

The background of the slide features a large, light blue outline of the Coat of Arms of the Government of Nunavut. The crest is a shield divided into four quadrants. The top-left quadrant shows a stylized sun with rays. The top-right quadrant shows a caribou head with antlers. The bottom-left quadrant shows a sailing ship on wavy lines representing water. The bottom-right quadrant shows a beaver. Above the shield is a crown with four maple leaves. Below the shield is a banner with the text "ANNE FOR A'".

AGENDA ITEM

8

Medium Term Financial Plan

Title: Medium Term Financial Plan [MTFP]
Meeting: Executive
Date: 15 May 2018
Submitted By: Director of Corporate and Housing Services

1. Purpose of Report

- 1.1 Flowing from reports to June 2017 and February 2018 Council meetings, this report takes forward the Medium Term Financial Plan [MTFP] recognising that this is very much work-in-progress. The Plan looks to integrate relevant strands, notably revenue, reserves, capital and treasury.
- 1.2 The MTFP should demonstrate how the Corporate Plan is being delivered within the projected resources envelope available. It is geared to afford a more strategic approach to manage services and financial pressure to ensure that Council priorities are delivered at a time of projected resource reductions.

2. Recommendations

2.1 Executive is asked to:-

- (1) Note the progress of the MTFP as set out in the report.**
- (2) Agree that the MTFP is developed over the summer months in terms of the report, with an updated position presented to Members in the Autumn.**

3. Background

- 3.1 Council at its meeting on 28 June 2017 received a report setting out a Medium Term Financial Picture, based on three scenarios for each of the next five years. It was described as a “picture” because it focussed on the projected Budget Gaps. To earn the title of “Plan” it would need to be developed to show how these Gaps would be bridged. This is what is now being taken forward, together with updated estimated Gaps.
- 3.2 The Budget report presented to Council on 28 February 2018 gave a commitment to submit a report to Members on the MTFP in the Spring.
- 3.3 A key message in the Accounts Commission's "Financial overview 2016/17" is that, "Robust medium term financial strategies and savings plans are increasingly critical to the financial sustainability of councils."

- 3.4 Members will recall from the last Best Value follow-up there is an explicit expectation that the Council will demonstrate its capacity to deliver the necessary improvements and savings to meet the financial challenges facing the Council.

4. Considerations

4.1 Context

- 4.1.1 The economic climate is expected to remain challenging, particularly with the uncertainty of Brexit. Of particular concern is the performance of the Scottish economy which the Scottish Fiscal Commission forecasts to grow at less than 1% p.a. until 2022.
- 4.1.2 This is around half the growth rate expected in RUK and this assumes particular significance under the new Fiscal Framework. This is because the growth rate is a good indicator of tax revenues, which are of course then available to fund public services. Under the new Fiscal Framework, the Barnett-determined block grant is reduced to reflect expected tax receipts at the RUK level with this gap then covered by the actual relevant tax receipts collected by the Scottish Government. Clearly then, a relatively low growth rate in Scotland will impact on the Scottish Government's resources and thus what it has available to invest in public services.
- 4.1.3 The Scottish Government has made a number of policy commitments which will clearly be priorities. These include a commitment over the course of this Parliament to increase health spending by £500m above real terms growth, protect the police budget in real terms and fully fund the significant expansion in Early Years. A significant proportion of the Scottish Government budget is thus protected, meaning that other areas, notably local government, will carry a disproportionate share of any reduction in overall resources.
- 4.1.4 The robustness of medium term financial planning is compromised because revenue support grant, by far the most important variable in the Budget equation, is provided for only one year. The Accounts Commission and Fraser of Allander Institute amongst others have been critical of this. In response the Scottish Government has recently announced its intention to publish a medium term financial strategy. There is no indication that this will actually lead to grant settlements beyond one year, but it may at least make more explicit the Scottish Government's medium term relative service priorities.
- 4.1.5 The Scottish Government's announcement in its Budget in December of a pay rise of 3% for public sector workers has created a significant pressure on Councils' largest category of spend. This is reflected in the updated projected Budget Gaps at paragraph 4.2.2.
- 4.1.6 As part of the Council's medium term financial planning, the Council must consider any significant changes in legislation that will not only impact on

communities but also on the way the Council takes decisions and the services it delivers. While there are no public plans to significantly change the structure of local government in Scotland, there is a move to ensure the principles of the Christie Commission are taken forward across the whole public sector under an agenda of public service reform. To date reform has resulted in:

- The creation of national police and fire organisations
- The establishment of independent Integrated Joint Boards for health and social care
- The establishment of regional collaboratives for education
- The review of further education
- Creation of community justice partnerships
- Establishing the responsibilities for community planning as a joint and collaborative enterprise across the public sector
- Establishment of a social security agency for Scotland
- The publication of a Fairer Scotland and the requirement to have regard to socio economic circumstances in taking decisions.

All these changes have an impact on the Council in terms of governance, decision making and also future planning. Some also have impacts on the resources the Council has and the decisions it can make on those resources.

- 4.1.7 All of this leads to the need to look differently at how the public sector takes decisions, allocates resources and delivers services – individually and collectively. Work over the coming year across the community planning partnership in Falkirk must seek to ensure planning and decision making processes are more aligned and co-operative. It is necessary to collectively anticipate change that allows clear resource planning for all constituent organisations. The Council must start to consider the public sector response to issues and plan accordingly. This complexity gives significant challenges to the Council but also to key partners who must start to plan and allocate resources in very different ways.
- 4.1.8 Appropriate recognition will need to be made of significant project initiatives being advanced by the Council during the five years of the MTFP. One illustration of this is the progression of an outline business case for the Falkirk – Grangemouth Investment Zone as reported to Executive in March. Another is the outcome of the Strategic Property Review.
- 4.1.9 An important development is the contract end in August 2025 for the Class '98 PPP schools contract deal. An option available to the Council to continue the contract has to be notified 3 years prior to that. This accelerates the timeframe to identify and evaluate options. A specific report on this matter will be brought before Members in due course.
- 4.1.10 Demographics are an important driver of costs. The tables below provide projections on school rolls.

