



## **Agenda Item 7**

# **Revenue Budget & Medium Term Financial Picture**

**Falkirk Council**

**Title: Revenue Budget & Medium Term Financial Picture**  
**Meeting: Falkirk Council**  
**Date: 28 June 2017**  
**Submitted By: Director of Corporate & Housing Services**

**1. Purpose of Report**

- 1.1. There are two closely related primary elements to this report. The first is an updated Medium Term Financial picture, which sets out the current best estimate of the financial challenge facing the Council over the next five years. The second focuses on the process for preparing a two year Revenue Budget, which will sit within that five year frame. Some consideration is also directed to a Long Term Financial Plan with a timeframe of five to ten years.

**2. Recommendations**

**2.1. Council is asked to agree:-**

- (1) To note the Medium Term Financial Picture set out in Section 4.1**
- (2) The progression of a two year Revenue Budget within the context of the new Corporate Plan and Council of the Future agenda**
- (3) That the Member Budget Working Group is reconvened and that Council decides on its composition;**
- (4) To note the provisional Long Term Financial position set out in Section 4.3.**

**3. Background**

- 3.1 The assumptions used to inform the Medium Term Financial scene in the Budget report considered by Council in February are updated in this report. Moreover, the 2016/17 financial outturn considered by Executive earlier in June will also feed into this report in terms of an updated position with reserves.
- 3.2 It is important to appreciate that the Council needs to prepare a Medium Term Financial Plan (MTFP). What this report at this stage of the process provides, is the scale of the financial challenge the Council is expecting to encounter.

This represents one part of the MTFP. To complete the MTFP, however, what is needed is how these financial gaps between resources and spend will be bridged. The MTFP will also include other elements e.g. long term debt profile.

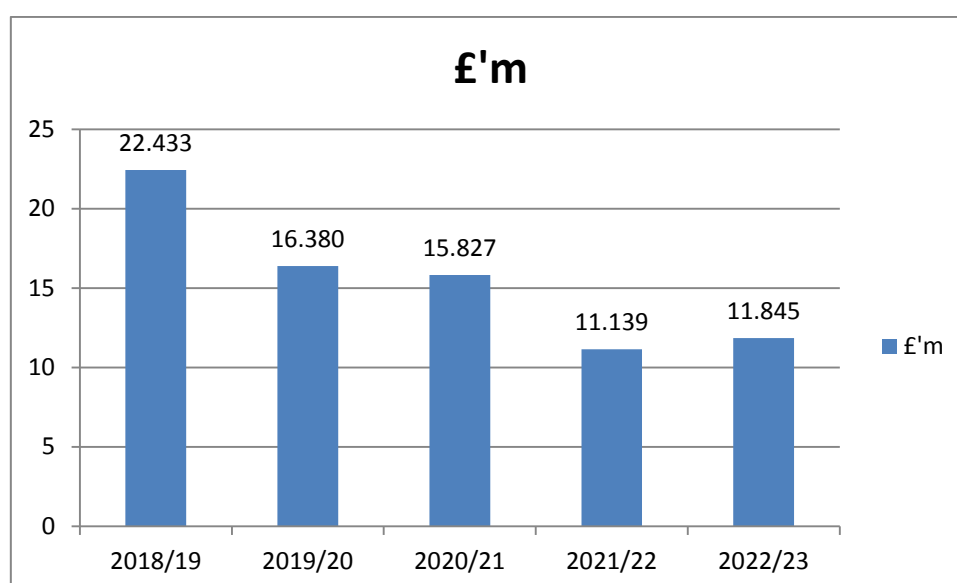
- 3.3 Instrumental to achieving a balanced budget will be the Council's new five year Corporate Plan which will set out clear priorities and what the configuration of service delivery will be, looking forward over the medium term. It is expected that Members will give consideration to this in September. The identification of clear and focused priorities and for these to evidently drive long term planning is fundamental. Existing priorities are reflected in the Strategic Outcome Local Delivery Plan (SOLD). An integral part of this framework will also be the taking forward of the Council of the Future agenda. Members may find the diagram at Appendix 1 helpful in envisaging how the various strands link together. It is anticipated that a developed draft MTFP will be brought before Members for their consideration in the Autumn.
- 3.4 Audit Scotland has regularly criticised councils generally, and Falkirk specifically, for needing to do more on setting clear priorities and aligning them with financial planning processes. They also argue more needs to be done on medium and long term financial planning together with scenario planning. Whilst it is the case that the Council does have a medium term financial plan and that forward planning is self-evidently problematic in the increasingly uncertain and turbulent operating environment, it is accepted that more needs to be done. This report is designed to help take this forward.
- 3.5 Two separate bills on public service reform and local government are anticipated. There are also the wide ranging responsibilities and implications flowing from the Community Empowerment (Scotland) Act 2015.
- 3.6 The Barclay Review of Non-Domestic Rates is scheduled to report in July. Whilst it is not expected to lead to the significant revisions applied in England to local government funding, some changes should be expected. The outcome will be reported to Members in due course.

## **4. Considerations**

### **4.1. Medium Term Financial Picture.**

- 4.1.1 In recognition of the comments made by Audit Scotland noted at para 3.4, work has been undertaken to develop and refine the Medium Term Financial Plan (MTFP). The first stage of this has been to liaise with Services and also draw on a wider range of material, notably relating to demographics and economics, to produce updated financial projections for the next five years.

