

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a city skyline with a bridge. The top-right quadrant shows a stag's head with antlers. The bottom-left quadrant shows a sailing ship on the water. The bottom-right quadrant shows a grizzly bear. Above the shield is a crown with four maple leaves. Below the shield is a banner with the motto "A NE FOR A".

# **Agenda Item 14**

## **Budget Update**

**Falkirk Council**

**Title: Budget Update**

**Meeting: Executive**

**Date: 19 October 2021**

**Submitted By: Director of Corporate & Housing Services**

**1. Purpose of Report**

- 1.1 This report provides an update on the Revenue Budget and Medium-Term Financial Plan [MTFP] and represents a significant milestone in the Budget cycle. In particular, it updates the Budget Gap projections, sets out savings options identified to date by officers and the means of Budget engagement with stakeholders.
- 1.2 The savings options are for the information of Members at this point, no decisions are required.

**2. Recommendations**

**2.1 Executive is asked to note: -**

- (1) The overall position set out in the report; and**
- (2) That Services will continue work to identify further significant savings options.**
- (3) An updated Business Plan will be submitted to Council at the same time as the Budget in March**

**3. Background**

- 3.1 The Member Budget Working Group considered the core content of this report at its meeting on 8 October.

**4. Considerations**

**4.1 Economic and Budget Context**

- 4.1.1 The UK Budget and Spending Review will take place on 27 October, with the latter covering the period to 24/25. The background of existing tax rises (NI & Corporation Tax) allied with the Chancellor's clear stance on restricting further borrowing, suggests there is limited scope for further spending.

Moreover, the expectation is that emergent spend pressures will need to be found from efficiencies in existing budgets. Both the Institute of Fiscal Studies and the Resolution Foundation anticipate a challenging environment for unprotected services such as Local Government.

- 4.1.2 The Scottish Government Budget will be on 9 December, and it will be a one-year budget. The timing of the Spending Review has still to be announced, but there is a suggestion this may not be until the Spring. A commitment has been given to publish a Medium-Term Strategy. It is anticipated the Local Government Financial Settlement will follow perhaps a week later, with the Finance Circular issued 20 December.
- 4.1.3 The coalition with the Scottish Green Party now provides a Scottish Government majority and thus the very welcome prospect that what is announced in December, will in large measure hold. Members will be very well aware that in previous years it has been very late before RSG figures are finalised.
- 4.1.4 A recent report from the Scottish Parliament Information Centre (SPICe) sets out the challenges facing Local Government and can be accessed here: [‘Financial pressures faced by Scottish Councils’](#).
- 4.1.5 In terms of the general economic climate, it is very much centred on world-wide attempts to generate growth following the pandemic, but against a backcloth of a significant rise in inflation (and whether this is transitory) and on the back of that, a potential increase in interest rates.

## **4.2 Updated Budget Gap**

- 4.2.1 Appended is an updated Budget Gap statement. A number of adjustments have been made to provide a more realistic position. Firstly, the size of the Gap has been increased to capture the following factors: -
  - (a) An assumption on pay to place it halfway between the existing provision and the 4% awarded to the NHS (£2.5m).
  - (b) An expectation of additional costs arising from the 1.25% rise in National Insurance (it is possible this may be mitigated by the Scottish Government (2m).
  - (c) Increased spend pressures for Place Services (waste, roads and energy) and Children’s Services (The Promise) (£1m).
  - (d) An allowance to reflect the need for a margin to give Members a choice of options beyond simply matching the Gap (£1m).

Further adjustments are: -

- (a) An initial assumption has been made for a contribution from the IJB (£1.4m), although the rules do offer the scope to increase this significantly.
- (b) An increased contribution from Reserves (£1m).

- (c) The application of Fiscal Flexibilities consistent with the Budget decision at March Council – see 4.2.2/3 below (£5.3m).
- (d) A reduction in the expected savings from the 2 pilot ZBB projects, reflecting the late start of one and the probable high level of double-counting with existing savings options (-£1.2m).

