Policy and Co-ordination Committee

Due to Scottish Government guidance relating to Covid-19, this meeting will be held remotely.

Thursday, 16th September, 2021 - 10.00 a.m.

AGENDA

		Page Nos.
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATIONS OF INTEREST** – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest in particular items on the agenda and the nature of the interest(s) at this stage.	
3.	**MINUTES**	
	(i) Policy and Co-ordination Committee of 5th August, 2021.	3 - 4
	(ii) The following Sub-Committee minutes are submitted for noting only:-	
	• Assets and Corporate Services of 19th August, 2021.	5 – 9
	• Community and Housing Services of 26th August, 2021.	10 – 14
4.	**GENERAL FUND REVENUE BUDGET 2022-25** – Report by the Executive Director (Finance and Corporate Services).	15 – 30
5.	**UPDATED FINANCIAL PLAN AND REVENUE MONITORING 2021-22** – Report by the Executive Director (Finance and Corporate Services).	31 – 44
6.	**CAPITAL INVESTMENT PLAN UPDATE – PROJECTED OUTTURN 2021-22** – Report by the Executive Director (Finance and Corporate Services).	45 – 52
7.	**BAD DEBTS 2020-21** – Joint report by the Head of Revenue and Commercial Services and the Head of Housing Services.	53 – 63
8.	**PAYMENT STRATEGY UPDATE** – Joint report by the Head of Customer and Online Services and the Head of Revenue and Commercial Services.	64 – 69
9.	**TAY CITIES – CITY OF CULTURE BID 2025 –** Report by the Head of Communities and Neighbourhoods Service.	70 – 73
10.	**VER (VOLUNTARY EARLY RETIREMENT) POLICY** – Report by the Head of Human Resources.	74 – 79
11.	**FUTURE WORKSTYLES** – Joint report by the Head of Human Resources and Head of ICT.	80 - 90

Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.

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9th September, 2021.

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THE FIFE COUNCIL - POLICY AND CO-ORDINATION COMMITTEE – REMOTE MEETING

5th August, 2021. **10.00 a.m. – 11.30 a.m.**

PRESENT: Councillors David Ross (Convener), David Alexander, David Barratt, Tim Brett, Altany Craik, Dave Dempsey, Linda Erskine, Derek Glen (substituting for Fay Sinclair), David Graham, Judy Hamilton, Andy Heer, Helen Law, Rosemary Liewald (substituting for Carol Lindsay), Donald Lothian, Alice McGarry (substituting for Karen Marjoram), Tony Miklinski, Ann Verner (substituting for John Beare), Ross Vettraino and Craig Walker.

ATTENDING: Steve Grimmond, Chief Executive; Eileen Rowand, Executive Director (Finance and Corporate Services), Alison Binnie, Business Partner, Helena Couperwhite, Manager (Committee Services) and Michelle McDermott, Committee Officer, Legal and Democratic Services, Finance and Corporate Services; Shelagh McLean, Head of Education and Children's Services (Early Years and Directorate Support); Alan Paul, Senior Manager (Property Services) and Louise Playford, Service Manager (School Estate), Assets, Transportation and Environment.

APOLOGIES FOR ABSENCE: Councillors Linda Holt and Mino Manekshaw.

311. DECLARATIONS OF INTEREST

Councillor Ann Verner declared an interest at para. 313 - Building Fife's Future: Dunfermline Learning Campus - Outline Business Case - being a Council appointed member on Opportunities Fife Partnership but was satisfied that the interest was so insignificant and remote that it would not prejudice discussion in her role as a Councillor and would therefore remain in the meeting.

312. MINUTES

(i) **Policy and Co-ordination Committee of 24th June, 2021**

Decision

The Committee approved the minute.

(ii) **Appointments Sub-Committee of 27th May and 23rd June, 2021**

Decision

The minutes were noted.

313./

313. BUILDING FIFE'S FUTURE: DUNFERMLINE LEARNING CAMPUS - OUTLINE BUSINESS CASE

The Committee considered a report by the Executive Director (Education and Children's Services) which presented the Outline Business Case for the proposed investment to replace Woodmill and St. Columba's RC High School buildings as part of the Dunfermline Learning Campus project.

Decision

The Committee:-

(1) reviewed and approved the Outline Business Case and noted that all decisions and actions in the report were subject to the approval of any recommendation to relocate both schools outlined in the statutory Consultation Report which was due to be considered by the Education and Children's Services Sub-Committee on 7th September, 2021;

(2) authorised the instruction of the enabling works and provided delegated authority to officers to continue the detailed design stage and instruct other key work packages (specifically those for which there was the likelihood that delivery would be impacted by the pandemic);

(3) noted that the land acquisitions would proceed in line with the decision of the Assets and Corporate Services Sub-Committee on 22nd April, 2021;

(4) approved the actions outlined in section 20.0 - Next Steps - of the report;

(5) agreed that officers submit a full Business Case to a future meeting of the Committee early in 2022; and

(6) agreed that the Co-Leaders would write to the Scottish Government:-

   (i) expressing the Council's concerns in relation to the following risks and financial pressures and requesting clarification on these issues:-

   - the impact of capital accounting review on the affordability of the capital plan and clarification on what happens if there was an overspend in the budget; and
   - the risk of costs not being managed within the overall budget in light of cost inflation, particularly construction inflation costs; and

   (ii) requesting a commitment from the Scottish Government to meet any increase in costs that may arise.

Councillor Vettraino left the meeting during consideration of the above item.

THE FIFE COUNCIL - ASSETS AND CORPORATE SERVICES SUB-COMMITTEE – REMOTE MEETING

19th August, 2021 **10.00 a.m. – 10.45 a.m.**

PRESENT: Councillors David Barratt (Convener), Ross Paterson, John O'Brien, David Alexander, Alistair Bain, Alex Campbell, Gary Guichan, Garry Haldane, Jean Hall-Muir, Kathleen Leslie, David MacDiarmid, Graham Ritchie and Andrew Verrecchia.

ATTENDING: Keith Winter, Executive Director - Enterprise and Environment; Ken Gourlay, Head of Assets, Transportation and Environment, John Rodigan, Senior Manager - Environment and Building Services, Tariq Ditta, Senior Manager, Facilities Management Service; Michael O'Gorman, Service Manager, Estates, Property Services; Alan Paul, Senior Manager, Property Services, Assets, Transportation and Environment; Gordon Mole, Head of Business and Employability, Ronnie Hair, Property Investment and Development Manager, Anne Rennie, Economic Adviser, Economy, Planning and Employability Services; Eileen Rowand, Executive Director, Elaine Muir, Head of Finance, Les Robertson, Head of Revenue and Commercial Services, Donna Grieve, Accountant, Caroline Ritchie, Accountant, Helen Guthrie, Accounting Technician, Finance and Corporate Services; Anne-Marie Fleming, Corporate Development Officer, Communities and Neighbourhoods; Sharon McKenzie, Head of Human Resources, Karen Rennie, HR Business Partner, Human Resources; Michelle Hyslop, Committee Officer, Legal and Democratic Services.

APOLOGIES FOR ABSENCE: Councillors Mick Green and Bill Porteous.

186. DECLARATIONS OF INTEREST

No declarations of interest were submitted in terms of Standing Order No. 7.1.

187. MINUTE

The Committee considered the minute of the meeting of the Assets and Corporate Services Sub-Committee of 22nd April, 2021.

Decision

The Committee agreed to approve the minute.

188./

188. COMPULSORY PURCHASE ORDER IN RESPECT OF LAND AT 4-5 BEECH WAY, DALGETY BAY

The Committee considered a report by the Head of Business and Employability seeking approval to secure the promotion of a Compulsory Purchase Order in respect of land at 4-5 Beech Way, Dalgety Bay, extending to 1.32 hectares or thereby, which followed an earlier decision to promote a CPO for the land in 2012.

<u>Decision</u>

The Committee, using the powers conferred by section 189 of the Town and Country Planning (Scotland) Act 1997 and acquisition of Land (Authorisation Procedure) (Scotland) Act 1947:

1. resolved to make the Compulsory Purchase Order to acquire all of the subjects comprising of the land at 4-5 Beech Way, Dalgety Bay, extending to 1.32 hectares or thereby as detailed in Appendix 1 to the report and shown on the plan annexed on Appendix 2 of the report; and

2. authorised the Head of Business and Employability and the Head of Legal and Democratic Services to advertise the CPO and take all other necessary steps to obtain title to the land.

189. THE FIFE COUNCIL (FORMER KINGLASSIE COMMUNITY HALL) COMPULSORY PURCHASE ORDER

The Committee considered a joint report by the Head of Assets, Transportation and Environment and the Executive Director, Finance and Corporate Services seeking reaffirmation of the decision of the Assets and Corporate Services Committee of the 16th January 2020, to make a compulsory purchase order in respect of the former Kinglassie Community Hall, and to remove the reference to 2020 from its name, due to the change in Scottish Government practice.

<u>Decision</u>

The Committee, using the powers conferred by Section 189 (1) of the Town and Country Planning (Scotland) Act 1997 and the Acquisition of Land (Authorisation Procedure) (Scotland) Act 1947:

1. reaffirmed the decision of the Assets and Corporate Services Committee of 16th January 2020, to make a compulsory purchase order (CPO) in respect of the Former Kinglassie Community Hall; and

2. agreed to remove the reference to 2020 from its name.

190. GALLATOWN BIKE HUB: REQUEST TO PURCHASE ADDITIONAL LAND

The Committee considered a report by the Head of Assets, Transportation and Environment asking members to consider the request from the YMCA to purchase land at Gallatown Hub, Oswald Road, Kirkcaldy.

Decision./

Decision

The Committee approved:

1. the disposal of 258sqm of land at Oswald Road, Kirkcaldy at less than best consideration; and

2. the disposal of 258sqm of land at Oswald Road, Kirkcaldy at a price of Nil.

All on terms to be agreed to the satisfaction of the Head of Assets, Transportation and Environment and the Head of Legal and Democratic Services.

191. FINANCE & CORPORATE SERVICES PERFORMANCE REPORT 2020/21

The Committee considered a report by the Executive Director, Finance and Corporate Services outlining the current performance scorecard for the Finance and Corporate Services Directorate for 2020/21.

Decision

The Committee:-

1. considered the Finance and Corporate Services performance information detailed in Appendix 1 of the report;

2. considered if any further review work would be required and the scope of that review;

3. noted the arrangements set out within the report to fulfil the Council's obligation to comply with Audit Scotland's 2018 SPI direction; and

4. noted the information on the workforce profile detailed in Appendix 2 of the report.

192. ENTERPRISE AND ENVIRONMENT DIRECTORATE SECTION/SERVICE PERFORMANCE REPORTS

The Committee considered a report by the Executive Director, Enterprise and Environment outlining the current performance scorecard for Property Services, Facilities Management, Building Services and Fleet Operations for 2020/21.

Decision

The Committee: -

1. considered the performance information presented in Appendices 1-3 of the report;

2. considered if any further work or scrutiny is required for the scope of the review;

3./

3. noted the current arrangements set out in the report in fulfilling the Council's obligation to comply with Audit Scotland's 2018 SPI direction; and

4. noted the information on the workforce profile contained within appendix 4 of the report.

193. 2020/21 REVENUE MONITORING PROVISIONAL OUTTURN – FINANCE AND CORPORATE SERVICES

The Committee considered a report by the Executive Director, Finance and Corporate Services providing members with an update on the projected outturn financial position for 2020/21 for the Finance and Corporate Services Directorate.

Decision

The Committee noted the current financial performance activity as detailed in the report.

194. 2020/21 CAPITAL MONITORING PROVISIONAL OUTTURN – FINANCE AND CORPORATE SERVICES DIRECTORATE

The Committee considered a report by the Executive Director, Finance and Corporate Services providing members with an update on the Capital Investment Plan and advising on the projected financial position for the 2020/21 financial year for the Finance and Corporate Services Directorate.

Decision

The Committee noted the current performance and activity across the 2020/21 Financial Monitoring as detailed in the report.

195. 2020/21 REVENUE MONITORING PROVISIONAL OUTTURN – ENTERPRISE AND ENVIRONMENT DIRECTORATE

The Committee considered a joint report by the Executive Director, Finance and Corporate Services and the Executive Director, Enterprise and Environment updating members on the 2020/21 provisional outturn financial position for the areas in scope of the Assets and Corporate Services Sub-Committee in relation to Assets only.

Decision

The Committee noted the current financial performance and activity as detailed in the report.

196./

196. 2020/21 CAPITAL MONITORING PROVISIONAL OUTTURN - ENTERPRISE AND ENVIRONMENT DIRECTORATE

The Committee considered a joint report by the Executive Director, Finance and Corporate Services and the Executive Director, Enterprise and Environment providing members with an update on the Capital Investment Plan and advised on the projected financial position for the 2020/21 financial year for the areas in scope of the Assets and Corporate Services Sub-Committee in relation to Assets only.

Decision

The Committee noted the current performance and activity across the 2020/21 Financial Monitoring as detailed in the report.

197. ASSETS AND CORPORATE SERVICES SUB-COMMITTEE FORWARD WORK PROGRAMME

Decision

The Committee noted the content of the Assets and Corporate Services Sub-Committee forward work programme.

THE FIFE COUNCIL - COMMUNITY AND HOUSING SERVICES SUB-COMMITTEE – REMOTE MEETING

26th August, 2021 **10.00 a.m. – 13.10 p.m.**

PRESENT: Councillors Judy Hamilton (Convener), Lesley Backhouse, John Beare, Ken Caldwell, Alistair Cameron, Neil Crooks, Linda Erskine, Julie Ford, Helen Law, Donald Lothian, Alice McGarry, David J Ross and Darren Watt.

ATTENDING: Michael Enston, Executive Director – Communities, Paul Vaughan, Head of Communities and Neighbourhoods, Diarmuid Cotter, Head of Customer and Online Services, Andy MacLellan, Team Manager (Community Projects), Kevin O'Kane, Greenspace Officer, Communities and Neighbourhoods; John Mills, Head of Housing Services, Gavin Smith, Service Manager – Housing Access and Homelessness, Housing Services; Lesley Kenworthy, Business Partner, Emma Richards, Accountant, Finance and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

ALSO IN ATTENDANCE: Bill Campbell, Fife Federation of Tenants and Residents Association (FFOTRA).

Prior to the start of formal Sub-Committee business, Councillor Judy Hamilton, Convener, welcomed everyone to the meeting and expressed her thanks and appreciation to local Businesses and the communities of Fife for their offers of support and assistance to refugee families from Afghanistan, who would be welcomed to Fife in the near future.

223. DECLARATIONS OF INTEREST

No declarations were submitted in terms of Standing Order No. 7.1.

224. MINUTE

The Sub-Committee considered the minute of the meeting of the Community and Housing Services Sub-Committee of 26th May, 2021.

Decision

The Sub-Committee agreed to approve the minute.

225. PLAY SPACES STRATEGY (2021-2026)

The Sub-Committee considered a report by the Head of Communities and Neighbourhoods Service on the adoption of the Play Spaces Strategy following a period of public consultation. The Strategy aimed to reshape Fife's future play park provision by providing good play value for children of different ages and needs, varied opportunities for outdoor play and ensuring the financial sustainability of play park provision in Fife.

Decision/

Decision

The Sub-Committee agreed to approve the Play Spaces Strategy (2021-26) subject to the following amendments:-

(1) engagement at local level to implement the Strategy to ensure that areas most in need are identified as a priority;

(2) Section 1.0 – Introduction, reflect that £3.5 million has been allocated for the use of Sports and Leisure purposes in Fife rather than Play Parks;

(3) the removal of section 2.3 Inclusive Play, and

(4) throughout the Strategy, reference to the ‘Parks, Streets and Open Spaces Service’ to be replaced with ‘Grounds Maintenance Service’.

Following consideration of the above item, Councillor Julie Ford left the meeting at 10.45 a.m. and re-joined the meeting at 11.05 a.m.

226. PHYSICAL ACTIVITY AND SPORT STRATEGY 2021 - 2024

The Sub-Committee considered a report by the Executive Director - Communities on the Physical Activity and Sport Strategy 2021-2024 developed in collaboration and consultation with key stakeholders and partners, including the ‘Future of Community Facilities and Leisure’ Elected Member Working Group. The Strategy aimed to provide stronger collaborative leadership and working arrangements for physical activity and sport between the Trusts, at strategic and operational level.

Decision

The Sub-Committee:-

(1) approved the Physical Activity and Sport Strategy 2021-2024, detailed in Appendix 1 of the report; and

(2) agreed that a report would be submitted to the relevant Committee on an annual basis providing an update on progress following the implementation of the Physical Activity and Sport Strategy 2021-2024.

The Sub-Committee adjourned at 11.45 a.m.

The Sub-Committee reconvened at 11.55 a.m.

227. RAPID REHOUSING TRANSITION PLAN (RRTP) 2020/21 UPDATE AND PRIORITIES FOR 2021/22

The Sub-Committee considered a report by the Head of Housing Services providing an insight into the impact of the Covid-19 Pandemic on housing access and homelessness services, setting out the specific challenges facing homelessness services and seeking agreement from members of this Sub-Committee on the RRTP priorities for 2021/22 as proposed by the RRTP Programme Board.

Decision

The Sub-Committee:

(1) noted the current pressures and demand on homelessness services;

(2) agreed the RRTP priorities for 2021/2022 recommended by the RRTP Programme Board; and

(3) agreed plans to ensure the Council continued to meet statutory duties toward homeless and potentially homeless households.

228. REVIEW OF THE HOUSING SUPPORT AND HOMELESSNESS PUBLIC SOCIAL PARTNERSHIP (PSP)

The Sub-Committee considered a report summarising the findings of the formal independent review of Fife's PSP arrangements commissioned by Community and Housing Services Committee in November 2019. The research, combined with other strands of work, formed an overall assessment of the capacity to progress Fife's Rapid Rehousing Transition Plan (RRTP) objectives.

Decision

The Sub-Committee agreed:-

(1) to revised commissioning service arrangements between Fife Council and the PSP, and that a report would be submitted to this Sub-Committee by February, 2022; and

(2) to re-align Women's Aid Grant funding arrangements from the PSP to the Woman's Health Institute Research (WHIR) partnership, supported by appropriate service level agreement arrangements by October 2021.

229. CUSTOMER AND ONLINE SERVICES PERFORMANCE REPORT

The Sub-Committee considered a report by the Head of Customer and Online Services, Communities, presenting the performance scorecard for Customer and Online Services for 2020/21.

Decision

The Sub-Committee:-

(1) considered and acknowledged the Customer and Online Services performance information as detailed in the report and appendix 1; and

(2) acknowledged the challenges that Contact Centre Staff had faced during the Covid-19 pandemic and noted that there had been a significant increase in the collection of rent and council tax during this period.

(3) The Convener, on behalf of the Sub-Committee, acknowledged the efforts of Contact Centre staff during this challenging period.

230./

230. 2020/21 REVENUE MONITORING

The Sub-Committee considered a joint report by the Executive Director, Finance and Corporate Services and the Executive Director, Communities providing and update on the provisional outturn position for the 2020/21 financial year for the areas in the scope of the Community and Housing Services Sub-Committee.

Decision

The Sub-Committee noted the current financial performance and activity for the 2020/21 Revenue Monitoring as detailed in the report.

231. 2020/21 CAPITAL MONITORING

The Sub-Committee considered a joint report by the Executive Director, Finance and Corporate Services and the Executive Director, Communities, providing an update on the Capital Investment Plan and advising on the provisional financial position for the 2020/21 financial year.

Decision

The Sub-Committee noted the current performance and activity for the 2020/21 Capital Monitoring as detailed in the report.

232. 2021/22 REVENUE MONITORING

The Sub-Committee considered a joint report by the Executive Director, Finance and Corporate Services and the Executive Director, Communities providing an update on the provisional outturn position for the 2021/22 financial year for the areas in the scope of the Community and Housing Services Sub-Committee.

Decision

The Sub-Committee noted the current financial performance and activity for the 2021/22 Revenue Monitoring as detailed in the report.

233. 2021/22 CAPITAL MONITORING

The Sub-Committee considered a joint report by the Executive Director, Finance and Corporate Services and the Executive Director, Communities, updating members on the Capital Investment Plan and advising on the provisional financial position for the 2021/22 financial year.

Decision

The Sub-Committee noted the current performance and activity for the 2021/22 Capital Monitoring as detailed in the report.

234./

234. COMMUNITY AND HOUSING SERVICES SUB-COMMITTEE FORWARD WORK PROGRAMME

The Sub-Committee noted the Community and Housing Services Sub-Committee Forward Work Programme; which would be updated accordingly.

16th September, 2021.

Agenda Item No. 4

General Fund Revenue Budget 2022-25

Report by: Eileen Rowand, Executive Director (Finance and Corporate Services)

Wards Affected: All

Purpose

The purpose of this report is to outline the significant financial challenge the Council faces in both the short and medium term.