Primary School Rolls

School Session	2017/18 (current)	2018/19	2019/20	2020/21	2021/22	2022/23
Total pupils	12,865	12,818	12,676	12,367	12,005	*11,740

*2023/23 projection partly based on estimated birth rates

Secondary School Rolls

School Session	2017/18 (current)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Total pupils	8,751	8,846	9,247	9,596	9,881	10,032	10,121	10,080	9,899	9,765

In summary, after peaking this year, primary rolls are expected to gradually decrease over the next 5 years and, meanwhile, the primary peak will work its way through secondary rolls where there will be an increase into the mid-2020's before they tail off as well.

- 4.1.11 By 2025 the Falkirk Council population is expected to be 166,000, a rise of 3%. Over the same period the proportion of the population that is over 65 is expected to rise by 20%, with significant implications for service delivery in social and health services.

4.2 Projected Budget Gaps

- 4.2.1 Based on updated assumptions, and most particularly of the key variables of revenue support grant, pay and demographic cost drivers, revised projected Budget Gaps have been estimated. Consistent with the format reported to Council in June, in addition to a base projection for five years, outlier projections have also been made to reflect more optimistic and pessimistic assumptions. This approach of scenario planning is suited to an environment where significant uncertainty prevails.

- 4.2.2 The full position for each financial year, including key assumptions, are set out at Appendix I. The table below shows the base or central projections.

	Projected Budget Gaps				
	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m	2023/24 £'m
Expenditure	357.0	363.9	365.0	367.8	367.5
Resources	342.9	350.3	353.9	355.8	355.8
Budget Gap	14.1	13.6	11.1	12.0	11.7

- 4.2.3 The aggregate of these estimated Budget Gaps amounts to c.£60m. Importantly, it is highlighted that these annual Gaps already reflect a 3% rise in council tax. Identifying how these Gaps are to be bridged in a credible, robust and timeous manner is the key challenge of the MTFP. It will be

evident that a significant range of options will need to be identified for Member consideration, and in turn Members will need to make very difficult decisions to ensure the Council delivers its Corporate Plan within the envelope of the resources available.

- 4.2.4 The Budget Gaps reflected in this report are built up from a multitude of variables and assumptions. These will flux over time. When material changes emerge they will be captured and updated Budget Gap estimates will be provided.

4.3 Taking the MTFP Forward

- 4.3.1 The proposition is that the MTFP is actioned in a structured manner consistent with a model based on three pillars or primary workstreams. A diagram of the model is at Appendix 2. There are perhaps 2 hallmarks to note. Firstly, the interconnections both between the 3 pillars and also in turn with key reference points such as the Corporate Plan and the Strategic Property Review. Secondly, the MTFP is clearly and explicitly aligned with Council of the Future in terms of the 4 Capabilities

- 4.3.2 An overview of the underlying rationale is as follows.
The “Modern and Digital” workstream reflects both existing and planned projects and investment which will allow the Council to harness and deploy its reconfigured ICT, asset and people capacity to deliver modernised services the community value in the most efficient and effective manner. This workstream primarily looks to identify the list of major projects which will in large measure deliver the actual savings needed to bridge the Budget Gaps over the five years. The “data” workstream will focus on how we use data as an asset. Finally, the “Enabled and Empowered Communities” workstreams recognises both the need for communities to be more proactive and in control of the services they receive from the Council and the reality that the Council will not be able to continue to deliver in future the range of services it currently does. This is graphically illustrated in the “Medium Term Planning Assumptions” at Appendix 3. More is said on each of these 3 workstreams later in this section.

- 4.3.3 Three workshops have been held to help develop the practical progression of the Model:

a) Senior Officers 1 [March 15]

An overview of the position was presented and then two workshop sessions followed. Firstly, the larger areas of the Council’s activities were mapped to the pillars, and secondly, potential significant project review areas were identified under the Modern and Digital pillar.

b) Members [27 March]

This in large measure replicated the session above. There was considerable overlap with the officer session in terms of outcome.

c) Senior Officers 2 [11 April]

This session focussed on developing the project options for the potential Service Reviews under the Modern and Digital pillar and generating ideas to help take forward the Enabled and Empowered Communities pillar.

In the following paragraphs more is said on the status of the three pillars and how they might be progressed.

Enabled and Empowered Communities

4.3.4 The Corporate Plan sets out the Council's commitment to its communities, partners and employees-

- Be focused on citizens and communities and understand their needs and expectations.
- Work with partners to provide excellent services that meets people's needs.
- Be ambitious for the area and in particular, for the children in the area.
- Ensure all services work together to deliver on priorities and recognise that it is one Council with clear priorities and ambitions.
- Work with partners including the 3rd sector, private sector and other key stakeholders to focus on needs and expectations of citizens.
- Be innovative, responsive and trusted.
- Seek to actively engage people in the area so that they can influence what, how and to whom services are delivered and achieve the priorities.
- Modernise and be flexible in all that is done.
- Ensure our resources are targeted and used to meet priorities.

The Medium Term Financial Strategy is an important way to take forward those commitments within available financial resources.

4.3.5 An important part of the change and transformation, is the relationship with individuals, communities and partners. This relationship must acknowledge the need to understand what communities' (both geographical and by interest) expectations and aspirations are and working collectively and collaboratively to seek to design solutions to these. This changes not only the relationship but also provides real opportunities for delivering on priorities and driving fundamental changes and savings in what is delivered and the way services are delivered.

4.3.6 This changing relationship will be progressed through the response to the Community Empowerment Act 2015 in terms of locality planning and the underpinning delivery through community action planning. It will also be informed by the approach to participatory budgeting - going beyond providing small grants and external funding to mainstreaming individual and community involvement in how the Council uses resources.

4.3.7 Participatory budgeting is the process by which community members directly decide how to spend part of the public budget. Members will be aware there is a requirement to have at least 1% of the Council's budget subject to Participatory Budgeting by 2020.

This will be achieved through a combination of activities including:-

- Redirecting small grants to support community action planning
- Seek to identify budgets in local areas that communities could influence the priority for spending
- Redesigning services with individuals and communities to deliver more efficient and effective services that citizens value.

4.3.8 Members will be aware that the Council is looking at co-production as a way of reforming what and how services are delivered. The definition of co-production is, 'a practice in the delivery of public services in which citizens are involved in the creation of public policies and services. It is contrasted with a transaction based method of service delivery in which citizens consume public services which are conceived of and provided by governments.'

4.3.9 Hand in hand with the changing relationship with communities is the changing nature of the relationship with partners, both other public sector agencies and the third sector. Delivery on locality planning is a shared endeavour with key partners. The framework for locality planning is based on the principles set out by the Christie Commission i.e.

