

The background of the slide features a large, light blue watermark of the University of Alberta crest. The crest is a shield with a crown on top. The shield is divided into four quadrants: top-left shows a building, top-right shows a stag's head, bottom-left shows a ship, and bottom-right shows an eagle. A banner at the bottom of the shield contains the motto 'ANNE FOR A'.

Agenda Item 5

**Financial Strategy 2025/26
to 2029/30**

Falkirk Council

Title: Financial Strategy 2025/26 to 2029/30
Meeting: Falkirk Council
Date: 3 October 2024
Submitted By: Director of Transformation, Communities and Corporate Services

1. Purpose of Report

- 1.1. The purpose of this report is to present the Council with an updated Financial Strategy for the period of 2025/26 to 2029/30.
- 1.2. This report supports delivery of the Council Plan vision and priorities and specifically addresses the Financial Sustainability enabler.

2. Recommendation(s)

2.1 It is recommended that Council:

- (1) Note the information and indicative funding gap in the Financial Strategy, recognising that these figures will be updated as required.**
- (2) Agree that the only sustainable means of balancing the funding gap is through increases to Council Tax, increases to fees and charges, and reductions in the cost of services.**
- (3) Agree the Financial Strategy.**

3. Climate Change Implications

- 3.1 The recommendations in this report will not have any impact on the Council's climate change targets directly. However, ultimately the majority of financial activity will impact on emissions in some way.
- 3.2 The Financial Strategy aligns to the Council Plan which includes a priority to support a green transition. Decisions that will be taken to tackle the financial challenges facing the Council could impact positively or negatively on that priority. For example, the reduction of buildings should impact positively on emissions. However, some low carbon alternatives for construction contracts may be more expensive and financially unaffordable.
- 3.3 As previously highlighted, the Council will have to try and balance such competing priorities. For future spend, investment and budget proposals, it will be for Officers to clearly set out the options available, the costs, and the climate impact, for Members to consider.

4. Background

- 4.1 The March 2024 budget report included a projection of the financial gap for the period from 2024/25 to 2028/29 of £62.5m. The 2024/25 position was balanced using £22.5m of service concessions, meaning that this element of the gap effectively rolls forward to 2025/26. Reports to Members have been clear that this position is not sustainable and that the use of service concessions for revenue purposes must be reduced and ended as soon as possible.
- 4.2 Forecast outturn reports for 2024/25 are showing an improved position, meaning that a lower level of service concessions is expected to be required. However, there remains significant unknowns, such as the pay award, and funding linked to teacher numbers.
- 4.3 The Council Plan has financial sustainability as an enabler project and the corporate risk register recognises financial sustainability as a high risk for the Council. The target risk level for financial sustainability is medium. However, given the financial challenges, this target has not been met. The Financial Strategy sets out a roadmap to address this.
- 4.4 For some months, Services have been asked to identify options to increase income/reduce expenditure through either transformation of service delivery or a reduction of services on offer. It has been made clear to both Officers and Members that achieving financial balance will require very difficult decisions. Decisions on Council Tax also play a key role in this.
- 4.5 Finance reports to Members have highlighted the volatility and uncertainty in the economy and the impact that this has on projections and estimates. All figures in this paper must therefore be caveated and will be updated as more definitive information is available.
- 4.6 The development of the Financial Strategy is a complex process which requires a significant input of resources from both Officers and Members. The Corporate Management Team, Senior Leadership Group and Service Management Teams work closely to identify:
- Emerging pressures
 - New funding opportunities
 - Options for cost savings/income generation

5. Considerations

- 5.1 The Financial Strategy (Appendix 1) is a large document which aims to clearly set out the financial position of the Council, the main areas of risk and a route through this very challenging situation. This document is a crucial part of the Council's planning and decision-making framework because virtually every decision taken by the Council will have a cost or income associated with it. From that perspective, Members should view the Financial Strategy as a foundational document and all decisions taken should be made in reference to the Financial Strategy.
- 5.2 The detail in the Financial Strategy is included to give Members a clear understanding of the challenges and why officers have been, and will be, bringing difficult proposals forward. However, the key messages from the Strategy are highlighted below:
- Even with a 7% Council Tax increase each year, there remains a £56.4m funding gap over the 5-year period of the Strategy.
 - If all savings currently identified are approved, the Council will still have to increase Council Tax by between 10 and 15% each year to balance the position.
 - The pressures in the Financial Strategy make it clear that the Council can't continue to deliver the same services in the same way. Significant change is urgently needed.
 - The Council has a statutory duty to balance the budget each year and to do this, very difficult and challenging decisions will have to be taken.
 - The financial pressures extend to both Housing budgets and the Capital Investment programmes.
 - The Strategy presents a way forward that would balance the first two years of the budget. This is dependent on the agreement of changes to the learning week.

6. Consultation

- 6.1 The information in this report has been developed through consultation with the Services.
- 6.2 The Strategy presents information on the approach to community engagement on the Council's financial position, including the potential for further consultation on specific savings options if required. The Council is committed to improving how information on the Council's financial position is presented to communities. The learning from this year's consultation exercises will be used to develop an updated approach for 2025.

7. Implications

Financial

7.1 The financial implications are set out in the Strategy document.

Resources

7.2 There are no further resource implications. Officers have contributed a significant amount of time to the development of this Strategy. Services have also invested resources in identifying and scoping projects, as well as reviewing the information contained in the paper. As this Strategy evolves and develops, it is expected that further significant employee time will be required.

Legal

7.3 There are no legal implications arising from the recommendations in this report. However, it should be emphasised that the Council must set a balanced budget. The Financial Strategy sets out an approach to achieve this.

Risk

7.4 Financial sustainability remains the biggest risk facing the Council. Fundamentally the Council is spending more than it can afford. This may lead to unplanned service interruptions, disruption for service users, reputational damage and could lead to external assistance to reduce Council spend. Risk is considered in more detail within the Strategy document.

Equalities

7.5 An initial Equality and Poverty Impact Assessment (EPIA) has been carried out for the Financial Strategy and a full EPIA is not required. The reason for this is that Members are being asked to note the position and agree the general approach to balancing the financial gap. As such there are no specific proposals for approval and therefore it is not possible to determine which specific groups of people will be impacted, what the impact would be and how it could be mitigated. However, it is recognised that proposals to balance the financial gap will have the potential to impact on all the people who live in the Falkirk Council area. Officers will therefore have to present robust EPIAs for all relevant proposals to help inform Members decision making.

Sustainability/Environmental Impact

7.6 There are no environmental impacts arising from the recommendations in this report.

8. Conclusions

- 8.1 The Financial Strategy presents the financial challenges facing the Council, the approaches available to balance the budget and the key financial risks that are in the system. Officers are working hard to identify proposals that will reduce the gap but it is undoubtedly the case that very difficult and challenging proposals will be brought to Members for consideration. It is important that Members consider these proposals in the context of this Financial Strategy, recognising the Council's statutory requirement to balance the budget each year. Further updates will be presented to Members as required.

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Appendices

Appendix 1 – Financial Strategy 2025/26 to 2029/30

List of Background Papers:

None

**FALKIRK COUNCIL
FINANCIAL STRATEGY
2025/26 – 2029/30**

1. INTRODUCTION TO THE FINANCIAL STRATEGY

The Financial Strategy (the Strategy) for 2025/26 to 2029/30 is part of the planning framework for Falkirk Council which begins with the Falkirk Plan and the Council Plan, which are both supported by various other strategies, plans and policies in place across the Council. This also includes the plans and strategies of the Council's key partners, for example the Health and Social Care Partnership's Strategic Plan.

Framework for Decision Making

Previous reports to Members have attempted to set out a rules-based framework for financial decision making. This framework is made up of a series of principles that the Council should work within or towards, with the ultimate aim of achieving a financially sustainable position. The key principles are:

- A. Recurring expenditure should be met from recurring income.
- B. The use of non-recurring funding should be exceptional and appropriate.
- C. The Council has agreed in principle to retain at least £30m of service concessions.
- D. The Council wants to remove reliance on service concessions as part of a balanced budget by 2026/27.
- E. The Council must address the underlying structural deficit it is carrying forward which is the result of the use of non-recurring funding in previous years.