4.2.2 Officers have explored the capacity to harness Fiscal Flexibilities for the benefit of 22/23 and reached a positive conclusion. This recognises that Covid pressures will continue beyond 21/22 but that the window to harness Fiscal Flexibilities closes in the current financial year. It is with the primary purpose of managing the Council's finances so that earmarked resources for Covid can be carried forward to 2022/23. This will be achieved by substituting the Covid grant carried forward from 20/21 with the Fiscal Flexibilities and carrying forward the former to 2022/23 and the subsequent financial year. This in large measure restores the position agreed by Council at the Budget meeting in March.

4.2.3 The particular Fiscal Flexibilities to be harnessed are Capital Receipts and the Loans Fund Advances holiday and they are expected to yield c£7.5m. There is, however, a cost of doing this estimated at £150k per annum. It is also very important to recognise that this resource can only be used to defray Covid identified impact. In consequence, it is expected c£5.3m will be able to be applied to help bridge the 22/23 Budget Gap, with the balance carried forward to help with 23/24. Notwithstanding this approach was agreed at the Budget meeting in March, it is anticipated it will need to be reaffirmed by Council, in light of the revised configuration and to meet the requirements of the approval regime.

4.2.4 Returning now to consider the Gap Statement. It will be clear that having made all the adjustments noted above, it nets back to the original balance that still need to be found. It is important to recognise that this balance of £8.8m assumes **all** the existing savings shown from Services are accepted. This may reasonably be regarded as an unlikely outcome. In consequence, savings options in the order of £10m (based on the stated assumptions) still needs to be identified. This is a huge sum and will by necessity require officers to bring forward options which Members will find extremely difficult and challenging. In this regard, it should be noted that over 60% of the Council's cost base relates to staffing.

The areas to be pursued would include, but not restricted to:

- Savings options on discretionary services provided.
- Use of benchmarking to determine relative spend anomalies
- Reduction in the provision of statutory services to statutory minimum level.
- The potential to harness additional savings from the Treasury function.

- 4.2.5 It is important to note that the application of both Fiscal Flexibilities and Reserves in 22/23 will add to the Budget Gap in the subsequent financial year (23/24).

### **4.3 Savings Options**

- 4.3.1 Service savings options identified to date are summarised in the appended list for each Service. These have already been identified in the Business Plan. It is again emphasised that these are options identified by officers.
- 4.3.2 The options have been distinguished between Operational and those requiring a Member decision. The former capture savings that reflect efficiencies or flow from decisions already taken by Members. Staffing reduction is achieved largely from already agreed voluntary severances, positions where there was no intent to fill or vacancy management. For this tranche of savings options, very few of the non-operational options involve compulsory redundancy.
- 4.3.3 The savings options also distinguish linkage with the three workstreams in the Council of the Future transformation initiative. Members have and will be presented with a rolling series of reports on Council of the Future projects and savings agreed for these projects will be captured in the Operational category in future reports.
- 4.3.4 Members will recognise that a number of these options have been presented as part of previous Budget rounds and were not accepted. They nevertheless remain as options & can now be assessed in the context of the current financial pressures and the further portfolio of savings options that officers will bring forward in the coming months.
- 4.3.5 The IJB savings options will be incorporated in their Business Plan which will be presented to Council in December.
- 4.3.6 Whilst savings options should be looked at with a medium/long term perspective to help adopt a strategic approach, the focus inevitably needs to be on the forthcoming financial year 2020/21.

### **4.4 Zero Based Budget (ZBB) Programme**

- 4.4.1 Members were previously advised that a potential programme for future ZBB projects would be presented to them. This reflects a rolling expectation in the MTFP of £1.7m savings each year from this source. Officers are currently reviewing suitable options, and these will be presented to Members in due course.
- 4.4.2 There are 2 existing pilot projects built into the 22/23 Budget assumptions – Transport & Secondary Education. The next portfolio of ZBB's will be

required for the 23/24 and subsequent Budgets, so there is still a reasonable time headroom for these to be identified.