- Recognising that effective services must be designed with and for people and communities - not delivered 'top down' for administrative convenience
- Maximising scarce resources by utilising all available resources from the public, private and third sectors, individuals, groups and communities
- Working closely with individuals and communities to understand their needs, maximise talents and resources, support self reliance, and build resilience
- Concentrating the efforts of all services on delivering integrated services that deliver results
- Prioritising preventative measures to reduce demand and lessen inequalities
- Identifying and targeting the underlying causes of inter-generational deprivation and low aspiration
- Tightening oversight and accountability of public services, introducing

consistent data-gathering and performance comparators, to improve services

- Driving continuing reform across all public services based on outcomes, improved performance and cost reduction
- Implementing better long-term strategic planning, including greater transparency around major budget decisions like universal entitlements

4.3.10 The Council also know that the Government is considering how to push decision making down to more local levels i.e. down to communities. This will put further pressure on partners to change the way they work and how they engage with communities. However, none of this will have the impact required unless the Council presents a public service partnership approach with communities.

4.3.11 In practical terms Officers have already started looking at frameworks for the redesign of services and will in the near future be bringing forward proposals in this regard. This will be supported by the funding allocated by Members in the budget for community empowerment and locality planning. This will recognise the need to utilise the skills of existing services such as CLD but also supporting other services to work differently with communities.

4.3.12 It is anticipated that all the work noted above will change the profile and spend level of the Council over the medium and longer term.

Modern and Digital

4.3.13 This may reasonably be regarded as the “work-horse” pillar or workstream, where projects are most explicitly aligned with the generation of significant savings to bridge the estimated aggregate five year Budget Gap of c.£60m.

4.3.14 A number of potential project areas were identified at the workshops and these are listed in the table below. Further work is required to identify whether in fact they have the requisite credentials, most notably the realistic capacity to deliver significant cash savings. It is anticipated additional project options will be identified.

	Potential Projects	Sub Projects
1.	Terms and Conditions Review	Absence Control
2.	Planning Applications	
3.	Wide Ranging Transport Review	Bus subsidies
		Taxi Use
		In-House Fleet
4.	Education Review	Additional Support Needs/ Special Education
		Review of curricular choices and

		course delivery in the senior phase.
		School Estate Review
		Senior Phase Virtual Learning in Schools
5.	Health and Social Care Integration	Benchmark Review – Stirling/ Clacks Budget
		Health and Social Care Integration
		Residential Care
		Residential Care Rotas - Adults
6.	Trust	
7.	Fees and Charges	
8.	CLD and Community Planning	
9.	Roads Collaboration	
10.	Waste Management	
11.	ETU and Schools	
12.	Closer to Home	“Our Bairns” Portal
		Residential Care Rotas – Children’s
		Children’s Services Integration – Residential School and Specialist Education

	Potential Projects	- Supplementary List
1.	Catering	
2.	Energy Efficient Street Lighting	
3.	Welfare Advice Services [linked to the Hub model]	
4.	Forward Planning PFI	
5.	Grounds Maintenance	
6.	Centralised Performance and Improvement Teams	

4.3.15 Project templates, essentially terms of reference, will be prepared for each project option that is viable in terms of its capacity to deliver significant savings. These will include identifications of the project sponsor, leader and team, clear objectives and the timeframe within which the work is to be concluded. It is anticipated that cross reference will be made to the Corporate Plan Priorities and Outcomes. Moreover, it is expected that a zero based budget analytical mindset is brought to the reviews.

- 4.3.16 The projects and their templates will be worked-up over the coming months and will be brought back to Members via an appropriate governance route in September/October.
- 4.3.17 There are several project areas in the above list that merit further clarification at this point. The first of these is Waste Management (10). This clearly is a review area that is already active as illustrated by the report on this agenda. There is a paradox here in that the projects listed above are meant to deliver significant savings, whereas there are options contained in that report that will significantly increase the Council's cost base. The consequence of accepting such options is that the Budget Gap shown in the chart at para 4.2.2 will correspondingly increase and Members will need to find even further savings which will be challenging and require difficult decisions. Also, the Roads Collaboration (9) may not in practice be capable of delivering significant savings.
- 4.3.18 Some potential elements of an Education Review (4) have been identified. As this currently sits there is almost certainly insufficient proportionate contribution coming from a budget of circa £190m. For the ASN/Special Education element costs are in fact increasing here. The requirement to adhere to the pupil/teacher ratio set by the Scottish Government is a major impediment to developing savings options.
- 4.3.19 Reference can also usefully be made to Falkirk Community Trust (6). At Council on 28 February 2018, members requested that the Chief Executive prepare an options appraisal to consider the advantages and disadvantages of the current arrangements for the Trust, an arrangement allowing greater autonomy and bringing the services provided by the Trust back in house. The appraisal, among other things, is to cover financial implications of the options and the benefits and disbenefits in relation to achieving savings.
- 4.3.20 A parallel review would look for the Trust to identify options to reconfigure service delivery on the basis of the saving figure already identified for Council of £3.5m, say over 2 financial years. It is expected that the review would have regard to, inter alia:-
- Significant community and stakeholder involvement
 - Optimum harnessing of the facilities within the school estate
 - Alignment with the Strategic Property Review
 - Potential for targeted investment in selective assets to increase revenue income
 - Maximise external funding potential

The expected outcome would be strategic options which were rounded i.e. not simply a list of service closures, but also enhanced service delivery.

- 4.3.21 A core enabler for modern service delivery is digital. Council services have already begun using digital as a means to change the way services are designed, planned and delivered to ensure they are efficient, effective and valued by the customer. Designing services around the needs of customers is

the first and most important principle to changing how the Council does things. Technology then becomes an enabler to support that change and deliver consistent services irrespective of the medium for delivery i.e. face to face, online or by telephone.

- 4.3.22 A strategy to support this is under development and will set out clear standards for redesign, a clarity on digital services, the approach to technology and infrastructure, the resources needed to deliver on this, alongside a programme for addressing new skills and training for the whole workforce.