Recommendation(s)

Members are asked to:

a) note the report;

b) use the information contained in the report as the basis for the development of initial budget strategy for 2022-23 and beyond; and

c) note that the figures are subject to change following the UK Spending Review and the Scottish Government Budget.

Resource Implications

The report identifies significant resource implications that must be considered in the determination of the budget for 2022-23 and future years. At this stage, assumptions have been made and the budget gap for 2022-23 is estimated to be £2.9m, however, the report recognises and outlines the range of uncertainties that could impact this planning assumption.

The Council currently holds an exceptional level of balances. After earmarking all COVID-19 funding to deal with the cost pressures associated with the pandemic, uncommitted reserves are estimated to be in the region of £45m. However, this is set in the context of significant one off and temporary pressures that could be in the region of £38m over the next three years. The financial risk register also highlights the estimated level of additional risk that Council faces.

Legal & Risk Implications

It is a statutory requirement for the Council to set a balanced budget and an appropriate level of Council Tax to finance the budget.

Impact Assessment

An EqIA has not been completed because the report does not involve any change in policy.

Consultation

None in relation to this report.

1.0 Background

1.1 Fife Council faces a significant financial challenge whilst operating within tight fiscal constraints for the foreseeable future due to the continuing difficult local economic outlook and the increased demand for services.

1.2 This report has been prepared at a time when the Council is continuing to respond to the impact of the COVID-19 pandemic which has created financial pressures and required a fiscal response which are both without precedent in recent decades. It is anticipated that the impact of dealing with COVID-19 will be felt for many years. For the purposes of this report, the term 'core' budget has been used. This reference is in relation to the Council's ordinary cost of continuing and is to differentiate between normal recurring income and expenditure and the additional short term or one-off pressures currently faced by the Council.

1.3 The Councils Medium Term Financial Strategy (MTFS) seeks to provide a practical foundation to ensure that the Council can continue to deliver services and for it to facilitate the Council's duty to set a sustainable budget for the period 2022-2025.

2.0 Financial Outlook

2.1 In reviewing the Council's medium-term financial position, it is essential to consider the economic outlook and what this might mean for public sector and local government funding.

2.2 With so many external influences impacting on the economy, forecasting remains very difficult. The COVID-19 pandemic has elicited a fiscal response which is without precedent in modern times with Governments releasing large sums of funding to support the economy, households and communities. It is not currently clear what the medium to longer term impact of the COVID-19 outbreak will have on the economy and on funding levels available to support public services.

2.3 Global Outlook

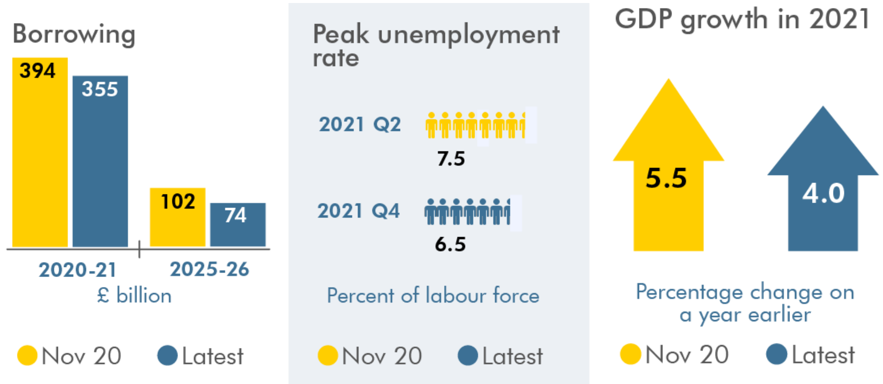
Prospects for the world economy have improved but this is no ordinary recovery. It is likely to remain uneven and dependent on the effectiveness of vaccination programmes and public health policies. Some countries are recovering much faster than others.

2.4 Differences in the strength of economic recovery across countries are being driven by the extent of government support to vulnerable workers and businesses, by a country's dependency on particular sectors such as tourism, as well as by public health and vaccination policies. Trade is also playing a role. Consumers have been spending less on services and more on goods since the pandemic began.

2.5 UK Outlook

GDP is expected to return to its pre-pandemic level in early 2022. However, increased border costs following the exit from the EU will continue to weigh on foreign trade. Unemployment is expected to peak at 6.5% by the end of 2021 as the Job Retention Scheme is withdrawn. Inflation is set to increase due to past increases in commodity prices and strong GDP growth, but should remain below the 2% inflation target. The illustration below provides a pictorial summary of the state of the current UK economy.

Illustration 1: UK Economy



Source: OBR Economic and Fiscal Outlook, March 2021

2.6 A recently published OBR report outlined its latest assessment of UK Fiscal Risks. These were predominantly in three areas: climate change, cost of public debt and the most obvious, the coronavirus pandemic.

2.7 On climate change, the OBR estimate that the UK's transition to net zero emissions could cost less over 30 years than the current pandemic has cost in just two years, estimated to be in the region of £470bn.

2.8 The OBR assess that public finances are now more vulnerable to an increase in inflation or in interest rates, for example, a 1% increase in interest rates would raise the cost of debt service by over 0.5% of GDP (>£10 bn) within a year.

2.9 Looking at the longer-term economic legacy of the pandemic, the OBR consider that this will depend on its lasting impact on potential GDP and demographic trends.

2.10 At present there remains considerable uncertainty over how any of these factors will pan out and it is likely to take some time for evidence to emerge that can provide a strong steer with regards to final outcomes.

2.11 The OBR estimate that the UK Government could face spending pressure of around £10bn a year on average over the next three years across three areas:

- Health, covering test & trace & vaccinations, legacy pressures (e.g. mental health and 'long covid'), and NHS backlog
- Education
- Transport

2.12 The 2021 Spending Review is expected in the Autumn, however, there are suggestions that the Budget itself, may be delayed until the Spring of 2022. This would allow more time for the Chancellor and the OBR to judge the impact of the ending of various support schemes on the economy and on public finances.

2.13 <u>Scottish Outlook</u>

Government Expenditure and Revenue Scotland (GERS) reports that revenues as a whole have fallen by 5% compared to 2019-20, to £62.8bn. The largest impacts are in spending related taxes such as VAT and Fuel Duties, with Non-Domestic Rates (NDR) also down on last year given the relief schemes granted to businesses.

2.14 Whist revenues are down, unsurprisingly overall spending in 2020-21 has increased by 21%, taking total spending in Scotland to £99.2bn. There have been significant increases in spending addressing issues such as food insecurity, increased demand for Crisis Grants and other benefits plus allocating extra resources for Economic Development, Health and Local Government.

2.15 In response to COVID-19, the Scottish Government has, to date, been allocated approximately £8.6bn from UK Consequentials to help fund recovery activity and support businesses. What happens beyond 2021-22 will largely be dependent on the UK Government's fiscal response.

Local Government

2.16 Approximately 75% of the Council's budget is supported by funding from the Scottish Government, including general revenue grant, specific grants and Non-Domestic Rate income. The remaining 25% is made up from Council Tax and other Council sources of finance, e.g. fees and charges. Consequently, the Council has limited access to levers to influence income levels.

2.17 In recent years, the Scottish Government has produced single year financial settlements for Local Government making it extremely challenging for the Council to estimate future funding levels with any degree of accuracy.

2.18 The pressure on the Council to deliver a balanced budget is further exacerbated by the extent to which funding provided by the Scottish Government is ring-fenced. Such policy areas where "protection" is applied include teacher/pupil ratios and prioritising social work. Approximately 66% of the Council's budget is 'protected' which means any requirement to reduce expenditure needs to be delivered from the remaining 34%.

2.19 The further we look into the future the greater the uncertainty about the financial challenges the Council will face. In addition to the extent to which COVID-19 and the UK's exit from the EU will affect the national economy, there are a number of further key issues which are likely to impact on the Council's revenue budget.

2.20 Whenever possible, future costs associated with issues such as those listed above are included within the budget model if a reasonable estimate can be made. However, where this is not possible or are uncertain, these costs/risks are included within our financial risk register.

2.21 Notwithstanding future political uncertainty, economic recovery planning is continuing on the basis of the next Scottish budget, whether for one or three years. It is assumed this will be announced in December, shortly followed by the release of the Local Government Settlement. All needs-based indicators, both revenue and capital and all other relevant issues that impact on the local government financial settlement will be updated and revised with the most relevant information. This will impact on the overall share of the grant that Fife will receive and therefore has a fundamental effect on the total funding received from Scottish Government.

2.22 The above factors make it difficult to forecast the level of funding that the Council will receive in grant given the level of uncertainty that exists. However, this does not negate the need to do so and assumptions are made to allow the Council to plan. It is important that the Council develops a medium-term strategy to deal with finances therefore high level assumptions are required to be made using the information currently available.

3.0 Financial Planning

3.1 This report provides core budget gap estimates for the period 2022-23 to 2024-25 based on a set of assumptions and provides a range of potential scenarios and the financial implications.

3.2 As per normal practice, these estimates and assumptions will continue to be reviewed on a regular basis and reported to the Policy and Co-ordination Committee later in this financial year.

3.3 The financial planning that has been undertaken takes into account a number of significant cost pressures including:

- Continued costs and pressures resulting from the COVID-19 pandemic;
- Significant socio economic and demographic pressures including:
  - An ageing population;
  - Increased demand for support for adults; and
  - Increased demand for support for vulnerable children and young people
- Workforce costs including pay awards, pension costs, living wage, workforce resizing and future legal claims resulting from recent employment law / pension rulings;
- Supporting an ambitious Capital Investment Plan; and

The financial implications are assessed in order that the core budget gap and the additional pressures are quantified.

3.4 A total core budget requirement has been arrived at based on the cost of delivering existing levels of service, savings already accounted for, pay and pension costs. This analysis outlines that the Council has a 'core' net revenue expenditure requirement of £908.1m in 2022-23, rising to £936.3m by 2024-25. These estimates do not include one off or temporary costs associated with the financial implications of COVID-19, the recovery from the pandemic or the cost of any other temporary pressures.

4.0 Core Budget Gap

4.1 It is clear from Section 2 of this report that there is a high level of uncertainty at both a macro and micro economic level in relation to the economic outlook and as a result the future financial resources for the Council are also uncertain.

4.2 In response to this, an estimated core budget gap has been modelled and sensitivity analysis used to illustrate the impact of differing levels of assumed grant after new burdens, pay and pension costs, and Council Tax income. There is movement in the budget gap from that reported in March 2021, mainly due to a change in assumption around level of grant and workforce change costs (WFC).

4.3 The 2022-23 Budget Gap reported in March following the 2021-22 budget process was £19.0m, this has reduced to £8.1m due to a change in the assumed level of grant from a 1% reduction to a flat cash settlement. This change reflects trends resulting from previous years settlements and the on-going pandemic reform agenda. In addition, a change to the funding strategy for Work Force Change (WFC) costs following the implementation of the revised Voluntary Early Retirement policy, will see future costs reducing and these will be funded from balances going forward where there is currently capacity to make this change to cover these one off costs.

4.4 Table 1 outlines the potential budget gap for 2022-23 that is £8.1m rising to £47.3m by 2024-25.

Table 1: Core Budget Gap

	2022-23 £m	**2023-24 £m**	**2024-25 £m**
Net Expenditure	908.1	922.1	936.3
Net Funding	900.0	894.4	889.0
Cumulative Indicative Funding Gap (Excluding the financial impact of COVID)	**8.1**	**27.7**	**47.3**

4.5 Detailed below are the core assumptions used in determining the estimated budget gap over the next three financial years.

Table 2: Core Assumptions

	2022-23 £m	**2023-24 £m**	**2024-25 £m**
Grant	Flat Cash	1% Reduction	1% Reduction
Pay and Pension Costs	2.5% Increase	2.5% Increase	2.5% Increase
Non-Pay Inflation (Specific Items Only)	2.5% Increase	2.5% Increase	2.5% Increase

4.6 Although pay and pensions costs are assumed at a 2.5% increase, the associated cost may increase following the conclusion of current pay settlement negotiations for 2020-21 as a result of an increase in our baseline costs. As present, pay costs have been calculated on the basis of the original Scottish Government public sector pay policy.

4.7 During the 2021-22 budget process, the Scottish Government provided compensatory funding via General Revenue Grant (GRG) in lieu of a 3% increase for Council Tax. The core planning assumption is that the £5.8m provided as GRG in 2021-22 for Council Tax will be baselined and is assumed to be recurring. Although ultimately a member decision, for the purposes of planning, Table 3 below illustrates the impact on the budget gap of a further 3% increase in Council Tax and the passporting of any fluctuation in grant levels to Health and Social Care.

Table 3: Impact of Council Tax and H&SC

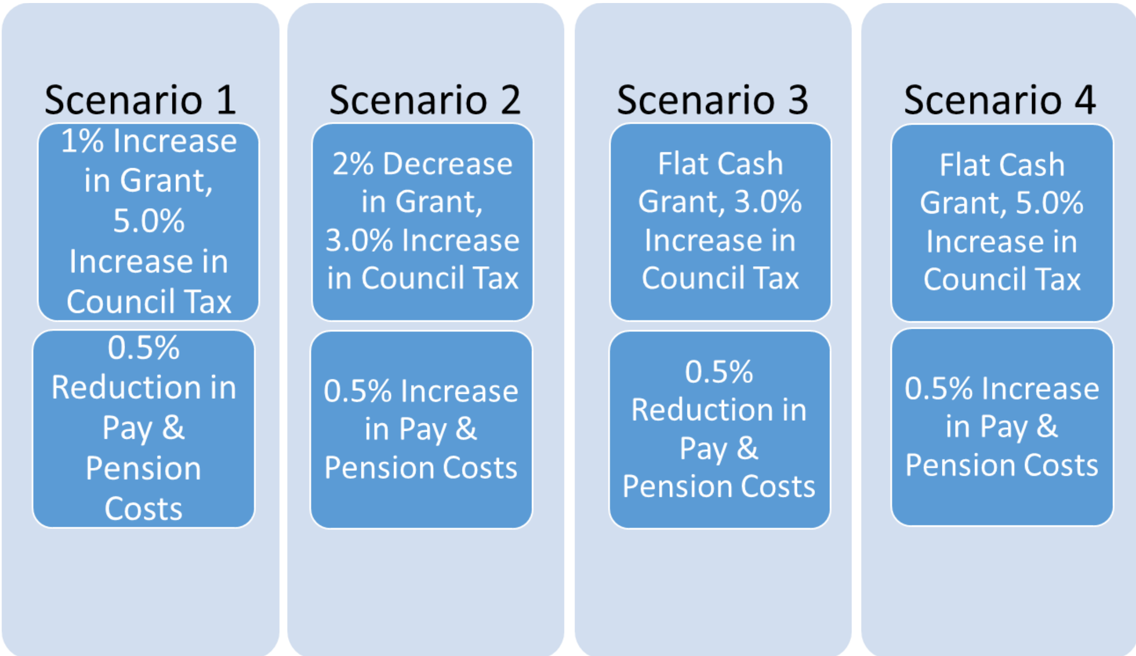
	2022-23 £m	**2023-24 £m**	**2024-25 £m**
'Core' Budget Gap	8.1	27.7	47.3
Council Tax Increase 3%	(5.2)	(10.7)	(16.4)
H&SC Grant Fluctuation	-	(1.7)	(3.4)
Revised 'Core' Budget Gap	**2.9**	**15.3**	**27.7**

5.0 Sensitivity Analysis

5.1 Sensitivity Analysis has been used to illustrate the risks associated with the estimated core budget gap and to understand the implications if assumptions change. This effectively tests 'what if' scenarios and enables the Council to determine the potential fluctuation which could exist within the estimated core budget gap.

5.2 To understand the implications of changes in assumptions, a number of scenarios have been developed which include a combination of different changes to our core assumptions, in each year, for example, assumed grant levels within Scenario 1 would be 1%, 2% and 2% respectively for years 1,2 and 3. The scenarios which have been considered for modelling purposes are:-

Chart 2: Modelling Scenario Assumptions



5.3 As shown in Graph 2 below, and based on this range of sensitivity analysis the budget gap for 2022-23 could range from a surplus of £8.2m to budget gap of £16.1m depending the factors used in each of the sensitivity scenarios.

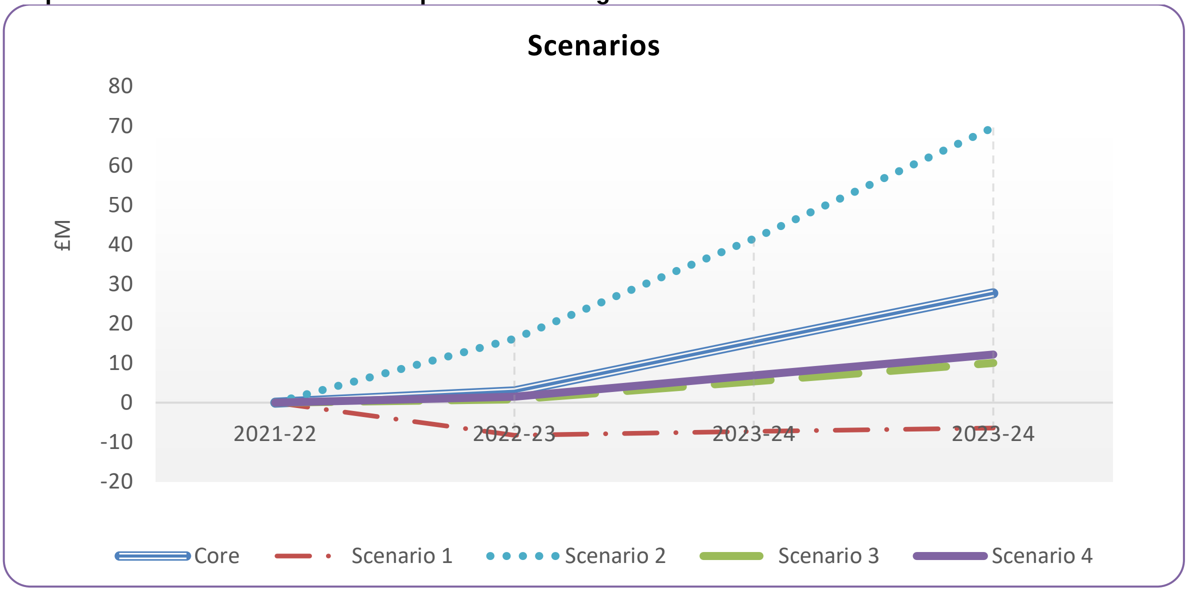
5.4 The impact of each of these scenarios is shown in at Graph 1 below.

5.5 Scenario 1 assumes the Council receives more grant and Council Tax income increases and that costs for pay and pensions reduce relative to the core assumptions. The impact of this would significantly reduce the budget gap over the three years from £27.7m to a surplus of £6.4m over that period to 2024-25. The probability of this occurring is low.

5.6 Scenario 2 assumes the Council's grant income is reduced and costs of pay and pensions increase. The impact over the three years would be an increase in the budget gap from £27.7m to £69.7m over that period to 2024-25.

5.7 Scenarios 3 and 4 demonstrate similar outcomes to scenarios 1 and 2 but with a lesser degree of variation from the core assumptions detailed within Table 3 above.

Graph 2: Variation from Core Assumptions Modelling Scenarios



5.8 These scenarios demonstrate the degree of variation which can occur within the estimated core budget gap including assumed Council Tax and H&SC Grant adjustments. The core budget gap is based on best assumptions available at the time, however it is important that this is kept under review as part of the Council's ongoing medium-term financial planning.

6.0 Balancing the Budget 2022-23

6.1 Given the level of uncertainty in relation to future funding, the continuing impacts of COVID-19, and taking cognisance of Local Government Elections, a short-term process to balance the 2022-23 Budget is proposed which will protect our financial sustainability in the immediate future. The financial strategy for 2022-23 will continue to distinguish between "Core budget" and additional "COVID-19" and other short-term pressures for the purpose of clarity around assumptions and funding solutions.

Notwithstanding the uncertainty around the planning assumptions above, the principles within the current MTFS have been reviewed and altered slightly to remain relevant to achieve a sustainable financial position in the short-term. In summary, the main principles are:-

- Council Tax continues to be increased by 3%;
- Any reduction of grant that the Council receives after providing for new burdens will be shared by all Services including the Health and Social Care Partnership;
- A change to the approach to funding demographic costs pressures which will be considered as part of the annual budget process following development of relevant strategies and supporting evidence based modelling, recognising that any net growth will result in an increased budget gap that will need compensatory cost reductions in order to fund.
- Services will fund revenue consequences of capital with provision incorporated into all business cases.

- The impact of inflationary increases in fees and charges should be managed corporately rather than at a service level to ensure consistency of approach and to increase transparency and the change in strategy of providing for some pressures in the budget model.

6.2 In order to plan for the 2022/23 budget, corporate solutions will be considered, such as a review of contingencies and the short-term use of balances. Given the core assumptions indicate that the local financial situation is likely to worsen in future years, planning will begin now to address the future core budget gap beyond 2022-23. It is recognised that planning for this level of funding gap will take time however, by planning now there may be some aspects of change that can be accelerated and contribute to bridging the gap in 2022-23.