## **4.5 Engagement**

- 4.5.1 As always engagement will take place with stakeholders during the Budget process.
- 4.5.2 With respect to Communities, the intention is to carry out a round of public information and discussion sessions on the 22/23 Budget throughout January 2021.

This will be in addition to engagement with Community Councils.

This will involve:

- 9 community conversations in each ward, facilitated by Communities staff and supported by relevant Council service staff. Invitations will be extended to all elected members.
- 2 In-person Community Events (subject to restrictions in place at the time).
- Online comments option via Citizen Space Survey.
- Possibly social media discussions (subject to capacity).

### Purpose:

The Objectives of the Consultation are:

- To improve public understanding of how public finances work.
- To inform the public on where Falkirk Council spends funds and what it intends to invest in.
- To inform the public of the scale of the Budget gap in Falkirk.
- To research and gather citizen views on the Budget priorities to inform the budget process and debate.
- To offer a space for public debate over the Budget.
- To adapt a 'cuts' narrative to a shared problem one of reducing public funds.
- To test the preparation of budget information for public understanding.
- To prepare for Community Choices voting on mainstream budgets in the future.

What it will not do is:

Provide public opportunity to make decisions on budgets decisions on individual budget savings options

- 4.5.3 There is a need to ensure appropriate engagement with the Council's workforce and Trade Unions on the existing saving options, as well as the work being done to find additional savings. Even the consideration of such options can have an impact on employee wellbeing, so this is an essential part of the work that being undertaking. Trade Unions meet regularly with

HR and are kept advised of developments on the Budget. At the Tripartite meeting on 2<sup>nd</sup> September, a fuller briefing was provided along with a commitment to provide a copy of this report once available.

- 4.5.4 Further briefings will take place at appropriate stages. Employees are also kept informed of budget developments through engagement mechanisms within each Service. A Leadership Forum on 7<sup>th</sup> October with Chief Officers and Service Unit Managers was also provided with more detailed information in advance of this report being considered by Members. The Leadership Forum was also reminded of the need to ensure their teams were updated prior to this report being published. Work also continues with communications colleagues to ensure articles are published at appropriate stages on the intranet/website, to keep the workforce up to date as developments happen.
- 4.5.5 Engagement will also take place with school Parent Councils and Parent Forum representatives.
- 4.5.6 Equality and Poverty Impact Assessments (EPIA's) will be completed for all savings options as an integral part of the Budget process.
- 4.5.7 It is important that this engagement with Stakeholders reflects the reality of the financial challenges facing the Council as outlined in this paper.

#### **4.6 Other Considerations**

- 4.6.1 There will be updated projection reports on both Revenue and Capital submitted to the October Executive, which will serve as a backcloth to this Budget Update.
- 4.6.2 Parallel to the Revenue Budget, there are workstreams being pursued for HRA (Capital & Revenue), IJB and General Services Capital Programme.
- 4.6.3 With respect to the General Services Capital Programme, it is worth noting that this also will be a particularly challenging exercise. This reflects: -
  - The scale of bids relative to available resources.
  - The rise in costs which has the potential to require the existing Programme to be reviewed.
  - Covid impact on actual delivery of projects on time.
  - The removal of capacity for Prudential Borrowing given the pressure on the Revenue Budget.
  - Capital Grant expected to be frozen at same level as 21/22.

One potential positive would be if the inflation element for council tax was restored, which would allow capacity for some Prudential Borrowing.

- 4.6.4 It is intended that an updated Business Plan will also be presented to the Budget meeting in March. This makes for a more effective alignment.

- 4.6.5 Attention is drawn to comments regularly made by Audit Scotland/The Accounts Commission, that it is the responsibility of the whole Council to deliver a balanced Budget and not just that of the Administration.
- 4.6.6 Linked to the above point, note the context of the live Best Value Review and its focus on Financial Sustainability.

