



Agenda Item 13

Projected Financial Position 2022/23

Falkirk Council

Title: Projected Financial Position 2022/23

Meeting: Executive

Date: 6 December 2022

Submitted By: Director of Transformation, Communities & Corporate Services

1. Purpose of Report

- 1.1 This report presents the third update on the Council's revenue budgets for 2022/23. The report includes an update on the expected outturn, the impact of that outturn on reserves and a summary of the financial pressures that the Council is facing.
- 1.2 This report relates to the Financial Sustainability enabler within the Council Plan.

2. Recommendations

2.1 Executive is invited to:

- (1) note the Council's projected year-end financial position for 2022/23;**
- (2) note that at the time of writing the pay award for Teachers is not agreed;**
- (3) note the position with respect to Reserves;**
- (4) note the progress on the achievement of approved savings;**
- (5) instruct Service Directors to take appropriate actions to maintain their costs within the approved budget and focus on essential spend only.**

3. Climate Change Impacts

- 3.1 The climate change impact of the recommended decisions in this report are varied. Whilst the decisions are unlikely to give rise to any material implications (positive or negative) for the Council's climate change targets and obligations, some of the projects outlined in section 5.4 such as the Strategic Property Review (SPR) and the Central Energy Efficiency Fund will result in a decrease in carbon emissions generated by Council activities.

- 3.2 The SPR will positively impact on the Council's climate change objectives by enabling the Council to operate from a smaller portfolio of more sustainable and energy efficient buildings. A report setting out the next stages of the SPR will be presented to Executive in December. Contributing to the Council climate change and Local Heat and Energy Efficiency Strategies (LHEES) obligations will be an intrinsic consideration in the development of business cases when looking to retain, invest or rationalise council owned buildings. Detailed assessment on each proposed project will be provided to Executive to inform decisions.
- 3.3 The Central Energy Efficiency Fund will assist with the installation of more energy efficient lighting across a number of schools including Falkirk High, Grangemouth High and Denny High. It is expected that nearly 200 tonnes of CO2 per year will be saved as a result of the activity.

4. Background

- 4.1 The Council approved the Housing Revenue Account budget in January 2022 and the General Fund Revenue Budget in March 2022. The General Fund Revenue Budget included the requirement for Services to make savings and the budgets shown in Appendix 1 reflect these savings.
- 4.2 The budget reports considered by Members outline areas which can have a material impact on the financial position, including pay awards and inflationary pressures, not least energy.
- 4.3 Opening reserves for 2022/23 were £16.510m. As part of the budget setting process, Members had approved the use of £5m of General Fund reserves in 2022/23.
- 4.4 At a meeting of the Executive on 4 October 2022, a financial projection report was presented which set out a projected overspend of £1.5m for 2022/23 for General Fund Services, which excluded the impact of the ongoing pay awards.
- 4.5 The August Executive report approved the application of additional former Falkirk Community Trust reserves of £1.7m.

5. Considerations

5.1 General Fund

5.1.1 Appendix 1 sets out both General Fund net expenditure by Service and how it is financed. Movements between budget and projected outturn are expressed in monetary and percentage terms. Note this is the current position and is regularly monitored given the number of external factors which can materially influence services.

5.1.2 The key messages from Appendix 1 are:

- Services are projected to overspend by c0.9% against budget - £2.7m. This is an improvement of £0.4m on the position reported in October.
- The projected overspend in Childrens Services has increased further by £0.781m (to £5.219m) with most of the overspend split between Education and Children & Families.
- However, that overspend is offset by favourable positions for Place Services and Transformation, Communities and Corporate Services, where underspends have increased (see para 5.1.3).
- The projection assumes that the IJB will not require pay award funding of £1.2m due to their favourable financial position. However, discussions are ongoing with the IJB on this matter.
- Energy costs increased significantly around the time the budget was set. Work has been done across all services to reduce consumption where possible. Officers continue to monitor the impact of both price and usage.
- The Council will have to apply £6.838m of General Fund reserves in 2022/23 to balance the position based on current estimates. This is £1.838m more than budgeted.
- The projected year end position on General Fund reserves is £9.672m, within the policy range of £7.5m - £11.0m.

	December £'m	October £'m	Movement (Fav)/Adv
Service Overspend	2.738	3.150	(0.412)
Trust Reserves (agreed at August Executive)	(1.700)	(1.700)	-
Impact of Pay Award	1.800		1.800
Savings on Loan Charges	(1.000)		(1.000)
Projected Overspend	1.838	1.450	0.388
Opening Reserves	16.510	16.510	-
Budgeted Use of Reserves	(5.000)	(5.000)	-
Projected Overspend	(1.838)	(1.450)	0.388
Projected Reserves	9.672	10.060	0.388

- 5.1.3 In anticipation of sizeable financial pressures in 2022/23, Services were asked to review budgets and identify savings of 5% where possible through, for example delaying recruitment. Services have been working hard to review spend and work on potential savings and those identified have been included in the projection for each service.