7.0 Other / COVID Cost Pressures

7.1 In addition to the 'core' budget gap associated with the cost of continuing services, there are other one off or temporary financial pressures that are worthy of highlighting at this stage. Some of these are directly linked to the ongoing impact and response to the pandemic and others are due to additional external factors and are explained below. We do not build them into the budget gap at this stage as further work and information is required however it is anticipated that a significant element will require a one-off solution. Ensuring that sufficient reserves are in place to cover these pressures over the medium term is imperative.

7.2 <u>COVID Cost Pressures</u>

Further costs associated with both the ongoing impact and recovery from COVID-19 for 2022-23 are estimated to be in the region of £13.4m with associated reductions in costs reducing the pressure to £12.3m. Future costs relating to COVID-19 are difficult to predict but are currently estimated at £8.2m and £4.1m for 2023/24 and 2024-25 respectively. It is envisaged that these costs will be fully funded from the level of committed balances (circa £48m) that are currently held as a result of additional funding received but unused in the previous financial year. Funding these pressures in this way, as intended, will mean there is no impact on the budget gap in the immediate term.

7.3 These estimates are derived based on all known current circumstances moving into recovery and reform from the pandemic and do not factor in any potential costs of any future "waves" or any subsequent COVID-19 restrictions and this remains a risk

7.4 <u>Other Cost Pressures</u>

In addition to the financial pressures associated with COVID-19 a number of other, non-recurring cost pressures associated with the core revenue budget have been identified across Services. The most significant of these costs include; construction inflation, an increase in secondary school rolls, transformational projects, and insurance related costs and estimates of these additional cost pressures total £63.2m over the next three years are detailed in Table 4 below.

7.5 Whilst these other cost pressures are estimates at the moment, these costs are a result of known external factors and are in addition to the financial risks contained in the risk register. These are provided to give an indication of the likely one off or temporary costs arising from external factors that could potentially require funding from the remaining uncommitted balances. However, before this is considered, more work will be done to refine the estimates and to assess all methods of either reducing the costs or exploring alternative funding solutions between now and the time the budget will be set. Where additional funding is sought corporately strategies will require to be developed to consider how services can be redesigned to reduce the call on additional resources.

Table 4: Other Cost Pressure

	2022-23 £m	2023-24 £m	2024-25 £m	Total £m
COVID-19 Cost Pressures	12.3	9.0	4.0	25.3
Other Cost Pressures	21.3	8.2	8.4	37.9
TOTAL	**33.6**	**17.2**	**12.4**	**63.2**

8.0 Risks & Reserves

8.1 Whilst the Council is currently holding an unusually high level of reserves, it can be seen from section 7 of this report, that the level of pressures the Council is likely to face in the next few years, is exceptional. This, combined with the uncertainty around future funding levels and the degree of change that will be needed, puts the Council in a challenging position going forward.

8.2 In addition to the temporary and one-off pressures, the Council continues to face a level of financial risk. Whilst the Council will not hold reserves to cover financial risks in full there is a recognition that not all risks will come to fruition and that action will be taken to mitigate risk and adjust the budget strategy in light of actual events. The Executive Director (Finance and Corporate Services) will continue to consider the level of reserves and the need for restoration as part of the updates to the MTFS when reporting to Committee.

8.3 The Risk Register is shown at Appendix 1 and highlights items which may need to be funded from General Fund Balances in the coming year should these risks come to fruition. The risks represent a variety of scenarios out with the assumptions made in calculating the budget gap, for example, any further restrictions imposed as a result of the pandemic, demand for Services outstripping the available budget and environmental factors. In addition, there are external factors which could also impact on the Council's funding and balances position, but these are not quantifiable at this stage due to the level of uncertainty e.g. economic impacts and potential equal pay claims which could be significant. The current estimated level of risk is £61.9m in total.

8.4 A separate report on this agenda indicates that the projected outturn for 2021-22 is an underspend of £3.657m. Assuming no change, this would increase the level of uncommitted reserves which are projected to be £44.868m by 2023-24. This is before committing to any of the additional non-COVID related pressure mentioned at para 7.4 above and before committing the future workforce change costs which will lead to a reduction in reserves.

8.5 The projected level of reserves of £44.868m represents 5.1% of the estimated budget. The Council policy is to maintain a minimum of 2% over a 3-year period, meaning that over the current year and two subsequent years the uncommitted balances should not fall below 2%. However during times of increased uncertainty a higher level of balances is required and the current situation warrants this. The

Executive Director of Finance and Corporate Services will continue to monitor this position and review the need to take action to restore reserves as part of the annual budget process.

9.0 Conclusion

9.1 There is a great deal of uncertainty in relation to both the future core funding that the Council will receive in both the short and medium term and also the additional pressures arising from the pandemic and other external factors such as BREXIT and the impact on supply chain disruption. This is making it difficult for the Council to plan over the both the short and medium term, however, the Council's MTFS provides an established planning framework to respond to these financial challenges and ensure the financial sustainability of the Council. This strategy will need to be kept under review and adapted in response to events and new information being available. Sensitivity analysis has been used to demonstrate the potential impact of changes to assumptions on the budget gap.

9.2 A plan has been outlined in this report that provides a basis for the Council to advance its budget process over the next year. The strategy reflects budget forecast in the medium term. A Risk Register has been developed in conjunction with development on the Financial Strategy.

9.3 Whilst the Council is holding an unusually high level of earmarked and uncommitted reserves, there remains short term financial impacts associated with the pandemic and other external financial pressures which may need to be funded from this source.

List of Appendices

Appendix 1 – Financial Risk Register

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Fife Council - Financial Risk Register

Appendix 1

No.	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place*			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) With *Controls Measures*		
			Likeli-hood	Impact	Risk Score				Likeli-hood	Impact	Risk Score
1	Inability to achieve savings	Increased risk due to budget savings not being met, may result in overspend and future reduced service provision as a consequence. Implementation of savings has been delayed as a result of the lockdown restrictions in place following COVID-19 pandemic making it difficult for Services to progress.	5	4	20	Tracking through monitoring process. Monitoring indicates around 54% of savings are on target for delivery in 2021/22 (Revenue Monitoring Report). Services are required to substitute savings to contain expenditure within budget. Carry Forward scheme means that overspends can be recovered from future years service budgets. Government Funding made available for the costs of the pandemic could be utilsed to offset the non-achievement of savings delayed due to COVID-19.	Y	1.8	3	2	6
2	Local Government Pay Award	Increased costs to the Council due to higher negotiated pay award than that planned.	4	4	16	Sensitivity analysis is used to forecast any potential increase in cost. Budget model includes is updated to reflect these costs.	Y	7.0	4	2	8

Fife Council - Financial Risk Register

Appendix 1

No.	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place* Likeli-hood	Impact	Risk Score	Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) With *Controls Measures* Likeli-hood	Impact	Risk Score
3	Increased costs of COVID-19 pandemic and recovery.	The costs associated with COVID-19 pandemic and recovery have fluctuated over the last year as new restrictions and recovery arrangements are put in place. Estimated costs for the future have been identified with a proposed funding strategy. However, there remains a risk of increased costs as a result of new variants, further waves of the pandemic and associcated lock down and closure arrangements.	3	5	15	Additional Government funding provided for future years. Carry forward arrangements are in place for any unused funding. Application of fiscal flexibilities could also be used.	Y	25.0	2	3	6
4	Emergency response to Climate Change and environmental impacts for example flooding events, severe winter and oil spillage	Strain on budget and internal resources.	4	3	12	Bellwin Scheme available , but only when significantly high costs are incurred and within certain criteria. Not available to cover lower costs of adverse winter weather.	Y	1.7	4	3	12
5	Revenue Consequences of Capital	Recurring revenue costs resulting from Capital Investment which are not fully resourced within Service's budgets.	5	2	10	Medium Term Finance Strategy requires that services should meet any recurring revenue costs. Business case process should identify and account for revenue costs.	Y	2.0	3	2	6

Fife Council - Financial Risk Register

Appendix 1

No.	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place*			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) With *Controls Measures*		
			Likeli-hood	Impact	Risk Score				Likeli-hood	Impact	Risk Score
6	Health and Social Care Overspend	IJB overspends and the Council is currently liable for a share of the total overspend and contribution to the partnership.	5	2	10	3 year Financial Strategy. Robust revenue monitoring and regular reporting to IJB. Risk share arrangement is the control to minimise the risk to the Council. IJB have retained a level of reserves which could be utilised to cover overspends.	Y	1.9	4	2	8
7	Financial Guarantees	Two Financial Guarantees with Fife Resource Solutions in respect of defaults from Energey to Waste agreements.	2	5	10	Close monitoring of FRS and business plans and activities.	N	16.0	1	5	5
8	Increase in scale of bad debts owed to the Council (AR, Council Tax, NDR). Welfare Reform and COVID-19 pandemic compounding this issue.	Potential pressure on revenue budgets as greater amounts need to be written off.	5	2	10	Bad Debt provision in place, proved adequate for C/Tax and NDR historically. More robust policy framework now in place. Any debt written off is in line with policy. Debt recovery arrangements indicate this risk is being managed. COVID-19 funding provided by Scottish Government would offset some under recovery	Y	2.0	2	1	2

Fife Council - Financial Risk Register

Appendix 1

No.	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place*			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) With *Controls Measures*		
			Likeli-hood	Impact	Risk Score				Likeli-hood	Impact	Risk Score
9	Insurance Renewals	Insurance market is hardening in the current climate and there is a risk that the costs to the Council may increase. Nationally other Councils are experiencing significant increases in premiums and it is unlikely that Fife will be any different. There is a likelihood the renewal of the insurance premium will require a tender process.	5	2	10	Close working with Insurance brokers and procurement to secure the best outcomes but currently difficult to quantify. Services mitigating, in particular, property related risks	Partial	2.0	3	2	6
10	Debt Charges - Interest Rates rise at a faster rate than forecasted	Higher debt charges result in corporate overspend.	3	2	6	Effective Treasury Management Strategy.	N	0.5	2	1	2
11	Common Good	Common Good properties require investment in order to carry out emergency repair and remedial works and have insufficient funds to do so. In some instances work is required for public safety reasons	3	2	6	Review of Common Good to take place. Services requested to source funds from within existing resources but have limited capacity to do so.	Partial	1	3	2	6
12	Major Capital projects which cannot progress	Potential need to move costs previously capitalised to revenue in circumstances where the project can no longer progress as planned.	4	1	4	Robust Capital Strategy, Capital Monitoring. Investment Strategy Group and Investment Accountant provide support and challenge in this area	Y	1.0	3	1	3
13	Future Equal Pay Claims	Potential requirement to settle further Equal Pay claims.				Currently under review	N	TBC			

Fife Council - Financial Risk Register

Appendix 1

No.	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place*			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) With *Controls Measures*		
			Likeli-hood	Impact	Risk Score				Likeli-hood	Impact	Risk Score
14	Historic Child Abuse Claims	Potential requirement to settle Historic Child Abuse claims				Currently under review.	N	TBC			

Projected General Fund balance as at 31 March 2023	**£45.1m**
Risk Per Risk Register	**£61.9m**
% of Risks per Risk Register covered by Unallocated Balances	**72.9%**

16th September 2021.
Agenda Item No. 5

Updated Financial Plan and Revenue Monitoring 2021-22

Report by:	Eileen Rowand, Executive Director (Finance and Corporate Services)
Wards Affected:	All

Purpose

The purpose of this report is to provide members with a strategic overview of Fife Council's finances and to provide an updated financial plan for the current financial year. Funding solutions are also outlined to deal with the continued financial implications of COVID-19 as well as reform and recovery from the pandemic in the current financial year, 2021-22. Taking the plan into account, the report also provides the forecast outturn position for 2021-22.

Recommendations

It is recommended that members:-

(i) note the high-level financial position as detailed in this report;

(ii) support the updated financial plan for 2021-22 in response to the financial pressures as detailed in Section 2;

(iii) instruct all Services to continue to mitigate additional costs, continue to deliver approved savings and to contain expenditure within the approved budget provision wherever possible; and

(iv) note that detailed provisional outturn reports will be submitted to the relevant Sub-Committees when it is practical to do so.

Resource Implications

The financial consequences in responding to and recovering from COVID-19 are still significant in 2021-22 and beyond. This, coupled with other pressures the Council is facing, has led to a forecast service overspend of £13.978m. The financial consequences of COVID-19 are estimated to be in the region of £32m. This will be funded from specific grant funding which was carried forward or by grants which can be claimed for qualifying expenditure. The Scottish Government also provided general revenue grant funding of circa £17m in 2021-22 which is being used to offset the forecast overspend resulting in an underspend of £3.657m. This position provides some limited scope to commit to priorities associated with recovery and reform in the current financial year.

It should be noted that there remains the risk that further waves of the pandemic and associated restrictions as we enter the autumn and winter periods could result in additional costs being incurred. No forecast for such an occurrence has been built into the current forecasts.

Legal & Risk Implications

There are no direct legal implications arising from this report.

Impact Assessment

An EqIA is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

None.

1.0 Background

1.1 The Revenue Budget for 2021-22 was approved earlier this year in March. The budget focussed on the core revenue budget and provided for investment including Health and Social Care, reversal of previously approved savings, Roads Maintenance, PSOS and Tackling Poverty.

1.2 In recognition of the continued uncertainty around both the costs and potential funding solutions associated with the continued response to the COVID-19 pandemic, it was agreed that an updated financial plan for 2021-22 would be brought forward to Policy and Co-ordination Committee in September 2021. This would provide sufficient time to assess the likely costs for this financial year as well as establishing the outturn position and any potential impact on the General Fund Balances.

1.3 Since the general fund revenue budget was set, a report to Policy and Co-ordination Committee in June 2021 detailed the final outturn position of the Council. There was a significant underspend of £71.8m which provided a positive contribution to balances and resulted in a significant increase in the level of reserves. This position was a result of a number of factors, the most significant being the level of additional funding provided by the Scottish Government and the timing of that funding. Further, additional funding provided meant that the Council was not required to use internal funding solutions identified which also contributed to the underspend.

1.4 The level of reserves at 31 March 2021 has increased to £121.7m, with £58.5m being as a result of additional government funding. In recognition that the costs of COVID-19 will continue into 2021-22 and beyond, the unused funding has been ear-marked for use in future years.

1.5 In order to develop an updated financial plan for 2021-22, work has been ongoing to estimate the costs associated with the continued response, the levels of lost income and the costs of recovery as restrictions have eased. Finance Business Partners have been working alongside Services, however, some areas of costs and income are still unpredictable and it should be acknowledged that these estimates are subject to change depending any future restrictions or local outbreaks. The updated financial plan is set out at Section 2 of this report.

1.6 This report sets out the likely financial impact for 2021-22 as the Council expects to continue to recover from the COVID-19 pandemic and operate in a new environment as restrictions ease. Section 2 of the report provides details of the updated financial plan proposed for 2021-22 with high-level information in respect of the likely costs and assumptions made for 2021-22.

1.7 Section 3 summarises the projected position for 2021-22 based on the most recent forecast and reflects up to date estimated costs associated with recovery from the COVID-19 pandemic and the associated funding solutions. It also provides a summary of the main budget variances across Services and Directorates.

1.8 Progress on agreed savings is reported in Section 4 and an update on the anticipated level of balances is contained in Section 5.

1.9 More detailed financial reports will be presented to the relevant Sub-Committees as part of the Council's wider scrutiny and performance management reporting arrangements.

2.0 Updated Financial Plan 2021-22

COVID-19 Pressures

2.1 At this point in time, the additional costs associated with COVID-19 are estimated to be in the region of £35.0m across the current financial year. However, cost reductions associated with COVID-19 have also been estimated at approximately £3.0m, bringing the funding requirement down to £32.0m. In addition, the Revenue Budget approved in March 2021 included a level of investment associated with the recovery, the total being £3.4m in 2021-22 and £3.0m in 2022-23. This has been included in the relevant Services' budgets, and funded by general grant carried forward from 2020-21

2.2 There are inevitable financial consequences of COVID-19 that will likely continue into future years and whilst it is difficult to accurately predict, assumptions have been made to try and assess the possible impacts for both 2022-23 and 2023-24. These future year implications are considered in the general fund budget report also on this agenda.

2.3 The current estimates are based on current trends moving into recovery and reform from the pandemic and do not factor in any assumptions for potential costs of any future "waves" and any subsequent COVID-19 restrictions.

Funding Solutions

2.4 Additional GRG of £17.0m for 2021-22 was provided in relation to continuing costs of the pandemic. Over and above this there is a level of reserves set aside for both General COVID-19 costs and specific items, e.g. Education Recovery and Tackling Financial Insecurity, in total is £58.5m. Based on current estimates, the supplementary GRG of £17.0m for 2021-22 in conjunction with grant both drawn down from balances and awarded in year will be sufficient to cover the current level of estimated costs without utilising uncommitted general fund reserves and ensuring that the continuing financial impact in future years can be managed to a certain degree.

Allocation of Funding Solutions

2.5 During 2020-21, a number of general principles were agreed and applied when funding the additional costs of COVID-19. These principles have been updated to reflect funding available in 2021-22 and are detailed below:

- Funding provided to the Council of a ring-fenced or specific nature will be automatically passported to Services in-year once costs are agreed. The source being either Specific GRG carried forward such as Tackling Financial Insecurity or awarded in 2021-22 e.g. Holiday club
- Specific GRG funding carried forward from 2020-21 will be applied in the first instance along with specific funding and general funding awarded in 2021-22
- Services must take advantage of any flexibilities afforded to them – this will reduce the pressure on the funding and balances and means any funding is available to Services who have no flexibilities
- Net expenditure will be funded i.e. value of pressures less reduced costs identified
- The balance of funding from general allocations for COVID-19 held in balances will be only be provided at the year-end based on actual expenditure incurred e.g. Loss of income and only where the additional GRG of £17.0m is insufficient – this is not expected based on current forecast
- COVID-19 costs and funding will be excluded from any subsequent budget carry forward scheme and
- All funding and budget realignments will be on a temporary basis for 2021-22. Any recurring elements such as PPE will be considered as a cost pressure going forward, potentially increasing the budget gap in future.

2.7 The latest estimate of pressures facing the Council covers a range of expenditure items such as continued recovery in the Education directorate by employing additional teachers, additional cleaning costs and increased costs of heating.

2.8 It is also anticipated the Council's trusts will continue to face a period of loss of income as they are unable to operate fully and do not anticipate a return to pre-pandemic levels of demand for services during the current year, even as there is a move to beyond level zero. The forecast outturn recognises this loss of income.

2.9 The Council also continues to support the most vulnerable in the community and those facing financial hardship as a direct result of the pandemic. The costs of doing so are included in the estimates.

2.10 All pressures associated with COVID-19 have been built into the overall forecast position for the Council based on what we know. This is reflected in the narrative in Section 3.

3.0 Revenue forecast – Main Variances

3.1 General Fund Services

All the above pressures and funding sources are incorporated into the outturn for all services. This section provides narrative explaining the variances detailed in Appendix 1 and identifies where it is clear that these relate to COVID-19. As Services responded to the pandemic and took corrective action to mitigate costs and recover services, it has become more difficult over time to distinguish between "normal" variances and those directly associated with COVID-19.

Overall there is a forecast overspend of £13.978m across General Fund Services, which equates to 1.82% of budgeted expenditure.

The annual total expenditure budget, as shown in Appendix 1, has increased since the budget was approved. The changes are summarised below:-

	Total Expenditure £m
Approved 2021-22 Budget	**863.347**
Budgets Funded from Balances	
- Specific Carry Forward 2020-21	6.312
- Others	0.081
Capital Expenditure Financed from Current Revenue	0.500
Current 2021-22 Budget (June 2021)	**870.240**

This overspend is offset by additional COVID-19 funding of £17.635m which formed part of the Local Government Settlement 2021-22 announced earlier this year. By offsetting this funding against the forecast overspend the forecast outturn position across all General Fund Services is an underspend of £3.657m, which equates to 0.42% of budgeted expenditure. However, this is before agreeing priority expenditure associated with recovery and reform.

Appendix 1 details the provisional outturn and variances against the budget broken down across all General Fund Services. The following paragraphs provide a brief explanation of the main areas where there are variances of +/-£0.250m or 0.25%, whichever is the greater, between the budget and forecast expenditure and income.

3.1.1 **Education and Children's Services**

Directorate position:- Variance £0.365m overspend

Devolved School Management (DSM) Budgets: - (£2.082m) underspend

The figure reported above is mainly the DSM carry forward of £1.901m and an additional minor projected underspend of £0.181m in Pupil Support Service staffing.

Additional costs due to COVID-19 are included in the projected outturn, for example, costs in relation to the appointment of additional teachers of £4.466m, classroom resources of £0.100m, and unachieved savings from 2020-21 in relation to the DSM of £0.400m. These costs will be funded by COVID-19 funding announced by the Scottish Government in relation to additional teachers of £4.466m, and £0.500 from Scottish Government Covid Education Logistics funding.