Change is Needed

Members have been aware for some time now of the financial challenges and the view that difficult decisions are required. In May 2024, the Accounts Commission published a briefing "Local Government budgets 2024/25" which showed that Falkirk has the second largest budget deficit, as a percentage of the revenue budget, in Scotland. The need for definitive action is becoming more urgent and the scale of the financial challenge facing Falkirk Council is enormous. Some radical decisions will need to be taken to effectively deal with the deficit. This type of decision must be taken as soon as possible.

Once the Council gets to a more financial sustainable position, the Council can look to reset and make clear, affordable and ambitious plans for improving service delivery and achieving the priorities within the Council Plan.

The Council Plan

Based on the themes in [the Falkirk Plan](#)¹, the [Council Plan](#) is a five-year plan which sets out what the Council aims to achieve and how that will be done, making the most effective use of resources to deliver services. The Council Plan recognises that the Council cannot achieve these goals on its own, and must work with partners, including the public, private and voluntary sectors as well as communities. This approach will enable the Council to better deliver its Falkirk Plan commitments.

The Council Plan focusses on the vision, priorities, and values of the Council:

VISION: Strong communities where inequalities are reduced and lives are improved.

PRIORITIES:

Supporting stronger and healthier communities

Promoting opportunities and educational attainment and reducing inequalities

Supporting a thriving economy and green transition

VALUES: Responsive, Innovative, Trusted, Ambitious

In addition, there are three enablers to support delivery of the vision and priorities:

- Financial Sustainability
- Valued and Sustainable Workforce
- Council of the Future (COTF) – Transformation & Improvement

Purpose of the Financial Strategy

The Strategy supports all the Council Plan priorities and enablers within the Council Plan and has a number of purposes:

- It sets out a robust assessment of the financial health of the Council, highlighting challenges and pressures and where action needs to be taken.
- It provides a framework that should be used and referenced as part of any decision-making activity within the Council.
- It demonstrates that the Council is financially planning for the future.
- It sets out a roadmap for the Council to get to a position of financial sustainability. Fundamentally that means shifting service delivery models to make sure that spending is within resources available.
- It flags up the financial risks that the Council should be aware of when planning for the future.

¹ Six themes in The Falkirk Plan: Working in Partnership with Communities, Poverty, Mental Health and Wellbeing, Substance Use, Gender-Based Violence and Economic Recovery

However, the Strategy is prepared at a point in time and relies on a series of assumptions and estimates. Recent experience shows that such assumptions can change dramatically with global events having a significant impact on the local financial position through inflationary pressures, interest rate pressures and increasing service demand. These events demonstrate the uncertainty that remains within the global economy, and which could impact on Falkirk Council.

In terms of financial risks, there are key assumptions and estimates that form the basis of the projections and any significant deviation from the estimate could have a big financial impact. These key assumptions include grant settlement, pay awards and energy costs for example.

This Financial Strategy also considers two areas of particular pressure and risk in more detail. These are:

- the Council's existing and projected debt
- the costs associated with Housing

Council Budget

The Council budgets are split into four key areas which reflect the legislative and statutory accounting requirements that the Council must meet. The four areas are:

- General Fund Revenue
- General Fund Capital
- Housing Revenue Account
- Housing Capital

This strategy focusses on the General Fund Revenue budget which includes delivery of Council services excluding housing. This is the area of the Council finances which is under the most pressure. However, there are links between all of the budgets – for example borrowing for the General Fund Capital Budget leads to costs for the General Fund Revenue Budget.

During 2023/24, the Housing Revenue Account experienced an overspend due to growing financial pressures. This Financial Strategy therefore includes more detail on the pressures facing Housing and the future actions that will need to be considered.

General Fund Revenue Budget

Local Authority finances are complicated with lots of legislation and regulations that govern them. This complicated picture can be difficult to explain effectively. Budget consultation exercises have provided more detailed information on [Council Budgets](#), which can be accessed through the link.

Fundamentally, the Council must set a balanced budget each year and this requirement has become increasingly difficult as costs outgrow income. This Strategy sets out the estimate of the budget gap (i.e. the difference between our estimated annual income and our annual expenditure) and the approach that the Council is taking to address this challenge.

Capital Strategy

The Council is required to prepare a separate Capital Strategy, and which aligns to both the Council Plan and Financial Strategy. The Capital Strategy is considered by Council at the same time as both the revenue and capital investment budgets. This is essential to ensure that revenue implications of capital investment, such as spend on roads, schools and buildings, are fully understood and reflected in the revenue budget. Any borrowing by the Council will result in a cost to the revenue budget. It is critical therefore that any borrowing is clearly linked to the delivery of council priorities. It is also clear that the Council must be in a financially sustainable position to be able to affordably borrow to support capital works. Whilst the Council remains in such a challenging financial position, the ability to deliver capital work could be reduced.

The most recent [Capital Strategy](#) was approved by Council on 28 February 2024 and it outlines how planned capital investment will help to deliver the Council's priorities. Importantly the Capital Strategy must be affordable in the context of the revenue budget and the figures included in this document include assumptions on borrowing requirements and costs associated with the capital investment. However, interest rates have stayed higher for longer than anticipated which adds to financial pressures. In addition, the Scottish Government have issued revised regulations that change how debt repayments should be calculated going forward. Given the level of debt, interest rates and the Scottish Government regulations, detailed consideration of the Council's debt level is included in this Financial Strategy.

Housing

The Council has over 16,600 housing properties. Rental and other housing related income (approximately £78m per annum) is ring-fenced, meaning that it is accounted for separately and can only be used for the benefit of housing tenants. The service regularly consults with housing tenants to ensure that they are actively involved in decision making, including consultation on rent setting and satisfaction surveys.

The Housing service is heavily regulated and has a variety of key documents that set out how it plans and delivers services. Links are included for the most up to date documents at the time of writing:

- [Local Housing Strategy](#)
- [Housing Need and Demand Assessment 2022](#)
- [Scottish Social Housing Charter Annual Report \(external site\)](#)
- [Housing Asset Management Plan 2019 - 2024](#)
- [Strategic Housing Investment Plan 2024 - 2029](#)

Capital investment in new build houses, significant upgrades and the buy-back of ex-Council houses is funded through the ring-fenced housing income. A long-term plan is regularly updated to ensure that investment is affordable, sustainable and prudent in the context of the anticipated future housing rent increases and cost pressures.

The Housing revenue and capital budgets are set separately from the main Council budget. For 2024/25, budgets were set in [January 2024](#). However, the outturn position for 2023/24 was over-budget by £3.3m due to increasing property costs,

including the work required to bring void properties back into use. This level of overspend is not sustainable and work has been underway during 2024/25 to ensure that this position is not repeated. However, housing pressures are growing and a separate section on Housing has therefore been included in this Financial Strategy.

A consultation, with all tenants, on housing rent increases for 2025/26 will be undertaken in September/October 2024. Given the 2023/24 use of HRA reserves it is likely that a rent increase well above the 5% minimum referenced in the January 2024 budget report, will be required.

2. ECONOMIC CONTEXT

The Council's financial position must be seen in the context of ongoing economic uncertainty and volatility. This uncertainty and volatility are global, UK wide and Scotland wide. Fundamentally, for the UK and Scotland, economic growth remains low – in the second quarter of 2024, growth in both areas was 0.6%. Some economists are predicting that growth will slow in the second half of 2024. This may in part reflect the relatively high interest rates which could be impacting on activity. The Bank of England did reduce interest rates from 5.25% to 5% in August 2024 but the projections for further reductions and the timing of those reductions are mixed.

All of these figures mean that the UK economy remains in a relatively stagnant position. The low growth means that tax receipts are not growing fast enough and therefore there is less money available for public services. The money that is available must be allocated between health, defence, further education, local government and other areas. Scottish Government funding accounts for over 80% of the Council's income.

Across the public sector costs are continuing to rise and the pressure to increase pay awards, following a period of high inflation, is growing. This combined with the pressure on government income, increases the strain on Council finances.