Pay Award

- 5.1.4 Negotiations on the pay award (excluding teachers and chief officers) have been completed with the final offer accepted. This is being processed and will be paid in November's payroll for SJC employees and December for Craft employees (different dates due to time differences in the date of agreement), backdated to April.
- 5.1.5 The Scottish Government has provided grant support as follows: £140m of recurring revenue funding for 2022/23 and £120.6m of capital funding in both 2022/23 and 2023/24, which will then be baselined as General Revenue Grant from 2024/25 onwards. Falkirk Council's share of these funding streams is a total of £7.4m for 2022/23. The residual unfunded element of the pay awards is currently £2.5m for Falkirk Council.
- 5.1.6 Teachers pay negotiations are ongoing. If the pay settlement for teachers exceeds 5% and no further Scottish Government funding is provided, this will increase the unfunded amount for the pay awards.

National Insurance Rate

- 5.1.7 The government's increase of 1.25% to National Insurance contributions was reversed with effect from 6 November. The full year cost of this increase for Falkirk Council was £1.585m and the part year saving in 2022/23 from the reduction will be around £0.660m. This reduces the net cost of the SJC pay award to £1.8m.

Energy Costs

5.1.8 Current forecasts from the Energy Management team indicate year on year increases of 30% for electricity and 153% for gas. Although much of this was anticipated and budgets increased, a £1.4m overspend on energy is still expected in year, as previously reported. Whilst all services will see the effect of this, the largest affected areas are Childrens Services and Place Services. This is being monitored regularly.

5.1.9 This report presents a projection of the 2022/23 outturn. Various factors are expected to impact on the Council's financial position during the remainder of the year. Inflation continues to cause concern with increases in material costs, new contracts and contract renewals leading to cost increases. The economic environment is extremely volatile and there remains a risk that the financial picture will move significantly between projection reports. Energy is also being monitored to ensure that we have reflected this appropriately in projections.

General Services Summary

5.1.10 The main variations from budget are described below for each Service. The projections have been based on discussions and information received from the Services.

Children's Services (over budget by £5.219m; 2.2%)

5.1.11 Overall Children's Services is over budget by £5.219m.

Education (over budget £1.963m, 1.0%)

	December £'m	October £'m	Movement (Fav)/Adv
Unallocated Savings	0.652	0.652	-
Energy costs	1.058	1.058	-
Transport	0.750	0.750	-
Covid (Cleaning & Misc)	0.273		0.273
Pupil Transport Assistants	0.078	0.078	-
Overspend	2.811	2.538	0.273
Free Meals Rollout Funding	(0.219)		(0.219)
SJC Staffing	(0.544)	(0.284)	(0.260)
SQA	(0.060)		(0.060)
Misc Variances	(0.025)		(0.025)
Net Overspend	1.963	2.254	(0.291)

5.1.12 The Children's Services projection has been significantly impacted by £1.808m of additional unbudgeted cost pressures:

- the increase in energy costs which (including Falkirk Schools Partnership (FSP) contracts) is currently £1.058m
- increase in recent tenders for school bus contracts by £0.750m

5.1.13 The position also reflects unachieved prior year savings of £0.559m, due mainly to Covid factors and £0.093m of approved budget savings for 2022/23 both of which the Service are working on to reduce this pressure.

5.1.14 The first projection for teacher's staff costs based on the entitlement for the new academic year shows an expected breakeven position. This will continue to be monitored closely over the coming months.

5.1.15 SJC Staffing is projecting an underspend of (£0.544k) which is due mainly to Community, Learning and Development, Halls and Service Management.

Children & Families (over budget £2.559m, 9.0%)

	December £'m	October £'m	Movement (Fav)/Adv
Residential Care Costs	1.451	0.993	0.458
Estimated Costs to meet National Transfer Scheme requirements	0.462	0.308	0.154
Adoption and Fostering Services	0.790	0.777	0.013
Continuing Care	0.240	0.238	0.002
Aftercare	0.030	0.078	(0.048)
Childcare Teams and General	(0.414)	(0.210)	(0.204)
Net Overspend	2.559	2.184	0.375

5.1.16 Despite the Closer to Home Strategy, there are number of pressures impacting on the Children and Families budget position.

5.1.17 The Service has increased the number of contractual arrangements with residential care providers who have services within or close to Falkirk. This action has mitigated some of the financial impact by obtaining a time secured fixed cost for each placement and has contributed significantly to previous years Closer to Home savings. However, there are inflationary pressures increasing costs, with some providers requesting a substantial uplift of up to 20% to continue to provide services on par with previous years.

5.1.18 An additional significant factor is the local and national shortage of foster carers. The demand for family based foster care cannot be met by current capacity with all local authority areas actively engaging in recruitment strategies to increase their numbers of carers. This results in children being placed in more expensive residential rather than less expensive and more appropriate foster placements. The Closer to Home Strategy is working hard to recruit and increase the number of local foster carers within Falkirk, which it is anticipated will reduce the need to access residential placements. The Scottish Government has made a commitment to set a National Minimum Fostering Allowance. There are ongoing negotiations with CoSLA. Currently Falkirk Council sits mid-table when benchmarked against other local authorities but if the rate is set higher than this it will adversely impact spend.

5.1.19 Continuing Care is a pressure area with over half of the relevant budget allocated to long term placements where young people have opted to remain in their current care placement. Young people are legally entitled to remain in their residential or foster care placement until the age of 21.