- 4.1.2 Scenario Planning has also been adopted so that for each of these five years, we have a base or most likely scenario, together with outsider positions reflecting the most pessimistic and optimistic outcomes. It is important to recognise that these outsider positions are by definition extremes, as they reflect the aggregate of all variables to which the outcome assumptions are applied. Consequently, the probable range of outcomes will not stretch out from the central projection to these extremes. The framework for undertaking Scenario Planning is set out in the schematic at Appendix 2. Further development of Scenario Planning will focus on demographics, structural and legislative change.
- 4.1.3 It is also essential to note that the figures produced by this work can only be best estimates. Realistically, as the projections stretch further out, the figures are guesstimates of a wide range of variables. Consequently, the projections will be subject to periodic revision as more intelligence becomes available and variables crystallise.
- 4.1.4 The central financial projections of annual Budget gaps are presented in the bar chart below. The optimistic and pessimistic outsider positions are set out in the table for each financial year at Appendix 3, as are the assumptions made for each of the variables so that there is transparency.



- 4.1.5 In interpreting this data and the resultant Budget Gaps derived from it, it is helpful to remember that some variables are much more influential than others. This is particularly pertinent to revenue grant and pay awards and to a lesser extent demographics – their impact dwarves that of the other variables.

4.1.6 And of these key variable, the revenue grant is paramount representing 80% of the Council's net financial resources. In recent years, this has been reduced significantly and this is projected to continue. The grant assumptions used in this paper are informed by economic projections from Fiscal Affairs Scotland, albeit adjusted to reflect other sources and viewpoints. The level of grant will be coloured by the economic climate, the changes in the Barnett Formula, Westminster and Holyrood priorities and Holyrood's exercise of its new tax and borrowing powers. The balance of probability does, however, look to be skewed towards pessimism given the following factors:-

- Brexit
- Result of June General Election (Standard & Poor's negative assessment)
- Scottish Government protection for major spending areas of Health & Police
- Rise in inflation flowing through to rising costs and pay pressure
- Scotland's lower growth relative to rUK impacting on revised tax/grant arrangements

4.1.7 A major factor impacting on Councils' capacity to undertake effective medium term planning is having at least indicative revenue grant data beyond one year. The Scottish Government are currently undertaking a review of their Budget process. The Cosla Leader's meeting on 26 May considered the proposed Cosla submission to this review. One of a range of key messages was the need to move to longer term budgeting to support transformation of the public sector.

4.1.8 Staff costs represent some 70% of the Council's overall costs and consequently a relatively small % change in a pay award does convert to a significant figure in cash terms. Another dimension is the cost driver of the Living Wage and notwithstanding its inherent merit in terms of helping the lower paid, there are broader implications for Councils' pay structures and the management of differentials. The assumptions used in this paper reflect work with colleagues in Human Resources.

4.1.9 Information such as projections on population by age group and area is essential for effective service delivery planning. Such projections help the Council to identify which services are likely to be put under more pressure in the foreseeable future. With such information, the Council can plan ahead, mitigating demand where appropriate and re-allocating resources where and if necessary. The information below is based on figures from the National Records of Scotland.

- 4.1.10 For Falkirk the population is expected to rise by 8.4% by 2039, in contrast with Scotland as a whole which is expected to rise by 6.6%. Further work has been done to look at the population projection across age groups for both 2024 and 2039. The most significant changes are expected to occur in groups age 60+, as detailed in the table below:

Age Group	2024	2039
60-64	+23.6%	+8.1%
65-74	+13.7%	+43.8%
75-84	+28.7%	+75.6%
85+	+43.7%	+148.2%

The latter category 85+ translates to an additional 1,320 people in 2024 and a further 3,160 people in 2039. These figures clearly have the potential to significantly impact on Council services and budgets.

The Institute for Fiscal Studies made the following comment on future pressures associated with an ageing population:-

“We face an unavoidable choice : increase the size of the state; rein in spending on health, long-term care and state pensions; or continue to refocus existing public spending towards these areas at the expense of spending elsewhere”.

- 4.1.11 Reflecting the comments already made at paras 3.2 and 3.3, work flowing from the new Corporate Plan and Council of the Future should facilitate strategies and options for closing the Budget Gaps identified in this section and allow a developed draft MTFP to be submitted to Members in the Autumn.

## 4.2 Two Year Revenue Budget

- 4.2.1 In February 2015, the Council at its Budget meeting considered both a conventional 2015/16 Budget and a provisional Budget for 2016/17, together with an overview position for 2017/18. Apart from the inherent benefits of longer term planning, notably affording a more strategic approach, the scale of the revenue grant reduction in 2016/17 meant that the necessary additional savings needed to balance that year's Budget could readily be brought forward from those developed for the second year (2017/18). Whilst there have been one year Budgets in the interim, it is strongly recommended that the Council progress with a two year Revenue Budget within the framework of the five year Corporate Plan and MTFP.