Non DSM/Childcare: - Variance £4.497m overspend

The projected overspend mainly relates to maternity pay and long-term absence and overspends of £2.962m and £0.629m are included within the projection. These costs are in relation to teachers but are borne by the non-devolved central Education budget and not the DSM. A further projected overspend has arisen due to the increase in pupil rolls in Secondary Education and the requirement to fund this increase in schools DSM budgets. The pupil roll has increased by 1,485 pupils over a two-year period with an estimated pressure of £1.800m. The overspends are partially offset by a projected underspend in Early Years, of £0.655m, mainly due to the timing of recruiting of EYO Modern Apprentices and an underspend in Special Education of £0.217m due to projected underspends on employee costs for both teachers and pupil support assistants.

In relation to COVID-19, the main estimated additional costs included within Non-Devolved Education are in relation to school transport of £0.200m, cleaning/catering and waste collection of £0.930m, staffing costs of £0.275m, PPE of £1.500m, heating costs of £1.000m, free school meal costs to date of £1.647m and projected net loss of income in relation to Childcare Services of £0.500m and Music Service of £0.316m. It should be noted that some of these costs are estimates which will require to be refined as more information becomes available, however, these costs will be met from Covid Education logistics funding. In relation to Music fees, new funding announced by the Scottish Government to enable Councils to cease charging music fees has been announced, but the total available to the Council is still to be confirmed. Funding of £6.758m has been assumed within the forecast to fund these additional COVID-19 costs.

Children and Families / Criminal Justice Service: - Variance (£2.050m) underspend

The position for the service reflects a projected underspend for Children and Families / Criminal Justice Service, mainly due to projected underspends on third party payments, relating to Purchased Placements of £5.4m reflecting the full year effect of the reduced placement numbers over the last year. Offsetting this underspend are projected overspends in Kinship Care of £1.900m, as some of the children previously in purchased care arrangements have moved into kinship care. A further projected overspend of £0.892m in payments to in house foster carers has also arisen due to the shift in the balance of care from external purchased arrangements, to kinship and foster care. A realignment of the budget within Children and Families Service will be required in order to reflect the new balance of care arrangements.

In relation to COVID-19, the projected costs include additional support for looked after children of £0.710m which is fully funded from Scottish Government COVID-19 funding.

3.1.2 **Health and Social Care**

Social Care:- Variance £6.865m overspend, Variance after NHS income of £1.966m

The projected outturn position for Fife Council Social Care is an overspend of £1.966m after receiving estimated income of £4.899m from NHS Fife in line with the agreed approach for dealing with a partnership overspend within the current integration scheme.

The main variances are projected overspends on adult placements of £3.975m due to a greater number of adult packages having been commissioned than the budget available, £0.900m for the transition of packages from Children and Families to Adult Services, and unachieved savings of £0.938m. There is a projected overspend on Homecare of £0.990m due to unachieved savings of £0.671m and increased staff mileage costs of £0.257m. Other unachieved savings throughout the rest of the service amount to £0.839m. It has not been possible to implement these yet due to the COVID-19 pandemic. There are offsetting underspends in staffing due to delays in recruitment.

Whilst the partnership is working to contain costs where possible, funding of any overspend will need to be agreed by both parties given that the partnership now has a level of retained uncommitted reserves.

3.1.3 **Enterprise and Environment**

Directorate position:- Variance £3.150m overspend

Assets, Transportation and Environment:- Variance £3.638m overspend

There is a projected net under recovery of income of £1.044m within Car Parking. This is a due to an ongoing reduced level of demand as a result of the COVID-19 pandemic.

Building Services projected under-recovery of income is £2.002m, this is due to the continuing impact of the COVID-19 pandemic on the trading account income as there are still productivity impacts caused by the additional health and safety measures post lockdown, as well as issues regarding materials caused by both the pandemic and EU-EXIT.

There is a projected under-recovery of income of £0.518m within the Managed Print & Document Service, due to the drop in printing levels with ongoing home working, this is offset by underspends in client Services across the organisation.

Economy, Planning and Employability:- Variance (£0.488m) underspend

The main reason for underspend is £0.406m in Protective Services due to difficulties in recruitment and options are being considered to address the recruitment challenge. Other underspend of £0.213m within Business & Employability Service mainly relates to vacancies and challenges in recruitment. These underspends are offset by overspend of £0.088m in the Planning Service due to under recovery of income from statutory Planning Fees and Road Construction Consents, due to further delay in the implementation of national fee increase and pandemic working restrictions respectively.

3.1.4 **Communities**

Directorate position:- Variance £6.089m overspend

Communities & Neighbourhood:- Variance £6.041m overspend

The majority of the overspends is the impact of COVID-19. Each of the Council's Trusts are continuing to suffer loss of income, each to varying degrees and this is estimated to be in the region of £4.347m as they cannot fully operate yet and demand has not recovered, reducing their ability to generate income. Funding mechanisms are being investigated and we are working closely with these organisations in order to support them. Community Use is forecasting lost income in the region of £1.269m and Halls and Centres are anticipating a reduction of £0.539m in income due to the lasting implication of closures resulting from COVID-19.

3.1.5 **Finance & Corporate Services**

Directorate position:- Variance £2.032m overspend

Of the total overspend, £1.530m relates to the impact of COVID-19. The majority of this overspend is due to a likely delay in savings from projects that have been delayed.

Non-COVID-19 overspends of £0.502m are mainly due to staff turnover assumptions not being achieved.

3.1.6 **Chief Executive**

Directorate position:- Variance £0.376m overspend

The projected overspend sits within Corporate and Democratic Core and relates to an increase in the Apprenticeship Levy for Fife Council. The levy is a percentage of the Council's overall pay costs which have increased over time.

3.1.7 **<u>Other Variances</u>**

COVID-19 Funding – Variance (£17.635m) underspend

This underspend is being used to offset the forecast overspend in general fund services. The allocation of Scottish Government grant funding for 2021-22 was general in nature and does not relate to any specific service, therefore it is being held centrally. As cost estimates become more definitive, consideration will be given to allocating this funding to individual services to eliminate forecast overspends. This will be considered later in the financial year.

3.2 Housing Revenue Account

3.2.1 Housing Revenue Account:- £0.500m contribution to balances

To ensure the HRA remains resilient to unknown future risks, part of the HRA's financial strategy is to aim to contribute £0.500m each year into balances to ensure future financial resilience. The final figure to be contributed to, or withdrawn from balances is determined at year-end once final outturns are known.

As well as planning to contribute £0.500m into balances, the HRA is also projecting that the CFCR contribution to Capital will overachieve by £0.281m. The total contribution to CFCR is projected to be £30.918m for 2021-22 which will support the HRA's capital investment plan.

Repairs & Maintenance is projecting to underspend by £0.472m. Additional investment has been made into Concierge & Caretaking to improve services for tenants. As part of this, a review of Concierge & Caretaking is ongoing before changes are rolled out later in the financial year. The underspend relates to the project start date being delayed as a result of COVID-19.

Based on current estimates, the total bad debt write-offs in year are expected to be underspent by £0.744m. There is a commitment by the HRA to make available in year, up to £1m for the Universal Credit Support Fund and £1m for the COVID-19 Support Fund. The current level of applications suggests that the full £1m may not be required for each of these in year. This is positive news as it indicates that fewer tenants are facing financial hardship as a result of the either the roll out of Universal Credit or from the impact of COVID-19.

4.0 2020-21 Revenue Budget Savings Progress

4.1 Appendix 3 provides details of the achievements against the approved revenue budget savings for 2020-21 by Directorate.

4.2 The table demonstrates that overall the Council will achieve 54% of 2021-22 budget savings. This is lower than in previous years as the ability of services to deliver savings has been significantly impacted in several areas as a direct result of the pandemic. However, services continue to deliver savings where possible in year but there is potential risk that delays could impact into the next financial year.

4.3 More detailed reports on the progress of savings will be presented to the relevant Sub-Committees as part of the Council's wider scrutiny and performance management reporting arrangements.

5.0 Balances

5.1 *General Fund Services*

5.1.1 Appendix 4 shows a forecast of the balances' position for General Fund Services over a three-year period with the level of approved commitments also being set out. The opening level of balances is unprecedented and came as a result of a year of significant financial uncertainty having an impact on the Council finances, coupled with a raft of additional funding being provided towards the very end of last financial year.

5.1.2 The opening General Fund balance brought forward at 1 April 2021, including earmarked balances, was £121.697m. This was exceptionally high due to the late funding received in 2020-21 to address the Pandemic.

5.1.3 Funding has been transferred from the General Fund Balance to augment 2021-22 revenue budgets to fund commitments made such as items carried forward at the end of 2020-21 such as Roads Maintenance, Local Community planning and anti-poverty budgets. Contributions have also been made to balances for Energy Management projects and Council tax from Second Homes. The net contribution from balances being £4.083m.

5.1.4 The current level of forecast underspend of £3.657m provides a contribution to balances taking the estimated balances level to £121.271m. However, there are already a number of commitments against that value and it should be recognised that there will be recurring financial consequences as a result of the pandemic and financial risk and pressures associated with the continued recovery from COVID-19. Any additional priority recovery and reform actions in the current financial year could reduce the level of balances. Likely additional cost pressures associated with both core service delivery and COVID-19 are outlined in a separate report on this agenda. It is recognised that although there is an unusually significant level of balances, the level of pressures the Council is likely to face in the coming years is also exceptional.

5.1.5 Commitments of £25.655m are currently recognised for future recovery from COVID-19 costs, DSM, Energy Management Fund and other previous decisions.

5.1.6 Taking all commitments and contributions into account uncommitted balances as at 31st March 2022 are £95.616m, which is 11.0% of the general fund revenue budget and above the policy minimum. The uncommitted balances at 31 March 2024 is expected to be £44.868m which is 5.1%.

5.1.7 As a result of underspends on HRA, there is a positive contribution to HRA balances of £0.500m taking the balances to £8.505m.

6.0 Conclusions

6.1 An updated financial plan has been developed to cover the likely financial consequences of COVID-19 for this financial year by drawing on the government grants that have been carried forward from 2020-21 and funding received in 2021-22.

6.2 The financial consequences of the ongoing response to and recovery from COVID-19 continue to be significant and continue to be a real pressure for the Council in this and future financial years. As a result, there is a projected overspend on Service expenditure of £13.978m.

6.3 As a result of additional grant funding of £17.635m being provided as part of the overall local government settlement, the service overspend is offset and there is a forecast underspend of £3.657m which provides a positive contribution to balances.

6.4 Taking into account the one-off positive contribution to balances and all earmarked balances and commitments will take the uncommitted level of balances to £44.868m.

6.5 In line with the agreed approach set out in the General Fund Revenue Budget 2021-24, the unused COVID-19 government funding has been earmarked to assist with the ongoing costs of the pandemic and recovery. There continues to be a high degree of uncertainty going forward. Balances can only be used once and it is important that we continue to focus on a sustainable level of core funding and take decisions wisely on how we use balances without adding to our ongoing commitments in future years.

6.6 The provisional outturn for the Council's Housing Revenue Account in 2021-22 is a surplus of £0.500m which has been added to the HRA balances. The level of HRA balances now being £8.505m.

List of Appendices

1. General Fund Revenue Summary 2021-22
2. Housing Revenue Account Summary 2021-22
3. Approved Savings 2021-22
4. Summary of Balances

Background Papers

None.

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Appendix 1

FIFE COUNCIL
GENERAL FUND REVENUE SUMMARY 2021-2022

	Annual Budget £m	Forecast £m	Annual Variance £m
EDUCATION & CHILDREN'S SERVICES			
Education (Devolved)	209.497	207.415	(2.082)
Education (Non Devolved)	106.819	111.316	4.497
Children and Families/CJS	64.098	62.048	(2.050)
	380.414	**380.779**	**0.365**
HEALTH & SOCIAL CARE			
Health & Social Care	169.861	176.726	6.865
H&SC Payment from Health per Risk Share	0.000	(4.899)	(4.899)
	169.861	**171.827**	**1.966**
ENTERPRISE & ENVIRONMENT			
Assets, Transportation and Environment	79.585	83.223	3.638
Economy, Planning and Employability	10.001	9.513	(0.488)
Property Repairs and Maintenance	15.081	15.081	0.000
	104.667	**107.817**	**3.150**
COMMUNITIES			
Housing & Neighbourhood Services	11.149	10.990	(0.159)
Communities & Neighbourhood	41.284	47.325	6.041
Customer & Online Services	12.107	12.314	0.207
	64.540	**70.63**	**6.089**
FINANCE & CORPORATE SERVICES			
Assessors	1.788	1.878	0.090
Finance	4.426	5.340	0.914
Revenue & Commercial Services	14.167	14.326	0.159
Human Resources	5.681	5.883	0.202
Business Technology Solutions	15.016	15.642	0.626
Legal & Democratic Services	3.749	3.789	0.040
	44.827	**46.858**	**2.031**
Miscellaneous	0.123	0.124	0.001
Housing Benefits	0.751	0.751	0.000
	45.701	**47.733**	**2.032**
CHIEF EXECUTIVE			
Chief Executive	0.294	0.266	(0.028)
Corporate and Democratic Core	2.204	2.608	0.404
	2.498	**2.874**	**0.376**
SERVICE TOTALS	**767.681**	**781.659**	**13.978**
ADDITIONAL ITEMS			
Loan Charges (including interest on revenue balances)	60.123	60.123	0.000
Capital Expenditure Financed from Current Revenue	6.190	6.190	0.000
Contingencies	18.611	18.611	0.000
COVID Funding	17.635	0.000	(17.635)
	102.559	**84.924**	**(17.635)**
TOTAL EXPENDITURE	**870.240**	**866.583**	**(3.657)**
FINANCED BY:			
General Revenue Grant	(556.139)	(556.139)	0.000
Non Domestic Rates	(135.763)	(135.763)	0.000
Council Tax Income	(174.255)	(174.255)	0.000
Budgets transferred to/(from) Balances (previous years carry forwards etc)	(4.083)	(4.083)	0.000
TOTAL INCOME	**(870.240)**	**(870.240)**	**0.000**
CONTRIBUTION (TO)/FROM BALANCES	**0.000**	**(3.657)**	**(3.657)**

Appendix 2

FIFE COUNCIL
HOUSING REVENUE ACCOUNT SUMMARY 2021-2022

	Annual Budget £m	Forecast £m	Annual Variance £m
BUDGETED EXPENDITURE			
Repairs and Maintenance	35.735	35.263	(0.472)
Supervision and Management	17.117	17.305	0.188
Funding Investment			
Cost of Borrowing	28.964	28.964	0.000
Revenue Contribution (incl CFCR)	31.572	31.853	0.281
	113.388	113.384	(0.004)
Voids	2.134	2.305	0.172
Housing Support costs	(0.405)	(0.443)	(0.038)
Garden Care Scheme	0.385	0.385	0.000
Bad or Doubtful Debts	2.944	2.200	(0.744)
Other Expenditure	9.640	9.737	0.098
Covid Expenditure	0.000	0.002	0.002
	128.086	127.571	(0.515)
FINANCED BY			
Dwelling Rents (Gross)	(120.954)	(120.954)	0.000
Non Dwelling Rents (Gross)	(3.438)	(3.491)	(0.053)
Hostels - Accommodation charges	(2.300)	(2.300)	0.000
Other Income	(1.393)	(1.325)	0.068
	(128.086)	(128.071)	0.015
CONTRIBUTION (TO)/FROM BALANCES	0.000	(0.500)	(0.500)

Appendix 3

FIFE COUNCIL
APPROVED SAVINGS FOR 2021-22

Directorate	Savings Target £m	Forecast £m	(Under) / Over £m	Achieved %
Education & Childrens Services	0.145	0	-0.145	0%
Enterprise & Enviroment	0.863	0.646	-0.217	75%
Communities	0.822	0.649	-0.173	79%
Finance & Corporate Services	0.745	0.09	-0.655	12%
Health & Social Care				
	2.575	**1.385**	**-1.190**	54%

Appendix 4

FIFE COUNCIL

BALANCE - GENERAL FUND SERVICES

	2021-22 £m	2022-23 £m	2023-24 £m	Future Years £m
Balance at 1 April 2021	(121.697)	(95.616)	(45.084)	(44.868)
Budgets transferred (to)/from balances	4.083			
Add Overall budget variance 2021-22 (Appendix 1)	(3.657)			
Estimated General Fund Balance at 31 March	**(121.271)**	**(95.616)**	**(45.084)**	**(44.868)**
Earmarked Balance				
Devolved School Management	2.082			
COVID Specific GRG	8.500	5.216		
COVID Non-Specific GRG	3.400	45.016		
Energy Management Fund	1.781			
Council Tax - Second Homes	8.318			
	24.081	50.232	0.000	0.000
	(97.190)	**(45.384)**	**(45.084)**	**(44.868)**
Commitments against balance				
Budget Carry Forward Scheme	0.000			
Change Fund	0.290			
Fife Job Contract	0.300	0.300	0.216	
Mid-Fife Economic Development	0.033			
Change to Deliver - BTS Investment	0.539			
Dunfermline Flood Prevention Scheme	0.291			
Other Commitments	0.121			
	1.574	0.300	0.216	0.000
Estimated uncommitted balance at 31 March	**(95.616)**	**(45.084)**	**(44.868)**	**(44.868)**

BALANCE - HOUSING REVENUE ACCOUNT

		2021-22 £M	2022-23 £M	2023-24 £M	Future Years £M
	36				
Balance at 1 April 2021		(8.005)	(08.505)	(08.505)	(08.505)
Add Overall budget variance 2021-22 (Appendix 2)		(0.500)			
Estimated uncommitted balance at 31 March		(8.505)	(8.505)	(8.505)	(8.505)

16th September, 2021.
Agenda Item No. 6

Capital Investment Plan Update – Projected Outturn 2021-22

Report by: Eileen Rowand, Executive Director, Finance & Corporate Services

Wards Affected: All

Purpose

The purpose of this report is to provide a strategic financial overview of the Capital Investment Plan, and to advise on the projected outturn for the 2021-22 financial year.

Recommendations

The Policy and Co-ordination Committee is asked to

i) approve the proposed Capital Investment Plan re-profiling in Appendix 1 to deal with carry forward budgets from 2020-21 into later years of the plan and also asked to note: -

ii) the projected outturn position, the risks and mitigating actions for the major projects within the Capital Investment Plan;

iii) the projected outturn position for the 2021-22 Capital Investment Plan;

iv) that more detailed capital outturn reports for 2021-22 will be submitted to relevant Committees of the Council, in accordance with agreed financial reporting arrangements and;

v) that budget variances will be managed by the appropriate Directorate in conjunction with the Investment Strategy Group.

Resource Implications

None.

Legal & Risk Implications

Potential risks include the emerging issues associated with delay in supply of some materials and increased costs of construction materials as a result of COVID-19 and BREXIT, the possibility of future restrictions reducing capacity to complete some projects on time and availability of funding streams for larger capital projects eg. Developers Contributions. Further explanation of the current risks is contained in section 2.2.

Impact Assessment

An EqIA is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

Financial projections are agreed in consultation with each Directorate and are based around the expected progress and delivery of individual projects.

1.0 Background

1.1 The purpose of this report is to advise members of the high level projected outturn position for the Council's Capital Investment Plan (the Plan) for the financial year 2021-22. The report also highlights the projected outturn position for major projects over £5.000m along with any potential risks associated with these projects. Explanation is provided at Section 2.1 where there is deemed to be a greater level of financial risk linked to major projects. The Plan covers capital expenditure on all Council Services including Housing, which is managed as a separate programme.

2.0 Issues

2.1 Major Projects

2.1.1 Appendix 2 provides a summary of the major projects within the Plan. There are 19 projects in this category with an overall budget of £703.496m. At this stage, it is anticipated that there will be an overspend of £0.343m which is due to Depot Rationalisation. There continues to be a risk that the cost of projects across the plan may be adversely affected by the continued response to COVID-19 and BREXIT. However, this is still difficult to predict at this stage. Projects will continue to be managed within the available budget and where this is not possible the future forecasts will reflect this. A minimal degree of contingency is held within the investment plan in future years in case of any unmanageable pressures.

2.2 Potential Risks and Issues

2.2.1 There continues to be a risk across the Capital Investment Plan that both the timing and the costs of projects may be adversely affected as a result of the current economic climate following the response to COVID-19 and BREXIT. Issues are continuing to emerge in relation to the supply of construction materials which could result in delays to projects, increased slippage and increased costs. However, the overall impact of this is difficult to predict with any degree of certainty and the forecasts in this report for 2021-22 relate in the main to projects that are currently in progress with contracts that are already agreed. That said, monitoring of the impact of any additional costs, impact on timescales and associated risks is ongoing. The known impact on timing of delivery of projects has been built in to the rephased plan but it is likely that the overall scale of any additional costs or further impact on availability of materials for the remainder of the year will be clearer in future reports.

2.2.2 At this point in time, COVID-19 restrictions are easing, however, there remains a risk that any changes to future restrictions could impact on project delivery in the current or future years. These potential risks cover all aspects of the capital plan including both General Fund and HRA.

