All of this work is within the scope of the workforce strategy, ensuring the Council continues to develop skills, build capacity and support succession planning for its future vision, as set out in the Business Plan.

- 4.16.5 The programme of change outlined in the Business Plan is aimed at transforming services to meet the needs of communities, whilst simultaneously achieving savings to support the Medium Term Financial Plan. It is, however, inevitable that this will require a reduction in the workforce given c60% of costs are workforce related. As explained in Appendix 5, the options being presented for Members' consideration to bridge the budget gap in 2021/22, if agreed, result in a net workforce reduction of c45 FTE.
- 4.16.6 Subject to Member agreement of the options, it is aimed to achieve any 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.

- 4.16.7 If a risk of redundancy arises, everything possible will be done to avoid this. In such circumstances where redundancy may be possible but is ultimately avoided, there is still a statutory obligation to provide an appropriate statutory notice to both Trade Unions and employees. If such a situation does arise, a formal statutory notice covering the option of redundancy will require to be issued to the Trade Unions and such steps will be taken to ensure the Council complies with its legal obligations.

### **Workforce Package**

- 4.16.8 A key element of the workforce strategy is ensuring the Council continues to be recognised as a good employer. The workforce package must represent and recognise the changing ways in which the Council works. To support this, work has been undertaken with Trade Unions to consider how the workforce package should change, to represent a Council of the Future. To ensure involvement of

the employees in this process, Roadshows were also undertaken during 2019. The work required to progress the feedback from employees was however, put on hold due to the COVID-19 pandemic. Discussions recommenced with Trade Unions in October 2020.

- 4.16.9 As a result of this work a proposed workforce package has now been developed. This includes changes to Pay Structure and Terms & Conditions. Overall, it results in an investment in the workforce, improving on the overall package, with changes in the pay structure targeted at the lower paid employees.

### **Pay Structure**

- 4.16.10 Pay structures are a key part of the workforce package. They are directly linked to the ability to attract and retain good quality employees. The Council must ensure pay structures are kept under review to meet legislative requirements such as equal pay. For Members' information, a high number of employees are covered by the Scottish Joint Council (SJC) pay arrangements. For Falkirk, the pay structure for SJC employees was introduced in 2006 as part of the implementation of the 'single status' agreement. The craft workforce was aligned to these arrangements in 2009/10. The chief officer pay structure has been in place since 2011. The pay structure for teaching and associated employees is determined nationally and continues to be kept under review; the most recent review was implemented in 2019.
- 4.16.11 For the SJC (and craft) pay structure, work continues to be undertaken to ensure posts are correctly paid. This work is on-going with regular reviews of grades as and when posts change. There is also a requirement, as part of the 2018-2021 national pay agreement, for all Councils to fully consolidate the Scottish Local Government Living Wage (SLGLW) within their SJC pay structure by March 2021 (there is scope to extend this deadline to 2022 but only through a collective agreement with Trade Unions). The Council currently pays the SLGLW and applies this to all allowances and pension. This is currently paid as a top up to basic pay, outwith the pay structure. The national agreement means that our SJC (and linked Craft) pay structure must be changed to enable the SLGLW to be fully consolidated.
- 4.16.12 Work has now been undertaken with support from reward specialists, to review the Council's SJC pay structure. Through this work several options were considered. In assessing these options, a range of criteria were agreed with Trade Unions which included:
- the SLGLW being the minimum hourly rate
  - addressing issues where supervisors were being paid the same as those they supervise due to their grades now consumed within the SLGLW (with them all getting paid at the rate of the SLGLW)
  - changes to the pay structure to be targeted to the lower paid
  - reduce the number of incremental pay steps per grade
  - reduce the gender pay gap
  - ensure technical integrity of the pay structure and that any changes are equality proofed

Following consideration of various options, two were identified and discussed further with Directors and Trade Unions. Both ensured consolidation of the living wage. There are however some differences in the options.

### ***Option 1***

Enables consolidation of the SLGLW into a new pay structure in line with the national agreement which is generally cost neutral (c£71k over 5 years excluding employee costs).

- Jobs graded A and B will continue to be paid the SLGLW rate of pay
- Does not provide any incremental progression for those in Grades A and B or any difference in salary between the two grades
- Does not provide longevity as the rate of pay for the SLGLW would soon catch up with Grade C, meaning that the pay structure would require continual review; each review would require negotiations with Trade Unions and amended contracts to be issued to all employees affected by the reviewed pay structure
- Does not fully address the need for a different higher rate of pay for supervisory posts
- Does not provide improvements to our workforce package

### ***Option 2***

- Enables consolidation of the SLGLW into a new pay structure in line with the national agreement at a cost of c£1.9m over 5 years (excluding employee costs)
- Ensures separate grades for those graded at the bottom end of the pay structure i.e., grades A, B and C
- Provides incremental progression for grades B and C
- Whilst retaining the SLGLW for grade A, it also provides a gap between this grade and grade B, enabling reasonable longevity before the pay structure requires to be further reviewed (NB, this could be impacted by flat rate pay awards for those at the lower end of the pay structure)
- There are no employees in detriment, and it helps to improve our workforce package, particularly for the lowest paid

4.16.13 The current pay structure together with options 1 and 2 are provided as Appendix 9 to this report. Both options have been quality and equality checked by external reward specialists to ensure they meet the requirements of relevant legislation. An equality impact assessment has also been undertaken and shared with our Trade Unions. Based on discussions with Trade Unions and Directors, together with an assessment against the criteria, it is suggested that option 2 presents the best option for the Council and for a modern workforce package. It enables consolidation of the living wage which brings benefits to the lowest paid in the workforce. It also supports the Council's commitment to tackle poverty. Sufficient funds have been built into the budget to support the cost of the pay structure set out in option 2.