- 4.2.2 It will be evident from the scale of the gaps estimated for 2018/19 and 2019/20 at para 4.1.4, that preparing a two year Revenue Budget will be a particular challenge. To illustrate this, attached at Appendix 4 there is a very tentative and provisional attempt by officers to show how the 2018/19 gap may be bridged. It can be seen that the values identified so far are not of themselves sufficient to close the gap for that year. And, there is then the gap of £16.3m for 2019/20 which has still in total to be addressed.
- 4.2.3 To help meet this challenge, it is recommended that the cross party Member Budget Working Group is urgently reconvened. This Group has to date worked very well together to confront the challenges and seek consensual solutions. The group was established by Council in October 2015 with a membership made up of 3 Labour, 3 SNP, 1 Conservative, 1 Non Aligned Independent and 1 Independent. As the composition of the Council as a whole has changed since the election in May 2017, Council is asked to determine the composition for the reconvened group.
- 4.2.4 Recognising the scale of the financial challenge, Services have been progressing work to identify options for significant savings and revised service delivery configurations that not only yield savings, but better meet what our community really needs. This work will of course be refined to reflect Members' priorities and other relevant elements which emerge from the new Corporate Plan. It is expected that these officer options will be made public in a report to Executive in October as was the case with the 2017/18 Budget. This will then allow for a period of engagement and where appropriate consultation with users up to the end of the calendar year. These activities will in turn feed into Equality and Poverty Impact Assessments (EPIA) which will help to inform Members decision making. Ultimately, it is Members at the Council Budget meeting in February who will determine which options are selected to achieve an annual balanced Budget as legally required.
- 4.2.5 A specific and significant piece of work which will feed into the Budget process is the Strategic Property Review. In essence, this Review has found that the Council has too many properties, these are costly and no longer affordable and, moreover, are not best configured for effective Service delivery. This in turn will need to link and interface with the emergent Locality Planning approach and the impact of the Community Empowerment agenda.
- 4.2.6 The Council's General Fund Reserve is showing an opening balance (subject to audit) at 1 April of £8.2m relative to the strategy floor of £6.6m approved by the Council. This does afford some limited leeway subject to what occurs during the course of the 2017/18 financial year. Members have regularly been given cautionary and prudent advice with respect to the deployment of reserves to help achieve a balanced Budget. The position is clearly set out in the following statement extracted from Audit Scotland's "Local Government in Scotland - Financial Overview 2015/16":-

“While usable reserves can be used to support services, Councillors must consider how and when these are used as they can only be used once. Use of reserves must comply with the Council’s annually reviewed reserves policy. This should be clearly linked to financial plans and consideration must be given to the impact on the future financial position. Using reserves to support services in the short term is not sustainable unless they are used to support service transformation and generate future savings. A significant proportion of usable reserves held by councils have already been allocated for specific purposes and so will not be available for other uses”.

The position on the Council’s other reserves was provided in the 2016/17 Outturn report presented to Executive earlier this month.

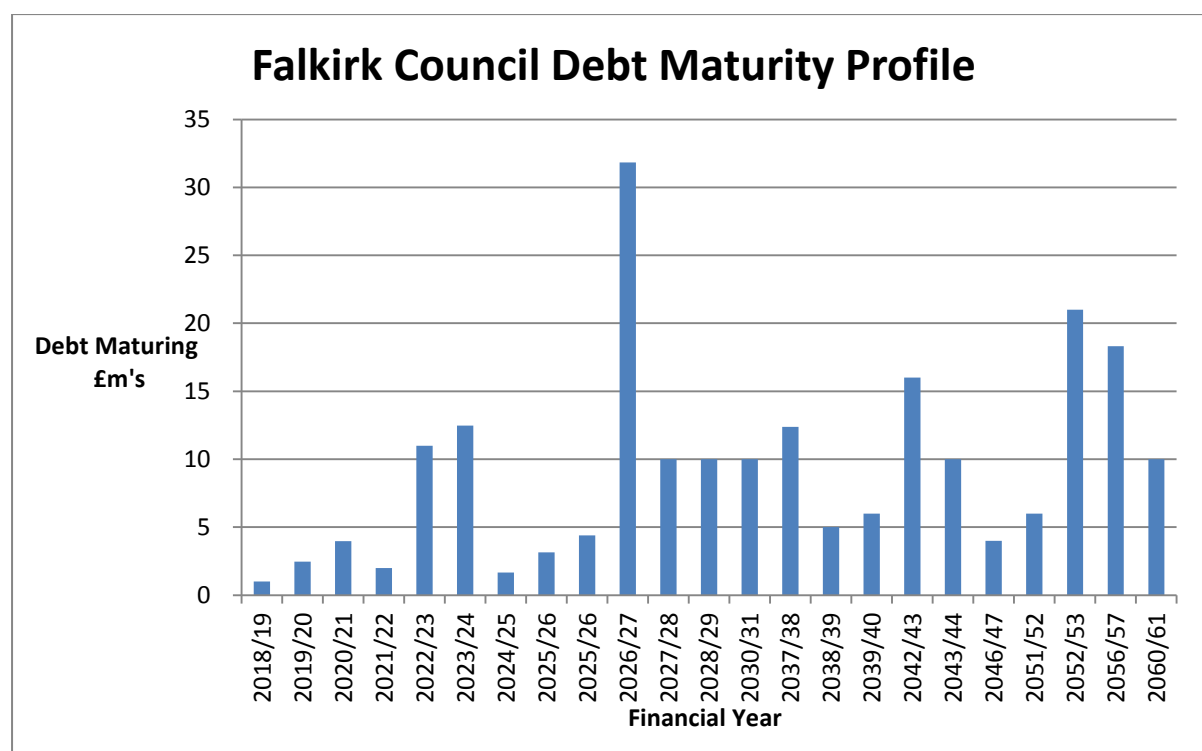
- 4.2.7 Another emergent dimension to the Budget process to note is Participatory Budgeting. Whilst guidance on its practical application is awaited, the Council has facilitated successful participatory budgeting events through the Community Changes Fund. It is expected that the Council will build on this success in 2017/18.
- 4.2.8 Considerable attention will need to be directed to Budget communications in terms of the “Budget message” to stakeholders, notably staff and the public. An audience both confused and sceptical should be anticipated given the backcloth of the significantly revised and relatively benign, financial position which emerged very late in the 2017/18 Budget process. A very important strand will be conveying why the Council needs to change, how it proposes to do this and the role the community can play in the Council of the Future.
- 4.2.9 It is anticipated that the Scottish Government Budget and attendant revenue support grant settlement will again be announced in mid-December. This is the most critical element in the Budget mix. Consequently, there is a very compressed period up to the Council Budget meeting in February. To manage this reality, it is important that viable savings options are timeously identified. Self evidently considerable work will be required over the summer and autumn.
- 4.2.10 Attached as Appendix 5 is a high level timeline of the anticipated 2018/19 – 20/21 Budget process.