#### **4.7.6 Looking Forward**

- 4.7.1 Appended are summary timelines for the Budget process for both General Services Capital and Revenue. The IJB Business Plan will be presented to Council in December. Draft HRA Budgets for Capital and Revenue will be presented to Council in January.
- 4.7.2 The Council does have a medium and long-term focus. Services have access to relevant demographic data to inform forward planning e.g., demand for school places. The Council's c£230m debt profile is clearly set out for 50 years forward. Housing operates a 50-year financial model which includes assumptions on both revenue and capital together with resources. With effect from the Budget presented to Council in February, there is now also a Capital Strategy Framework

### **5. Consultation**

- 5.1 Section 4.4 in this report sets out the approach to engagement

### **6. Implications**

#### **Financial**

- 6.1 Effective forward financial planning is a cornerstone of the Council's corporate governance obligations.

#### **Resources**

- 6.2 It will be evident that significant Service and Corporate resources will need to be harnessed to progress the 2021/22 Budget and Medium-Term Financial Plan in a timely manner.

#### **Legal**

- 6.3 No legal implications arise from the report.

#### **Risk**

- 6.4 There is a risk that the Council does not act proactively and effectively to manage the projected Budget Gaps.



## **Equalities**

- 6.5 Equality and poverty impact assessments will be carried out at the appropriate time. This means that an Equalities and Poverty impact assessment will be undertaken on all individual budget options. These will be reported to Members in due course and prior to final decisions on the budget.

## **Sustainability/Environmental Impact<sup>1</sup>**

- 6.6 No assessment relevant at this point.

## **7. Conclusions**

- 7.1 This report outlines the acute financial position facing the Council over both Budgets 22/23 and 23/24. This consequently entails very significant challenges for both Members and Officers in meeting the statutory requirement to deliver a balanced Budget.
- 7.2 Significant additional financial savings options now need to be identified urgently by officers for Member consideration. This second wave of options will by definition be even more difficult than those appended to this report.

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Director of Corporate & Housing

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Date: 8 October 2021

## **Appendices**

**Appendix 1 Budget Gap Statement**

**Appendix 2 Service Savings Summary**

**Appendix 3 Revenue Budget Timeline**

**Appendix 4 Capital Budget Timeline**

## **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:

- None

## MTFP - Budget Gaps

## Appendix 1

	Savings Targets	Original	Adjusted	Diff			
	22/23	22/23	22/23	22/23	23/24	24/25	25/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget Gaps		18,106	24,606	6,500	10,782	14,415	10,221
Prior Year Reserves & Fiscal Flexibilities					6,800		500
					17,582		10,721
Childrens Services	-9,288	-3,690	-3,690	0	-5,263	-1,162	-958
Corporate & Housing Services	-2,763	-1,913	-1,913	0	-771	-75	-125
Place Services	-2,375	-1,467	-1,467	0	-1,602	-693	
IJB	-1,480	0	-1,400	-1,400	-1,400	-1,400	-1,400
	-15,906	-7,070	-8,470	-1,400	-9,036	-3,330	-2,483
FCT							
ZBB		-1,700	-500	1,200	-1,700	-1,700	-1,700
Fiscal Flexibilities			-5,300	-5,300	0		
Reserves		-500	-1,500	-1,000	0	-500	
<b>Remaining Budget Gap</b>		<b>8,836</b>	<b>8,836</b>	<b>0</b>	<b>6,846</b>	<b>8,885</b>	<b>6,538</b>

### Savings by Council of the Future Themes

Community	-2,977	-2,977		-4,768	-1,222	-958
Enterprise	-162	-162		-419	-320	
Innovation	-825	-825		-197	-25	
Business as Usual	-3,106	-3,106		-2,252	-363	-125
	-7,070	-7,070		-7,636	-1,930	-1,083