Data

- 4.3.23 This pillar will focus on citizens and customers rather than support any legacy bureaucracy within the organisation and the legacy technology.
- 4.3.24 Part of this is how the Council uses information as an asset. The Council must make sure data and information are used to make better and faster decisions, supporting the devolution of decision making and developing more iterative and rapid ways of doing things
- 4.3.25 The information we use needs to be secure and, alongside technology, used with an agile approach to focus on the priorities and outcomes of our communities and contribute to the Council's efficiency agenda by doing this well.

4.4 Reserves

- 4.4.1 The Accounts Commission's "Financial Overview 2016/17" was considered by Council at its meeting in January. The Commission highlighted the following as a key message:-
- "Councils are showing signs of increasing financial stress. They are finding it increasingly difficult to identify and deliver savings and more have drawn on reserves than in previous years to fund change programmes and routine service delivery. Some councils risk running out of General Fund reserves within two to three years if they continue to use them at levels planned for 2017/18".
- 4.4.2 Members have also been advised regularly that deployment of reserves simply to achieve a balanced Budget is not sustainable as it is not addressing the underlying difference between spending levels and resources, compounded by the reality that reserves are finite. The deployment of reserves however, as a considered part of a strategy geared to transformation and robust medium term financial planning is much more effective. Council agreed at the Budget meeting on 28 February to earmark £700k to a Change Programme Fund to help facilitate the Council of the Future change agenda.
- 4.4.3 The Council's final accounts process is well underway and an outturn position will be reported to Executive in June. This is expected to show a General

Fund Reserve balance of c£12m, which is consistent with the projected position reported to Members in January and February. Whilst there are also other reserves e.g. Repairs and Renewals, they are earmarked to fund specific activities. The HRA also holds a reserve.

- 4.4.4 In terms of a General Fund Reserve strategy range of £6.6m - £10.8m, the Council is in a relatively strong position. A cautionary note should, however, be added. In recent years the Council has had a history of applying a significant amount from the Reserve to help achieve a balanced Budget. This has in practice been covered by subsequent underspend in the overall Revenue Budget, thus replenishing the balance. There are good reasons to believe that because of decisions taken at the February Budget meeting, the latter is unlikely to happen going forward, or at least not to the same extent.

4.5 Capital Programmes

- 4.5.1 The consequences of capital investment ultimately flow through to the Revenue Budget in the form of loan charges and running costs. Consequently, the General Fund and Housing Capital Programmes are an integral part of the Council's Medium Term Financial Plan. The current Capital Programme is a three year programme but the intention is to move to a five year programme for 2019/20 to 2023/23. This will align with the Medium Term Financial Strategy and will allow the Council to plan more efficiently for future major capital projects.

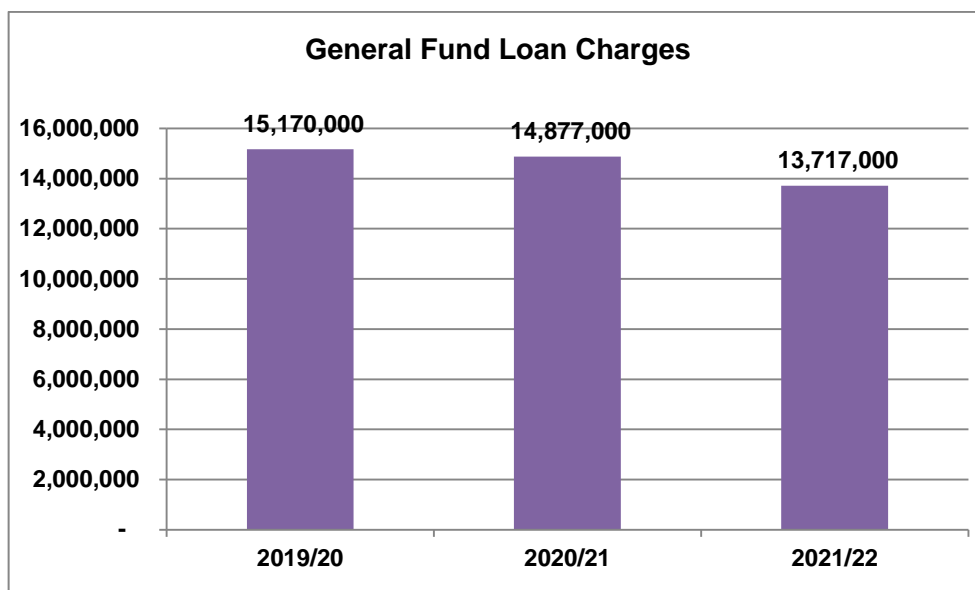
General Fund Capital Programme 2018/19 to 2020/21

- 4.5.2 The Council approved the General Fund Services Capital Programme 2018/19 to 2020/21 at its meeting on 7 March 2018. The budget for TIF was also agreed at this time. The table below summarises the programme at Service level:

Service	2018/19 £000	2019/20 £'000	2020/21 £000	Total £'000
Children's Services	4,218	5,126	4,770	14,114
Development Services	13,588	15,988	12,826	42,402
Corporate & Housing Services	2,778	1,270	830	4,878
Adult Services (Social Work)	49	49	49	147
Community Trust	568	522	522	1,612
TIF	6,364	12,258	7,700	26,322
Slippage Allowance	(3,400)	-	-	(3,400)
Total	24,165	35,213	26,697	86,075

- 4.5.3 The funding of the programme includes the Scottish Government General Capital Grant for 2018/19 with estimated grant for 2019/20 and 2020/21. Any change in the estimated grant will impact on the Capital Programme. The 2019/20 estimated General Capital Grant includes £2.6m for the Scottish Government's 2016/17 re-profiling adjustment. The programme is also funded by some specific Scottish Government grant for Grangemouth Flood Defences. In addition, resources include Capital Receipts, Developers' contributions, Revenue contributions and an element of Prudential Borrowing.

- 4.5.4. Falkirk Council has in recent years, taken a decision to restrict the level of Prudential Borrowing, in order to minimise the impact on the Revenue Budget. The following graph details the profile of loan charges which clearly demonstrates the consequences of this action.