5.1.20A recent and ongoing pressure for the budget is the national policy in respect of the National Transfer Scheme (NTS) for unaccompanied asylum-seeking children. This mandatory scheme seeks to ensure each local authority area takes responsibility for children fleeing adversity from their country of origin. The youngsters arriving in our area are considered to be 'looked after' and are entitled to Continuing Care. The need to accommodate these young people will add to pressure on placement capacity. When foster placements cannot be secured, residential placements will require to be utilised. National funding for the NTS only covers the cost of a foster placement, and if a residential placement is used, Children's Services will need to account for the difference which is nearly five times greater, placing greater pressure on the budget. The mandatory NTS has changed recently to increase the speed and number of placements for young people across the country and this will impact on availability of foster care placements. The doubling of expected numbers will increase demand on available social worker capacity. The current projection includes an additional twelve placements for the remainder of the financial year at a cost of £0.462m based on estimates of type of care and when they will arrive.

Catering & Cleaning (over budget £0.786m)

5.1.21The overspend is mainly due to the increased cost of catering provisions and staffing costs. An increase of £0.200m on cleaning is forecast to meet Covid guidelines and the Service is currently expecting to spend £0.450m more than expected on food as the impact of inflation hits prices.

Sport & Fitness (under budget £0.089m, 1.4%)

5.1.22The projected underspend is mainly a result of savings on staffing costs offset by a shortfall in income. Note that income has increased on the previous year but is behind current year projections.

Social Work Adult Services (under budget £0.139m, 3.9%)

5.1.23This budget is in large part made up of property and transport costs for Social Work Adult Services that have remained with the Council. It also includes an area of direct social work provision, the Mental Health Officer (MHO) service. The projected underspend is related to vacant posts within the MHO service as a result of recruitment and retention challenges. The Service is currently reviewing the learning and development offer for experienced Social Workers to train as Mental Health Officers, whilst also considering options to attract suitably qualified practitioners into the area. Progress will be reported to Members in due course.

Place Services (under budget £1.878m, 5.5%)

5.1.24 Place Services is projected to be under budget with a favourable movement of £1.342m against the reported October position. This is because of revised employee projections in line with the recruitment freeze, and a service-wide review of expenditure plans to deliver underspends wherever possible. There have also been some additional income sums received which has further increased the underspend forecast. The main forecast to budget variances for 2022/23 are set out below:

	December £'m	October £'m	Movement (Fav)/Adv
Energy costs	0.300	0.300	-
Car Parking Income	0.050	0.137	(0.087)
Transport ZBB allocation underachievement	0.400		0.400
Commercial Property Income	(0.235)	(0.235)	-
Bereavement Services Income	(0.185)	(0.185)	-
Planning and Building Standards Income / vacancies	(0.200)	(0.180)	(0.020)
Transport Planning Underspends	(0.233)	(0.233)	-
ETU - vacancies	(0.150)		(0.150)
Growth and Investment misc underspends	(0.150)		(0.150)
Env Health and Trading Standards Income / vacancies	(0.139)		(0.139)
	December £'m	October £'m	Movement (Fav)/Adv
Planning and Greenspace vacancies	(0.062)		(0.062)
Arts and Culture	(0.105)		(0.105)
Engineering Design misc underspends / vacancies	(0.365)	(0.205)	(0.160)
Street Cleansing Income / vacancies	(0.247)		(0.247)
Grounds Maintenance vacancies	(0.123)		(0.123)
Waste additional income	(0.092)		(0.092)
Fleet Management vacancies	(0.144)		(0.144)
Misc Variances mainly from vacancies	(0.198)	0.065	(0.263)
Net Underspend	(1.878)	(0.536)	(1.342)

5.1.25 Energy costs are projected to be higher than budget due to increased contract prices, experienced by all services. Car parking income is lower than budget as it has yet to recover to pre-covid levels however there are positive signs that this is gradually improving. These adverse variances are offset by a significant amount of savings from vacancies which has been driven in part by the current freeze on recruitment in some service areas. Income is higher in some areas of the service with Commercial Property rentals being higher than budget,

increased income within Bereavement Services, Street Cleansing, and Waste. Building Warrant income is currently higher than budget, while Environmental Health have additional income recharges. There are underspends on demand-led service provisions within Transport Planning. A service-wide review of budgets has identified various options to reduce expenditure further and where appropriate these will be brought before Members for approval. A number of proposals will be considered as part of this meeting's agenda.

- 5.1.26 The full £0.500m zero based budget saving allocation for transport will not be deliverable in the current financial year. £0.100m has been identified leaving an overspend of £0.400m. Good progress has been made by the Project Team to scope out defined workstreams and some of these, including vehicle hire reductions and staff travel savings, will generate in-year savings. Others such as the workstream to improve employee driving standards to reduce Council insurance premiums will take time to embed and result in reduced costs. It should be noted that while this saving is temporarily allocated to Place Services, it will affect transport costs across the full Council.

Transformation, Communities & Corporate Services (under budget by £0.976m: 2.2%)

- 5.1.27 Current projections include a number of underspends across the Service as noted below.

	December £'m	October £'m	Movement (Fav)/Adv
Staff savings	(1.524)	(1.517)	(0.007)
Admin Buildings (incl Callendar Square)	(0.090)	(0.297)	0.207
Additional income	(0.200)	(0.200)	-
Underspend	(1.814)	(2.014)	0.200
Overspend on Procurement	0.180	0.180	-
Energy costs	0.082	0.082	-
ICT costs	0.560	0.420	0.140
Other	0.016	0.166	(0.150)
Net Underspend	(0.976)	(1.166)	0.190

- 5.1.28 The service has had an adverse movement of £0.190m since the October report. This relates to rates for the Municipal Buildings. Work is ongoing between services to explore the possibility of future credits.