Both the UK Government and the Scottish Government have issued warnings over funding for public services and difficult decisions to come. It is likely that some policy pledges are going to have to be reviewed, deferred and potentially stopped. On 3 September 2024, the Cabinet Secretary for Finance and Local Government announced that £500m of spending cuts will be required to balance the Scottish Government budget in 2024/25. The Cabinet Secretary noted that "significant action will be needed to reset the public finances on to a sustainable path". The announcements on 3 September noted that the Government will seek to protect key frontline emergency services. These announcements, and the warnings from both Governments, may have significant implications for Council funding. The Council cannot therefore reasonably anticipate any new funding support coming through the government grant and must take action to balance the financial position.

The UK Government will present its Autumn budget in October, with the Prime Minister stating that the budget will be 'painful'. The Scottish Government will present its budget in early December.

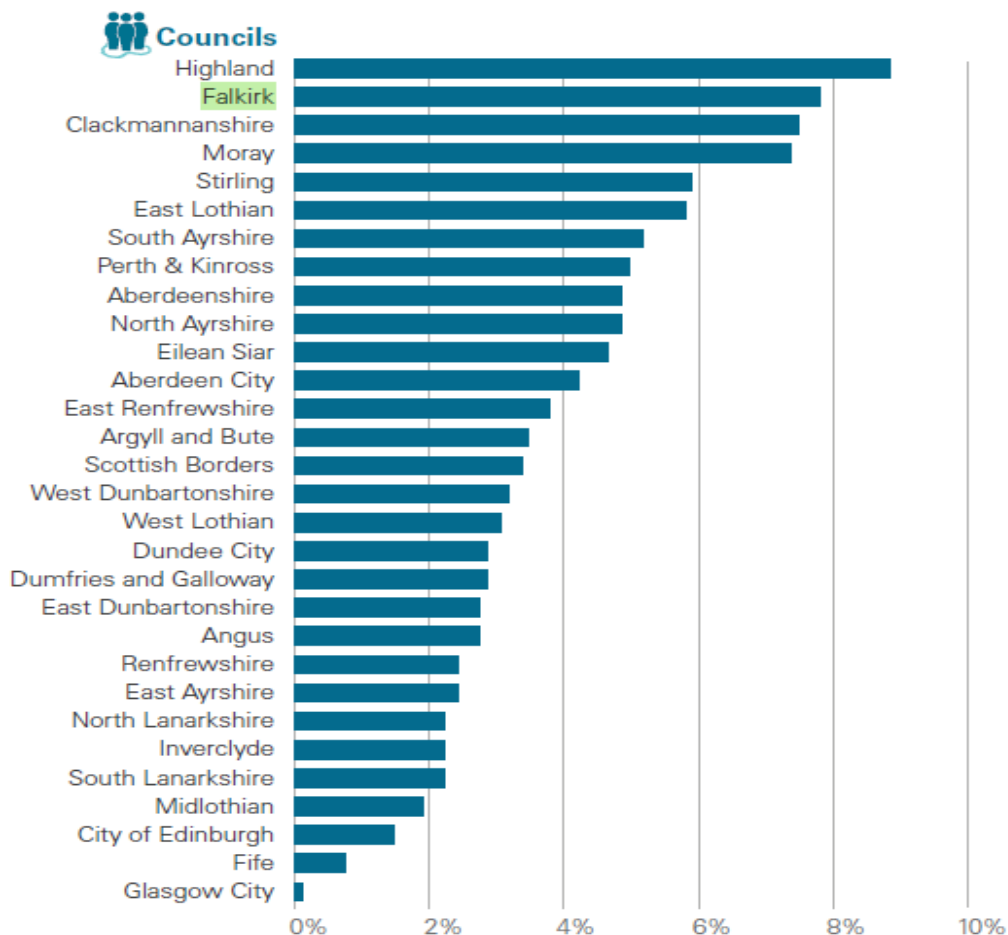
Accounts Commission Briefing – Local Government Budgets 2024/25

In May 2024, the Accounts Commission published a briefing "Local Government budgets 2024/25", the first time such a briefing has been produced. Some key messages from the briefing included:

- Funding for Local Government is constrained, with reported increases in funding for 2024/25 mainly the result of directed funding to deliver Scottish Government priorities and pay deals.

- Councils are facing an estimated cumulative budget gap of £780m by 2026/27 (albeit discussions with Directors of Finance have suggested that this figure is low).
- Councils are using a combination of savings, increases to income and use of reserves to balance the position.
- The use of reserves and other non-recurring measures is unsustainable and is only a temporary plug for a budget gap in that one year. The gap will need to be met with the same level of recurring measures such as recurring savings or increases to income in future years.

The briefing included a chart showing the budget gaps for 2024/25 as a percentage of revenue budget. Falkirk Council had the second highest gap.



Note: Shetland and Orkney are excluded from this chart as they are outliers due to their planned use of (large) reserves to their balance budgets. Their budget gaps as a percentage of revenue budget are 35 per cent and 18 per cent respectively. Glasgow at 0.2 per cent is a significant outlier due to their approach ([paragraph 18, page 9](#)).

Source: Accounts Commission

The chart above clearly indicates that whilst all, local authorities are facing significant financial challenges, Falkirk's position is particularly critical.

Verity House Agreement and Fiscal Framework

Work is continuing between CoSLA and the Scottish Government to develop a Fiscal Framework as part of the Verity House Agreement. However, this area is still very much in development and will not be available as part of the 2025/26 budget setting process.

3. REVIEW OF 2023/24

Since 2022, a year when Russia invaded Ukraine and the UK mini-budget saw a hike in interest costs, the challenges for the Council, its partners, and its communities have continued. Inflation, high interest rates, the cost-of-living crisis, pay award disputes, strike action, and a rising demand for services, continue to put the Council under significant financial pressure. In addition, funding from Scottish Government is heavily directed towards specific policies, leaving less funding available for core services.

2023/24 Financial Outturn

At the time of writing, the financial outturn for 2023/24 is in draft and subject to external audit. The draft position, reported to Executive in June 2024, shows that overall, the Council expenditure was £5.7m below budget. However, the budget assumed the use of £15.3m of service concessions which is effectively the use of one-off funds.

Reports to Members have been clear that the use of one-off funds to balance the financial position is not sustainable. The annual expenditure must be equal to, or less than the annual income. This is not currently the case.

The expenditure below budget does however mean that the Council did not need to apply the full £15.3m of service concessions and instead £9.6m of service concessions was applied. Whilst this is an improvement, it shows that the Council spent £9.6m more than its income in the year.

The better than anticipated outturn for 2023/24 was mainly due to the following areas:

- Lower than anticipated staffing costs due to vacancies (this does have a potential impact on service delivery)
- A reduction in energy costs compared to budget with energy costs being volatile and difficult to predict throughout the year
- Savings on loan charges (i.e. the cost of borrowing was lower than budgeted due to reduced spend/borrowing in prior years)

The General Fund reserve (effectively the Council's contingency fund) at 31 March 2024 was £11.8m. Given the level of uncertainty, it is reasonable that the reserve is increased wherever possible to provide some protection in future years. However, there are no plans to increase the reserve in the foreseeable future.

Summary of Progress on COTF Programme

The Council of the Future (COTF) change programme in 2023/24 saw the completion of core projects in Place Services and Transformation, Communities and Corporate Services. Achievements included:

- Delivery of £0.775m of savings through the first Waste Review project which ensured that the Council is in line with the national code of practice. The project delivered changes to underpin the Council's ambition to move towards net zero and transform service delivery to generate financial savings and meet legislative obligations.
- Delivery of £0.500m of efficiencies from various workstreams including reduced employee travel expenses, cheaper fuel costs following electrification of fleet, reduced hire costs and other areas.
- Delivery of £0.371m of savings through the libraries project and development of a Library Services Strategic Plan.

The overall savings attributed to the transformation programme for 2023/24 is c.£4.8m.

The progress of the transformation programme was also noted in the Council's [Best Value report](#) (considered by Council in June 2024), in which the Accounts Commission remarked on the strengthening of the Council of the Future Board to “ensure the delivery of the council’s transformation programme and the associated savings”.