2.2.3 The Council's approved Capital Plan includes a project for the £202m investment in respect of Secondary Schools in West Fife, which includes Dunfermline Learning Campus (DLC) and Inverkeithing High School replacement. The budgets for the projects reflect the funding requirements of the Scottish Government's Learning Estate Investment Plan which requires the Council to fund the up-front cost of construction, with Government support coming in the form of a revenue contribution based on the achievement of outcomes. This investment is intended to address both school condition, and the need for additional school places arising from housing development. Discussions around the funding of the Council element are continuing with the Scottish Government, the Scottish Futures Trust and Fife College, and work is progressing with the college to develop the full business case for the DLC following the approval of the outline business case at Policy and Coordination Committee on 5th August. The report on the statutory education consultation is also on the agenda today for consideration and approval.

2.2.4 Within Early Learning and Childcare (ELC) the delivery date of August 2020 was removed by the Scottish Government in light of Covid-19. The new implementation date has been confirmed as August 2021. There were 4 projects due to complete during the summer holiday period, all of these were operational for the start of the August term with the exception of Sunflower Nursery Annex in Lochgelly which will be completed by the end of September 2021. Contingency arrangements are in place and children will move to their new facility once the project is complete. There are another 3 projects which are programmed to complete beyond August 2021. These are Inzievar, Methilhaven and Templehall, and again temporary alternative arrangements have been identified until these facilities are operational, all three will be completed by July 2022.

2.3 Financial Performance – 2021-22 Total Expenditure - Projected Outturn

2.3.1 Appendix 3 provides a summary by capital theme of projected expenditure and income for 2021-22 showing the total reprofiled expenditure budget of £179.318m and projected spend of £176.965m in the 2021-22 financial year, £2.353m slippage across the plan. Comparable expenditure for the previous 3 years was £138.473m (2020-21), £175.104m (2019-20) and £144.083m (2018-19).

3.0 Budgets and Funding

3.1 Budget

The Capital Investment Plan 2021-31 was approved by Fife Council in March 2021. At the end of each financial year, any budget which has not been spent is rolled forward into the next financial year as slippage. Services are asked to re-profile their project budgets in light of this slippage and the result of this can be seen in Appendix 1.

The re-profiled budget has also been updated to reflect further changes in respect of additional income received and CFCR contributions, as per the table below. The results of these amendments are fully reflected in Appendix 3 and become the Current Budget.

	Total Expenditure £m
Approved Capital Investment Plan	168.705
Slippage from 2020-21	23.950
Re-profiling	(14.298)
Rephased Capital Plan per Appendix 1	**178.357**
Increased Grant and Contribution Income	0.195
Capital Financed from Current Revenue (CFCR)	0.766
Current Capital Investment Plan as at June 2021	**179.318**

3.2 Expenditure

Expenditure variances are projected across all Directorates, the most significant being: -

3.2.1 Thriving Places

Area Community & Corporate Development (£0.912m)

Slippage of £0.512m for Sport & Leisure facilities mainly due to delays to the Cowdenbeath Leisure Centre Phase 2 project due to rephasing and programming the wet side works and dry side works into a single programme to maximise economies of scale by procuring a single contract. As a result, the project is unlikely to start until the end of 2022.

Fife Tourism Infrastructure Programme is establishing projects across Fife, £0.250m of the £0.500m available will be allocated throughout the remainder of 2021-22.

3.2.2 Housing Revenue Account (£1.181m)

There is slippage of £0.700m relating to Land Acquisition which has a total budget of £2m in year. The purpose of this budget is to ensure that there are sufficient funds readily available when opportunities to buy suitable sites arise. This will help the HRA acquire suitable sites to use as part of the ongoing Affordable Housing Programme. Four sites are due to be purchased in year at a total cost of £1.300m. Work is ongoing to identify other suitable sites, but it is expected that any additional sites identified would not complete in 2021-22.

There is slippage of £0.200m which relates to improvement works within Hostels. Some works such as painter works and improvements to CCTV is expected in year. A suitable start date for any other refurbishment work required is currently being reviewed. The remaining slippage is made up of smaller variances on a number of projects across the HRA.

3.3 Total Income

Capital expenditure is funded from several income sources, some of which contribute specifically to individual projects in the plan. These income sources are Capital Financed from Current Revenue (CFCR), Scottish Government Specific Capital Grant and other grants and contributions (e.g., lottery funding). Appendix 3 shows that there is a total income budget of £62.813m against a forecast of £63.452m giving a projected variance of £0.639m. This variance is the result of the acceleration of the City Deal Grant from the Scottish Government.

3.4 Total Funding

Within the total funding section of Appendix 3, the other income such as General Capital Grant and Capital Receipts are not specifically related to any capital project but is funding for the plan overall. The balance of required funding in the year is met from borrowing through the Council's Loans Fund.

4.0 Conclusions

4.1 Against the current total expenditure budget of £179.318m, the Council is showing projected spend of £176.965m in the financial year and slippage of £2.353m.

4.2 This level of projected expenditure demonstrates continued progress on the delivery of a wide range of capital projects. Major capital investment by Fife Council continues, however there is still a level of uncertainty associated with speed of delivery and future costs.

4.3 There are 19 projects within the Plan which have a value of £5.000m or greater. The overall budget for these projects is £703.496m, the Council is showing projected spend of £703.839m and an overspend of £0.343m.

4.4 If significant variances arise, these will be reviewed by the Investment Strategy Group in conjunction with the appropriate Directorate and reflected in any future capital plan reports.

4.5 Services have reviewed expected project delivery timescales and have re-profiled expenditure into future years where appropriate to reflect a more realistic investment profile.

List of Appendices

1. Capital Plan 2021-31 Project Re-Profiling
2. Major Capital Projects Total Cost Monitor
3. Monitoring Report by Capital Theme

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FIFE COUNCIL **APPENDIX 1**

CAPITAL INVESTMENT PLAN 2021-31

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	TOTAL
EXPENDITURE											
EDUCATION & CHILDRENS CAPITAL	34,131,078	44,231,149	89,931,560	75,295,833	71,469,333	43,210,833	43,000,333	42,278,968	22,546,000	10,926,887	477,021,974
HEALTH AND SOCIAL CARE CAPITAL	5,898,557	4,490,779	9,891,035	1,133,362	353,518	255,000	400,000	400,000	500,000	500,000	23,822,251
ASSET & TRANSPORTATION & ENVIRONMENT CAP	32,009,734	29,971,445	23,172,146	26,687,949	30,801,601	24,589,449	23,051,005	23,236,949	16,565,604	19,100,506	249,186,388
ECONOMY, PLANNING & EMPLOYABILITY CAPITAL	10,085,893	15,100,286	11,788,663	7,654,257	5,951,370	4,965,032	2,111,920	1,298,236	492,422	578,747	60,026,826
AREA COMMUNITY & CORPORATE DEV CAPITAL	6,749,727	18,357,184	8,966,834	8,052,462	3,587,303	1,034,070	1,144,070	1,999,070	1,059,070	1,159,070	52,108,860
HRA CAPITAL	82,516,905	82,251,421	80,867,105	47,099,000	48,290,400	48,895,485	50,764,872	52,048,193	53,346,098	68,218,176	614,297,655
GENERAL FUND HOUSING CAPITAL	1,437,117	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	702,576	0	0	9,339,693
FINANCE & CORPORATE CAPITAL	5,328,207	4,807,500	1,093,848	1,871,000	767,500	1,717,232	2,197,500	1,817,500	1,337,500	736,126	21,673,913
FUNDING & CORPORATELY HELD BUDGETS CAPITAL	200,000	1,795,000	2,005,000	2,000,000	13,000,000	13,000,000	14,000,000	14,000,000	4,000,000	5,000,000	69,000,000
TOTAL EXPENDITURE	**178,357,218**	**202,204,764**	**228,916,191**	**170,993,863**	**175,421,025**	**138,867,101**	**137,869,700**	**137,781,492**	**99,846,694**	**106,219,512**	**1,576,477,560**
INCOME											
CAPITAL GRANTS-SCOTTISH GOV GENERAL	(24,985,000)	(25,000,000)	(25,000,000)	(25,000,000)	(25,000,000)	(25,000,000)	(25,000,000)	(25,000,000)	(25,000,000)	(25,000,000)	(249,985,000)
CAPITAL GRANTS-SCOTTISH GOV SPECIFIC	(2,815,689)	(2,000,000)	(2,000,000)	0	0	0	0	0	0	(16,459)	(6,832,148)
CAP GRANTS-SCOTTISH GOV AGENCIES & NDPBS	(14,261,271)	(15,195,558)	(15,062,799)	(7,265,693)	(2,851,924)	(3,926,282)	(663,218)	0	0	0	(59,226,745)
CONTRIBS FROM PRIVATE BODIES / PERSONS	(623,538)	(280,400)	(14,649)	0	0	0	0	0	0	0	(918,587)
CAPITAL DEVELOPER CONTRIBUTIONS	(1,978,143)	(3,934,680)	(4,740,812)	(8,785,770)	(8,868,457)	(22,414,112)	(23,443,969)	(35,442,722)	(13,772,985)	(12,584,191)	(135,965,841)
SALES-LAND & BUILDINGS	(11,693,476)	(2,617,831)	(2,451,138)	(241,559)	(6,347,721)	(203,318)	(204,182)	(211,532)	(313,890)	(4,734,594)	(29,019,241)
SALES-VEHICLES, PLANT & EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
COST OF SALES	0	0	0	0	0	0	0	0	0	0	0
CAPITAL FROM CURRENT REVENUE	(41,673,028)	(37,097,922)	(32,125,943)	(32,199,570)	(32,199,570)	(32,199,570)	(32,199,570)	(32,199,570)	(32,199,570)	(32,199,570)	(336,293,883)
LOAN REPAYMENTS	(187,131)	0	0	0	(6,118,323)	0	(2,664,540)	(1,360,830)	0	0	(10,330,824)
CAPITAL INCOME TO/(FROM) CAPITAL GRANTS UNAPPLIED	0	0	0	0	0	0	0	0	0	0	0
FUNDING - SET ASIDE RECEIPTS	1,370,000	0	0	0	0	0	0	0	0	0	1,370,000
TOTAL INCOME	**(96,847,276)**	**(86,126,391)**	**(81,395,341)**	**(73,492,592)**	**(81,385,995)**	**(83,743,282)**	**(84,175,479)**	**(94,214,654)**	**(71,286,445)**	**(74,534,814)**	**(827,202,269)**
BORROWING											
FUNDING & CORPORATELY HELD BUDGETS CAPITAL	(41,952,636)	(75,821,427)	(109,599,547)	(82,601,841)	(77,944,200)	(38,427,904)	(35,128,919)	(23,718,215)	(7,413,721)	4,333,908	(488,274,502)
HRA CAPITAL	(39,557,306)	(40,256,946)	(37,921,303)	(14,899,430)	(16,090,830)	(16,695,915)	(18,565,302)	(19,848,623)	(21,146,528)	(36,018,606)	(261,000,789)
TOTAL BORROWING	**(81,509,942)**	**(116,078,373)**	**(147,520,850)**	**(97,501,271)**	**(94,035,030)**	**(55,123,819)**	**(53,694,221)**	**(43,566,838)**	**(28,560,249)**	**(31,684,698)**	**(749,275,291)**

FIFE COUNCIL
CAPITAL INVESTMENT PLAN 2021-31
TOTAL COST MONITOR - MAJOR CAPITAL PROJECTS

Appendix 2

	Service	Current Project Budget £m	Total Projected Outturn £m	Variance £m	Variance %	Current Project Status	Expected Project Completion Date
Opportunities for All							
Madras College - Langlands	E&CS	59.991	59.991	0.000	0.00%	Current Project	2021-22
Dunfermline Learning Campus	E&CS	111.000	111.000	0.000	0.00%	Current Project	2027-28
Extension Secondary School - Viewforth	E&CS	6.335	6.335	0.000	0.00%	Future Project	2025-26
New Secondary School - Glenrothes /Glenwood	E&CS	78.937	78.937	0.000	0.00%	Future Project	2028-29
Methil Care Home	H&SC	7.155	7.155	0.000	0.00%	Current Project	2021-22
Cupar Care Home	H&SC	6.600	6.600	0.000	0.00%	Current Project	2022-23
Anstruther Care Home	H&SC	6.595	6.595	0.000	0.00%	Feasability	2023-24
		276.613	**276.613**	**0.000**	**0.00%**		
Thriving Places							
Glenrothes District Heat	ATE	9.449	9.449	0.000	0.00%	Current Project	2020-21
Northern Road Link East End	ATE	10.950	10.950	0.000	0.00%	Preparatory Works	2026-27
Western Distributer Road	ATE	10.326	10.326	0.000	0.00%	Future Project	2028-29
Northern Road A823	ATE	8.568	8.568	0.000	0.00%	Preparatory Works	2025-26
Abbeyview Integrated Hub	Communities	6.506	6.506	0.000	0.00%	Current Project	2023-24
Templehall Community Hub	Communities	9.004	9.004	0.000	0.00%	Current Project	2025-26
		54.803	**54.803**	**0.000**	**0.00%**		
Inclusive Growth and Jobs							
Fife Interchange Business Units - Phase 1 & 2	EPES	11.027	11.027	0.000	0.00%	Current Project	2024-25
John Smith Business Park Business Units	EPES	5.517	5.517	0.000	0.00%	Future Project	2026-27
		16.544	**16.544**	**0.000**	**0.00%**		
Housing Revenue Account							
Affordable Housing	Housing	331.879	331.879	0.000	0.00%	Current Project	2022-23
		331.879	**331.879**	**0.000**	**0.00%**		
Maintaing Our Assets							
West Fife Depot	ATE	8.157	8.500	0.343	4.20%	Current Project	2019-20
Local Area Network	BTS	7.200	7.200	0.000	0.00%	Current Project	2022-23
Balwearie High School	E&CS	8.300	8.300	0.000	0.00%	Future Project	2024-25
		23.657	**24.000**	**0.343**	**1.45%**		
Grand Total		**703.496**	**703.839**	**0.343**	**0.05%**		

FIFE COUNCIL
CAPITAL INVESTMENT PLAN 2021-22
MONITORING REPORT

Appendix 3

Capital Theme	Approved Budget £m	Current Budget £m	Actual to Date £m	Projected Outturn £m	Projected Variance £m	Projected Outturn as % of Plan
Opportunities for All	26.491	33.617	4.611	33.617	0.000	100%
Thriving Places	14.089	10.390	1.759	9.307	(1.083)	90%
Inclusive Growth and Jobs	10.536	6.765	0.444	6.732	(0.034)	99%
Maintaining Our Assets - Rolling Programmes	33.678	36.616	4.980	36.561	(0.056)	100%
Maintaining Our Assets - Specific Programmes	8.931	9.213	1.480	9.213	0.000	100%
Housing Revenue Account	74.780	82.517	6.391	81.336	(1.181)	99%
Corporate Items	0.200	0.200	0.000	0.200	0.000	100%
TOTAL EXPENDITURE	**168.705**	**179.318**	**19.665**	**176.965**	**(2.353)**	**99%**
Scottish Government Specific Capital Grants	(3.391)	(2.816)	(0.063)	(2.814)	0.002	100%
Other Grants and Contributions	(20.641)	(16.884)	(4.788)	(17.525)	(0.641)	104%
Capital Financed from Current Revenue (CFCR)	(42.009)	(43.113)	(1.440)	(43.113)	0.000	100%
TOTAL INCOME	**(66.041)**	**(62.813)**	**(6.291)**	**(63.452)**	**(0.639)**	101%
TOTAL NET EXPENDITURE	**102.664**	**116.506**	**13.374**	**113.513**	**(2.992)**	97%
Scottish Government General Capital Grant	(25.013)	(24.985)	(6.246)	(24.985)	0.000	100%
Capital Receipts	(1.473)	(10.323)	(0.115)	(10.355)	(0.032)	100%
NHT Loan Repayments	(1.963)	(0.187)	(0.187)	(0.187)	0.000	100%
Borrowing from Loans Fund - General Fund	(41.794)	(41.953)	0.000	(40.110)	1.843	96%
Borrowing from Loans Fund - HRA	(32.421)	(39.057)	0.000	(37.877)	1.181	97%
TOTAL FUNDING	**(102.664)**	**(116.506)**	**(6.548)**	**(113.513)**	**2.992**	97%

16th September, 2021.
Agenda Item No. 7

Bad Debts 2020-21

Report by: Les Robertson, Head of Revenue and Commercial Services and John Mills, Head of Housing Services.

Wards Affected: **All**

Purpose

This report summarises the irrecoverable bad debts that have been written off during 2020-21 by the Finance and Corporate Services Directorate and Housing Services.

Recommendation

Members are requested to note the content of this report which is required to be presented annually to this Committee as per the Council's Financial Regulations.

Resource Implications

There are no further resource implications as all bad debts written off have been fully provided for in the Council's overall bad debt provision.

Legal & Risk Implications

There are no legal implications in writing off irrecoverable debts and it prudent from a financial management sense to do so.

Impact Assessment

An Equality Impact Assessment (EqIA) is not required as there are no changes to existing service delivery and policy.

Consultation

Consultation will be undertaken with tenants around the Housing Revenue Account written off rent debt to meet the requirements of the HRA guidance and best practice.

1.0 Background

1.1 Bad Debts

1.1.1 This report details the debts that have been written off during the financial year 2020-21 in relation to council tax, sundry debtors and non-domestic rates and rental income. The Council is required to review the debt that is outstanding at the 31st March 2021 and write off any debt that is deemed to be uncollectible from a prudent management perspective.

1.1.2 The Council budgets for a small level of bad debts in the form of a bad debts provision as there will always be a small percentage of debt which will not be collected, usually between 1-2% of charges raised. All write-offs listed within this report have been fully provided for within the bad debt provision or, in the case of temporary accommodation, within the existing service budget.

1.2 Write-off Process

1.2.1 Debt is pursued proactively by the Council and a variety of actions will have been exhausted before write-off is considered. Collection staff work closely with colleagues in Legal Services and external debt collection agencies to ensure that all options are pursued. Write-off is only considered where there is no realistic hope of recovery or where it is not economic to pursue recovery further. Debt which has been written off may still be pursued should a debtor's circumstances change in the future. This means that the fact that a debt has been written off does not necessarily always mean that the collection process ends.

1.2.2 The amount of debt that has been written off is always significant, however, this needs to be viewed in the context of the total charges levied and the Council's performance on the collection of the debt. The overall net amount billed for each debt stream in 2020-21 is detailed below in Table 1: -

Table 1 – Amount Billed 2020-21

	Council Tax	Non-Domestic Rates (Inc. BID Levy)	Sundry Income	Rents	Total
	£'000	£'000	£'000	£'000	£'000
Amount Billed	**237,845**	**125,944**	**80,489**	**122,378**	**566,656**

*Includes Water Service Charges and Statutory Penalties.

1.2.3 The total write-off presented in this report represents just over 1.05% of the total amount billed for 2020-21 which is lower than the amounts written off in previous years. The most significant reason for the decrease in debt write off is due to Covid-19 pandemic and the reduction in write offs from sequestrations across all debt streams due to the closure of the courts for large periods of the year meaning less monies were written off as a result. I would expect as we return to a level of normality that the level of debt written off will increase to the pre-covid levels, if not higher.

1.3 Economic Climate – Covid-19 Impact

1.3.1 Immediate changes were made to all debt recovery processes early in the pandemic response with all formal recovery action being ceased immediately in March 2020 and the recovery teams and our debt partners repurposed staff from normal duties to provide help and support to both individuals and businesses adversely affected by the pandemic. This situation continued through all of 2020-21 and a range of activities were overseen by a convened officer working group to ensure a co-ordinated approach to providing support, the appropriate resources were deployed and issues dealt with as they arose. A full briefing note has been issued to all members in July 2021 to advise of the levels of pandemic support provided during 2020-21. The scale of the support requirement grew quickly and a rapid cross service response was implemented with staff from various council services coming together to administer all the various support mechanisms such as business grants and various welfare payments.

1.4 Effect of Covid-19 on Bad Debt Provision

1.4.1 Across all debt streams contained in this report the effect of the pandemic is stated in the individual sections in section 2 of this report. However, the only adjustment required to bad debt provision was within the Council Tax debt stream with a minor, one off increase in bad debt provision of 0.1% being required for the financial year 2020-21 due to the fall in collection rates for that debt stream.

2.0 Bad Debts Written Off

2.1 Summary Analysis

2.1.1 A summary of the amounts written-off in 2020-21 and a comparison to the previous four years is shown below in Table 2: -

Table 2 – Bad Debt Written Off

	2020-21	2019-20	2018-19	2017-18	2016-17
	£'000	£'000	£'000	£'000	£'000
Council Tax	1,792	2,402	1,337	1,456	2,103
Rents-Mainstream	1,520	1,153	1,393	1,157	1,043
Rents -Supported	772	946	1,367	1,188	916
Sundry Debt	1,177	1,186	1,176	610	482
Rates	678	1,552	1,347	2,895	2,609
Total	**5,939**	**7,239**	**6,734**	**5,758**	**7,439**

2.1.2 A more detailed analysis of the debt write-off is included within Appendix 1 of this report. This analysis outlines the reasons for write-offs under each debt stream. It should be noted that whilst we compare written off debt with the current year charges, the debt written off has been accumulated over a period of over 20 years, dependant on the debt stream.