Integration Joint Board (on budget)

- 5.1.29 For 2022/23, a net sum of £90.854m (£89.113m from General Fund) was passed to the IJB. It is the IJB's responsibility to manage this delegated budget. Significant financial and operational service pressures remain within Home Care due to increased demand and complexity together with ongoing short staffing issues.

- 5.1.30 The Scottish Government have provided a level of support for pay award funding. Recently correspondence from the Scottish Government noted that

there was an expectation that funding would be passed to the IJB. However, the letter also noted that Local Authorities have the autonomy to allocate funding based on local needs and priorities. A further letter from the Deputy First Minister on the use of revenue flexibilities to support pay award pressures included the following statement:

- 5.1.31 “It is for individual councils, as democratically elected bodies, to consider the needs of their communities with a focus on the most vulnerable, their legal obligations and the totality of resource funding available to them, and to then take the decisions necessary, openly and transparently, to operate as effectively as possible within this context”.
- 5.1.32 Officers of the Council have undertaken a needs-based assessment for the pay award funding. The IJB is currently projecting to underspend in year and is planning to allocate a large sum of money to reserves to meet future anticipated pressures. As a result, and given the difficult financial position of the Council, Council officers have determined that based on current evidence, the IJB does not need the pay award funding provided by the Scottish Government and that the IJB can still achieve a balanced position in 2022/23 without this additional funding. It must be emphasised that the Council decision in this case is reserved solely to the allocation of funding. It must always be clear that the IJB will make expenditure decisions autonomously on the funds allocated to it, including any transfer to and from reserves.
- 5.1.33 As a result, the Council is forecasting that pay award funding will not be passed to the IJB for 2022/23, reducing the net cost to Council from £3m to £1.8m as noted at para. 5.1.5. However, the situation will be kept under review and discussions with officers in the IJB are ongoing. Should the IJB position materially change, this will be reported to Members. It should be noted that this position refers only to 2022/23 in part because of the benign financial position of the IJB this year but also due to the flexibilities outlined in the Scottish Government correspondence. If pay award funding is passed to the IJB, the Council’s deficit could rise by up to £1.2m and an equal additional amount would be required from reserves to balance the position.

Falkirk Community Trust

- 5.1.34 The Falkirk Community Trust ceased trading from 1 April with the services now being directly provided by the Council. The transfer documentation moving assets across to the Council was completed in August 2022. Work is still progressing with closing the Trust bank accounts to be closed, once complete this will enable the final returns to be made to the relevant statutory bodies such as Companies House and OSCR. Reserve funds transferred from the Trust are being used as agreed at the August meeting of Executive.

Capital Charges (under budget, £1.0m, 10.7%)

- 5.1.35 Based on current projections on interest rates and borrowing there is a £1m improvement on loans fund spend for the current financial year. This movement mainly reflects the reduced capital expenditure and subsequent borrowing in previous years alongside the estimates of borrowing in the current

year, following the review of the Capital Programme. It also reflects a better than anticipated cashflow position which has meant that borrowing planned for the year will be undertaken later than originally planned.

Revenue Support Grant (on budget)

- 5.1.36 Since the budget was approved there has been additional funding of £26m confirmed, which is an increase of £5.9m from the position reported to the Executive in October. This additional funding is summarised in the table below. In line with letter from the Deputy First Minister noted above, it is intended that government funding will be reviewed to explore opportunities that can both contribute to existing service provision and meet policy objectives.

Description	£'m	Comment
SJC Pay Award 22/23	3.986	This is funding to meet recurring costs of the SJC pay award for 2022/23
Cost of Living Payment	0.934	The balance of funding to support the Cost of Living Payment of £150 plus an element for administration support.
Whole Family Wellbeing Funding	0.923	Funding to support the development of whole family support services.
Green Growth Accelerator	0.026	Funding to enable councils to develop low carbon infrastructure projects which could be supported through the Green Growth Accelerator Fund.
	5.869	

Council Tax (on budget)

- 5.1.37 At this point of the financial year Council Tax is still projected to be on target. This will be monitored given the current cost of living crisis which could potentially see payments reduce and arrears increase.

5.2 Trading Account

- 5.2.1 The BMD's work programme continues to be disrupted, in part due to elevated levels of vacancies. More financial modelling is being conducted, but current projections show the expected surplus will not be made with the deficit being absorbed within the Housing Revenue Account (see para. 5.6.1). However, with no surplus generated, this will result in a cost to the General Fund of around £0.5m.

5.3 2022/23 Approved Savings

- 5.3.1 Services are tasked with delivering £5.677m of savings in 2022/23. Budgets are reduced at the start of the financial year and non-delivery of savings will therefore show as an overspend. Appendix 3 shows a summary of the RAG status of savings. 68% of savings are flagged green as being achieved or likely to be achieved. 4% of savings are marked amber. Closer to Home (£1.532m) has been flagged as red (28% of savings). There has been no change to the

status of savings since October and the budget projection includes this amount as an in-year pressure.

(Former) Workstream	Red Savings £'000	Amber Savings £'000	Green Savings £'000	Total Savings £'000
Communities	1,532	43	1,070	2,645
Enterprise	-	-	115	115
Innovation	-	-	525	525
Business as Usual	-	211	2,181	2,392
Total	1,532	254	3,891	5,677

Closer to Home projects have delivered savings and transformed a number of approaches such as, commissioning family support services and the recruitment of foster carers showing a reduction over time of the number of children coming into residential care. There are significant challenges to the budget such as contractual cost pressures and the ongoing costs of continuing care.