Housing Capital Programme 2018/19 to 2020/21

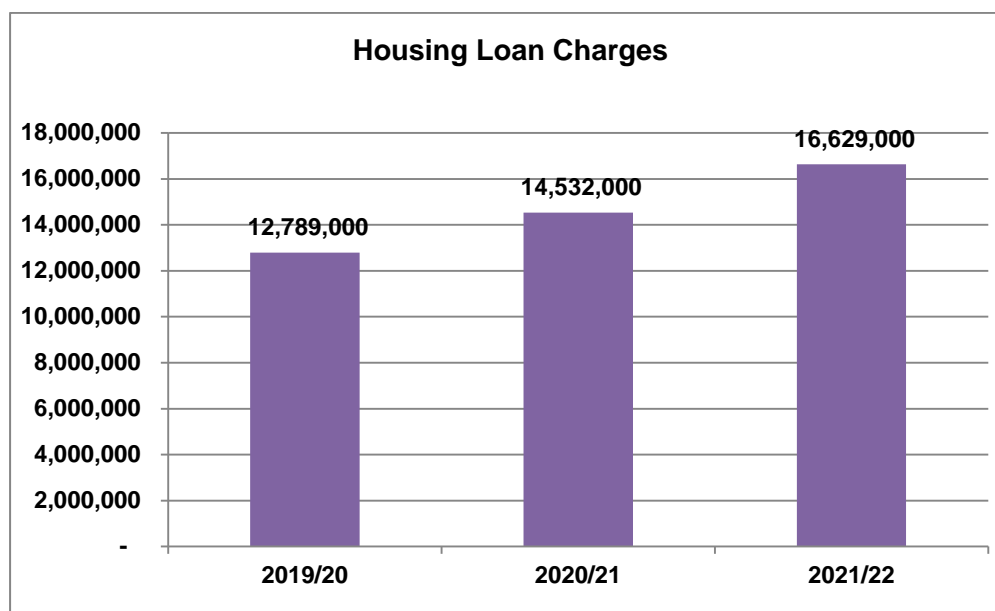
- 4.5.5 The Council approved the Housing Capital Programme 2018/19 – 2020/21 at its meeting on 15 January 2018. The table below summarises the programme.

Description	2018/19 £000	2019/20 £'000	2020/21 £000	Total £'000
Elemental Improvements	13,550	13,550	25,550	52,650
Energy Efficiency Works	4,173	1,340	1,767	7,280
Estate Improvements	1,500	1,500	1,500	4,500
Priority Areas	1,500	1,500	1,500	4,500
Health & Safety	350	350	350	1,050
New Build Housing	10,372	23,685	13,191	47,248
Property Buy Backs	6,000	6,000	6,000	18,000
Other Works (LHS Initiatives)	2,700	2,700	2,700	8,100
Total	40,145	50,625	52,558	143,328

- 4.5.6 The funding of the Housing Capital Programme includes Scottish Government Grant for the New Build Housing and Property Buy Backs. There is an element of Revenue Contributions however, Prudential Borrowing accounts for most of the resources. The loan charges associated with this borrowing are charged to the Housing Revenue Account and are met from Housing Rents.
- 4.5.7 The Housing Investment Programme has, over the last few years, grown in order to continue to meet Scottish Housing Quality Standards (SHQS) and to deliver additional affordable homes in the form of New Builds and Property

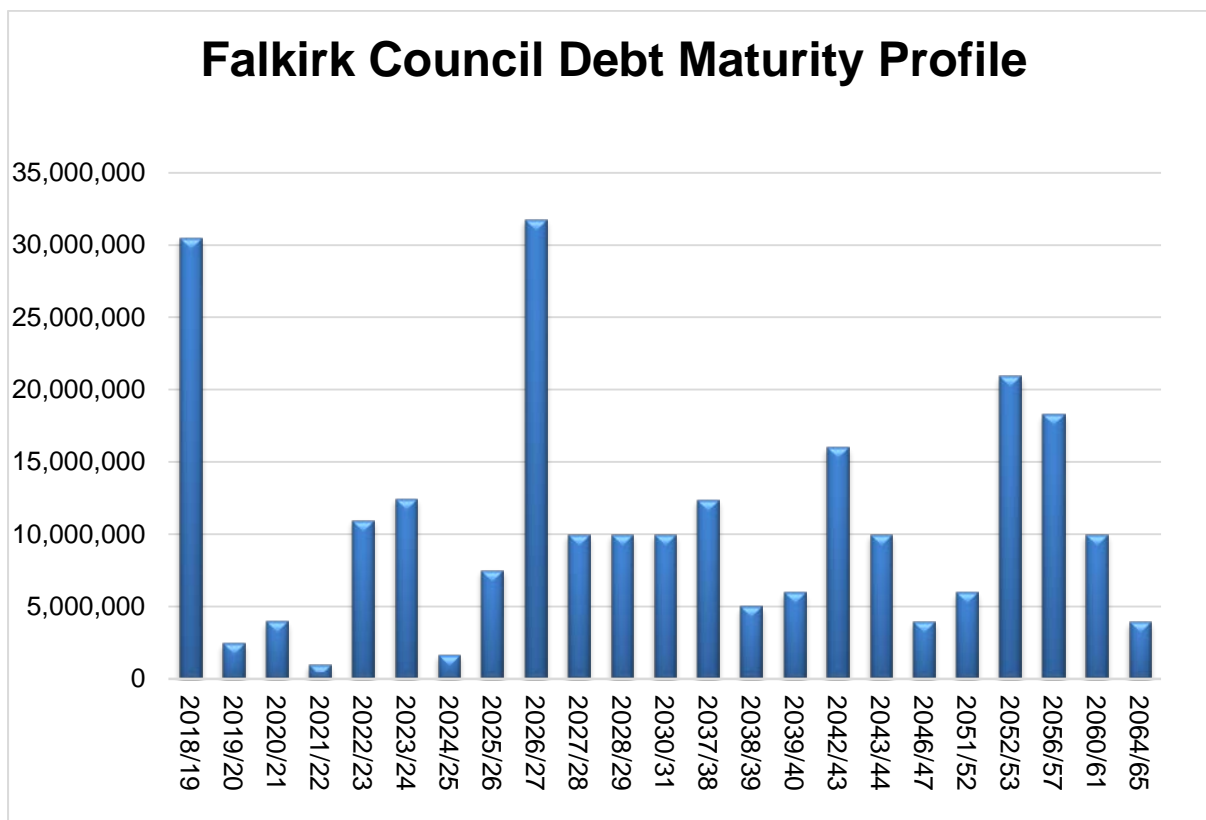
Buy Backs. In stark contrast to the General Fund, Prudential Borrowing has increased, however, the related loan charges are affordable within the Housing Revenue Account.