2.1.3 Overall, there is a 17.95% decrease in the total debt written off for 2020-21 in comparison with the previous year. The decrease is due to a reduction in the amount written off relating to the Council Tax, Rents – Supported Accommodation and Non-Domestic debt streams whilst there was an increase in bad debt within Mainstream Rents and the Sundry Debtors write off continues to remain at a constant level. The reduction in debt write off is primarily due to the closure of the court system due to Covid pandemic resulting in less debtors who were sequestrated in 2020-21.

2.1.4 Fuller details of each debt stream are contained in this report from section 2.2 onwards. Irrecoverable debt also should be viewed in context of overall collection performance as detailed in the following table 3 below.

2.1.5 The overall collection rates have demonstrated an excellent performance with only the Council Tax debt stream showing any significant decrease. The following table illustrates the in-year collection performance over the last 5 years: -

Table 3 – In Year Collection Performance

	2020-21	**2019-20**	**2018-19**	**2017-18**	**2016-17**
	%	**%**	**%**	**%**	**%**
Council Tax	94.4	95.3	95.7	95.8	95.8
Rents	99.48	99.96	97.9	98.1	97.7
Sundry Debt	89.9	86.1	87.3	89.7	87.8
Rates	98.7	98.2	98.4	97.9	97.8

2.1.6 Debt is kept under constant review and we benchmark our performance and look to make improvements in the collection process wherever possible. The overall results achieved in-year collection have been sustained against pressures both on resources deployed to collect debts which have been reduced to meet budget savings and the external environment which continues to see challenges with Welfare Reforms and Universal Credit as well as the Covid-19 pandemic.

2.1.7 Each debt stream is analysed below giving further details of the overall collection of debt but not limited to the in-year collection stated in table 3 above. The emphasis for debt collection has moved away from the "in-year" collection rate and the team are focusing efforts on collection of all debt, concentrating on collection in relation to total income in terms of actual cash value collected.

2.2 Council Tax

2.2.1 The overall write off for Council Tax has decreased from £2.402 million to £1.792 million which is an overall decrease of £0.610 million (25% reduction). Whilst this represents a steep decrease in comparison with last year, it still represents just under 1% of the net amount billed which is well within the bad debt provision set for the financial year 2020-21. The main reason for the decrease is detailed in paragraph 2.1.3 above.

2.2.2 Despite the overall decrease in the % collected in year from Council Tax the actual income collected, in cash terms, rose by £6.389 million in 2020-21 to £231,939 million – an increase of 2.83% on the previous year (2019-20). However, the in-year collection rate reduced by 0.9% compared with 2019-20. The reduction in in-year collection is directly because of the Covid-19 pandemic due to the following steps taken to assist those affected: -

- All recovery action delayed from April 2020 to September 2020
- Increase in the number of payment arrangements made to support households (some of these will continue into this financial year)
- Repurposing of staff and debt partners to act in a support role rather than concentrating of collection of income
- Processing a 10% increase in households requiring additional support through the Council Tax Reduction Scheme and
- Repurposing of staff within the Revenue Service to administer business grants.

2.2.3 The team continue to develop generic collection staff who deal with all debt streams and dedicated recovery officers specialise in the recovery of rents and hard to recover debt.

2.2.4 Work continues to ensure the collection service is as efficient and customer focussed as possible incorporating new digital channels as noted below. To take this forward, operational responsibility for collection has been moved to the Customer and Online Service within the Communities Directorate to ensure all customer contact is rationalised into one service. The team still focus on improving the move to services to be digitally enabled. Key updates are noted below: -

- **Online Account:**
  For a number of years, we have the facility to allow customers to have an online account facility given them access to their Council Tax account online instead of receiving their Council Tax demand by post and this includes the facility to report changes online. This has now been implemented to link into the Scottish Governments "MyAccount." By signing up to this method give the Council an opportunity to reduce costs through less postages and the ability to manage electronic workflow of incoming changes through automation of processes.

- **Direct Debit Take Up:**
  By far the cheapest means of collection is Direct Debit and the latest figures show an increase uptake from 62.2% in 2014-15 to 69.2%. This is an overall increase from the same time last year of 2.1% and represents the highest ever number of customers paying their Council Tax by this preferred payment method.

- **Payment Strategy:**
  Work continues to review all payment methods and the following report on the agenda regarding the Payment Strategy gives members full details of the expected changes going forward.

2.2.5 The overall cost of administration of Council tax decreased in 2020-21 to £1.68 per dwelling from £2.15 per dwelling in 2019-20. The overall cost continues be the lowest in Scotland. The decrease has three main reasons: -

(a) the reduced resources deployed to collect debt (both in terms of FTE employed internally and in reduced costs from our debt partners)
(b) increase in income from Water Services and Statutory Penalties (from previous years)
(c) increase of 1156 chargeable dwellings were added to the Council Tax List during 2020-21 which reduces the overall cost per dwelling.

2.3 Sundry Debtors

2.3.1 The level of debt written off in 2020-21 for Sundry Debtors amounted to £1.177million which represents a slight decrease on the previous year of £0.009 million from last year's write off figure of £1.186 million.

2.3.2 The overall debt collected from sundry invoices has increased from £69.891 million to £80.489 million despite the noticeable reduction in invoices issued.

2.3.3 The collection rate for the year has increased from 86.1% in 2019-20 to 89.9% in 2020-21 which is a significant achievement given the fact that no recovery action was implemented for 9 months and, indeed, areas such as commercial rental income was subject to deferral in collection due to the pandemic.

2.3.4 The costs of raising an invoice has increased, in 2019-20 the cost was £2.91 which increased in 2020-21 to £6.71. The increase is due to two main reasons: -

(a) an 35% reduction in the number of invoices issued which reduced from 77,687 to 50,566 (a reduction of 27,121 in invoices raised); and

(b) an increase in costs due to the amalgamation of sundry debt and Housing Benefit Overpayment teams into a single team which is reflected in a reduction in another cost area – Benefits Administration which has reduced by £3.86 per case.

2.4 Non-Domestic Rates

2.4.1 The level of debt written off in 2020-21 amounts to £0.678 million which represents a significant decrease of £0.874 million from the level reported in 2019-20 (£1.552 million). There is no doubt that the pandemic has resulted in the decrease in bad debt for the rates debt stream is due to enhanced relief awarded to Retail, Hospitality and Leisure (RHL) businesses and the awarding of business support grants from the Scottish Government.

2.4.2 The non-domestic rates collection rate increased to 98.7% in 2020-21 compared with the 2019-20 collection rate of 98.2%. Again, the pandemic has allowed the collection rate to increase due to the reduction in the number of businesses required to pay rates in 2020-21 (the overall income has reduced from £172.144 million to £125.944 million). This has been achieved despite not sending any demands for rates until July 2020 and taking no recovery action until December 2020.

2.4.3 The rates team continue to promote the online account and Direct Debit facilities for businesses but take up on both has been lower than expected and enhanced efforts will be made during this year to increase take up of both Direct Debit and Online Accounts.

2.4.4 The cost for the delivery of the service has increased from £11.35 per property in 2019-20 to £14.19 per property in 2020-21. The increase in cost is attributed to the increase workload because of the pandemic response both in terms of Business Grants administration and the resulting increase (over 600) of liability and relief applications being received.

2.5 Bad debts over £50,000

2.5.1 The Council's financial regulations state that members must be informed where a sum written off is more than £50,000 for any individual debtor. During 2020-21, there was only one business where the write off was greater than £50,000 (this compares with 4 cases in 2019-20 and 5 cases in 2018-19).

This one case accounted for a total write off amounting to £53,630 and was attributed to a business ceasing trading and absconding without paying their rates (or their proprietor any rent). Our debt partners have carried out all searched and still are unable to trace the debtor.

2.5.2 The debt written off for this case has accumulated from 01/04/2017 to 31/03/2020 but was written off on 28th December 2020.

2.6 Rents

2.6.1 **Mainstream Housing**

The total write-off for mainstream tenants (both current and former tenant) is £1.507 million in 2020-21 which is an increase of £0.370 million from 2019-20 where the debt written off was £1.135 million. The full reasons for the write-off are contained as a separate listing within Appendix 1. The write off amount equates to less than 1% of the total rent due in 2020-21 and is within the limits of affordability set out in the Housing Revenue Account (HRA) Business Plan and within the provision available within the HRA already set aside to meet the debt write off.

2.6.2 There have been two notable movements in the mainstream rent write offs for 2020-21. Firstly, an exercise was undertaken in 2020-21 to review all cases where a tenant had been evicted from a Council property to review what debt, if any, was economical to recover. These evictions had occurred in the preceding 6 years but the debt had been sitting within the rent account and was irrecoverable and was written off in the 2020-21 financial year. This increased the debt write off for the reason of eviction from £2,000 to £501,000. The other notable change was the reduction in debt written off because of sequestrations which reduced from £517,000 to £187,000 for the same reasons as given for Council Tax, i.e. the court system was closed for the first 7 months on 2020-21 resulting in fewer sequestrations being processed. As with Council Tax, I would expect this is a one off and the figures will increase in this and future years.

2.6.3 **Temporary Accommodation**

Appendix 1 also includes a summary of temporary homeless accommodation rents that were written off in 2020-21. The overall write off for last year was £0.772 million which is a decrease of £0.174 million on the 2019-20 write off which was £0.946 million. This write off will be contained within the bad debt provision provided within the general fund housing budget.

2.6.4 **Overall Rent Collection**

Rent collection for 2020-21 continues to show the improvement contained in last year's report with and in-year rate of 99.48% being achieved for 2020-21. The improvements listed in previous reports which are summarised below continue to have a positive impact on overall rent collection: -

(a) Dedicated revenues officers concentrating on rent collection and Universal Credit mitigation.

(b) Additional Housing Management Officers working in tandem to support tenants.

(c) Discretionary UC/DHP fund to support tenants moving onto UC (Universal Credit).

(d) Closer working between services to support tenants and ensure rent is paid.

(e) RentSense software analytical tool deployed to aid identification and resource deployment.

(f) COVID hardship fund to support tenants who were adversely affected by the pandemic.

3.0 Covid 19 Implications on Collection of Debt

3.1 Whilst in last year's report concerns were raised regarding the impact of Covid on collections of income, the situation has clearly improved and only minor adjustments were made to the Council Tax bad debt provision for 2020-21.

3.2 The restarting of recovery across the debt streams and the additional support provided to vulnerable households has had a positive impact on income collection and the current situation (as at the end of July 2021) is that all debt streams continue to collect income at pre-pandemic levels which should result in no adverse impact on bad debt write offs at this stage.

3.3 However, we do not rest on our laurels and are actively working with colleagues and partners on the recovery and reform agenda regarding alleviating poverty. As some members will be aware, there is a pilot in the Kirkcaldy Area called Test for Change being led by the Communities Directorate to see if we can implement an earlier intervention to support vulnerable households with the adoption of the "no wrong door approach". To support this initiative, the Revenue Service, working with partners such as CARF, has set up a debt support group to investigate how we use debt information as an indicator of vulnerability and once identified how we can use the current debt write off policy to ensure that we are only seeking recovery when it is economically viable to do so. To this end, we have introduced a scheme to review referrals from welfare support staff and other relevant colleagues where a vulnerable householder is engaging with them to see if any debt relief is appropriate. All such cases will be assessed by a panel of senior collection officers and any debt relief will be duly authorised by a nominated Head of Service. We expect the numbers of cases to be relatively few, but will keep the pilot under constant review.

4.0 Conclusions

4.1 The level of bad debts written off within 2020-21 is £5.939 million which is a £1.3million decrease (17.95%) compared with 2019-20 financial year, where the amount written off was £7.239 million. There is an overall decrease and other movements are explained in this report but, clearly, the closing of the court system has reduced the debt write off from sequestrations causing the 2020-21 debt write off being significantly below that of last year. The future impact may see future annual reports showing a higher debt write off figure as the court system catches up with the backlog in sequestration applications.

4.2 When reviewing debt write off, it is important that this is considered alongside debt collection performance and that the level of debt written off within 2020-21 accounts for just 1.05% of the net amount billed with collection rates stable across all debt streams.

4.3 The impact of Covid19 on ongoing collection rates is set out in this report. What is clearly not included is the potential for a serious recession because of Covid19 and the ending of the Furlough Scheme (planned for September 2021) with the predicted increase in job losses. The Revenues Service will continue to monitor the situation with the aim of providing the necessary support to those who are adversely affected.

4.4 The consistent message is to offer support to vulnerable customers who need it and taking robust action against those who choose not to meet their obligations continues to have a positive impact on collections and, clearly, the majority of those unaffected by the pandemic have continued to meet their ongoing liability.

4.5 The Council actively pursues the collection of all debt. However, debt write off is unavoidable and occurs when individuals and businesses cannot pay their debts and it is an accepted best practice to ensure that irrecoverable debt is written off from our accounts from a prudent management perspective. All debt written off is within the provisions made or within the service budgets set.

4.6 All debt that is written off, if circumstances of the debtor changes, will be reviewed and, where appropriate, debts can and will be written-on and pursued.

List of Appendices

1. Bad Debts Written Off 2020-21

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973: -

- Local Government (Finance) Act 1992 and subordinate legislation;
- Prescription and Limitations (Scotland) Act 1973

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Appendix 1

Bad Debts Written Off 2020-21 (Excluding Rents)

	Council Tax	Debtors	Non-Domestic Rates	Total
	£	£	£	£
Sequestration /Liquidation	412,457	20,817	219,038	652,312
Uncollectable	949,594	1,059,208	409,315	2,418,117
Deceased	320,253	96,476	0	416,729
Untraceable	108,603	0	50,147	158,750
Small Balances	610	418	7	1,035
Total	**1,791,517**	**1,176,919**	**678,507**	**3,646,943**

Bad Debts Written Off 2020/21 – Rents

2019-20 £000s			2020-21 £000s
	MAINSTREAM - HOUSE RENTS		
262	Former Tenants	Category A (Moved)	336
128	Former Tenants	Category B (Absconded)	227
2	Former Tenants	Category C (Evicted)	501
38	Former Tenants	Category D (Deceased)	20
21	Former Tenants	Category Miscellaneous	78
517	Former Tenants	Sequestration	187
167	Current Tenants		159
1,135			**1,507**
	MAINSTREAM - GARAGE RENTS		
18	Former Tenants	All Categories	13
1,153		**NET OVERALL TOTAL**	**1,520**
	TEMPORARY & SUPPORTED ACCOMMODATION RENTS		
186	Former Tenants	Housing Revenue Account	173
760	Former Tenants	General Fund Housing	599
960			**772**

16th September, 2021.
Agenda Item No. 8

Payment Strategy Update

Report by: Diarmuid Cotter, Head of Customer and Online Services, Communities and Les Robertson, Head of Revenue and Commercial Services

Wards Affected: All

Purpose

To update on our approach to payments in the Council.

Recommendation(s)

That members endorse the approach to taking payments in the Council.

Resource Implications

None.

Legal & Risk Implications

None.

Impact Assessment

An EqIA has not been completed and is not necessary because this is a report on that does not propose a change or revision to existing policies and practice.

Consultation

None.

1.0 Introduction

1.1 As a Council, our aim, as stated in the Corporate Debt policy (agreed 2015), is to maximise income collection to Fife Council and to minimise the cost of collection, while maintaining and improving the customer experience through collection and recovery.

1.2 We have consistently worked at achieving this through a payment approach that helps Finance Operations and the Customer team when working with services to move to more cost-effective methods.

1.3 This paper outlines the progress made with payments and what our approach will be in the coming years.

2.0 Background

2.1 Fife Council introduced the original payment strategy in April 2008, when cash payments such as rents, council tax, fines, etc. were removed from Local Offices. This had a significant impact on the volume of transactions as people were encouraged to pay by direct debit/standing order or via their local Post Offices or Paypoint outlets.

2.2 Since then, the strategy has evolved and action has been taken as payment methods, both in person and online, have changed.

2.3 It is appropriate, particularly post the pandemic, that the Council revisit the wide variety of payment methods offered and to streamline the offerings with a view to reducing costs and improving efficiency.

2.4 Outlined in table 1 are the amounts billed in 2020/2021

Table 1 – Amount Billed 2020/21

	Council Tax (inc water and sewerage)	**Non-Domestic Rates**	**Sundry Income**	**Rents**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Amount Billed	**237,845**	**125,944**	**80,489**	**122,378**	**556,656**
Amount Collected	**222,677**	**124,106**	**72,355**	**119,873**	**539,011**
Collection Percentage	**94.38%**	**98.6%**	**89.9%**	**99%**	**96.8%**

*includes Water Service Charges and Statutory Penalties.

2.5 The areas above are the main income streams for the council but payments come in at various points and it is important payment methods are monitored to ensure cost effectiveness.

3.0 Payment Strategy

3.1 The principles below outline the Council's vision for how customers make payments for bills and services and is aligned to our customer service strategy.

3.2 The strategy is based upon the following key objectives, where the Council will:

- continue to develop and enhance its digital transaction methods to ensure it provides digital options and provides the customer with more cost efficient, convenient and safer payment methods
- significantly reduce cash and cheque transactions through the support and encouragement of the customer to use alternative payment methods. To support this objective, the Council will phase out cheque payments
- encourage customers to pay for service(s) in advance and set up automated payment methods, e.g. direct debits for recurring bills and services, where appropriate
- encourage commercial businesses to use the most appropriate payment methods, recognising that these may be different to regular customers
- minimise the number of invoices raised in respect of services provided
- provide sufficient choice of payment methods to ensure collection rates are maximised and ensure customer groups are not discriminated against or made to pay unreasonable charges when making payments due to the council
- regularly review the costs of collecting debts and payments to ensure these are minimised
- reduce the number of reminders, summonses and court orders issued in respect of local taxes and miscellaneous income each year
- ensure Payment Card Industry (PCI) Data Security Standard (DSS) compliance
- continue to evaluate new and emerging technologies and implement those technologies that deliver benefits to the council and to the customer.

3.3 This is achieved by

- implementing an agreed tiered model of payments outlined in Appendix 1
- using the most appropriate payment methods delivered through service design and engagement with our customers
- ensuring any change to a more expensive payment method is done by exception only and after a full evaluation is undertaken by Finance Operations and the Customer team.

3.4 While taking cash is not a preferred option, there is a recognition that it will still be necessary for some services to ensure inclusivity.

3.5 Our approach to recovery of debt will remain unchanged. Debt will be pursued in a sensible manner taking into account any extenuating circumstances. The consistent message is to offer support to vulnerable customers. This approach has served us well through the pandemic and there is no reason to suggest this will not work moving forward.

4.0 Council Tax Update

4.1 Council Tax collection reduced from 95.3% to 94.4% but despite the overall decrease in the % collected in year from Council Tax, the actual income collected rose by £6.389 million in 2020-21 to £231,939 million – an increase of 2.87% on the previous year (2019-20).

4.2 By far, the cheapest means of collection is Direct Debit and the latest figures show an increase uptake from 62.2% in 2014-15 to 69.2% of dwellings paying by this method. This is an overall increase from the same time last year of 2.1% and represents the highest ever number of customers paying their Council Tax by this preferred payment method.

4.3 Our aim is to continue this improvement with our target being 75%.

5.0 Rent Update

5.1 Rent collection for 2020-21 continues to stay steady with an in-year rate of 99.48% being achieved for 2020-21 compared to 99.96% in 2019/20.

5.2 Understandably, payment of rent is more volatile than Council Tax. The main source of income is from DWP payments (housing benefit and universal credit). However, we would like to increase automated payments uptake (direct debit and standing order). O ur aim is to improve our automated payments from 20% to 25%.

6.0 Sundry Income Update

6.1 Sundry income covers a multitude of revenue for Council services. This will range from care homes, community alarms and meals on wheels to football pitch hire and commercial waste and will be based on invoices issued. The Council issued 77,867 invoices in 2019/20. This reduced to 50,566 in 2020/21 mainly due to the pandemic.

6.2 The overall income collected from sundry invoices has increased from £69,891 million to £80,489 million.

6.3 The collection rate for the year has increased form 86.1% in 2019-20 to 89.90% in 2020/2021. The slight dip in collection performance from the early part of 2020 has recovered well to satisfy the 88% collection target.

6.4 The target is to keep the level of invoices raised at 50,000 per year. This will be achieved by encouraging services to take payments upfront where possible and support customers where appropriate to set up direct debits at the start of a service being provided. We will monitor this as we exit the pandemic restrictions during 2021/22. The increased number of upfront payments will have a positive impact on collection rates and will also aide in continuing to reduce the cost of collecting payments.