- 5.3.2 In addition to the above there are three ongoing reviews aimed at achieving savings of c£1.7m. Progress with the Transport review (£0.5m) is noted at para 5.1.26, a report was presented to Council in September setting out the proposed savings (£0.75m) from the integration of the former Falkirk Community Trust Services back into the Council and as part of the Devolved Schools Management (DSM) Review, Children's Services have identified in-year savings of £0.5m. Further management savings of £0.23m from the transfer of the Trust Services have been achieved.

5.4 General Fund Reserves

- 5.4.1 Appendix 1 shows a projected balance of £9.672m as at March 2023, including the impact of the SJC pay award. The pay settlement for teachers is ongoing and any unfunded cost will have to be met from reserves in the current financial year.
- 5.4.2 Aside from the General Fund, there are several other reserves and earmarked funds. The projected balances are noted at Appendix 2 and information on proposed spend against some of the more significant balances is noted below.

Repairs and Renewals Fund

- 5.4.3 Strategic Property Review (£0.679m)
The Council has undertaken a comprehensive review of its property assets including its leased portfolio. The result of this is planned withdrawal from some existing properties with provision for investment in assets retained and dilapidations and other costs associated with buildings being vacated. The use of these funds will be considered as part of the Strategic Property Review, with a report is going to the Executive in December.

5.4.4 Mobile & Flexible Working (nil balance)

Funding was provided to help cover the additional revenue costs required to undertake the mobile and flexible working project. Spend is projected at £0.099m to fund modern apprentices and develop and improve the Council's online offering to communities.

5.4.5 Payroll & Business Intelligence Project (nil balance)

A sum of £0.100m was earmarked to upgrade the payroll system to a hosted environment providing additional security and greater functionality. Another £0.100m for the Business Intelligence (BI) project will be spent to roll out further projects and improve the quality and delivery of management information.

5.4.6 ICT Posts (nil balance)

It is anticipated that the full £0.263m will be used in 2022/23. There have been delays in some areas of essential recruitment such as Cybersecurity due to a skills shortage in the market. A revised approach to this is now being considered.

5.4.7 Building Maintenance (nil balance)

A Repairs & Renewals reserve of £0.181m is set aside for 2022/23 and is expected to be fully spent by the year end.

Earmarked Reserves

5.4.8 Insurance Fund (£4.952m)

The Fund is actuarially valued every three years and the last report was received at the end of last year. Whilst uncertainties remain, particularly concerning the value and timing of any potential child abuse claims from the national enquiry, it is anticipated that the continuing level of Service contributions and Fund balance should be sufficient to meet any resultant costs over the next three years. No change has been made to the balance at this point.

5.4.9 Devolved Schools Management (nil balance)

The balance at the 31 March 2022 was £2.380m. c£2.100m of this is the year end balances held by individual schools for use by headteachers and these have been credited back to the schools following confirmation of amounts from the Service. The remaining balance will be used for Curriculum for Excellence and Access to Counsellors.

5.4.10 Economic Development Fund (£1.457m)

The fund has £0.662m for property maintenance/dilapidations works to the Council's industrial and commercial estate and £0.024m for business support/landscape Initiatives. £0.302m was added to the fund to cover potential deferred rentals on commercial properties due to Covid. This has improved slightly and the level of cover will be reviewed. One-off income was also set aside in connection with telecoms mast sites. £0.400m was added for various Economic Recovery Plan activities that had been budgeted for, committed to, but still to be delivered. £0.068m was added in relation to Street Lighting upgrade works that were committed to in 2021/22 but delayed has now been spent in 2022/23. The service is working through plans and timescales for the remaining balance.

5.4.11 Central Energy Efficiency Fund (£0.740m)

This is a rolling energy efficiency fund used to facilitate upgrade works. Savings from energy are used to top up the fund annually.

5.4.12 Change Fund (£0.230m)

Allocations from the Change Fund have been made to cover posts agreed previously. Projects to be funded for the current year will be considered by the Council of the Future Board.

5.4.13 Revenue Grants (nil balance)

The Revenue Grants reserve consists of the carry forward of grant funding not yet utilised. The majority of this is within Children's Services for the Pupil Equity Fund, which is allocated directly to schools, and the early years expansion programme to increase the provision of nursery hours from 600 to 1,140. This funding was credited back to Services to appropriately match expenditure and will not affect the Council's overall position in 2022/23.

5.4.14 COVID-19 Reserves (£6.844m)

In total c£16m was carried forward from the previous financial year. This included a sum of £8.7m to offset COVID budget pressures in future years. As part of the budget process it was agreed to apply £5.3m to balance the budget for 2022/23. A further £3.6m of funding has been credited back to Services, this includes £2.3m for economic recovery (LACER Fund) and £0.5m of funding to support individuals at financial risk. COVID funding of £3.8m is specifically for education recovery and current commitments on this fund includes the £0.344m approved for school meal holiday payments over the summer period, funds earmarked to support the Initial Response Team (IRT) in 2023/24 (£0.358m), £1.648m in respect of early years and £0.250m to meet additional covid related costs associated with the SWIS ICT replacement project. Officers are considering options for the remaining £1.2m.