### **4.3 Long Term Planning**

- 4.3.1 In addition to developing the Medium Term Financial Plan, work is also underway to develop a Long Term Plan which essentially takes the Council out to a 5-10 year range. Clearly, flowing from earlier comments on the robustness of the latter years of the 5 year MTFP, that subsequent timeframe is particularly difficult to project.



- 4.3.2 In consequence, the shape of this longer term Plan can only sensibly be broader and less specific. There are, however, some specific elements that can be identified and the clearest example of that is the first PPP Schools Contract completing its 25 year contract period. The Council will need to be working up its strategy to deal with this well ahead of that termination date.
- 4.3.3 Capital debt profiling is another area that readily lends itself to a long term approach as illustrated by the chart below.



- 4.3.4 It is also recognised that there currently is long term planning undertaken for Council Housing with respect to the HRA. This planning particularly recognises and considers the long-term financing impacts of capital investment on future HRA and rent levels.

## 5. Consultation

- 5.1. Engagement and specific consultations as appropriate will form an important part of the Budget process.

## 6. Implications

### Financial

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

## **Resources**

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

## **Legal**

- 6.3 No legal implications arise from the report recommendations, other than to note that it is a legal requirement to set a balanced Budget before the statutory deadline date in March (albeit it is not invalid merely because it is set on or after that date).

## **Risk**

- 6.4 There are no particular risk implications arising from this report.

## **Equalities**

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

## **Sustainability/Environmental Impact**

- 6.6 This will form part of the assessment of savings options.

## **7. Conclusions**

- 7.1 The first part of the report set out the current best estimate of the scale of the financial challenge facing the Council over the next five years. The report has emphasised that virtually all the variables are unknown and that the Budget Gaps will need to be updated as more intelligence is forthcoming.
- 7.2 The fundamental linkage with the new Corporate Plan and the Council of the Future agenda was also emphasised. These should allow a developed Medium Term Financial Plan to be submitted for Member consideration in the Autumn.
- 7.3 The second part of the report then homed in on the first two years of the MTFP as these will form the setting for the forthcoming Budget round. It is clear that the scale of the projected most likely Budget Gaps represent a considerable challenge for the Council. Given the limited timeframe before Council meets in February to deliver a balanced Budget, it is vital that momentum is achieved over the summer and autumn. A significant component of this will be the work of the Member Budget Working Group.

- 7.4 The report also directed attention to the Long Term Financial Plan which will deal with the period beyond the MTFP and stretch out to ten years. The difficulty in projecting that far into the future is evident, but it was recognised that there were specific forward events that could be identified and in consequence planned for.
- 7.5 The information contained in this report makes it very clear that the shape of the Council in terms of its size, range of services it delivers and how these services will be delivered, needs to radically change. A large part of the challenge will involve effective communication with stakeholders and finding new and creative ways to work with all stakeholders and not least the community.

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Date: 20 June 2017

## **Appendices**

List any appendices; or if none state 'None.'