2024/25 Financial Projection

The first projection of the 2024/25 financial year was presented to Executive on 22 August 2024. As always, this report is heavily caveated as it is based on the first 3 months of the financial year and there are a number of significant areas which could impact on the outturn (see Appendix 1 on assumptions).

Council services are expected to underspend by 0.8% of budget which equates to c£3m. This is due to reduced employee costs and increased income from a range of fees and charges. Energy costs are expected to be below budget by c£0.9m, and borrowing costs are expected to be a further £1.4m below budget. This takes the total projected underspend against budget to £5.3m for the year.

The 2024/25 revenue budget was balanced by using £22.5m of funds that are non-recurring, i.e., the Council would have to underspend by £22.5m to have a sustainable balanced position. Based on the current projected outturn, the Council will still need to use £17.2m of reserves which is the highest level of reserves the Council has ever used for an annual budget. It is also more than it applied in 2022/23 which fundamentally means that the Council is continuing to spend well beyond its means.

The 2024/25 financial year is particularly challenging because of the uncertainties the Council faces, including:

- Funding linked to teacher numbers. Negotiations are ongoing nationally because the Scottish Government has set a target for teacher numbers that is linked to funding – for Falkirk Council the funding is £4.5m. However, nationally many councils, including Falkirk, are unable to meet the target numbers and officers view is that the target would provide Falkirk with more teachers than it requires, placing additional pressure on the budget. Teacher numbers should be allowed to vary from year to year according to the number of pupils. At the time of writing, this issue is not resolved and there remains a risk that the Scottish Government could withhold £4.5m of funding from the Council.
- Pay awards – the pay awards for all Council staff have not been agreed at this stage. Pay awards are agreed at a national level and at the time of writing, negotiations are ongoing. The Council has budgeted for a 3% increase, albeit there is no funding for this and so this 3% automatically creates a financial pressure. For context, a 1% pay award increases the Council's costs by c£3m.
- Interest rates – at the time of writing, the Bank of England has reduced the base rate by 0.25% to 5%. However, to date the pace of reduction has been slower than anticipated. Projections for rising inflation may slow down interest rate cuts further. This in turn means that the Council's borrowing costs may be higher than projected beyond 2024/25.

4. COUNCIL PRIORITIES & BUDGET DECISIONS

Financial sustainability is an enabler within the Council Plan, and a sound financial position should support the Council to target resources appropriately and deliver on Council Plan priorities.

It can be challenging to align funding and priorities during a period of financial constraint. For the most part, funding is targeted at core services, for example provision of schools, and essential works such as roads maintenance, and a clear link to Council priorities is not always obvious. In addition, service savings must be identified, and no service area can be fully protected from budget reductions, making it sometimes difficult to demonstrate the link between decisions and priorities. Over 80% (£382m) of the General Fund budget (£465m) is spent on Education and Social Work, leaving £83m for all other services. It is important that the Council continues to work towards a financially sustainable position so that realistic and affordable decisions can be taken on future funding allocations.

The funding constraints facing the Council mean that it is inevitable that service reductions will have an impact on service users. It is important therefore that the Council engages effectively with those affected and that mitigations are put in place where possible.

Best Value Assurance Report 2024

The Accounts Commission undertook the Council's five-yearly review of Best Value on 18 April 2024, based on the [Falkirk Council 2022/23 Annual Audit Report](#). The subsequent Controller of Audit's report was published with the [Commission's findings](#) on 2 May 2024. Overall, the Commission noted the substantial improvements since the Council's last Best Value Assurance report in 2022 but also noted that there is still significant work to do.

The [Best Value report](#) to Falkirk Council on 26 June 2024, provides detailed examples of the substantial improvements made across the Council, including strengthening its approach to strategic planning and transformation, improving collaborative leadership across the Council with officers and elected members and its approach to performance reporting.

Alongside these, the report notes Falkirk Council's response to the significant work still to do, through the Best Value improvement actions, flowing from the 2022/23 and 2023/24 Best Value Thematic Reviews. These improvement actions will be reviewed in line with annual audit reporting.

Priorities & Investment Decisions

As the 2023 Financial Strategy highlighted, whilst the financial position of the Council continues to make any new investment activity difficult, the Council has demonstrated that when funding is identified, investment activity is driven by Council priorities. The Council [budget report](#) in February 2024 included narrative on how the budget is aligned to the Council priorities.

Members took the decision to leverage £1.77m of recurring funding to support investment of c £22m. Officers identified priority projects for Members approval. The approved projects support a broad range of services which either directly link to the Council priorities or enable delivery of the priorities. Further information on investment and debt levels is included in section 5.8 of this report.

Priority 1 – Support stronger and healthier communities

PROJECT	£m
School Sports Facilities Improvements	7.5
Relocation of Inclusion and Wellbeing Service	0.5
	8.0

Priority 2 – Promoting opportunities and educational attainment and reducing inequalities

PROJECT	£m
Learning Estate Planned Improvements	0.6
Maddiston Primary School Extension (budget increase)	1.0
	1.6

Priority 3 – Supporting a thriving economy and a green transition

PROJECT	£m
Structural Road Works	4.0
Flood Maintenance Prevention and Gully Renewal	2.0
	6.0

Enablers

PROJECT	£m
ICT Investment	2.0
Re-instatement of rolling capital investment programmes which include building maintenance and street lighting	4.5
	6.5

5. FINANCIAL SUSTAINABILITY

5.1 FINANCIAL GAP

This section of the report provides a summary of the projected financial position for the next five years. The funding gap is the difference between the anticipated income and expenditure of the Council. More information on the income and expenditure of the Council can be found [here](#).

The budget report presented to Members in February 2024 set out a five-year funding gap of £62.5m for 2024/25 to 2028/29, with £30.8m for 2024/25. The funding gap has now been updated to reflect the 2023/24 outturn, 2024/25 projection and anticipated income and expenditure for the period 2025/26 to 2029/30. An explanation of the main changes to the forecast is shown below:

	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	Total £m
Gap Presented in February 2024	8.1	8.3	8.4	6.9	-	31.7
New Budget Years	-	-	-	-	7.9	7.9
Reversal of Service Concessions	22.5					22.5
Increase CTax assumption to 7%	(1.0)	(1.2)	(1.4)	(1.7)	(1.9)	(7.2)
Energy Prices	(1.0)	-	-	-	-	(1.0)
Capital Charges	-	-	1.0	0.7	-	1.7
Fair Work – Apprentices	0.1	0.1	0.1	0.1	-	0.4
Pay Award 2024/25	0.5	-	-	-	-	0.5
Other Movements	0.1	(0.2)	-	-	-	(0.1)
Revised Gap – August 2024	29.3	7.0	8.1	6.0	6.0	56.4

The most up to date assessment of the five-year financial gap is £56.4m, with the largest gap (£29.3m) in 2025/26. That is because the 2024/25 budget gap was met through the use of c£22.5m of service concessions. Any time non-recurring funds are used to balance the position, the gap is simply carried forward to the next financial year. This has previously been referred to as the structural deficit which is the underlying financial gap that has been carried forward and not dealt with in a recurring way. The gap in 2025/26 is high due to the high level of non-recurring funds used in the past. To fundamentally address the funding gap, recurring savings and additional income need to be identified.

It is also important to note that the use of service concessions requires the Council to borrow funds. Using more service concessions to balance the budget, early in the period of the financial strategy, will require more borrowing and therefore increased loan charges. This puts additional pressure on the funding gap.

The funding gap is based on a best assessment of the income and expenditure of the Council over the five-year period. As is always the case with financial projections, the further into the future that assumptions are made, the more uncertain they become. There will undoubtedly be movements in some of the assumptions which will be revised in future Financial Strategy reports. The main assumptions are highlighted in Appendix 1.