7.0 Non-Domestic Rates Update

7.1 Non-domestic rates are taken from the 14,672 businesses across Fife and by its nature will be different to income received from households or service users.

7.2 The non-domestic rates collection rate increased to 98.7% in 2020-21 compared with the 2019-20 collection rate of 98.2%. Again, the pandemic has allowed the collection rate to increase due to the reduction in the number of businesses required to pay rates in 2020-21 (the overall income has reduced from £172 million to £125.9 million). This has been achieved despite not sending any demands for rates until July 2020 and taking no recovery action until December 2020.

8.0 Cash and Cheques

8.1 The pandemic in general has reduced the use of cash but this was declining anyway. One of the main costs for the Council is the transportation of cash. However, a plan to reduce the amount of cash uplifts for various sites has saved the Council £50,000 per annum.

8.2 Customer are still able to pay cash at over 200 Paypoint outlets across Fife. The transaction fee is 41p. In comparison a direct debt is 4p. The contract is renewed every two years. For 2020/21, the total charge was £116,000.

8.3 Cheques is another area where we would like to see numbers reduced. Approximately 5,416 cheques were received in 2020/21 but the yearly total is normally closer to 10,000. There is a direct correlation to the amount of invoices issued. The more services that are paid for up front as highlighted in section 6, the less cheques will be required. While payments are always welcome, the processing of cheques can be slow.

8.4 Of the overall cheque it is estimated that the council receive 3,600 council tax cheques per year. A relatively small figure but one that can still be reduced. In recent months we have taken a targeted approach to encourage customers who send in a cheque to pay for services has been implemented. The first phase of this campaign looks at council tax cheque payers.

8.5 As we encourage more payments upfront, we will work with services to ensure adequate refund policies are in place.

9.0 Conclusion

9.1 While much has progressed with payments in recent years, the existence of a formal strategy will be essential as we move forward. Once formally in place it will help Finance Operations and the Customer team when working with services to move to more cost-effective methods. The payment hierarchy will give a basis from which to work. This will help give clarity when services are to looking to charge for activities.

9.2 Additional work will be required to identify payment methods across the Council to see where we can optimise payment collection.

Appendix 1

The table below outlines how the tiered model of payments would look.

Payment Type	Payment timing	Examples
Online Payment	in advance	Licences, leisure booking, iPayimpact (schools)
BACS	in advance	Licences
Direct Debit	in advance	Council Tax
ATP	In advance	Council Tax, Business Rates
Direct Debit	in advance	Rent
ATP	in arrears	Rent, invoices
Paypoint and Post Office	in arrears	Rent
Chip and Pin	at the time	Registration
Webstaff	at the time	Rent, invoices
Invoice	in arrears	Community Alarms, music tuition
Cash	lowest acceptable method of payment	
Cheques	lowest acceptable method of payment	

16th September, 2021
Agenda Item No. 9

Tay Cities – City of Culture 2025 Bid

Report by: Paul Vaughan, Head of Communities and Neighbourhoods Service

Wards Affected: Fife Wide

Purpose

To provide information on the bid for the Tay Cities to be UK City of Culture 2025.

Recommendation(s)

It is recommended that Committee members:

(i) endorse the joint expression of interest to be City of Culture in 2025 made by the Tay Cities Region; and

(ii) agree further reports are brought forward if the Tay Cities expression of interest is successful in being included on the longlist.

Resource Implications

UK Government will make funding available for the preparation of the final bid. Resources will be focussed alongside the other local authorities on the programme of events for the City of Culture programme.

Legal & Risk Implications

Joint management and delivery arrangements will be implemented with the other local authorities and partners for the delivery of a successful bid. A project group has already been established alongside engagement with councils and partners for the preparation of a final bid.

Impact Assessment

An EqIA is not required at this stage as this report does not propose a change or revision to existing policies and practices.

Consultation

Consultation has been undertaken with Chief Executive, Fife Cultural Trust and Convenor of Communities and Housing Sub-committee.

1.0 Background

1.1. The UK City of Culture is a UK-wide programme, developed in collaboration with the devolved administrations in Scotland, Wales and Northern Ireland. The competition is run by the Department for Digital, Culture, Media & Sport (DCMS), inviting places across the UK to set out their vision for culture-led regeneration.

1.2. For the first time in the competition, groups of towns or areas can bid for the City of Culture title together.

1.3. The bid is a partnership between the four local authority areas that make up the Tay Cities region. It is being jointly led by Angus Council, Fife Council, Perth & Kinross Council with Dundee City Council as the designated accountable organisation. Along with the regional cultural trust in Perth, Dundee, Angus and Fife, the strength of the bid is in the collaborative gain it will deliver with the involvement of existing cultural networks and organisations across the region.

1.4. There is clear evidence of support from partners representing health and social care, higher education establishments, the third sector and NHS Tayside. The region's cultural and creative organisations have long been involved and engaged in the regeneration, economic and social well-being of the region and the Tay Cities Deal has also demonstrated the ability to work collaboratively for the wider impact across the Tay Cities Area while maintaining each areas distinctiveness.

1.5. An expression of interest was submitted on behalf of the Tay Cities Region on the 19 July to the DCMS. There have been twenty expressions of interest across the UK including the Tay Cities but also Stirling and the Borderlands in Scotland. The DCMS will announce a longlist of cites at the end of September 2021.

2.0 Preparing and Developing the City of Discovery Bid and Programme

2.1 Collaborative working between the local authorities and cultural partners is now underway with an independent Project Board being established with terms of reference which secure its accountability to the Partnership as a whole. A core team which will be jointly funded and jointly accountable to the Partnership, but to manage risks, the majority of events will have a stand-alone budget and will have a lead partner who will negotiate with the core team for financial assistance required.

2.2 The bid will be managed by a full-time programme office team, working across the bid area and hosted by the lead Council who will use existing financial, procurement and legal systems to ensure robust management necessary for a programme of this scale. The programme office will lead on delivery, marketing and ongoing and final evaluation of the programme's success.

2.3 A Steering Group and Operations Group will include residents representing local communities, representatives of the Youth Parliament and the Pupil Voice as well as third sector organisations, NHS and cultural providers. The bid process will grow the programme activities with our communities. Systems already designed for engagement in participatory budgeting will be developed to build diverse community involvement and actively recruit from all parts of the region's society.

2.4 The programme will focus on connecting the widely dispersed rural and urban communities, making a step change in equalities through access to culture. The third sector in each region plays a crucial part in supporting communities and their involvement in the bid will enable the existing relationships and support networks to be strengthened. Partnership working is a key strength of the region, with the desire to work together for the benefit of all the region's citizens a positive attribute upon which to build.

2.5 A key component of the bid is early engagement with local communities in each region to be part of the design and programming process with a focus on local priorities and activities. Strong communication networks, consultation and workshops will ensure that the representation of community needs and aspirations underpin the programming. For Fife, this includes all communities and not just those included within the Tay City Deal area. This brings exciting options and geographical coverage to the far south-west of Fife and allows the full range of the Kingdom's cultural assets to be included in the developing bid.

2.6 The collective Tay Cities bid for UK City of Culture will:

- accelerate and embed the formation of this emerging Tay Cities regional identity to deliver economic, social and tourism benefits for the region's people;
- address our societal issues and identified needs in our communities and tackle inequalities such as in-work poverty, under employment, and food insecurity;
- level up opportunities for children from disadvantaged backgrounds in accessing cultural provision leading to improved life chances;
- support the region's recovery by attracting visitors, raising its profile and developing positive perception of place;
- contribute to addressing climate change priorities in the region;
- raise the spirit of the Tay Cities Region and invigorate regional pride.

2.7 The programming strands will focus on Produce, Play and People with deeply rooted drivers for:

- climate and economic sustainability;
- fairness and social justice;
- health and wellbeing.

2.8 The announcement of the longlist will be made at the end of September. Those areas that are longlisted will be able to access seed funding which will be used to support the development of the full application with the aim of ensuring and demonstrating that the City of Culture proposals belong to the peoples of the Tay Cities Region. The seed funding will be complemented by in-kind and financial support from the Councils and their partners.

2.9 The funding will enable workshops and digital engagement in each of the Tay Cities Region councils allowing communities to shape the programme of the City of Culture, identifying the culture, events, activities and legacy that will connect citizens across the Region. It is important that the Tay Cities Region City of Culture is inclusive and that community participation will be critical to our final submission.

2.10 This process will include establishing the baseline against which the success of the City of Culture can be measured. The funding will pay for facilitators to arrange, conduct and collate the findings of community workshops as well as engaging with cultural bodies in the region. The outcome will be the City of Culture prospectus for the Tay Cities Region.

2.11 It is anticipated that the total cost of the City of Culture will be around £40m. This will fall against three broad strands delivering the programme themes: signature events, community culture and sustainability and legacy. The detail of this will emerge as communities design the Tay Cities unique City of Culture.

2.12 The programme will be funded through a range of sources and complement existing planned investment and activities in the cultural sector including:

- Tay Cities Region Councils (both direct funding and in-kind support)
- Tay Cities Region cultural organisations
- National Lottery funds
- Charitable trusts
- DCMS
- Scottish Government
- Creative Scotland
- Event Scotland
- Philanthropy – individual and trusts and foundations
- Corporate sponsorship
- Ticket sales and activity fees

2.13 The stage dates for the UK City of Culture are:-

- Longlist Announced September 2021
- Deadline for Long Application 10 January 2022
- Shortlist Announced March 2022
- Visits Expected March to April 2022
- Winner Announced May 2022

3.0 Conclusion

3.1 Fife's participation in the UK City of Culture presents a valuable opportunity to deliver culture led regeneration in Fife in collaboration with the other Tay Cities authorities.

Report Contact

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16th September, 2021.
Agenda Item No. 10

VER (Voluntary Early Retirement) Policy

Report by: Sharon McKenzie, Head of Human Resources

Wards Affected: All

Purpose

The purpose of this report is to update Policy and Co-ordination Committee on the implementation of the revised VER policy and seek agreement on the Council's revised Discretion Policy Statement.

Recommendation(s)

It is recommended that Policy and Co-ordination:

- Note that the updated position in terms of the UK's exit payment cap does not affect our revised policy position.
- Note the revisions to Council policy following Policy and Co-ordination Committee's agreement to change discretionary elements of exit packages.
- Note the minor administrative changes to the Council's Employer Discretion Statement.
- Note the arrangements for transition and implementation of the new Policy.
- Note the review of the Council's payback periods and agree to the implementation of the proposed payback period of 2 years with increased scrutiny of exits with a payback between 2 and 3 years.
- Agree to the implementation of the payback period on an individual basis in the first instance, with increased scrutiny applied to any payback period made on a group basis.
- Note the intention of Trusts and ALEOs to adopt the Council's new Policy.
- Note the costs associated with exits during 2020/21.
- Note the changes to the workforce profile during 2020/21.
- Agree to the proposed change to the panel within the Internal Disputes Resolution Procedure.

Resource Implications

The implementation of the new policy is being managed within current resources in HR, Finance and Pensions.

As previously reported to Committee, the revised discretionary provisions will reduce the cost of exit packages.

Legal & Risk Implications

There is a requirement to regularly review the policy to be applied in the exercise of discretionary powers as permitted under relevant legislation. Policy and Co-ordination Committee agreed to an annual review of the revised policy. The first review will be in Autumn 2022.

Impact Assessment

An Equality Impact Assessment of the revised policy was conducted, and the Impact Assessment Report Summary is available. We have also reviewed the implementation plan to ensure there is no disproportionate impact.

Consultation

The policy is discretionary under pension regulations and therefore does not require agreement with Trade Unions. We do, however, endeavour to ensure meaningful engagement and this has been ongoing with the Trade Unions through JNCF, LNCT, the Workforce Consultation Group and discussions with the Trade Union Secretaries.

We continue to engage with the Trade Unions on the implementation and transition plan.

1.0 Background

1.1 In August 2020, the Policy and Co-ordination Committee agreed to a number of recommendations in relation to changes to the Council's Voluntary Early Retirement Policy. The following was agreed:

(i) The removal of the discretion to award Compensatory Added Years and Discretionary Compensation Payments for both voluntary and compulsory redundancies and business efficiencies for LGPS and Teachers.

(ii) That statutory redundancy payments continue to be paid based on normal rates of pay.

(iii) A Discretionary Exit Payment at a flat rate of £3,000 to be paid to all employees leaving the organisation through redundancy (compulsory and voluntary) or business efficiency in addition to their unreduced pension benefits and redundancy payments.

(iv) Authority delegated to the Chief Executive to seek to agree a transition and implementation plan for the new policy, considering existing managing change exercises and associated timescales. The revised policy to be implemented no later than 30th September 2021 and the intention is to apply current policy provisions to individuals covered by change exercises which are part of budget decisions for 2021/22.

(v) A review of the Council's payback period in line with the Scottish Government guidance which will include reviewing how the administration of the £95k cap will be dealt with.

(vi) Noted the intention to strengthen the Council's approach to Redeployment so that, where possible, the number of redundancies across the organisation are mitigated.

(vii) An annual review of the revised discretionary policy linked to the budget planning discussions and an annual report to Policy & Co-ordination Committee confirming the outcome of the review.

(viii) Report also to update members on the number of leavers under the scheme and associated costs to the Council.

(ix) Ratify the policy amendments in relation to changes to the LGPS regulations 2018.

1.2 This report provides an update on progress to implement the agreed recommendations.

2.0 National position

2.1 In February 2021, the UK Government disapplied the regulations on public sector payment caps with immediate effect. Payments that had been capped were to be reviewed and full strain costs paid.

2.2 The UK Government's exit payment cap did not apply in Scotland and Committee will recall that the Scottish Government introduced a non-statutory cap in Autumn 2019 through the Scottish Public Finance Manual (SPFM). The cap was not mandatory for Scottish Local Authorities but there was a clear intent from the Scottish Government that the principles should apply to all of the devolved public sector.

2.3 The key difference between the now revoked UK statutory cap and the non-statutory cap set out in the SPFM is that strain costs are not considered. The SPFM advice remains that exit payments should be capped at £95,000 excluding strain costs.

2.4 The guidance in the SPFM was one of a number of drivers for the review of the policy. Others included:

- The statutory requirement under LGPS regulations to regularly review discretionary payments;
- Public scrutiny of exit packages;
- Benchmarking indicating that we offered a more generous package than majority of other Councils;
- Audit Scotland scrutiny of pay back periods; and
- The impact on Council balances of termination payments.

2.5 The revocation of the UK Government's statutory regulation relating to public sector payment caps does not impact on the agreed changes to the Council's VER policy.

3.0 Policy Review

3.1 Traditionally we have referred to the Council's policy on exits due to redundancy or business efficiency as Voluntary Early Retirement (VER). This can however cause some confusion given that:

- Some employees leaving on grounds of redundancy or business efficiency are not eligible for pension benefits and therefore do not retire.
- Employees can retire early from age 55 and do not require permission from the Council. (However, unlike redundancy or business efficiency situations their pension benefits will normally be reduced as actuarial reduction is not waived.)
- The Council's approach to exit payments is the same for compulsory and voluntary redundancies.

3.2 We have therefore separated and streamlined the current policy (which covers redundancy/business efficiency, 'normal' early retirement, and flexible retirement) and:

- The redundancy related information will be incorporated in the Council's Redundancy Procedure and other workforce change related guidance.
- As employees no longer need permission to retire early, this does not require to be included in a policy, but advice and signposts to the Fife Pension Fund website will support employees considering early retirement.

- A standalone Flexible Retirement Policy has been developed (the policy provisions have not changed).

3.3 As the policy is discretionary, agreement with the Trade Unions is not required, however, the revised discretion statement and flexible retirement policy will be noted at JNCF in September. The revisions to the Redundancy Procedure will also be considered.

3.4 We will also revise the policy for Teachers and this will be noted at LNCT.

3.5 In addition, there have also been some minor administrative changes to the Council's Employer Discretion Statement which Committee are asked to note.

4.0 Transition and Implementation Plan

4.1 As set out in 1.1 above, Policy and Co-ordination Committee delegated authority to the Chief Executive to seek to agree a transition and implementation plan for the new policy, considering existing managing change exercises and associated timescales.

4.2 An amendment to the original recommendation was agreed: "The revised policy will be implemented no later than 30th September 2021 and the intention is to apply current policy provisions to individuals covered by change exercises which are part of budget decisions for 2021/22."

4.3 The budget for 2021/22 has since been agreed and the staffing impact in terms of agreed savings is not significant and we therefore do not expect that the terms of the previous policy with discretion to award DCP or CAY will be required.

4.4 We have however identified a small number of exercises from previous budgets where initial consultation has commenced and will therefore be managed within the terms of the previous policy. We have considered the application of the previous policy in these exercises and do not consider that there is any disproportionate impact on any staff group. This information has also been shared with the Joint Trade Union Secretary.

4.5 It is important that there is consistency in terms of level of benefits with our associated employers. We must also consider that exit costs for those leaving Trusts and ALEOs are often met by the Council if this is agreed as part of the business plan. The same level of scrutiny should be applied to ensure that exit packages are cost effective. The Trusts and ALEOs have indicated that they will adopt or are likely to adopt (subject to approval at their respective Boards), the revised provisions.

5.0 Review of payback period and cap

5.1 The Council's current maximum payback period for voluntary exits is 3 years (including strain costs) and can be considered on a group basis. There is no payment cap and affordability is based on pay back periods.

5.2 The SPFM states that there should be a maximum of two years pay back and this should be applied on an individual basis and payments should be capped at £95k. Both the payback and the cap exclude strain costs.

5.3 In cases of compulsory redundancy, consideration of a payment cap or payback period do not apply.

5.4 Under the revised policy, all exits with a weekly salary of £3,000 or less (about £160k per annum) will cost less than £95k if strain costs are excluded. (The costs would be up to 30 weeks' pay and the £3k flat rate payment.) We therefore foresee no issues in terms of adopting the principle of the £95k payment cap as set out in the SPFM.

5.5 During the policy review last year, we modelled exit packages (those that had previously been made during 2016/17 – 2018/19) to determine the pay back periods had they been under the new provisions. All of the exits would have met the payback period of 2 years as set out in the SPFM (i.e., excluding strain costs and on an individual basis).

5.6 Although the payback period in the SPFM excludes strain costs, the Council's payback must still consider this element, as it can be a significant cost.

5.7 Using the modelling data mentioned in 5.4 above, over 80% of exits would have met 2 year payback period when we include strain costs. However, there were a few instances when costs would have exceeded the 2 year pay back, particularly where an individual has a high strain cost.

5.8 We recommend that the default payback period is reduced to two years. There may be some exceptional circumstances where the pay back period exceeds two years but it is still in the Council's interest to agree the voluntary exit. In such circumstances, we propose a higher level of scrutiny assessed on a case by case basis. There should be no exits with a pay back of greater than 3 years.

5.9 We must also consider how the revised payback period will be implemented. Currently, Services can consider payback on a group basis, however, it is recommended that this is changed to an individual basis to increase transparency, subject to the additional provisions in paragraphs 5.10 and 5.11 below.

5.10 If an individual exit exceeds the 2 year pay back period and there are exceptional circumstances which means that the Service consider that it is still in the Council's interest to agree the voluntary exit, they must develop a clear business case. This should set out why an exit payment with a payback period of between 2 and 3 years should be considered or why the payback period should be considered on a group basis.

5.11 This business case will be considered by the Head of Finance and the Head of HR, acting on behalf of the Executive Director (Finance and Corporate Services) and the exit will only progress following their agreement.

6.0 Workforce change and exit costs - 2020-2021

6.1 In August 2020, Policy and Co-ordination Committee agreed that there would be annual reporting of exit costs under the revised provisions. Here we provide information about the change to the workforce profile over the year along with exit costs. However given that the new provisions will be implemented from 30th September 2021, these costs relate to exits under the terms of the previous provisions.

6.2 Workforce profile is taken as a snapshot, usually at the beginning of the financial year. With the implementation of the new payroll system however we have provided this snapshot as at 1st June 2020 and 1st June 2021 and as can be seen from the table below our headcount and FTE have increased slightly over the period.

	2020	2021
Headcount	17,699	17,865
FTE	14,477	14,960

6.3 During 2020/21 there were no changes to the establishment at tier 2 level.

6.4 During 2020/21 there were a total of 58 exit packages. 1 related to compulsory redundancy, 52 to voluntary redundancy and 5 to flexible retirement. Information about the costs of these packages is included in the table below:

	2020-21 Costs £m
Redundancy payments	0.666
Strain costs (redundancy)	2.615
Added years (CAY) cost	0.118
Added years capitalisation[1] (CAY) costs	1.139
Discretionary compensation payment (DCP) cost	0.621
Strain costs (flexible retirement)	0.039
Total	5.199

6.5 As can be seen in above table, the non-discretionary costs of redundancy (the redundancy payments and strain costs) accounted for more than 60% of exit costs. Under the new provisions, non-discretionary benefits will remain the same, however the cost of discretionary benefits (currently CAY and DCP) will reduce as this is replaced with the cost of the flat rate discretionary exit payment of £3k.