### Budget Gap Difference

Pay	2,500
NI	2,000
Cost Pressures	1,000
Members Choice	1,000
	6,500

### COVID Costs - Funded by Covid Reserves

Trust Income	1,500
Economic Development	500
PPE	500
Closer to Home	1,800
Place Cost Pressures	1,000
	5,300

# Summary of 2022/2023 Savings

## Children's Services Savings

No	Ref	Workstream	Description	Officers options			
				Savings £'000	FTE Impact	EPIA Rating	Operational Saving
1	CS2		Home to School Transport (Primary) - Move to national distance entitlement limit of 2 miles for pupils that are 8 years old and younger (P1-P3).	25	0.00	Medium	
2	CS7		Closure of Public Toilets - Close three public conveniences WEF 1 April 22.	135	0.00	Medium	
3	CS9		Reduce the Level of Building Cleaning across all Council Facilities inc Schools from Aug22.	300	22.00	Low	
4	CS10		Reduction in Children & Families Social Work Staff	50	1.00	Medium	
5	CS13		Early Learning & Childcare - - Sectoral efficiencies realised through ELC expansion.. - Full Year Effect of Realignment of previous budget	370	0.00	Low	
6	CS21	Communities	Support and Learning Review of Additional Support Needs Services.	43	0.00	Low	
7	CS23	Communities	Community Learning & Development - Closer To Communities POP Project. Phased programme of Community Education Centre closures from Apr 22.	115	3.00	Low	
8	CS26		Fees & Charges	75	0.00	Low	
9	CS28	Communities	Closer to Home - Social Work Children's Services. Shifting the balance of care & external provision to support children & families.	1,532	0.00	Low	1,532
10	CS29	Communities	Secondary Devolved School Management Resources and Digital Learning Review	400	8.00	Medium	
11	CS30	Communities	Primary Devolved School Management and Learning Review	100	2.00		
12	CS38		Property Saving - Closure of Office Buildings. (Linked with SPR)	140	0.00	Low	
13	CS39		School Community Lets	35	0.00	Medium	
14	CS40		Reprovision Primary School Breakfast Clubs in line with roll out of universal free school meals.	30	0.00	Low	
15	CS41		Re-provisioning of Non-Statutory Baby & Toddler Places	75	4.00	Medium	
16	CS42		Central Support Teams	80	2.00	Medium	
17	CS43		CL&D Service - Full Year Effect of Decision made in 21-22.	15	0.00	Medium	
18	CS45		Secondary Schools' Devolved School Management - School Management Savings	170	4.00	Low	
Total				3,690	46.00		1,532

# Summary of 2022/2023 Savings

## Children's Services Savings

FTE Analysis	2022/23
Voluntary FTE	21.00
Compulsory FTE	25.00
	46.00

Summary by Service	Saving £'000	FTE Impact
Children's Services	3,690	46.00
	3,690	46.00

Summary by Workstream	Saving £'000	FTE Impact
Communities Closer to Communities (with Community Choices)	115	3.00
Closer to Home	1,532	0.00
Succeed Today/Excel Tomorrow	543	10.00
Total	2,190	13.00
Business as Usual Business as Usual	1,500	33.00
Total	1,500	33.00
	3,690	46.00