Appendix 1 – Strategic Planning Framework

Appendix 2 – Scenario Planning Framework

Appendix 3 – Financial Picture

Appendix 4 – 2018/19 Budget - Provisional Version

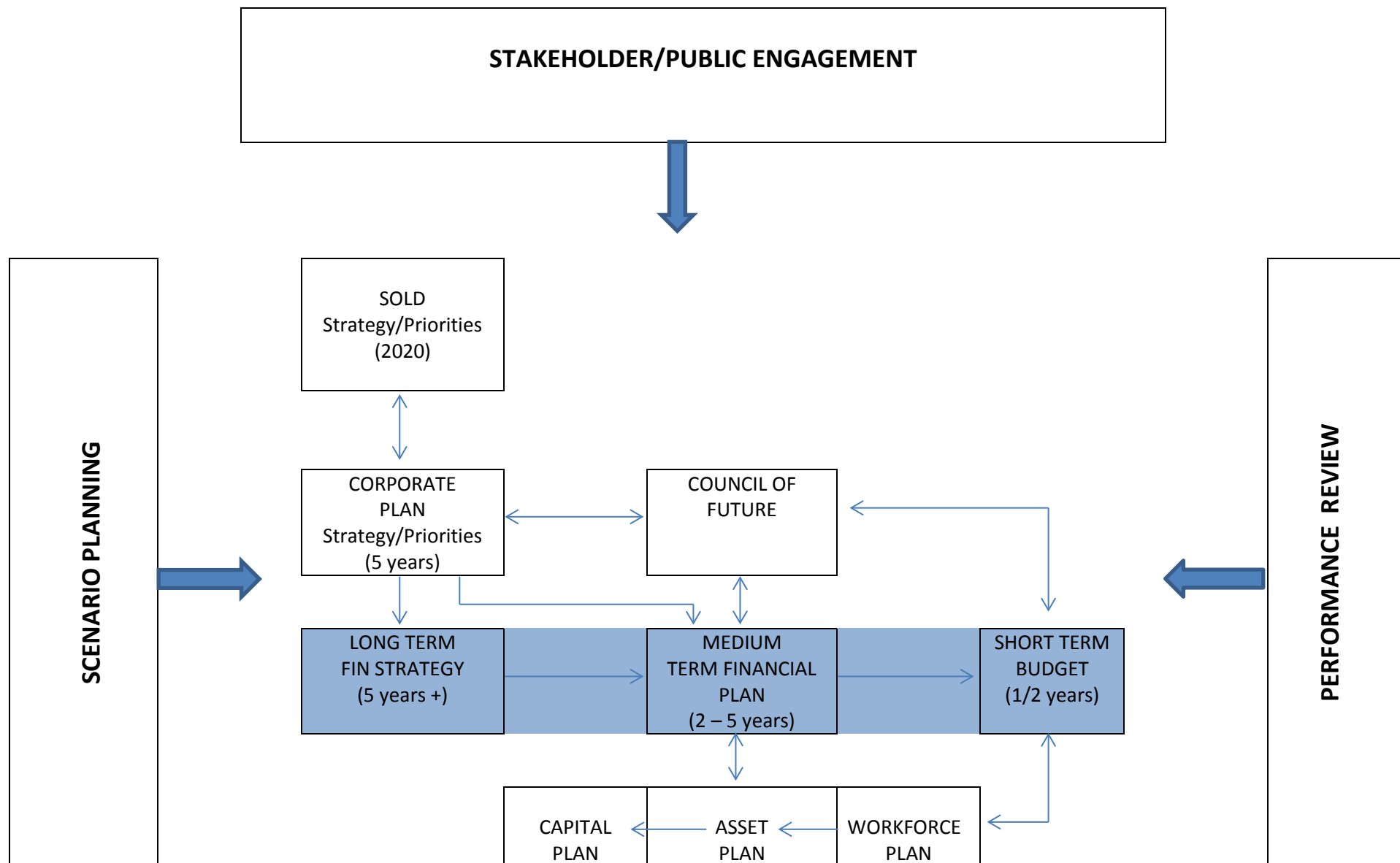
Appendix 5 – High Level Budget Timeline

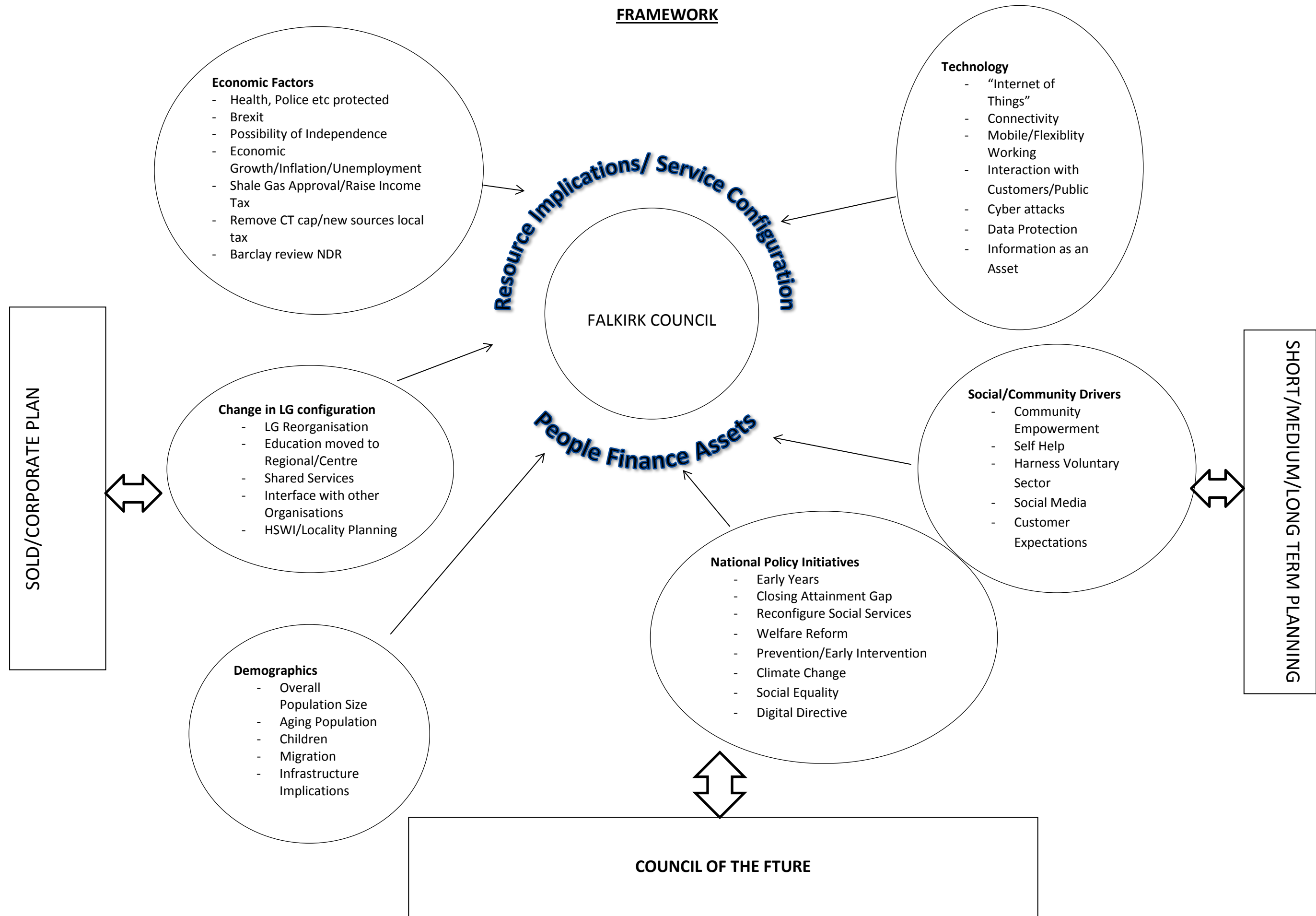
## **List of Background Papers:**

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

- Insert list here or None

**STRATEGIC PLANNING FRAMEWORK**



**SCENARIO PLANNING****FRAMEWORK**

## FINANCIAL PICTURE

2018/19

	Pessimistic £'000	Base £'000	Optimistic £'000
Base Budget from Prior Year	330,221	330,221	330,221
<b>General Movements from Prior Year</b>			
Pay Award	6,948	4,169	2,316
Living Wage	1,288	986	986
General Inflation	4,291	3,520	3,147
Pension	568	568	568
Demographics	2,305	1,781	1,530
Loan Charges	408	382	356
Miscellaneous Changes	(11)	(11)	(11)
	15,797	11,395	8,892
<b>Service Specific Movements from Prior Year</b>			
FSP/NPDO Inflation	807	706	605
NPDO Refinance	1,700	1,700	1,700
Early Years (Funding included in AEF Line)	1,000	1,000	1,000
FSP Adjustment	(176)	(176)	(176)
New Carronrange School	358	358	358
School Bus Seatbelts	100	100	100
Carers Act	534	534	534
Integration Funding	(500)	(1,000)	(1,500)
	3,823	3,222	2,621
<b>Net Revenue Budget</b>	<b>349,841</b>	<b>344,838</b>	<b>341,734</b>
<b>Funded By:</b>			
Aggregate External Finance	253,217	257,610	266,264
AEF for Early Years	500	1,000	1,000
AEF for Carers Act	361	361	534
AEF for School Bus Seatbelts	-	100	100
Council Tax Income	61,505	63,334	63,334
	315,583	322,405	331,232
<b>BUDGET GAP FOR YEAR</b>	<b>34,258</b>	<b>22,433</b>	<b>10,502</b>

Assumptions in %age Terms	Pessimistic	Base	Optimistic
Pay Award	3%	1.8%	1%
Living Wage			
Pension	22%	22%	22%
Inflation:			
Energy Costs	5.0%	4.5%	4.0%
Rates	3.5%	3.0%	2.5%
School Transport	5.0%	4.5%	4.0%
Other Transport Costs	5.0%	4.5%	4.0%