The following graph details the profile of loan charges for Housing Services:



4.6 Treasury Management

- 4.6.1 Capital Investment plans and Treasury Management are intrinsically linked and as such are therefore an integral part of the Council's Medium Term Financial Plan. The interest expenses associated with any borrowing are included within the loan charges which feed into the Revenue Budget. Interest rates are forecasted for future years and included in loan charges budgets. The Council is required to approve an annual Treasury Management Strategy detailing the strategy for both borrowing and investment for the next financial year.
- 4.6.2 The treasury management operation needs to ensure that cash flow is adequately planned and cash is available when needed for either revenue or capital purposes. The Council cannot borrow to fund revenue expenditure [other than for cashflow purposes] but can borrow to fund capital expenditure. Borrowing may be undertaken on a short term basis i.e. up to 1 year or on a long term basis up to 50 years.
- 4.6.3 The Council works closely with its treasury advisors Link Asset, to ensure that borrowing is undertaken at the most advantageous terms with respect to both interest rates and maturity profile. The Council will also be advised of opportunities for Debt Rescheduling to smooth out debt maturity profiles and harness any discounts on premature repayment. The static climate of low interest rates in recent years has not been conducive to such activity.
- 4.6.4 The Council has external Debt of c£245m as at 31 March 2018. The following graph details the maturity profile of this debt:-



4.6.5 The level of debt maturing in 2018/10 includes short term loans of £29.5m taken out during 2017/18. These loans were taken out at substantially lower interest rates than the longer term PWLB. They may be replaced on a short term or long term basis depending on cash flow requirements and prevailing interest rates at the time.

4.6.6 The level of debt maturing in 2026/27 relates to 4 different loans which will mature at varying times throughout the financial year i.e. £14m in April 2026, £3m in October 2026 and £15m in March 2027, thereby spreading the maturity profile over an 11 month period. There may be opportunities in the coming years to reschedule these loans to smooth this peak.

4.7 Long Term Planning

4.7.1 Consideration also needs to be given to the timeframe beyond the five years of the MTFP. It is self-evident that projections become ever more uncertain the further the timeline is extended.

4.7.2 Nevertheless, Services have the demographic data summarised at Paragraphs 4.1.10 and 4.1.11 to aid their forward planning and there is the debt profile at paragraph at 4.6.4. Moreover, for Housing, there is a 50 year financial model which includes assumptions on both revenue and capital end together with resources.

5. Consultation

- 5.1 Appropriate engagement and consultation will take place within the framework of Empowered Communities and EPIA.

6. Implications

Financial

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

Resources

- 6.2 It will be evident that significant Service and Corporate resources will need to be harnessed to progress the 3 Pillar model in a timely manner. The recently approved Change Programme Fund will assist with that.

Legal

- 6.3 No legal implications arise from the report recommendations.

Risk

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

Equalities

- 6.5 Equality and poverty impact assessments will be carried out at the appropriate time.

Sustainability/Environmental Impact

- 6.6 No assessment relevant at this point.

7. Conclusions

- 7.1 The financial environment facing the Council will remain extremely challenging. It is essential that the Council is proactive in its forward strategic planning to manage this environment and ensure its financial robustness and sustainability.
- 7.2 It is important to recognise that the work implied to take forward the MTFP will make a significant call on constrained officer resources and this will need to be managed within the framework of the Council's approved Workforce Strategy.
- 7.3 It is suggested that this paper represents a significant progression in the implementation of the Corporate Plan and Medium Term Financial planning. There is recognition that it is work-in-progress and that a more developed document will be presented to Members in the Autumn. This timeframe will also afford opportunity for the new Chief Executive to influence matters. It is emphasised that this must very much be about effective delivery and the Council's auditors and the Accounts Commissions will be monitoring this.

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Date: 4 May 2018

Appendices

Appendix 1 – MTFP Projections
Appendix 2 – MTFP Model
Appendix 3 – “Medium Term Planning Assumptions”

List of Background Papers:

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

- General working paper files

FINANCIAL PICTURE**2019/20**

	Pessimistic £'000	Base £'000	Optimistic £'000
Base Budget from Prior Year	336,655	336,655	336,655
General Movements from Prior Year			
Pay Award	11,908	7,145	7,145
Living Wage	1,995	1,197	1,197
General Inflation	3,653	2,574	2,137
Teachers Pension	1,000	750	500
Pension	585	585	585
Demographics	3,189	2,665	2,414
Loan Charges	(331)	(357)	(383)
Other Changes	240	240	240
	<u>22,239</u>	<u>14,799</u>	<u>13,835</u>
Service Specific Movements from Prior Year			
Additional Investment	2,300	(2,300)	(2,300)
FSP/NPDO Inflation	519	415	415
NPDO Refinance	(1,700)	(1,700)	(1,700)
Early Years (Funding included in AEF Line)	8,400	8,400	8,400
FSP Adjustment	(172)	(172)	(172)
Carers Act	920	920	920
	<u>10,267</u>	<u>5,563</u>	<u>5,563</u>
Net Revenue Budget	<u>369,161</u>	<u>357,017</u>	<u>356,053</u>
Funded By:			
Aggregate External Finance	262,483	266,541	270,601
Early Years Funding	8,400	8,400	8,400
Integration Funding	500	1,000	1,500
Carers Act Funding	666	666	920
Council Tax Income	64,368	66,289	66,289
	<u>336,417</u>	<u>342,896</u>	<u>347,710</u>
BUDGET GAP FOR YEAR	<u>32,744</u>	<u>14,121</u>	<u>8,343</u>

Assumptions in %age Terms	Pessimistic	Base	Optimistic
Pay Award	5%	3%	3%
Living Wage			
Pension	22.5%	22.5%	22.5%
Inflation:			
Energy Costs	3.0%	2.5%	2.0%
Rates	3.5%	3.0%	2.5%
School Transport	2.0%	1.5%	1.0%
Other Transport Costs	2.5%	2.0%	1.5%
Catering Costs	2.5%	2.0%	1.5%
Childrens Care Provision	3.5%	3.0%	2.5%
Adult Care Provision	2.5%	2.0%	1.5%
Waste Collection	3.8%	3.3%	2.8%
Other Inflation	2.8%	2.3%	1.8%
FSP/NPDO Inflation	2.5%	2.0%	2.0%
Interest Rates (Short Term Rate)	1.0%	0.8%	0.5%
Interest Rates (Long Term Rate)	3.3%	3.0%	2.8%
Proportion of Long Term Borrowing	n/a	40.00%	n/a
Proportion of Short Term Borrowing	n/a	60.00%	n/a
Aggregate External Finance (RSG + NDR)	-3%	-1.5%	0%
Early Years - Amount of Spend to be Funded	100%	100%	100%
AEF for Carers Act - Amount of Spend to be Funded	72%	72%	100%
Council Tax Increase	0%	3%	3%