# Summary of 2022/2023 Savings

## Corporate & Housing Services Savings

No	Ref	Workstream	Description	Officers options			
				Savings £'000	FTE Impact	EPIA Rating	Operational Saving
1	CHS27		Loan charges savings from ongoing treasury management and debt restructuring	700	0.00		700
2	CHS28		Increase to CSS recharge to Pensions	54	0.00	Low	54
3	CHS41	Innovation	Absence Service Review	134	0.00	Low	134
4	CHS42		Improved Financial Processes	80	1.50		80
5	CHS45		Revenue & Benefits - Reduce Discretionary Relief	75	0.00	Low	75
6	CHS52		Governance - Management Review	55	1.00	Medium	55
7	CHS55		Licensing Digital Channel Shift	21	0.50		21
8	CHS62		HR - General reduction in HR support.	30	1.00	Low	
9	CHS70		Implementation of self service redeployment process.	18	0.60	Medium	18
10	CHS74	Innovation	AI/Robotics	75	2.50	Low	75
11	CHS96		Staff Savings - Governance	18	0.00		
12	CHS101		Procurement - Management Review	50	1.00		50
13	CHS102	Innovation	Savings arising from the change to 37 hour working week.	79	0.00	Low	79
14	CHS103	Innovation	Customer & Business Support staffing reduction - Unified Customer Journey	145	5.50		145
15	CHS104	Innovation	Customer & Business Support Staffing - reduction in Back Office	150	6.00		
16	CHS105	Innovation	Customer & Business Services Staffing - reduction from Automation	150	6.00		
17	CHS106	Communities	Customer & Business Support Staffing reduction arising from Transformation of Roads & Grounds Maintenance.	25	1.00		
18	CHS107	Innovation	CCTV - Establishment of In-house Digital Alarms Hub	54	0.00		
Total				1,913	26.60		1,486

# Summary of 2022/2023 Savings

## Corporate & Housing Services Savings

FTE Analysis		2022/23
Voluntary FTE		25.60
Compulsory FTE		1.00
		<u>26.60</u>

Summary by Service		2022/23
	Saving £'000	FTE Impact
Corporate & Housing Services	<u>1,913</u>	<u>26.60</u>
	<u>1,913</u>	<u>26.60</u>

Summary by Workstream		2022/23	
		Saving £'000	FTE Impact
Communities	Transformation of Roads & Grounds Maintenance	25	1.00
	Total	<b>25</b>	<b>1.00</b>
Innovation	Automation	225	8.50
	CCTV	54	0.00
	Digital Communities - Unified Customer Journey	145	5.50
	Fit for the Future	213	0.00
	Strategic Property Review (SPR)	150	6.00
	Total	<b>787</b>	<b>20.00</b>
Business as Usual	Business as Usual	1,101	5.60
	Total	<b>1,101</b>	<b>5.60</b>
		<u>1,913</u>	<u>26.60</u>

# Summary of 2022/2023 Savings

## Place Services Savings

No	Ref	Workstream	Description	Officers options			
				Savings £'000	FTE Impact	EPIA Rating	Operational Saving
1	DV3		Revised special uplift arrangements	300	6.00	Low	
2	DV8	Communities	Transformation of Roads & Grounds: Review of street cleansing function	110	2.50	Low	
3	DV16	Communities	Transformation of Roads & Grounds: Roads maintenance budget reduction	220	2.00	Low	
4	DV23		Review of Christmas lights provision	50	0.00	Low	
5	DV26	Innovation	Commercial & Operational Property Savings	38	0.00	Low	38
6	DV27		Employee budget reduction in Building Design	47	2.00	Low	47
7	DV37	Enterprise	Savings from installing LED street lighting	115	0.00	Low	115
8	DV43		Review of cemeteries and crematorium fees & income generation	40	0.00	Low	40
9	DV46		Reform of the Planning and Building Standards services	60	1.50	Low	
10	DV50		Reduce Planning & Environment Unit revenue budgets	25	0.00	Low	
11	DV60	Communities	Transformation of Roads, Grounds & Street Cleansing: Income generation from Grounds Maintenance operations	100	0.00	Low	
12	DV61		Electric Vehicle (EV) chargepoint income	30	0.00	Low	30
13	DV64	Communities	Transformation of Roads, Grounds & Street Cleansing: Income generation from Roads Maintenance operations	200	0.00	Low	
14	DV66	Communities	Transformation of Roads, Grounds & Street Cleansing: Changes to working patterns	132	5.25	Low	
Total				1,467	19.25		270