Catering Costs	2.5%	2.0%	1.5%
Childrens Care Provision	4.5%	4.0%	3.5%
Adult Care Provision	3.5%	3.0%	2.5%
Waste Collection	5.0%	4.5%	4.0%
Other Inflation	3.2%	2.7%	2.2%
FSP/NPDO Inflation	4.0%	3.5%	3.0%
Interest Rates (Short Term Rate)	1.1%	0.9%	0.6%
Interest Rates (Long Term Rate)	3.2%	2.9%	2.7%
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)	-4.9%	-3.25%	0%
AEF for Early Years - Amount of Spend to be Funded	50%	100%	100%
AEF for Carers Act - Amount of Spend to be Funded	Per FM	Per FM	100%
Council Tax Increase	0%	3%	3%

\*

\* Per FM = Per the Financial Memorandum that accompanied the Act - Falkirk share estimated at 2.9%.

**FINANCIAL PICTURE**
**2019/20**

	<b>Pessimistic £'000</b>	<b>Base £'000</b>	<b>Optimistic £'000</b>
Base Budget from Prior Year (Assumes Prior Year Gaps Met)	315,583	322,405	331,232
<b>General Movements from Prior Year</b>			
Pay Award	7,097	4,258	2,366
Living Wage	1,503	1,448	1,448
General Inflation	3,653	2,830	2,393
Pension	585	585	585
Demographics	3,576	3,015	2,658
Loan Charges	(932)	(979)	(1,026)
Miscellaneous Changes	<u>(110)</u>	<u>(110)</u>	<u>(110)</u>
	15,372	11,047	8,314
<b>Service Specific Movements from Prior Year</b>			
FSP/NPDO Inflation	517	414	414
Early Years (Funding included in AEF Line)	1,750	1,750	1,750
FSP Adjustment	(172)	(172)	(172)
Carers Act	920	920	920
Integration Funding	<u>(500)</u>	<u>(1,000)</u>	<u>(1,500)</u>
	2,515	1,912	1,412
<b>Net Revenue Budget</b>	<b><u>333,470</u></b>	<b><u>335,364</u></b>	<b><u>340,958</u></b>
<b>Funded By:</b>			
Aggregate External Finance	241,822	250,699	266,264
AEF for Early Years	875	1,750	1,750
AEF for Carers Act	666	666	920
Council Tax Income	<u>62,119</u>	<u>65,869</u>	<u>65,869</u>
	<b><u>305,482</u></b>	<b><u>318,984</u></b>	<b><u>334,803</u></b>
<b>BUDGET GAP FOR YEAR</b>	<b><u>27,988</u></b>	<b><u>16,380</u></b>	<b><u>6,155</u></b>