FINANCIAL PICTURE

Appendix 1
2020/21

	Pessimistic £'000	Base £'000	Optimistic £'000
Base Budget from Prior Year (Assumes Prior Year Gaps Met)	#REF!	#REF!	#REF!
General Movements from Prior Year			
Pay Award	7,280	4,853	3,640
Living Wage	2,073	1,382	1,037
General Inflation	3,312	2,560	2,072
Pension	-	-	-
Demographics	2,410	1,849	1,492
Loan Charges	(246)	(293)	(340)
Other Changes	264	264	264
	15,093	10,615	8,164
Service Specific Movements from Prior Year			
FSP/NPDO Inflation	530	424	424
Early Years (Funding included in AEF Line)	6,784	6,784	6,784
FSP Adjustment	(166)	(166)	(166)
NDDO Refinance	1,700	1,700	1,700
Carers Act	1,627	1,627	1,627
	10,475	10,369	10,369
Net Revenue Budget	#REF!	#REF!	#REF!
Funded By:			
Aggregate External Finance	264,140	272,585	281,421
Early Years Funding	6,784	6,784	6,784
Integration Funding	500	1,000	1,500
Carers Act Funding	1,003	1,003	1,627
Council Tax Income	#REF!	68,932	68,932
	#REF!	350,304	360,264
BUDGET GAP FOR YEAR	#REF!	#REF!	#REF!

Assumptions in %age Terms	Pessimistic	Base	Optimistic
Pay Award	3%	2%	1.5%
Living Wage			
Pension	22.5%	22.5%	22.5%
Inflation:			
Energy Costs	3.0%	2.5%	2.0%
Rates	3.5%	3.0%	2.5%
School Transport	2.0%	1.5%	1.0%
Other Transport Costs	2.5%	2.0%	1.5%
Catering Costs	2.5%	2.0%	1.5%
Childrens Care Provision	3.5%	3.0%	2.5%
Adult Care Provision	2.5%	2.0%	1.5%
Waste Collection	3.8%	3.3%	2.8%
Other Inflation	2.8%	2.3%	1.8%
FSP/NPDO Inflation	2.5%	2%	2%
Interest Rates (Short Term Rate)	1.4%	1.1%	0.9%
Interest Rates (Long Term Rate)	3.6%	3.3%	3.1%
Proportion of Long Term Borrowing	n/a	50.00%	n/a
Proportion of Short Term Borrowing	n/a	50.00%	n/a
Aggregate External Finance (RSG + NDR)	-3%	-1.5%	0%
Early Years - Amount of Spend to be Funded	100%	100%	100%
AEF for Carers Act - Amount of Spend to be Funded	62%	62%	100%
Council Tax Increase	0%	3%	3%

FINANCIAL PICTURE

Appendix 1

2021/22

	Pessimistic £'000	Base £'000	Optimistic £'000
Base Budget from Prior Year (Assumes Prior Year Gaps Met)	#REF!	#REF!	#REF!
General Movements from Prior Year			
Pay Award	7,457	4,971	3,728
Living Wage	2,250	1,500	1,125
General Inflation	3,512	2,644	2,206
Pension	592	592	592
Demographics	2,121	1,582	1,312
Loan Charges	(1,103)	(1,160)	(1,217)
Other Changes	36	36	36
	14,865	10,165	7,782
Service Specific Movements from Prior Year			
FSP/NPDO Inflation	549	439	439
Early Years (Funding included in AEF Line)	1,980	1,980	1,980
FSP Adjustment	(215)	(215)	(215)
Carers Act	2,297	2,297	2,297
	4,611	4,501	4,501
Net Revenue Budget			
	#REF!	#REF!	#REF!
Funded By:			
Aggregate External Finance	264,709	277,379	291,332
Early Years Funding	1,980	1,980	1,980
Integration Funding	500	1,000	1,500
Carers Act Funding	1,846	1,846	2,297
Council Tax Income	#REF!	71,686	71,686
	#REF!	353,891	368,795
BUDGET GAP FOR YEAR			
	#REF!	#REF!	#REF!

Assumptions in %age Terms	Pessimistic	Base	Optimistic
Pay Award	3%	2%	1.5%
Living Wage			
Pension	23%	23%	23%
Inflation:			
Energy Costs	3.0%	2.5%	2.0%
Rates	3.5%	3.0%	2.5%
School Transport	2.0%	1.5%	1.0%
Other Transport Costs	2.5%	2.0%	1.5%
Catering Costs	2.5%	2.0%	1.5%
Childrens Care Provision	3.5%	3.0%	2.5%
Adult Care Provision	2.5%	2.0%	1.5%
Waste Collection	3.8%	3.3%	2.8%
Other Inflation	2.8%	2.3%	1.8%
FSP/NPDO Inflation	2.5%	2.0%	2.0%
Interest Rates (Short Term Rate)	1.5%	1.2%	1.0%
Interest Rates (Long Term Rate)	3.7%	3.4%	3.2%
Proportion of Long Term Borrowing	n/a	50.00%	n/a
Proportion of Short Term Borrowing	n/a	50.00%	n/a
Aggregate External Finance (RSG + NDR)	-3%	-1.5%	0%
Early Years - Amount of Spend to be Funded	100%	100%	100%
AEF for Carers Act - Amount of Spend to be Funded	80%	80%	100%
Council Tax Increase	0%	3%	3%

FINANCIAL PICTURE

Appendix 1

2022/23

	Pessimistic £'000	Base £'000	Optimistic £'000
Base Budget from Prior Year (Assumes Prior Year Gaps Met)	#REF!	#REF!	#REF!
General Movements from Prior Year			
Pay Award	7,382	4,921	3,691
Living Wage	2,400	1,600	1,200
General Inflation	3,852	2,935	2,454
Pension	585	585	585
Demographics	1,791	1,395	1,284
Loan Charges	(436)	(500)	(564)
Other Changes	232	232	232
	15,806	11,168	8,882
Service Specific Movements from Prior Year			
FSP/NPDO Inflation	560	448	448
Early Years (Funding included in AEF Line)	-	-	-
FSP Adjustment	(258)	(258)	(258)
Carers Act	2,505	2,505	2,505
	2,807	2,695	2,695
Net Revenue Budget	#REF!	#REF!	#REF!
Funded By:			
Aggregate External Finance	261,479	278,229	297,109
Early Years Funding	-	-	-
Integration Funding	500	1,000	1,500
Carers Act Funding	2,004	2,004	2,505
Council Tax Income	#REF!	74,556	74,556
	#REF!	355,789	375,670
BUDGET GAP FOR YEAR	#REF!	#REF!	#REF!