5.2 BRIDGING THE FUNDING GAP

Effectively there are only two ways to bridge the funding gap of c£56.4m:

1. Increase income
2. Reduce expenditure

Given the scale of the challenge, the Council will have to do both, and some consideration of these options is shown below:

Council Tax	<p>The Council receives almost 17% of its income from Council Tax. In the 2024/25 budget, the Council expects to receive £78.7m in Council Tax. Further information on Council Tax is set out later in this document.</p> <p>Falkirk has traditionally had one of the lowest council tax rates in mainland Scotland. However, the Council has provided many services at a level higher than the national average. These two approaches do not align, leading to some of the financial pressures the Council is facing. A review of this approach is urgently required.</p>
Service Savings	<p>Service savings can come from several approaches:</p> <ul style="list-style-type: none">• Efficiencies• Service delivery changes, including reductions• Transformation (the Council of the Future workstream) <p>The Council has been managing funding gaps for over ten years, saving over £100m since 2010. This means that many of the easier efficiencies and savings have been taken, leaving the more difficult decisions with more direct impact on service users.</p>
Other Fees & Charges	<p>The Council receives around 3% of its gross income from fees and charges which are set as part of the budget process. Some of these are statutory fees where the rates are determined nationally, and others are locally determined fees. These fees cover services such as planning applications, burial and cremation services, and visits to local amenities like leisure centres.</p> <p>Whilst the Council has tried to keep such charges relatively low, this then impacts on the resources available to invest in the services themselves.</p>

5.3 COUNCIL TAX

Council Tax income accounts for almost 17% of the Council's funding and is an extremely important consideration for the Financial Strategy and the budget setting process. Council Tax and Fees and Charges are the only income streams over which the Council has control, albeit these areas can be subject to Scottish Government direction.

Falkirk Council has traditionally had a lower level of Council Tax than the Scottish average. The impact of this is that Falkirk Council has raised less income from Council Tax than the Scottish average and crucially has therefore had less to spend on vital Council services. However, at the same time, Falkirk Council has delivered some services at a level above the Scottish average or statutory requirements. This has contributed to the level of funding gaps that the Council faces, and the reliance on non-recurring funding. This approach is not sustainable.

A comparison of the Falkirk Council Tax charge with the Scottish average is shown in the table below:

	Falkirk Band D £	Scottish Average Band D £	Difference £	Falkirk Rank in Mainland Scotland
2022/23	£1,275	£1,347	£72	5 th lowest (8 th incl. Islands)
2023/24	£1,364	£1,419	£55	6 th lowest (9 th incl. Islands)
2024/25	£1,364	£1,419	£55	6 th lowest (9 th incl. Islands)

For 2024/25, the Scottish Government announced a freeze in Council Tax. Councils were given the option to freeze Council Tax in exchange for grant funding or increase Council Tax and lose the funding. Ultimately every local authority in Scotland accepted the Council Tax freeze. In Falkirk the funding received was £3.845m, the equivalent of a 4.8% increase in Council tax. Whilst the funding was welcome, and the impact on communities noted, this means that the starting point for increasing Council Tax is lower than anticipated.

Council Tax and the Impact on Service Savings

The financial gap assumes a 7% increase in Council Tax for Falkirk. However, given the size of the financial challenge and the potential impact on services, Members may decide to go for a higher level of Council Tax increase. It is anticipated that Council Tax rises will be relatively high across Scotland for 2025/26.

There are numerous ways to model how the gap of £56.4m could be bridged. A decision in one area will have a direct impact on another, for example, more Council Tax will mean less service savings and vice versa. This is illustrated in the budget models section of this report (section 5.7).

Fundamentally, a decision to increase Council Tax and fees and charges would reduce the amount of service savings required and vice versa.

Council Tax for Capital Investment

During the 2024/25 budget discussions, there was a proposal to increase Council Tax by 1% to support capital investment. 1% equates to around £0.8m and the Council could borrow around £10m to invest in buildings and infrastructure. However, due to the 2024/25 Council Tax freeze, this proposal was not implemented.

Council could decide as part of their budget deliberations to ringfence an element of Council Tax – potentially 1%-1.5% - to support capital investment. However, it is important to note that this does not help to bridge the funding gap – if a 10% increase was applied, and 1% is set aside for capital investment, only 9% of the rise would help to bridge the funding gap.

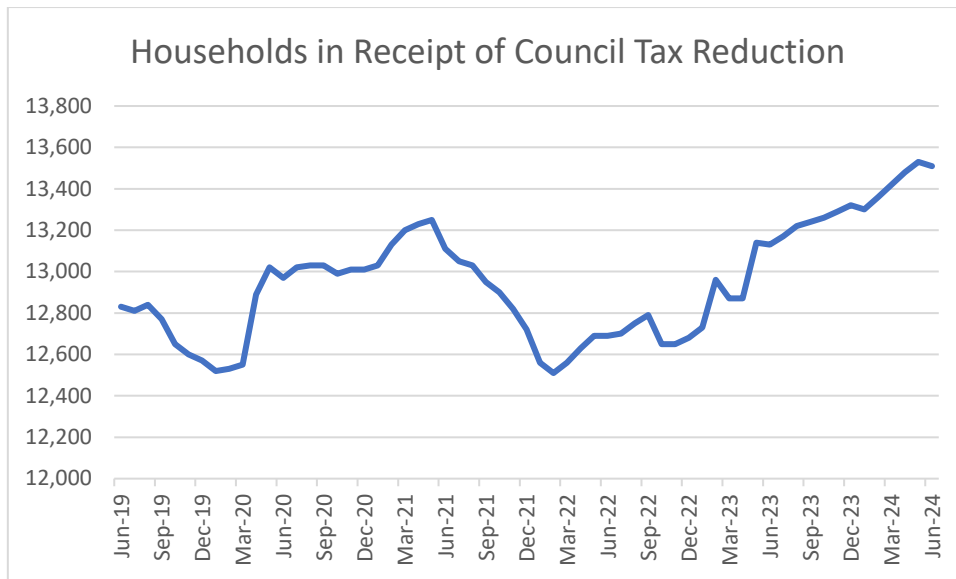
Borrowing and debt is considered in more detail in section 5.8 of this paper.

Impact of Council Tax Rises

The impact of an increase in Council Tax of 7%, 9%, 10%, 15%, and 20% has been calculated and a summary of the impact on Council Tax bands for 2025/26 is shown below:

Council Tax Band	7% Increase	9% Increase	10% Increase	15% Increase	20% Increase
A	£63.64	£81.83	£90.92	£136.38	£181.84
B	£74.25	£95.47	£106.08	£159.11	£212.15
C	£84.86	£109.11	£121.23	£181.84	£242.46
D	£95.47	£122.74	£136.38	£204.57	£272.76
E	£125.43	£161.27	£179.19	£268.79	£358.38
F	£155.13	£199.46	£221.62	£332.43	£443.24
G	£186.96	£240.37	£267.08	£400.62	£534.16
H	£233.90	£300.72	£334.14	£501.20	£668.27
Weekly increase (Band D)	£1.84	£2.36	£2.62	£3.93	£5.25
Total Yield	£5.616m	£7.107m	£7.852m	£11.581m	£15.113m

As at the end of July 2024, around 19% of households are eligible for means-tested Council Tax Reduction (CTR) and are therefore protected from any increase. The table below shows how that number has varied over last 5 years. Initially it increased during Covid, tailed off, then increased again as the 2023/24 Council tax increase was applied, in tandem with raising awareness more widely.



When the Council Tax charge is increased, that means that more people become eligible for CTR. It is estimate that an increase of 7% would result in c. 400 more households being eligible for this financial support.

Council Tax collection rates fluctuated during, and post, Covid because of the suspension of recovery action and then additional funding (Low Income Pandemic Payment and Cost of Living payment). However, in 2023/24 the collection rate was 96.7% in-year, the highest by 0.1%, out-with the years of additional Covid/Cost of Living funding. This suggests that recovery rates are resilient and not materially impacted by increases in charges.

5.4 SERVICE SAVINGS

The funding gap is projected to be c£56.4m. To date, Services have identified c£34.6m of savings which could be delivered over the next five years. Many of these will be subject to Members approval. If Members approve all the savings options, a gap of c£21.8m will remain. This gap will have to be met through a combination of additional income (council tax and fees and charges) and further service savings.