7.0 Internal Disputes Resolution Procedure

7.1 In 2017 Policy and Co-ordination Committee agreed the Council's Internal Disputes Resolution Procedure (IDRP). The IDRP is required under the Pensions Act 1995 and provide members of the LGPS access to a two-stage procedure in the event of a disagreement over a decision affecting their rights in the scheme.

7.2 It was agreed that a panel of four officials would consider cases and to provide a mix of expertise and experience this is made up of:

- Head of Legal and Democratic Services (Chair)
- Head of Human Resources
- Head of Revenue & Commercial Services
- Executive Director, Finance & Corporate Services – for cases where a panel member had an earlier direct involvement in the dispute.

7.3 Since the procedure was agreed, the responsible officer for all pension related matters is now the Head of Finance. We therefore propose that the Head of Finance should replace the Head of Revenue & Commercial Services as a panel member.

8.0 Annual review and committee reporting

8.1 Policy and Co-ordination Committee agreed an annual review of the revised discretionary policy linked to budget planning decisions. They also agreed to an annual report confirming the outcome of the review and an update on the number of leavers under the scheme and associated costs to the Council.

8.2 Given that the policy will be implemented in September 2021, the first review will be conducted in Autumn 2022 and reported annually thereafter.

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Related Documents:
ER03 – Employer Discretion Policy Statement

[1] Capitalisation costs reflect the ongoing costs of the added years pension and this figure represents an estimate of the cost based on expected lifespan.

Future Workstyles

Report by: Sharon McKenzie, Head of HR and Charlie Anderson, Head of ICT

Wards Affected: All

Purpose

This report provides an update on the progress of the Future Workstyles project, specifically in relation to introducing blended workstyles.

Recommendation(s)

Members are asked to:

1. Note the update on the delivery plan which details the numbers in scope and the proposed approach for the move management plan
2. Note the principles of providing technology and deploying devices
3. Note that the lessons learned from the pilot are at an early stage of development and that further updates will be provided in due course
4. Agree the revised interim principles (terms & conditions) for those covered by the blended workstyle pilot (Appendix 1)
5. Approve funding of £1.250m from reserves as outlined in the resource implications
6. Note the range of benefits linked to this programme of work

Resource Implications

The immediate resource implications relate to initial investment of technology and one-off project costs of £1.050m and initial part-year costs of £0.200m relating to the blended workstyles allowance. It is proposed that these immediate costs of £1.250m are funded from balances and that future recurring costs of up to £0.550m are built into the future budget model as an increased cost.

Following approval of the use of balances, the costs will be factored into future financial monitoring reports and included in the council's annual forecast position.

Legal & Risk Implications

There are no specific legal and risk implications associated with this report.

Impact Assessment

An EqIA and summary form relating to the proposed blended workstyle is complete. The summary form is available on request. Further EqIAs will be completed as and when required at various stages of the project.

Consultation

Consultation has taken place with employees through the employee survey; with Directorate Leadership Teams and managers through presentations and a SWAY; and with Trade Union colleagues. Update reports have also been provided to elected members through Policy and Co-ordination Committee.

1.0 Background

1.1 This reform area has been tasked with identifying and delivering a programme of work to support new ways of working. In terms of current focus, the future workstyles project continues to work collaboratively to develop the property, equipment and terms and conditions needed to return office-based staff, who have predominantly been working from home during the pandemic, to work in a blended workstyle approach. Most employees in these roles have been working from home since March 2020.

1.2 We will also develop detailed principles for each of the other identified workstyles covering all categories of job roles across the council. This report focuses on those roles in scope for a blended workstyle. Work on developing flexibilities for other workstyles will follow later in the year.

2.0 Delivery Plan

2.1 We now have confirmed workstyles for all council roles. This will allow us to explore, in the later stages of the project, flexible working more widely across all employee groups. More importantly, it allows us to finalise plans for investment and ordering of equipment, etc.

2.2 The numbers in scope across each of the workstyles are as follows:

Workstyle	**Headcount**
A – Principal Customer Contact (telephony)	109
B – Principal Customer Contact (f2f) & Service Facility Role	9,867
C – Direct Care/Service Role	2,757
D – Caseworkers; Fieldwork, Supervision or Inspection Role	2,217
E1 & E2 – Support & Organisation Role	2,322
Total	**17,272**

Note – vacant posts have not been included.

2.3 A set of technology principles have been developed for each of the workstyles and are being applied to the pilot. The pilot users are all within the E1 workstyle. For those in the pilot this involves, if required, a display screen equipment (DSE) compatible technology solution at home which is a current office desktop or a desktop mini (smaller footprint) as well as shared access to office desktop equipment. This is a minimum Health and Safety Executive (HSE) requirement.

2.4 Laptops, which are mobile devices and not DSE compliant therefore will be replaced with desktops for the E1 workstyle, and will be returned to BTS for further deployment, as appropriate. This will mitigate the cost of implementation and on-going operation of these new technology arrangements. The desktops will have all the required software as well as the VOIP softphone (software) for any employees that require VOIP telephony. No VOIP handsets will be provided in the office environment or at home.

2.5 Due to a global shortage of components, there are long lead times for all ICT equipment. Laptops in particular have a six month plus lead time at the moment. This is expected to last for at least another year. This could and most likely will impact on this exercise at some point and is another reason why we want to ensure available laptops are deployed to those who most need them, i.e. those with genuinely mobile roles.

2.6 The pilot is now underway on the 1st floor (Main) in Fife House using a new office layout and blended meeting solutions. HR and Finance are involved in the pilot. The approach will also be used to develop a plan which will be replicated throughout Fife House and Bankhead in the first instance. The same philosophy will be used in discussion with Services using other office buildings across the wider estate. Service engagement is a priority to ensure bespoke needs for accommodation are captured in the project plan, for example Children and Families.

2.7 A move management plan is being developed as discussions with Services progress. This will facilitate the consolidation and relocation of Services to reconfigured workspaces. An aim of the overall move management logistics will be to co-locate compatible services wherever practical. The outline plan indicates that moves will need around 4 months to complete, allowing for clearout/reconfigure/relocate stages. The intention is to move staff teams once to minimise service impact and avoid decant and double moves. The plan will only be finalised and implemented as discussions with Services progress, and feedback from the pilot new layout becomes available. The pilot will ensure we have enough learning in place to inform the final model of Blended Working.

2.8 The intention is to tailor the space on particular floors to suit service need, whilst retaining the features of flexible & collaborative spaces, short-term check-in areas as well as conventional workstations. Additional workstation-only areas (‘desk hubs’) will provide for individuals who are not able to work from home or for overspill from service areas at times of peak demand.

2.9 It is key that the moves support the desired ‘digital by default’ principles, and services will consider scanning and archive storage options as part of overall move management. At the time of writing, a further update on the move management and Service timetable is expected by mid-September. Over 2,000 staff will be involved in the move and consolidation exercise. It is too soon to provide commentary on the employee experience of using the new office layout and how the space is being used across the different teams. We will continue to monitor this. Members are invited to view the repurposed accommodation.

2.10 We have captured lessons from the pre-pilot stage and recognise the need for coordination across multiple services to assist with the clear out of office space, the reconfiguration and the relocation of teams. The move management plan referenced in the previous paragraph will ensure that the needs of services are taken into account with early engagement being key to a successful transition.

3.0 Interim Conditions – Blended Workstyles

3.1 Following consultation, a number of interim terms and conditions have been developed with the Trade Unions (UNISON, Unite and GMB) and endorsed by the Reform Board. These are set out in a principles document which is attached at Appendix 1. This will be formalised as a collective agreement to introduce a temporary variation to terms and conditions for those covered by the E1 workstyle. It is assumed that agreement will be ratified at JNCF on 14th September 2021. The implementation date is yet to be agreed and is dependent on a number of practical factors e.g. payment of the blended workstyles allowance; but this work will be advanced as a priority. We have agreed with the Trade Unions to review the pilot arrangements within realistic timescales and anticipate this happening in the first quarter of 2022.

3.2 We are working with colleagues in Organisational Development to upskill managers and supervisors who will be managing those adopting the blended workstyle. This will include support and training for managers to ensure consistency and fairness of application.

3.3 **Office Access**

3.3.1 The blended workstyles model allows employees (in Fife House and Bankhead in the first instance) access to the office for up to 50% of the week. It will be for Services to determine how and when offices will be used within this allocation.

3.3.2 This approach allows the office to be retained as an employee's contractual base for the purposes of claiming expenses etc.

3.3.3 Employees who are unable or unwilling to adopt a blended workstyle will retain a Fife Council location as their base and will have access to accommodation for their full working week.

3.4 **Blended Workstyle Allowances**

3.4.1 As previously noted to Committee, and to address the ongoing concerns regarding additional costs to employees who will be working at home, a blended workstyle allowance equivalent to 50% of that paid to permanent homeworkers has been agreed in principle by the Trade Unions and Reform Board. This reflects that employees who agree to work in a blended workstyle will have access to office accommodation for 50% of the working week.

3.4.2 The allowance would not be payable to employees who do not agree to a blended workstyle and who choose to be in office accommodation for all of their contracted hours. It would be a fixed allowance and would not be dependent on the number of days an employee working actually works from home.

3.4.3 The allowance will be optional for those who adopt a blended workstyle. Some employees have indicated that they have made savings as a consequence of working from home and this allows those who have not incurred additional personal cost to opt out of the payment.

3.4.4 The allowance (which is non-taxable) would be paid through salary at the rate of £3 per week.

3.4.5 The indicative cost to the Council of implementing the allowance for around 2500 employees would be approximately £400k per annum. This is likely to reduce where employees choose to opt out of the payment. This would be an ongoing and recurring cost.

3.5 **Hours of Work and Time Recording**

3.5.1 The flexitime scheme was suspended in March 2020 to ensure employees were not detrimented if they were unable to fulfil their contracted hours as a result of e.g. caring commitments.

3.5.2 For employees who will adopt a blended workstyle, there is a degree of flexibility already built into the way employees will work and we will further develop guidance for managers and employees as to how this can continue to work in practice.

3.5.3 Employees will record their working time on Clockwise from an agreed date and will manage their contracted hours across the 4-week pay period. Any time flexibilities should be discussed between employees and their manager with a focus on service delivery requirements.

3.5.4 Formal flexi-leave will be replaced by time off in lieu (TOIL) at plain time where additional hours are agreed in advance. Any surplus flexi hours remaining when flexitime was suspended in March 2020 will be converted to TOIL.

4.0 Organisation Benefits

4.1 There are several known and anticipated benefits associated with implementing a blended workstyle. Some of these are outlined below and we will continue to build on and capture the benefits for Services and employees.

4.2 **Employee and Trade Union Views**

4.2.1 We carried out a survey of employees at the end of 2020 and from the results, we know that only 5% of employees who responded (over 2500) indicated that they wanted to return to working permanently in the office. 37% of employees indicated that they wished to work permanently from home and 58% said they would like to work some or most of their time at home.

4.2.2 Our Trade Unions have confirmed their view that we should harness many of the lessons learned during the pandemic to capture the benefits for both the Council and their members.

4.2.3 Employees have cited a number of benefits associated with home working, the top 5 of these are:-

- No commuting (time and cost savings)
- Ability to take breaks
- Positive impact on the environment
- Increased time flexibility
- Freedom to fit in exercise

4.2.4 We are now planning a joint employee survey with the Trade Unions to capture further up to date benchmarking information.

4.3 **Carbon Impact**

4.3.1 Our employee survey showed that 90% of respondents travelled to work by car with an average journey of 20 miles per day taking an average of 30 minutes per day.

4.3.2 For every 2000 employees who do not commute to the office every day, this is a reduction of around 20,000 car miles per day and a reduction of over 4500kg of CO2 emissions in Fife every day, contributing to our Climate Fife targets (zero emissions by 2045).

4.4 **Wellbeing**

4.4.1 Our employees' mental and physical wellbeing is critical and has a direct impact on the quality and efficiency of council services. We also care about employees as individuals and members of the wider community, who play important supporting roles in families and external networks.

4.4.2 Many of the home working benefits cited in the staff survey relate to reducing stress or improving physical activity. Conversely, we know that some people prefer office working and more contact with others. This is why a blended approach that introduces more employee choice is so important.

4.5 **Equality and Diversity**

4.5.1 The Equality Impact Assessment for the project has identified positive impacts for a number of employee groups including disabled and older employees as well as, e.g. carers and employees who have menopausal symptoms. The Council's agreed Equality Outcomes and Actions for 2021-25 that will be supported by our approach include:-

- Furthering our support to recruit and retain disabled employees
- Developing new workstyles to provide support for more flexible and inclusive working across the Council.

4.5.2 From a practical perspective, employees with a disability, physical or otherwise, may be better supported through a blended workstyle approach. This recognises that travel to work may be limiting for employees with physical disabilities and also that those with other disabilities may be more comfortable working outwith the traditional office environment.

4.5.3 As part of our approach, we can offer employees with caring responsibilities more flexibility to provide care on a short term basis or flexible working hours to e.g. accommodate medical appointments.

4.6 **Recruitment, Retention and Talent**

4.6.1 Around the world, employers are working on projects similar to ours. As blended workstyles and increased flexibility become the norm, they will also be an expectation of candidates. We will struggle to recruit the best knowledge workers if we do not operate in this way and, in a competitive jobs market, we may lose existing talent.

4.6.2 The option to work remotely may also widen the recruitment pool for some of our vacancies. Some candidates may previously not have considered Fife jobs an option if they live elsewhere. And some Fife-based candidates reliant on public transport, or bound by other time constraints such as caring responsibilities, may now feel able to apply for posts they would have discounted before. Our ongoing work around Oracle Recruitment and Oracle Talent will continue to focus on building on the opportunities gained through the pandemic period as well as the opportunities linked to blended workstyles.

4.7 **Resilience**

4.7.1 Having the tools in place to support a blended workstyle allows the Council to be better prepared for future events such as severe weather, school closures or any future pandemic events; to be able to switch easily to homeworking if needed; and to be more resilient to support service provision.

4.8 **Paper-Free Processes**

4.8.1 The change in workstyles will allow us to accelerate the move to “paper-free” processes. This has knock-on benefits related to carbon footprint, quicker processing times, greater capabilities to index, search and locate documents as well as a reduction in the administrative and accommodation support which surrounds paper, and the potential for reduction in related costs of printing etc.

4.9 In the future, there could be financial benefits from corporate building reductions, however there are no current plans to dispose of any assets. Any proposals would be subject to future committee decisions.

4.10 The project has attempted to work with existing resources, wherever possible, to minimise the cost to the council - for example reconfiguring office space using existing furniture. However, there is still a requirement for additional investment of £1.250m with most of the additional cost relating to technology. It is anticipated that this will be around £0.850m for all workstyles, £0.500m of this relating to blended workstyles (first phase). Also linked to the first phase are one-off project costs of just under £0.200m which relate to staffing and office clearance. Included within the £1.250m is also the initial part-year costs relating to the blended workstyle allowance, estimated at around £0.200m.

4.11 Following the initial investment, as noted in paragraph 3.4 there will also be a recurring cost of a maximum of £0.400m relating to the blended workstyle allowance. This allowance will be optional so the cost to the Council is likely to be less. There is also a recurring cost of £0.150m for the provision of remote desktop which is from 2022/23.

5.0 Next Steps

5.1 Indicative timetable for future workstyles project:

August - September	• Scot Gov framework permits a phased and limited return to offices but still advising home working where possible • Council position for blended workstyles will continue to be work from home if you can with pilot areas being brought on board in line with the delivery plan • Finalise plans for blended working for office based staff and order equipment as required / approved • Issue workforce comms to strengthen messages around the Delivery Plan
September - October	• Given unpredictability of pandemic – be prepared for “work from/stay at home” order to stay in place or return • Implement technology solutions for blended working arrangements, including blended meetings as standard in meeting rooms • Interim working arrangements developed with trade unions (Team Fife / Employee Deal) and endorsed at JNCF/Reform Board • Use of buildings agreed and spaces continue to be reconfigured as required. • Further update to CET, CLT and Elected Members
End 2021 and into 2022	• Hopefully the Covid situation will have stabilised – will need to remain agile and prepared to shift workstyles if public health needs change or other issues emerge • New workstyles and role-based approaches embedded in services • Further work on wider flexibility for all employee groups • Evaluate progress • Further updates to CET, CLT and Elected Members

6.0 Conclusions

6.1 The launch of the pilot is a pivotal moment in our approach to new ways of working and will provide an opportunity to reset many people’s ideas of work and working cultures.

6.2 Although only one of our defined workstyles is involved in the pilot phase, it creates an opportunity to embed flexibility in terms of how and where we work and will create learning for the wider organisation particularly in terms of how we make work better and more inclusive.

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List of Appendices

1. Blended Working – Principles

Background Reports:

P&C Committee, 24th June 2021, Report on Sustaining Services Through New Ways of Working

Blended Working – Principles

Blended working is used to describe a workstyle that allows for a blend of office and home working. It is not location dependent and may also be time independent. If your role is identified as being one that can work in this way and you agree to adopt this approach, the following principles will apply:-

Office Access

- You will have access to your office base on the days notified to you which will not normally be more than 50% of your working days Monday-Friday. This should be discussed and agreed with your manager. You may work from home on the days you are not required to attend your office base.
- You may be asked to attend your office base on any of your working days as and when reasonably required.
- If you claim expenses for additional travel associated with work, any claims must be from your office base (if you travel from home you must deduct the mileage from home to your office base from any travel expenses claim).
- Travel time from home to your office base is not normally working time and should not be recorded as such, regardless of when you make the journey.

Hours of Work and Time Recording

- You must record your working hours on Clockwise from DATE.
- You should work your contracted hours across the 4-week pay period.
- You should discuss any time flexibilities with your manager within your contracted hours, ensuring there is a focus on service delivery requirements.
- Formal flexi-leave will not apply to this workstyle.
- Where work cannot be completed within the contracted 4-week period, **and this has been agreed in advance**, time off in lieu (TOIL) at plain time will be granted.
- For your own wellbeing, where you have time flexibilities in your role, you should not generate additional hours over and above your contracted hours in a 4-week period.
- Any need to work additional hours should be discussed and agreed with your manager before the additional hours are worked.
- If there is a Service need to work additional hours, the principles of TOIL should be adopted i.e. where work cannot be completed within the normal contractual 4-week period, TOIL at plain time will be granted.
- Any surplus flexi-time hours remaining on Clockwise as of 23rd March 2020 will be converted to TOIL at plain time (assuming these have not been compensated in any other way). You should discuss and agree this with your manager.

Allowances

If you incur additional personal costs as a result of adopting this workstyle, you will be eligible to claim 50% of the payment made to permanent homeworkers to recognise the additional costs associated with the remote working element of the blended workstyle (currently £3 per week).

Equipment and Technology

- You must have a DSE compliant workstation at home to ensure safe remote working. You must carry out regular DSE assessments, including one before you adopt this workstyle, and you may be asked to provide details/photographs of your workstation set up.

- You will be provided with the following technology for use at home:-
    - Desktop
    - Monitor (and a second monitor where this is required)
    - Keyboard
    - Mouse
    - Webcam
    - Headset

- All equipment provided remains the property of Fife Council and is provided for your sole use to allow you to work remotely. If you cease working a blended workstyle, or leave Fife Council, you must return all equipment.
- You may continue to use your own IT equipment providing it meets the specification and DSE requirements for you to work remotely, including access to all of the applications you need to carry out your role.
- You will be required to complete and update an inventory of Council equipment that you have received.
- You may use your own desk and chair where this meets DSE requirements. If you do not have appropriate furniture, you will be supplied with a standard office desk (1.4m length) and a chair.
- If there is a failure of IT equipment and/or broadband at home and you have no alternative available, you may be asked to work at your office base or an alternative location.
- If you need to use a headset in the office, you should ensure you bring your supplied headset from home.

Security and Data Protection

- You must complete the mandatory Fife Council Data Protection e-Learning module.
- You must ensure that other people in your household to not have access to work information, particularly sensitive personal information as defined under Data Protection legislation.
- You are responsible for ensuring you comply with information security policies and procedures while working remotely.

Insurance

- Council supplied equipment kept at home is covered by the Council's insurance arrangements.
- You will be covered by the Council's Employers Liability Insurance policy in the same way as you are when working in Council premises.
- You should inform your home insurance provider that you will be working at home for some of the week and the type of work you will be doing. Insurance premiums are unlikely to be affected.

Health and Safety

- Risk assessments must be carried out when requested.
- You must take reasonable care of your own health and safety while working at home.

General

- Adopting a blended workstyle is not a substitute for childcare or care of other dependents. You should ensure you are able to fulfil the requirements of your contract during your working time.

- If any of your circumstances change and you are unable to work within the principles in this document, you should discuss this with your manager as soon as possible.

*The Trade Unions have asked that additional guidance for managers is drafted to set out expectations and how to manage this workstyle. This should include how to support employees.

*The Trade Unions have also asked that a review period is agreed. Suggested that 4 weeks from beginning of Services adopting workstyle then regularly (quarterly?) thereafter.