## Terms & Conditions

- 4.16.14 As detailed above, roadshows have been undertaken and discussions have been ongoing with Trade Unions on the Council's package of terms and conditions. The overall aim is to ensure the package is fit for purpose for a modern and forward-thinking Council of the Future. A number of core conditions such as overtime, nightshift allowance and out of hours allowance have all been discussed at great length. It is clear that the Trade Unions will not agree to any change to these conditions. One further condition which has been considered is the level of pay for working on a public holiday. This is currently double time plus a day in lieu. It is, however, a condition which is received mainly in male dominated jobs. A similar situation is true for the payment of enhanced overtime rates. As such, there may be an equality issue with such payments. Trade Unions are very clear however, that they would not agree to a change to these conditions.
- 4.16.15 Through the roadshows and discussions with Trade Unions, there are however, some conditions which would not be appropriate in a modern package. In assessing these, consideration has been given to the prevalence of mobile and flexible working arrangements and the difference this has made to working practices. Digital developments have also been considered. The conditions are:
- **Excess Travel** – employees who change work location and who, as a result, are required to travel further from home to work, receive a payment of 20p per additional mile (where this is over 4 miles per day) for a period of 3 years.
  - **Long Service Awards (and no ceremony)** – employees currently receive an award of £300 for 25 years' service and £800 for 40 years' service. The proposal is to remove the long service awards for employees. Employees would receive a letter and a certificate as an alternative.
  - **Relocation Expenses** – this is a payment of up to £6,000 for anyone appointed to the Council and having to relocate to the Council area.
  - **Subsistence Allowances** – employees can currently claim £2 for breakfast, £3 for lunch and £5 for dinner, if they are working away from their normal workplace.
  - **Telephone Allowance** – employees can receive payment for their landline rental costs if they are expected to take calls at home but do not have access to a mobile phone (in place before 'teams' calls were available.)
  - **Overnight Allowance (staying away)** – employees can receive a payment where they are required to accompany a service user/pupil overnight as a disturbance payment. This has recently been removed from teachers.
- 4.16.16 Equality Impact Assessments have been undertaken for all of these conditions and shared with the Trade Unions. It should be noted that these conditions, unlike the pay structure, also impact on chief officers who are on the same conditions as SJC employees. Whilst the aim of discussions has been to modernise the package of conditions available to employees, these changes will generate c£70k of savings to the Council.



## **Next Steps**

- 4.16.17 It is suggested that a formal offer is sent to the Trade Unions which includes the revised pay structure highlighted as option 2, plus the changes to terms and conditions detailed in paragraph 4.16.15.

Members may wish to consider whether any other changes should be added to the proposed package described. For example, a change to the rate for working on public holidays. Trade Unions have confirmed however, that they would “not support and actively campaign against any further changes to terms and conditions other than those detailed” in Paragraph 4.16.15 above.

- 4.16.18 Subject to a formal offer being issued to the Trade Unions as outlined, Trade Unions have confirmed that they will undertake a ballot on the terms & conditions changes as soon as possible. They are already supportive of the suggested option 2 pay structure and a ballot on this is unlikely to be required. If the ballot supports the changes, arrangements will be made for a collective agreement on both the pay structure and terms & conditions to be signed. It is intended that the implementation date for the pay structure is 1 April 2021 to ensure compliance with the national agreement. This may require to be implemented retrospectively depending on the date on which any collective agreement is signed. For the changes to terms and conditions, it is suggested that these are implemented with effect from the 1<sup>st</sup> of the month following the signing of any collective agreement. New contracts will also be issued to all relevant employees
- 4.16.19 If, as a result of the ballot, agreement isn't reached on the proposed changes to the pay structure, terms & conditions, further discussions will take place with Trade Unions. Members will be updated on this and provided with advice on a suggested way forward to meet the requirements of the national agreement to consolidate the SLGLW.

## **5. Consultation**

- 5.1 Refer to sections 4.5, 4.6 and 4.16.4 of the report.

## **6. Implications**

### **Financial**

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

### **Resources**

- 6.2 There are significant resources required to prepare the Budget and the ultimate Budget decisions will of themselves impact on resources.

### **Legal**

- 6.3 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**

- 6.4 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**

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

**Sustainability/Environmental Impact**

- 6.6 This is considered as part of the evaluation of savings options.

**7. Conclusion**

- 7.1 Each Budget round brings its own particular challenges, but the [understandably] late grant settlement again this year, together with the uncertainty on the application of the Fiscal Flexibilities and the context of COVID-19, presents major challenges for both Members and officers. The report sets out how the position can be managed.
- 7.2 More particularly, these unique circumstances resulted in the Council taking the unprecedented step of de-coupling the council tax from consideration of the broader Revenue Budget. This is far from an ideal position, but was a pragmatic decision appropriate to the circumstances.
- 7.3 Moreover, the Scottish Government evidently is intending to pass significant additional funds for COVID-19 across councils in the closing weeks of this financial year. This will be managed by holding the resource in a special reserve which can be deployed in the coming financial year in a measured and targeted manner.
- 7.4 Both Members and officers need to be aware that the 2021/22 Budget will require effective budgetary control. Directors need to be proactive and effective in managing their Service budgets.
- 7.5 The updated projected MTFP Budget Gaps confirm that Members will continue over the medium term, to face difficult, but necessary decisions. This emphasises both the need to think strategically and the centrality of the Council of the Future transformation agenda.
- 7.6 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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**Date - 26 February 2021**

### **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

Budget Working Paper Files