	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	Total £'m
Funding Gap	29.3	7.0	8.1	6.0	6.0	56.4
Savings Identified to Date:						
Childrens	(7.5)	(6.0)	(3.6)	(1.7)	(0.4)	(19.2)
Place	(4.3)	(4.5)	(2.1)	(0.2)	(0.3)	(11.4)
TCC	(2.3)	(1.7)	-	-	-	(4.0)
Total Savings	(14.1)	(12.2)	(5.7)	(1.9)	(0.7)	(34.6)
Gap	15.2	(5.2)	2.4	4.1	5.3	21.8

As noted above, the gap in 2025/26 is high due to the high level of non-recurring funds used in the past. Service concessions, if used effectively, can help to smooth out the gap profile so that bridging the gap can be done in a more managed and planned way.

Services have been asked to identify opportunities for savings wherever possible. These opportunities can be identified through a variety of means, including:

- Rebasing of budgets to take into account current underspends.
- Benchmarking of service delivery against other local authorities.
- Service review exercises which could include the use of the zero based budgeting methodology where appropriate (as set out in the December 2022 [budget report](#)).

However, Members should be clear that these exercises will result in the same or similar proposals being developed that Services are already bringing forward. It is also increasingly likely that savings will require compulsory redundancies. The types of savings being developed are shown in the table below:

Saving Type	Definition
Operational	<p>These are savings which are expected to have no significant direct impact on front facing services from the perspective of service users. Savings from the recruitment freeze for example are likely to fall into this category. These savings do not require Member approval due to the delegation already approved through Standing Orders.</p> <p>The Council's Standing Orders include a Scheme of Delegation to Officers. These include delegation to the Chief Executive and to Chief Officers which include:</p> <ul style="list-style-type: none"> • Determination of the operational structure of Council services. • Discharging any of the functions of the Council except for any matters specifically reserved to Council or Committee and provided that any such decision does not alter or depart from any Council policy or any procedure which has been approved by Council or any of its Committees and is consistent with the Budget. <p>In exercising their delegated powers, Chief Officers must:</p> <ul style="list-style-type: none"> • ensure that no decision taken by them would impact significantly on service delivery across the whole of the Council area • ensure that decisions taken are compliant with agreed revenue and capital budgets • have regard to the Corporate Plans
Savings for Approval	<p>Savings that require approval will usually have some kind of impact on service users. This could be through the redesign, reduction, or cessation of a service. Members therefore must approve this type of saving.</p>
Transformational	<p>Falkirk Council has been operating the Council of the Future transformation and improvement programme for several years. This programme is designed to support the delivery of significant changes in how services are provided and to generate significant financial benefits for the Council. Importantly Council of the Future projects should help to support delivery of the Council priorities. Such savings will usually require Member approval.</p>

Council of the Future (COTF)

Transformation and Improvement is one of the core enablers in the [Council Plan](#) and this is supported by the Council of the Future programme.

As an enabler in the Council Plan, the Council of the Future programme has developed a number of success measures. Performance of the programme is reported to Scrutiny, as part of the Council's Performance Management Framework.

Council of the Future, Self-Assessment and the Target Operating Model

There are currently 13 projects in the COTF programme. These are a combination of efficiency, enabler and improvement projects, including:

- Early Learning Centre Sector Review
- Primary Sector Review
- Secondary Sector Review
- Additional Support Needs Service Review
- PPP Contracts (Secondary Schools)
- Learning Estate
- Facilities Review
- Sport & Leisure
- Strategic Property Review
- Environment and Operations
- Learning and Employability
- Ward-based Budgeting
- Digital, Technology and Infrastructure

The Council has developed a model for Self-Assessment in response to the [Best Value improvement actions](#), reported to Falkirk Council in June 2024, as part of the Council's approach to continuous improvement.

The Council will aim to deliver two self-assessments over the next 12 months. The core assessment work will be based on the [TOM principles](#), agreed by Council in September 2023. These principles will guide the self-assessment process to ensure that the full range of options have been considered when reviewing service delivery models.

Future year self-assessments will be planned based on a prioritisation scorecard and agreed by the Senior Leadership Group. Where the self-assessment leads to a significant project, this will become part of the COTF programme.

A Spend to Save reserve is in place and where required, COTF projects which need some small scale investment to support the delivery of savings and transformation, can submit a business case for consideration by the COTF Board. All funding allocations are tracked and reported to the COTF Board.

Savings Targets

To manage the funding gap, a system of setting targets for services has been used. The funding gap of £56.4m represents around 12% of the Council's current annual budget. Setting targets can be difficult because the ability of some services to make changes can be challenging compared to others. Nonetheless, targets have been set for all Council services.

In previous years, support services, i.e., those that don't provide front line services directly, have been significantly reduced. It is evident that there is limited scope to reduce these areas further without a negative impact on service delivery. Front facing Council services are becoming more and more reliant on advice and support from traditionally back-office functions.

Around 82% (£382m) of the Council's budget is spent on Education and Social Work (both Adults and Children's). £83m is available to deliver roads, waste, sports and leisure, registrars, central support and to pay borrowing costs. The Council cannot find £56.4m of savings from these areas and continue to deliver all these services, many of which have a statutory element, and are highly valued by communities. It is evident therefore that all service areas must be reviewed in full to identify savings and that all opportunities to increase income (either through Council Tax or fees and charges), must be considered.

Work has been undertaken to draft budgets for services which assume £23.6m of savings, which excludes increases to fees and charges, over the next two years. The purpose of this is to provide some clarity for Service Managers on the budgets that they will have available to them. Service Managers are therefore being challenged to identify savings that will ensure that they will stay within budget. Where these savings required Member approval, the proposals will be brought to future committee meetings.

The draft service budgets are shown in Appendix 2.

5.5 OTHER FEES & CHARGES

The Council receives around £19m from fees and charges. Some of the fees and charges are set on a statutory basis where the Council has no ability to amend the fees. However, most fees and charges are approved by the Council as part of the budget setting process.

As noted earlier, Council Tax and fees and charges are the only income streams that the Council has any control over. The Council must therefore consider carefully its approach to fees and charges. A number of high-level principles have been identified:

- As a result of the funding gap, the Council has to try and maximise the potential income for the Council.
- The Council should ensure that the concessions policy is applied appropriately to support delivery of Council priorities.
- Fees and charges should cover the full cost of providing services, except for those goods or services explicitly set out as subsidised or free.
- Services should consider opportunities for charging where no charges are currently in place.
- Where charges are currently below average the Council should look to increase charges to the national average in the next financial year. Where Council already charges more than the national average it should look to increase these into the top quartile in the next financial year.

Officers from across the Council are currently working on a Fees and Charges Review led by the Director of Place. As well as agreeing the broad principal set out in the final bullet point above, this workstream has sought to identify more than £1m of additional income per year through a range of changes to existing pricing structures.

The most significant budgeted income streams currently received from non-statutory fees and charges are detailed at Appendix 3. For illustrative purposes the potential additional income from increases of between 7% and 20% is £1.1m-£3.3m.

Charging for Adult Social Care will be reviewed by the Falkirk Health and Social Care Partnership and Falkirk Council. Final decision making on fees and charges in this area will rest with Falkirk Council, but any funds received will be used to support delivery of health and social care services.

5.6 SERVICE CONCESSIONS

The Council has received reports and briefings on the use of Service Concession Arrangements (SCAs) over the last two years, with a report on 23 February 2023 containing much of the technical information associated with these transactions.

The Council has previously recognised that whilst the option to use service concessions is welcome, a cautious approach is required. The benefits must be applied prudently, otherwise it simply delays a financial cliff edge.

Service concessions provide an opportunity to buy some time for the Council during which time the Council must take the difficult decisions to reduce spend. The services delivered must be affordable on an annual basis through available funding, not through technical accounting adjustments such as service concessions. The use of service concessions does not take away the need for difficult decisions, it simply delays them.

However, service concessions could be used in a much more positive way. The 2024/25 budget report included a paper on service concession opportunities, which outlined some of the ways that service concessions could be used for one off investment which would support the provision of improved local facilities. This approach recognises that one-off income is most appropriately applied to one-off expenditure. At the budget meeting in February 2024, Members agreed in principle to allocated £30m of service concessions for investment purposes, dependent on the Council being in a more financially sustainable position.