5.4.15 Spend to Save (£1.141m)

This balance is earmarked to help cover the costs of voluntary severance reflected in the five-year business plan. No allocation was needed in the prior year due to any agreements being funded within service. Funds will be transferred to services if the need arises.

5.5 **Workforce Changes**

- 5.5.1 The council approved budget included a number of fte reductions. A recruitment freeze was implemented with effect from 26 September 2022. The current position on council staff and some trend information is noted here.

5.5.2 All services consider the following to minimise staffing costs:

- non-filling of vacancies where possible;
- a review of all temporary employees and agency workers, ending contracts where possible;
- any other options to achieve savings through voluntary means; and
- voluntary severance.

5.5.3 To date, progress with employees seeking redeployment and leaving through voluntary severance is as follows:

	2018/19	2019/20	2020/21	2021/22	2022/23
Seeking Redeployment	13	25	14	20	9
Voluntary Severance	17	27	21	32	6

5.5.4 From October 2018 to October 2022, headcount and FTE have moved as follows:

	October 2018	October 2019	October 2020	October 2021	October 2022
Headcount	7,042	7,196	7,421	7,523	7,805
FTE	5,931	6,057	6,225	6,321	6,540

5.5.5 It is important to note that whilst the overall workforce numbers have increased, these figures include new posts created through ring-fenced additional funding to support the expansion of early years, new posts paid for through the Pupil Equity Fund (PEF) and from April 2022, the transfer of the Trust to the Council.

5.6 Housing Revenue Account (HRA)

5.6.1 HRA spend is projected to be on budget (Appendix 4). This projection includes the absorption of the anticipated BMD deficit of £1.2m. This follows agreement between COSLA and Audit Scotland that even if works are not carried out, the relevant costs (primarily employee costs and overheads) can still be charged to the HRA.

5.6.2 The overall projected position reflects savings in employee costs of £0.540m due to vacancies and reduced property costs of £4.6m mainly due to reduced repair work. This is offset by an increase in supplies and services due to the rents bad debt provision, the BMD deficit of £1.2m and additional capital charges of £3.2m to provide Capital Finance from Current Revenue (CFCR) to enhance resources available to undertake housing investment.

- 5.6.3 As noted in October housing maintenance repairs has moved significantly since the beginning of the year and spend updated considering the current market conditions. This spend is under budget due to difficulties in staff retention and subsequent staff recruitment. There are also continued difficulties in procuring external contractors. If the current market conditions stay the same there is the potential for this underspend to increase, therefore this area will be reviewed regularly and any significant movements reported to Members.
- 5.6.4 The reserve balance brought forward at 1 April 2022 was £7.228m. After the planned use of reserves of £0.611m the balance is expected to be £6.617m at 31 March 2023.
- 5.6.5 Members will be aware that, in response to the cost of living crisis, the Scottish Government passed legislation to prevent all landlords from increasing rent until the 31 March 2023. The legislation also gives Scottish Ministers the ability to freeze rents beyond March with a decision due from the Government by 14th January.

6. Consultation

- 6.1 There is no requirement to carry out a consultation based on the report proposals. However, the information included in the report has been discussed with Directors and relevant Chief Officers.

7. Implications

Financial

- 7.1 The financial implications are detailed within the report. General Fund services are projecting to spend £2.7m over the approved budget. After factoring in the return of income from Falkirk Community Trust, pay award pressures and an improved capital charges position, an additional contribution from reserves of £1.8m will be required over and above the £5m approved in the budget. This takes the projected General Fund to £9.672m.
- 7.2 The Housing Revenue Account is on budget.

Resources

- 7.3 There are no resource implications arising from the report recommendations.

Legal

- 7.4 There are no legal implications arising from the report recommendations.

Risk

- 7.5 The report shows that the Council's financial position continues to worsen since the budget was approved in March and that further financial risks are anticipated. These risks are the result of external factors such as inflation. There is a real risk that costs such as energy will continue to grow further. However, the fundamental issue remains that the Council is spending more than its income and that this position cannot be sustained. Failure to address the Council's serious financial position could lead to unplanned service interruptions and disruption for service users.

Equalities

- 7.6 Equality and Poverty Impact Assessments (EPIAs) were carried out as appropriate during the Budget process.

Sustainability/Environmental Impact

- 7.7 A sustainability assessment is not required.

8. Conclusions

- 8.1 The Council is operating in a volatile economic environment, with a number of substantial cost pressures which are likely to fluctuate throughout the year. Finance will continue to work with Services to monitor and highlight material changes as they arise.
- 8.2 Expenditure on the Housing Revenue Account is expected to be on budget.