<b>Assumptions in %age Terms</b>	<b>Pessimistic</b>	<b>Base</b>	<b>Optimistic</b>
Pay Award	3%	1.8%	1%
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	5.0%	4.5%	4.0%
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	3.2%	2.7%	2.2%
FSP/NPDO Inflation	2.5%	2%	2%
Interest Rates (Short Term Rate)	1.5%	1.2%	1.0%
Interest Rates (Long Term Rate)	3.4%	3.1%	2.9%
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)	'-4.5%	-3.25%	0%
AEF for Early Years - Amount of Spend to be Funded	50%	100%	100%
AEF for Carers Act - Amount of Spend to be Funded	Per FM	Per FM	100%
Council Tax Increase	0%	3%	3%

\*

\* Per FM = Per the Financial Memorandum that accompanied the Act - Falkirk share estimated at 2.9%.

**FINANCIAL PICTURE**
**2020/21**

	<b>Pessimistic £'000</b>	<b>Base £'000</b>	<b>Optimistic £'000</b>
Base Budget from Prior Year (Assumes Prior Year Gaps Met)	305,482	318,984	334,803
<b>General Movements from Prior Year</b>			
Pay Award	7,248	4,349	2,416
Living Wage	1,823	1,678	1,678
General Inflation	3,549	2,797	2,309
Pension	578	578	578
Demographics	2,437	1,898	1,628
Loan Charges	(124)	(181)	(238)
Miscellaneous Changes	(6)	(6)	(6)
	<u>15,505</u>	<u>11,113</u>	<u>8,365</u>
<b>Service Specific Movements from Prior Year</b>			
FSP/NPDO Inflation	523	422	422
Early Years (Funding included in AEF Line)	3,500	3,500	3,500
FSP Adjustment	(166)	(166)	(166)
Carers Act	1,627	1,627	1,627
Integration Funding	(500)	(1,000)	(1,500)
	<u>4,984</u>	<u>4,383</u>	<u>3,883</u>
<b>Net Revenue Budget</b>	<u><b>325,972</b></u>	<u><b>334,480</b></u>	<u><b>347,051</b></u>
<b>Funded By:</b>			
Aggregate External Finance	232,149	245,638	266,264
AEF for Early Years	1,750	3,500	3,500
AEF for Carers Act	1,003	1,003	1,627
Council Tax Income	62,744	68,512	68,512
	<u><b>297,646</b></u>	<u><b>318,653</b></u>	<u><b>339,903</b></u>
<b>BUDGET GAP FOR YEAR</b>	<u><b>28,325</b></u>	<u><b>15,827</b></u>	<u><b>7,148</b></u>

<b>Assumptions in %age Terms</b>	<b>Pessimistic</b>	<b>Base</b>	<b>Optimistic</b>
Pay Award	3%	1.8%	1%
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	5.0%	4.5%	4.0%
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	3.2%	2.7%	2.2%
FSP/NPDO Inflation	2.5%	2.0%	2.0%
Interest Rates (Short Term Rate)	1.7%	1.4%	1.2%
Interest Rates (Long Term Rate)	3.5%	3.2%	3.0%
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)	-4%	-3%	0%
AEF for Early Years - Amount of Spend to be Funded	50%	100%	100%
AEF for Carers Act - Amount of Spend to be Funded	Per FM	Per FM	100%
Council Tax Increase	0%	3%	3%

\*

\* Per FM = Per the Financial Memorandum that accompanied the Act - Falkirk share estimated at 2.9%.



**FINANCIAL PICTURE**
**2021/22**

	<b>Pessimistic £'000</b>	<b>Base £'000</b>	<b>Optimistic £'000</b>
Base Budget from Prior Year (Assumes Prior Year Gaps Met)	297,646	318,653	339,903
<b>General Movements from Prior Year</b>			
Pay Award	7,400	4,440	2,467
Living Wage			
General Inflation	3,751	2,883	2,445
Pension	591	591	591
Demographics	2,027	1,631	1,520
Loan Charges	(1,342)	(1,406)	(1,470)
Miscellaneous Changes	36	36	36
	<u>12,463</u>	<u>8,175</u>	<u>5,589</u>
<b>Service Specific Movements from Prior Year</b>			
FSP/NPDO Inflation	539	438	438
Early Years (Funding included in AEF Line)	250	250	250
FSP Adjustment	(215)	(215)	(215)
Carers Act	2,297	2,297	2,297
Integration Funding	(500)	(1,000)	(1,500)
	<u>2,371</u>	<u>1,770</u>	<u>1,270</u>
<b>Net Revenue Budget</b>	<u><b>312,480</b></u>	<u><b>328,598</b></u>	<u><b>346,762</b></u>
<b>Funded By:</b>			
Aggregate External Finance	224,024	244,097	266,264
AEF for Early Years	125	250	250
AEF for Carers Act	1,846	1,846	2,297
Council Tax Income	63,380	71,266	71,266
	<u><b>289,375</b></u>	<u><b>317,459</b></u>	<u><b>340,077</b></u>
<b>BUDGET GAP FOR YEAR</b>	<u><b>23,105</b></u>	<u><b>11,139</b></u>	<u><b>6,685</b></u>