# Summary of 2022/2023 Savings

## Place Services Savings

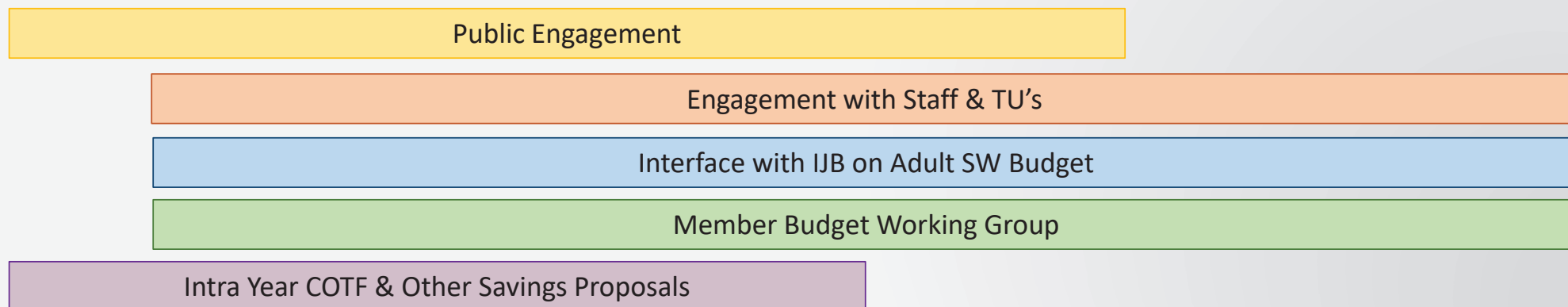
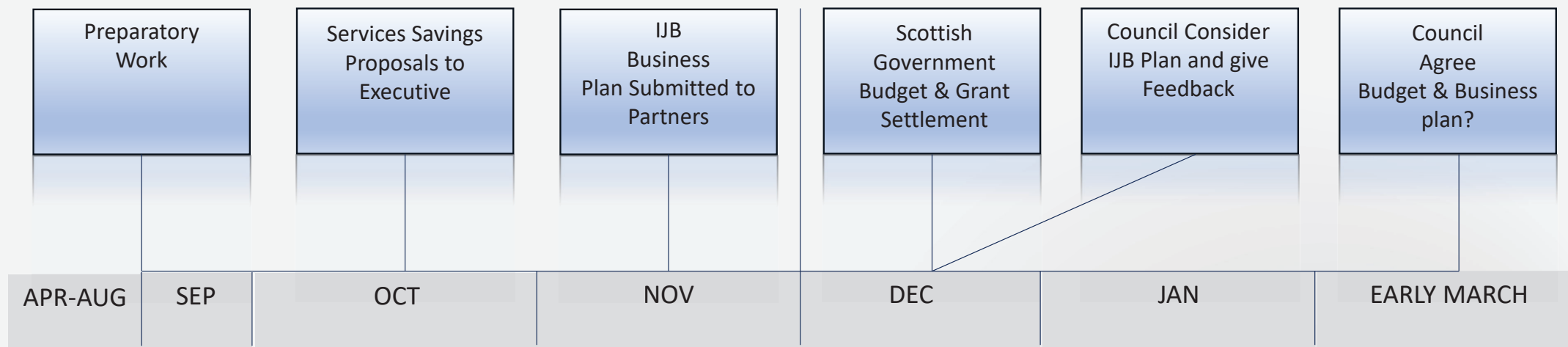
FTE Analysis		2022/23
Voluntary FTE		16.75
Compulsory FTE		2.50
		19.25

Summary by Service		2022/23
	Saving £'000	FTE Impact
Place Services	1,467	19.25
	1,467	19.25

Summary by Workstream		2022/23	
		Saving £'000	FTE Impact
Communities	Transformation of Roads & Grounds Maintenance	762	9.75
	Total	762	9.75
Enterprise	Climate Change	115	0.00
	Total	115	0.00
Innovation	Strategic Property Review (SPR)	38	0.00
	Total	38	0.00
Business as Usual	Business as Usual	552	9.50
	Total	552	9.50
		1,467	19.25



# High Level Revenue Budget Timeline





## High Level General Fund Capital Budget Timeline