Director of Transformation, Communities & Corporate Services

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Date: 23 November 2022

Appendices

Appendix 1 – General Fund Projected Outturn Statement 2022/23

Appendix 2 – Repairs & Renewals Fund and Other Earmarked Reserves

Appendix 3 – Savings Monitoring Statement 2022/23

Appendix 4 – Housing Revenue Account Projected Outturn Statement 2022/23

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 Papers

FALKIRK COUNCIL

GENERAL FUND

PROJECTED REVENUE OUTTURN STATEMENT 2022/23

	Budget	Projected	(Fav)/ Adv		Previous
	£'000	Outturn	£'000	%	(Fav)/ Adv
		£'000	Variance		Variance
					£'000
Childrens Services	239,540	244,759	5,219	2.2	4,438
Social Work - Adult Services	3,596	3,457	(139)	(3.9)	(98)
Place Services	35,043	33,165	(1,878)	(5.4)	(536)
Transformation, Communities & Corporate Services	44,682	43,706	(976)	(2.2)	(1,166)
Trading Accounts	(512)	-	512	(100.0)	512
Sub - Total	322,349	325,087	2,738	0.8	3,150
Falkirk Community Trust	(600)	(3,000)	(2,400)	400.0	(2,400)
Valuation Board	1,458	1,458	-	-	-
Integration Joint Board	89,113	89,113	-	-	-
Net Cost of Pay Award	-	1,800	1,800	-	-
Capital Financing Costs	9,350	8,350	(1,000)	(10.7)	-
NET EXPENDITURE	421,670	422,808	1,138	0.3	750
Financed By :					
Revenue Support Grant	(254,965)	(254,965)	-	-	-
Non-Domestic Rates	(80,433)	(80,433)	-	-	-
Council Tax	(72,903)	(72,903)	-	-	-
Earmarked Funds (Appendix 2)	(8,369)	(7,669)	700	(8.4)	700
NET INCOME	(416,670)	(415,970)	700	(0.2)	700
(SURPLUS)/DEFICIT	5,000	6,838	1,838	0.4	1,450
General Fund Surplus as at 1 April 2022		(16,510)			
General Fund Balance as at 31 March 2023		(9,672)			
Reserves Strategy Policy - Range	7,500 - 11,000				

ANALYSIS OF REPAIRS & RENEWALS FUND

Service		Balance 01/04/2022 £'000	Transfers In £'000	Spend £'000	Transfers Out £'000	Balance 31/03/2023 £'000
Place	Strategic Property Review	729		(50)		679
	Crematorium	49		(49)		-
	Birkhill Mine Demolition	37				37
	Pavilion Improvement	5				5
FCT	ICT	61				61
	Helix Park		347			347
	Income Generation Projects		114			114
Transformation, Com & Corp Services	Printworks	29		(29)		-
	Mobile & Flexible Working	99		(99)		-
	Payroll	100		(100)		-
	Payroll - Business Intelligence Project	100		(100)		-
	Legal Case Mgt System	86		(86)		-
	ICT Posts	263		(263)		-
Building Maintenance		181		(181)	-	-
TOTAL		1,739	461	(957)	-	1,243

ANALYSIS OF INSURANCE FUND

	Balance 01/04/2022 £'000	Transfers In £'000	Spend £'000	Transfers Out £'000	Balance 31/03/2023 £'000
Description					
Insurance	4,952	-		-	4,952

ANALYSIS OF GENERAL FUND EARMARKED RESERVES

	Balance 01/04/2022 £'000	Transfers In £'000	Spend £'000	Transfers Out £'000	Balance 31/03/2023 £'000
Description					
Devolved Schools Management	2,380		(2,380)		-
Economic Development	1,457				1,457
Central Energy Efficiency	740				740
Change Fund	663		(433)		230
Revenue Grants	11,276	239	(11,515)		-
Covid Reserves	16,061		(9,217)		6,844
Spend to Save	1,141				1,141
TOTAL	33,718	239	(23,545)	-	10,412

OVERALL TOTAL	40,409	700	(24,502)	-	16,607
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OVERALL NET MOVEMENT**(23,802)**

Credited direct to Services (16,133)
Movement in Earmarked Funds (7,669)

(23,802)



Savings RAG Status (1 year)
All Approved Savings options
2022/2023 - All Services - All Workstreams

No	Ref	Workstream	Description	Savings £'000	FTE Vol.	Impact Comp.	Savings Status		
							Red Savings £'000	Amber Savings £'000	Green Savings £'000
1	CS7		Closure of Public Toilets - Close three public conveniences WEF 1 April 22.	135	0.00	0.00			135
2	CS13		Early Learning & Childcare - - Sectoral efficiencies realised through ELC expansion.	100	0.00	0.00			100
3	CS21	Communities	Support and Learning Review of Additional Support Needs Services.	43	0.00	1.00		43	
4	CS26		Fees & Charges	75	0.00	0.00			75
5	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	0.00	1,532		
6	CS29	Communities	DSM Efficiencies - Reassessment of Estimated Staffing Numbers to meet August 22 Rolls	770	14.60	0.00			770
7	CS38		Property Saving - Closure of Office Buildings. (Linked with SPR)	140	0.00	0.00		140	
8	CS39		School Community Lets	35	0.00	0.00			35
9	CS40		Reprovision Primary School Breakfast Clubs in line with roll out of universal free school meals.	30	0.00	0.00			30
10	CS41		Reprovisioning of Non-Statutory Baby & Toddler Places	75	4.00	0.00			75
11	CS42		Central Support Teams	80	2.00	0.00			80
12	CS43		CL&D Service - Full Year Effect of Decision made in 21-22.	15	0.00	0.00			15
13	CS50		DSM Efficiencies - Others	175	0.00	0.00			175
14	CS58		Cut 3rd sector support to Barnardos	50	0.00	0.00		50	
15	CS60		Reassessment of Additional Covid Funding Needs	575	0.00	0.00			575
16	DV1		Removal of Pest Control Services	100	2.00	0.00			100
17	DV11		Review of Bus Subsidies	100	0.00	0.00			100
18	DV14		Withdraw free-after-three at Council owned car parks in Falkirk Town Centre	50	0.00	0.00			50
19	DV23		Review of Christmas lights provision	50	0.00	0.00			50