<b>Assumptions in %age Terms</b>	<b>Pessimistic</b>	<b>Likely</b>	<b>Optimistic</b>
Pay Award	3%	1.8%	1%
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	5.0%	4.5%	4.0%
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	3.2%	2.7%	2.2%
FSP/NPDO Inflation	2.5%	2.0%	2.0%
Interest Rates (Short Term Rate)	1.8%	1.4%	1.3%
Interest Rates (Long Term Rate)	3.5%	3.2%	3.0%
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)	-3.5%	-2.5%	0%
AEF for Early Years - Amount of Spend to be Funded	50%	100%	100%
AEF for Carers Act - Amount of Spend to be Funded	Per FM	Per FM	100%
Council Tax Increase	0%	3%	3%

\*

\* Per FM = Per the Financial Memorandum that accompanied the Act - Falkirk share estimated at 2.9%.

**FINANCIAL PICTURE**
**2022/23**

	<b>Pessimistic £'000</b>	<b>Base £'000</b>	<b>Optimistic £'000</b>
Base Budget from Prior Year (Assumes Prior Year Gaps Met)	289,375	317,459	340,077
<b>General Movements from Prior Year</b>			
Pay Award	7,555	4,533	2,518
Living Wage			
General Inflation	4,013	3,096	2,615
Pension	583	583	583
Demographics	1,731	1,345	1,345
Loan Charges	(186)	(256)	(326)
Miscellaneous Changes	185	185	185
	<u>13,881</u>	<u>9,486</u>	<u>6,920</u>
<b>Service Specific Movements from Prior Year</b>			
FSP/NPDO Inflation	443	443	443
Early Years (Funding included in AEF Line)	-	-	-
FSP Adjustment	(258)	(258)	(258)
Carers Act			
Integration Funding		(1,000)	
	<u>185</u>	<u>(815)</u>	<u>185</u>
<b>Net Revenue Budget</b>	<u><b>303,441</b></u>	<u><b>326,130</b></u>	<u><b>347,182</b></u>
<b>Funded By:</b>			
Aggregate External Finance	216,183	240,149	266,264
AEF for Early Years	-	-	-
AEF for Carers Act			-
Council Tax Income	64,025	74,136	74,136
	<u><b>280,208</b></u>	<u><b>314,285</b></u>	<u><b>340,400</b></u>
<b>BUDGET GAP FOR YEAR</b>	<u><b>23,233</b></u>	<u><b>11,845</b></u>	<u><b>6,782</b></u>

<b>Assumptions in %age Terms</b>	<b>Pessimistic</b>	<b>Base</b>	<b>Optimistic</b>
Pay Award	3%	1.8%	1%
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	5.0%	4.5%	4.0%
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	3.2%	2.7%	2.2%
FSP/NPDO Inflation	2.5%	2.0%	2.0%
Interest Rates (Short Term Rate)	2.0%	1.4%	1.5%
Interest Rates (Long Term Rate)	3.8%	3.2%	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)	-3.5%	-2%	0%
AEF for Early Years - Amount of Spend to be Funded	50%	100%	100%
AEF for Carers Act - Amount of Spend to be Funded	Per FM	Per FM	100%
Council Tax Increase	0%	3%	3%

\*

\* Per FM = Per the Financial Memorandum that accompanied the Act - Falkirk share estimated at 2.9%.

**2018/19 BUDGET**  
**PROVISIONAL VERSION**

	<b>£'m</b>	<b>Comments</b>
<b>Budget Gap</b>	<b><u>22.4</u></b>	MTFP updated – will provide optimistic/pessimistic/middle
Unwind 17/18 Non-recurring Spend	2.1	Services need to consider practicalities
<b>Unused 17/18 Options:-</b>		
• Childrens' Services	2.7	} Currently under review
• Development Services	1.9	
• C&HS	<u>1.9</u>	
	6.5	
<b>New Services' Options:-</b>	0.5	Possible categorisation under CoF themes
Community Trust, say	1.5	
IJB, say	2.0	SG expected to constrain reduction
<b>Strategic Reviews:-</b>		
• Property	-	Savings needed to cover costs
• SW – Adult		Assume captured in above IJB figure
• SW – Children	0.9	
• Income Generation	-	
• Alternative Service Delivery	?	Potential future years
• Ext Orgs	<u>?</u>	
	0.9	
Reserves	-	Limited potential + not a long term solution
Terms & Conditions	?	
Rebasing	<u>?</u>	
<b>Total Options</b>	<b><u>£13.5m</u></b>	
<b>Remaining Gap</b>	<b><u>£ 8.9m</u></b>	

**Notes**

- The opening Budget Gap figure assumes council tax rise of 3% and growth and also the retention of Integration Funding from the IJB.
- The above suggests that pretty much every currently identified savings option will be needed to balance 2018/19. Doing a 2 year Budget requires us to find £16.4m for 2019/20.

**HIGH LEVEL BUDGET TIMELINE**