Previous reports have highlighted that service concessions are backed by borrowing. If a higher amount of service concessions is used in the earlier years, this will incur additional borrowing costs which will increase the gap in future years, and this does not effectively deal with the underlying budget deficit.

Current Position

The financial projection report for 2024/25 presented to Executive on 22 August 2024 anticipated that not all of the £22.5m of service concessions included in the budget, will be required in 2024/25. At the time of writing, it is anticipated that £17.3m will be required. A revised summary of the service concession reserve is shown in the table below:

Service Concessions	£'m
Balance at 1 April 2024	66.921
SCAs available in 2024/25	5.777
SCAs due in future years	1.421
Total SCAs available	74.119
SCAs applied in 2024/25	(17.294)
SCAs Balance	56.825

5.7 BUDGET MODELLING

This section of the report takes all the information in the sections above and collates this into a series of models for Members to consider.

The budget gap for 2023/24 and 2024/25 has been temporarily filled through the use of service concessions. For 2025/26, service concessions will continue to be required to temporarily bridge the budget gap. However, the amount of service concessions must reduce drastically from the 2024/25 level. That means a significant increase in Council Tax and/or significant reductions in the cost of delivering services.

The sections above have set out the framework within which the Council wants to prepare a balanced budget:

- Use of service concessions for years 1 and 2 of the Financial Strategy with no further use beyond that. If achieved, this approach would mean that the Council has dealt with its underlying structural deficit and in future years will have a much more manageable, albeit still challenging, annual deficit to resolve.
- Deal with the structural deficit of the Council as early in the Strategy as possible.
- Retain at least £30m of service concessions for investment, once the Council is in a more financially sustainable position.
- Maximise the income to the Council as far as possible.
- Meet the budget gap through council tax increases, fees and charges increases and cost reductions.

The following models are based on this framework and the key variable in the models is the balance between Council Tax and service savings – more of one, means less of the other is required. However, it is important to emphasise that at this stage, officers have not identified sufficient savings to reduce expenditure by £56.4m over the next five years. Where Members decide not to approve a proposal, the remaining gap increases and will have to be met through either increased Council Tax and fees and charges and from other savings options which may still have to be identified. This may lead to some decisions to remove or reduce core services coming forward (see section below). The models therefore assume that all savings and fees and income charges that have been identified are agreed.

Model 1 – 7% Council Tax Increase per Annum

	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	Total £m
Funding Gap (based on 7% Council Tax Rise)	29.3	7.0	8.1	6.0	6.0	56.4
Savings Identified	(12.9)	(10.7)	(4.4)	(1.7)	(0.7)	(30.4)
Fees & Charges	(1.2)	(1.5)	(1.4)	(0.3)	-	(4.4)
Service Concessions Applied	(15.2)	(10.0)	-	-	-	
Service Concessions Reversed	-	15.2	10.0	-		
Remaining Funding Gap	-	-	12.3	4.0	5.3	21.6
Service Concessions Remaining						31.6

Under Model 1, if all savings and fees and charges were agreed and Council Tax was increased by 7% per annum, and the rules for service concessions were followed, there would still be a funding gap of £21.6m to resolve.

Model 2 – 9% Council Tax Increase per Annum

	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	Total £m
Funding Gap (based on 9% Council Tax Rise)	27.8	5.5	6.6	4.5	4.5	48.9
Savings Identified	(12.9)	(10.7)	(4.4)	(1.7)	(0.7)	(30.4)
Fees & Charges	(1.2)	(1.5)	(1.4)	(0.3)	-	(4.4)
Service Concessions Applied	(13.7)	(7.0)	-	-	-	
Service Concessions Reversed	-	13.7	7.0	-		
Remaining Funding Gap	-	-	7.8	2.5	3.8	14.1
Service Concessions Remaining						36.1

Under Model 2, if all savings and fees and charges were agreed and Council Tax was increased by 9% per annum, and the rules for service concessions were followed, there would still be a funding gap of £14.1m to resolve.

Model 3 – 10% Council Tax Increase per Annum

	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	Total £m
Funding Gap (based on 10% Council Tax Rise)	27.0	4.7	5.8	3.7	3.7	44.9
Savings Identified	(12.9)	(10.7)	(4.4)	(1.7)	(0.7)	(30.4)
Fees & Charges	(1.2)	(1.5)	(1.4)	(0.3)	-	(4.4)
Service Concessions Applied	(12.9)	(5.4)	-	-	-	
Service Concessions Reversed	-	12.9	5.4	-		
Remaining Funding Gap	-	-	5.4	1.7	3.0	10.1
Service Concessions Remaining						38.5

Under Model 3, if all savings and fees and charges were agreed and Council Tax was increased by 10% per annum, and the rules for service concessions were followed, there would still be a funding gap of £10.1m to resolve.

Model 4 – 15% Council Tax Increase per Annum

	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	Total £m
Funding Gap (based on 15% Council Tax Rise)	23.3	1.0	2.1	-	-	26.4
Savings Identified	(12.9)	(10.7)	(4.4)	(1.7)	(0.7)	(30.4)
Fees & Charges	(1.2)	(1.5)	(1.4)	(0.3)	-	(4.4)
Service Concessions Applied	(9.2)	-	-	-	-	
Service Concessions Reversed	-	9.2	-	-		
Remaining Funding Gap	-	(2.0)	(3.7)	(2.0)	(0.7)	(8.4)
Service Concessions Remaining						47.6

Under Model 4, if all savings and fees and charges were agreed and Council Tax was increased by 15% per annum, and the rules for service concessions were followed, the Council would move into a financial stable position in 2026/27. The increased income from Council Tax would mean that less savings could be taken in future years.

Model 5 – 20% Council Tax Increase per Annum

	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	Total £m
Funding Gap (based on 20% Council Tax Rise)	19.6	(2.7)	(1.6)	(3.7)	(3.7)	7.9
Savings Identified	(12.9)	(10.7)	(4.4)	(1.7)	(0.7)	(30.4)
Fees & Charges	(1.2)	(1.5)	(1.4)	(0.3)	-	(4.4)
Service Concessions Applied	(5.5)	-	-	-	-	
Service Concessions Reversed	-	5.5	-	-		
Remaining Funding Gap	-	(9.4)	(7.4)	(5.7)	(4.4)	(26.9)
Service Concessions Remaining						51.3

Under Model 5, if all savings and fees and charges were agreed and Council Tax was increased by 20% per annum, and the rules for service concessions were followed, the Council would be into a financial stable position in 2026/27. The increased income from Council Tax would mean that significantly less savings could be taken in future years.

Summary of Budget Modelling

There are numerous ways to model the budget. Essentially the key messages from the budget models presented are:

- If all identified savings are agreed, Council Tax will still need to rise between 10 and 15% per annum in each of the next five years.
- Where savings are not agreed, Council Tax will have to be set at higher levels or additional savings identified.
- As highlighted before, once service concessions run out, the same decisions on savings and Council Tax will be required.

Removal and Reduction in Core Services

Members have recently had to consider some very challenging proposals as shown in the table below:

Proposals Approved	Proposals Rejected	Proposals Still to be Considered
Closure of Bo'ness Recreation Centre	Home to School Transport changes	Introduction of an asymmetric week and a change to learning hours for schools
Closure of other properties through the Strategic Property Review		
Increases to fees and charges, including burials and cremations and garden waste bin collection		

Members and officers are acutely aware of the impact of these proposals on the people within the Falkirk area. However, it is clear that there are equally, and more challenging proposals that will have to be brought forward for Members consideration. Each time a proposal is rejected, this increases the need for more challenging savings to be agreed and/or for larger increases in income. Members have stated that they are anxious to better understand the shape that these proposals may take. Officers have therefore been asked to highlight the most difficult decisions that may be brought forward in future reports. It must be stressed that these options have not been brought forward for approval at this stage but are listed to give Members and communities an understanding of how challenging the position is.