Savings RAG Status (1 year)
All Approved Savings options
2022/2023 - All Services - All Workstreams

No	Ref	Workstream	Description	Savings £'000	FTE Vol.	Impact Comp.	Savings Status		
							Red Savings £'000	Amber Savings £'000	Green Savings £'000
20	DV26	Innovation	Commercial & Operational Property Savings	38	0.00	0.00			38
21	DV27		Employee budget reduction in Building Design	47	2.00	0.00			47
22	DV37	Enterprise	Savings from installing LED street lighting	115	0.00	0.00			115
23	DV43		Review of cemeteries and crematorium fees & income generation	40	0.00	0.00			40
24	DV46		Reform of the Planning and Building Standards services	90	1.50	0.00			90
25	DV50		Reduce Planning & Environment Unit revenue budgets	25	0.00	0.00			25
26	DV60	Communities	Transformation of Roads, Grounds & Street Cleansing: Income generation from Grounds Maintenance Operations	100	0.00	0.00			100
27	DV61		Electric Vehicle (EV) Chargepoint Income	30	0.00	0.00			30
28	DV64	Communities	Transformation of Roads, Grounds & Street Cleansing: Income Generation from Roads Maintenance Operations	200	0.00	0.00			200
29	DV87		Removal of Funding to Support 20-Minute Neighbourhoods	70	0.00	0.00			70
30	DV88		Removal of Funding to Support Community Growing Initiatives	50	0.00	0.00			50
31	DV90		Review of school crossing patrol provision - removal of lunch-time provision	31	0.00	2.15			31
32	CHS41	Innovation	Absence Service Review	134	0.00	0.00			134
33	CHS42		Improved Financial Processes	80	1.50	0.00			80
34	CHS52		Governance - Management Review	55	1.00	0.00			55
35	CHS55		Licensing Digital Channel Shift	21	0.50	0.00		21	
36	CHS70		Implementation of self service redeployment process.	18	0.60	0.00			18
37	CHS74	Innovation	AI/Robotics	75	2.50	0.00			75
38	CHS101		Procurement - Management Review.	50	1.00	0.00			50

Savings RAG Status (1 year)
All Approved Savings options
2022/2023 - All Services - All Workstreams

No	Ref	Workstream	Description	Savings £'000	FTE Impact Vol.	Impact Comp.	Savings Status		
							Red Savings £'000	Amber Savings £'000	Green Savings £'000
39	CHS102	Innovation	Savings arising from the change to 37 hour working week.	79	0.00	0.00			79
40	CHS103	Innovation	Customer & Business Support staffing reduction - Unified Customer Journey	145	5.50	0.00			145
41	CHS107	Innovation	CCTV - Establishment of In-house Digital Alarms Hub	54	0.00	0.00			54

Savings RAG Status (1 year)
All Approved Savings options
2022/2023 - All Services - All Workstreams



Falkirk Council

Summary by Service

	2022/23						
	Saving £'000	VOL FTE	COMP FTE	Red Savings £'000	Amber Savings £'000	Green Savings £'000	Total RAG Savings £'000
Children's Services	3,830	20.60	1.00	1,532	233	2,065	3,830
Place Services	1,136	5.50	2.15	0	0	1,136	1,136
Transfrm, Comm and Corp Service	711	12.60	0.00	0	21	690	711
	5,677	38.70	3.15	1,532	254	3,891	5,677

Summary by Workstream

	2022/23						
	Saving £'000	VOL FTE	COMP FTE	Red Savings £'000	Amber Savings £'000	Green Savings £'000	Total RAG Savings £'000
Communities	2,645	14.60	1.00	1,532	43	1,070	2,645
Enterprise	115	0.00	0.00	0	0	115	115
Innovation	525	8.00	0.00	0	0	525	525
Business as Usual	2,392	16.10	2.15	0	211	2,181	2,392
	5,677	38.70	3.15	1,532	254	3,891	5,677

FALKIRK COUNCIL
HOUSING REVENUE ACCOUNT
PROJECTED REVENUE OUTTURN STATEMENT 2022/23

	<u>Budget</u> £'000	<u>Projected</u> <u>Outturn</u> £'000	<u>(Fav)/ Adv</u> <u>Variance</u> £'000	%	<u>Previous</u> <u>Variance</u> £'000
Employee Expenses	8,896	8,356	(540)	(6.1)	(400)
Property Expenses	28,464	23,837	(4,627)	(16.3)	(600)
Transport Expenses	33	31	(2)	(6.1)	-
Supplies and Services	4,420	5,125	705	16.0	-
Third Party Payments	894	2,203	1,309	146.4	1,000
Support Services	5,100	5,041	(59)	(1.2)	-
Capital Charges	21,414	24,628	3,214	15.0	-
Sub-Total	69,221	69,221	-	-	-
Integration Joint Board	1,414	1,414	-	-	-
Gross Expenditure	70,635	70,635	-	-	-
Income	(70,024)	(70,024)	-	-	-
(SURPLUS)/DEFICIT	611	611	-		-
Surplus brought forward at 1 April 2022		(7,228)			
Projected Surplus at 31 March 2023		(6,617)			