Assumptions in %age Terms	Pessimistic	Base	Optimistic
Pay Award	3%	2%	1.5%
Living Wage			
Pension	23.5%	23.5%	23.5%
Inflation:			
Energy Costs	3.0%	2.5%	2.0%
Rates	3.5%	3.0%	2.5%
School Transport	2.0%	1.5%	1.0%
Other Transport Costs	2.5%	2.0%	1.5%
Catering Costs	2.5%	2.0%	1.5%
Childrens Care Provision	3.5%	3.0%	2.5%
Adult Care Provision	2.5%	2.0%	1.5%
Waste Collection	3.8%	3.3%	2.8%
Other Inflation	2.8%	2.3%	1.8%
FSP/NPDO Inflation	2.5%	2.0%	2.0%
Interest Rates (Short Term Rate)	1.5%	1.2%	1.1%
Interest Rates (Long Term Rate)	3.7%	3.4%	3.2%
Proportion of Long Term Borrowing	n/a	50.00%	n/a
Proportion of Short Term Borrowing	n/a	50.00%	n/a
Aggregate External Finance (RSG + NDR)	-3%	-1.5%	0%
Early Years - Amount of Spend to be Funded	-	-	-
AEF for Carers Act - Amount of Spend to be Funded	80%	80%	100%
Council Tax Increase	0%	3%	3%

FINANCIAL PICTURE

Appendix 1
2023/24

	Pessimistic £'000	Base £'000	Optimistic £'000
Base Budget from Prior Year (Assumes Prior Year Gaps Met)	#REF!	#REF!	#REF!
General Movements from Prior Year			
Pay Award	7,521	5,014	3,761
Living Wage	2,550	1,700	1,275
General Inflation	4,013	3,276	2,615
Pension	602	602	602
Demographics	1,700	1,314	1,314
Loan Charges	(302)	(352)	(402)
Other Changes	-	-	-
	16,084	11,554	9,165
Service Specific Movements from Prior Year			
FSP/NPDO Inflation	571	457	457
Early Years (Funding included in AEF Line)	-	-	-
FSP Adjustment	(298)	(298)	(298)
Carers Act	-	-	-
	273	159	159
Net Revenue Budget			
	#REF!	#REF!	#REF!
Funded By:			
Aggregate External Finance	256,639	277,302	301,114
Early Years Funding	-	-	-
Integration Funding	500	1,000	1,500
Carers Act Funding	-	-	-
Council Tax Income	#REF!	#REF!	#REF!
	#REF!	#REF!	#REF!
BUDGET GAP FOR YEAR			
	#REF!	#REF!	#REF!

Assumptions in %age Terms	Pessimistic	Base	Optimistic
Pay Award	3%	2%	1.5%
Living Wage			
Pension	24%	24%	24%
Inflation:			
Energy Costs	3.0%	2.5%	2.0%
Rates	3.5%	3.0%	2.5%
School Transport	2.0%	1.5%	1.0%
Other Transport Costs	2.5%	2.0%	1.5%
Catering Costs	2.5%	2.0%	1.5%
Childrens Care Provision	3.5%	3.0%	2.5%
Adult Care Provision	2.5%	2.0%	1.5%
Waste Collection	3.8%	3.3%	2.8%
Other Inflation	2.8%	2.3%	1.8%
FSP/NPDO Inflation	2.5%	2.0%	2.0%
Interest Rates (Short Term Rate)	1.7%	1.2%	1.3%
Interest Rates (Long Term Rate)	4.0%	3.4%	3.3%
Proportion of Long Term Borrowing	n/a	50.00%	n/a
Proportion of Short Term Borrowing	n/a	50.00%	n/a
Aggregate External Finance (RSG + NDR)	-3%	-1.5%	0%
Early Years - Amount of Spend to be Funded	-	-	-
AEF for Carers Act - Amount of Spend to be Funded	-	-	-
Council Tax Increase	0%	3%	3%

5 Year Medium Term Financial Plan: Council of the Future

Appendix 2

One Council

Enabled & Empowered Communities

- Clear Vision but credible & grounded
- Fundamental Social & Cultural Change
- Focus on Outcomes
- Empowerment – develop potential
- Effective Comms & Engagement Vital
- Learn from expertise e.g. from other Councils & Academics?
- Use existing architecture e.g.
 - Community Councils
 - Schools
 - Sports & Social Clubs
 - Falkirk Community “Stadium”
 - Scouts, Guides, BB’s
- Encourage Volunteers but with clear purpose
- Resilience
- Participatory Budgeting

Partners Orgs / Third Sector

- Is there genuine & effective alignment?
- What needs to change?
- Data / Asset Sharing

Modern & Digital

- Target Review Areas e.g. Education & Trust
- Identify credible savings target range
- Digital by Choice
- Rock Solid Technology
- Staff Empowered & Customer Focused
- Tell Us Once & Self Service
- Innovative & Streamlined
- Fewer Buildings & Modern Working Practice
- Use approaches e.g. ZBB / benchmarking
- Accept what works best becomes the delivery model
- Social Media

Data

- Information as an Asset
- Adaptable & Agile
- MIS fit for purpose
- Focus on Outcomes

LOCALITY PLANS

CORPORATE PLAN & SOLD

STRATEGIC PROPERTY REVIEW

REVENUE & CAPITAL BUDGETS / WORKFORCE PLAN / TECHNOLOGY STRATEGY

FALKIRK COUNCIL MEDIUM TERM PLANNING ASSUMPTIONS

Appendix 3