Childrens' Services

- Reductions in support services for learners with additional needs, limiting the assistance available to pupils who rely on these services for their educational progress and well-being.
- Scaling back of centralised and specialist education teams, which will reduce the support available to schools, affecting teachers' ability to deliver tailored and inclusive education.
- Adjustments to early learning and childcare, reducing the support families currently depend on for balancing work and care responsibilities.
- Revisions to school operations, including further possible changes to the school week and catchment areas, which will impact daily routines and access to education within their communities.

- Removal of transport and discretionary services, limiting travel options for pupils, particularly those in rural areas or attending specialised programmes in schools/College.
- Removal of all preventative and early intervention social work support services.

Place Services

- Significant reductions in Art, Culture and Parks funding with impacts on new Falkirk Town Hall and neighbourhoods
- Major rationalisation of Council office accommodation to move to a Hybrid-first approach
- Increase charges to be amongst the most expensive in Scotland
- Removal of bus subsidies for services across the Falkirk area which would isolate many settlements
- Major reduction in Sport and Leisure provision including the full closure of facilities
- Closure of one Household Waste and Recycling Centre
- Bin Collection moving to 6 weekly cycle

Transformation, Communities & Corporate Services

- Closure of all library provision and retention of the statutory minimum
- Removal of debt and welfare advice support provided by the Council
- Reduction of all community engagement and community partnership and engagement work to the minimum
- Removal of CCTV Services
- Reduction of Terms & Conditions
- Removal of all civic expenditure
- Reduction of compliance related services

5.8 BORROWING & DEBT

The Council can borrow for two main purposes:

- For day-to-day cashflow purposes to cover timing issues between income received and expenditure.
- For capital investment purposes.

The Council cannot borrow to fund revenue expenditure, i.e. to pay for salaries or property costs. The Council must ensure that all borrowing is prudent, affordable and sustainable. That means that the Council must consider the longer-term impact of borrowing that is undertaken now.

When the Council borrows, the General Fund or the Housing Revenue Account will have to pay borrowing costs – interest and an element of debt repayment. Given the pressures on the General Fund budget in particular, the aim is to keep new borrowing to a minimum, unless funding is specifically identified to support the payment of the borrowing costs. In the 2024/25 budget, a sum of funding from the Scottish Government, which was confirmed late in the budget process, was set aside to support borrowing costs for capital investment.

Current Position

The Council has five-year investment programmes for the General Fund and the Housing Revenue Account – year one is approved and years two to five are provisionally approved. That allows flex in the programme as necessary but also ensures that projects in later years can be considered again once all necessary information is available.

A summary of the planned investment and planned borrowing, based on reports to Executive in August 2024, is shown below:

	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	Total £m
General Fund Investment	45.665	58.438	50.975	30.559	10.282	195.919
General Fund Borrowing	31.523	42.930	39.563	14.613	0.900	129.529
Borrowing Costs	13.014	13.339	14.458	16.329	16.953	74.093
Interest Rates	5.12%	4.59%	4.09%	3.93%	3.83%	
Finance Cost Ratio	2.93%	2.97%	3.18%	3.54%	3.62%	

	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	Total £m
Housing Investment	59.107	54.899	62.623	72.300	68.048	316.977
Housing Borrowing	51.213	49.882	56.093	59.825	52.181	269.194
Borrowing Costs	25.803	27.542	29.001	31.925	35.266	149.537
Interest Rates	5.12%	4.59%	4.09%	3.93%	3.83%	
Finance Cost Ratio	37.90%	38.18%	38.07%	39.68%	41.34%	

Underlying Need to Borrow

The Council must calculate its Capital Financing Requirement or CFR. CFR is the total historic outstanding capital expenditure which has not yet been paid for. Any capital expenditure which requires borrowing will increase the CFR.

The CFR is reduced by annual repayments of debt from revenue. The CFR also includes any other long-term liabilities, for example PFI schemes. Whilst these schemes increase the CFR, and therefore the Council's borrowing requirement, they have their own financing arrangement and so the Council does not have to separately borrow for these schemes. CFR projections for the Council are shown in the table below:

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
CFR – Non HRA	325.7	362.0	403.6	416.9	424.7
CFR – HRA	329.7	368.6	412.0	457.2	492.9
Total CFR	655.4	730.6	815.6	874.1	917.6
Movement in CFR (from prior year)	+88.6	+75.2	+85.0	+58.5	+43.5
Movement in CFR represented by:					
Net financing need for the year (through the capital programmes)	93.2	78.9	94.7	75.6	53.1
Use of service concession arrangements	13.8	15.0	11.2	6.3	16.2
Less loan fund repayments and other financing movements	(18.4)	(18.7)	(20.9)	(23.4)	(25.8)
Movement in CFR	88.6	75.2	85.0	58.5	43.5

The table above demonstrates that the Council's underlying need to borrow will continue to grow year on year. However, the rate of growth is forecast to reduce after 2026/27, based on current investment programmes.

Falkirk Council has a significant borrowing requirement over the next few years. The risks around this borrowing are being monitored to consider timescales and interest rate risk factors and borrowing will only be undertaken if required. The CFR in the medium term is increasing because of the investment plans, and the impact of service concessions. The use of service concessions results in a further increase in borrowing, which strengthens the argument that the budget should be balanced by recurring means as quickly as possible.

The Council must balance up the need for investment with the need to balance the revenue budget. Services are currently reviewing capital investment requirements and identifying areas where capital investment is critically important. However, it should be recognised that borrowing leads directly to increased revenue costs. The Council must be able to identify how the borrowing costs will be funded going forward before it makes any new investments. Given the challenging financial position of the Council, members may have to consider increasing Council Tax to fund any critical capital investment requirements that emerge as part of the 2025/26 budget process. Some of this may be mitigated in instances where investment supports a spend to save approach in services.

As noted above, the pressures on the General Fund budget means that the Council must keep new borrowing to a minimum, unless funding is specifically identified to support the payment of the borrowing costs.

The Council will also need to consider its debt burden in the medium to long term. The trajectory for the next five years is to continue to increase the Council's debt through borrowing to support capital investment. However, the Council must look beyond this period and seek to reduce the debt burden by not undertaking further borrowing (unless funds allow) and/or increasing debt repayment.

6. HOUSING

In 2023/24 the Housing Revenue Account (HRA) had a yearend overspend of c£3.3m and had to use half of its reserve to balance the position. This is the first time in many years that an unplanned overspend has been experienced and that reserves have been required to balance the position. Reports to Members had flagged the rising property costs associated with the HRA and the pressure in this area is unlikely to improve.

The key risks facing the HRA are:

- High property costs.
- High demand for properties.
- Interest rates staying higher for longer than anticipated and budgeted for, impacting on the affordability of the Housing Investment Programme.

It is also worth noting that the issues with housing demand, and the rising homelessness and use of temporary accommodation for those presenting as homeless, is a pressure on the Council's General Fund Revenue Budget.

Going forward, the HRA will need to balance:

- Non-emergency repairs performance with void turnaround times.
- Demand for void properties with high repair costs.
- Void rent loss against the same high repair costs.
- Demand for properties, through buybacks and new build, with the high borrowing costs associated with capital works.
- Wider housing investment and the risk of rising debt.

The HRA has a 50-year financial model which is periodically updated to help support decisions on rent increases and investment proposals. At the time of writing, officers are in the process of updating the 50-year model and the results from this will inform the Housing Tenants consultation scheduled for September/October 2024.

Ultimately the HRA, similar to the General Fund, simply can't sustain the current level of service delivery and demand. The financial constraints are likely to see an impact on performance as the Council are unlikely to be able to sustain timeframes for non-emergency repairs for example. As with the General Fund, difficult decisions will need to be taken that may see investment delayed or deferred until it becomes affordable. There is a risk that any reduction in investment could impact on the Council's Building Maintenance Division which mainly works on Housing properties.

7. HEALTH & SOCIAL CARE PARTNERSHIP

Relationship

The Falkirk Health and Social Care Partnership (the Partnership) is the integrated operating unit that runs a range of Council and NHS services in line with the strategic plan approved by the Integration Joint Board. These services include community health and social care, and support for adults and older people with, for example, mental health problems, long term physical conditions and substance misuse problems. Services are delivered by the Partnership workforce which includes staff employed by the Council and NHS and through the Third and Independent sector partners. The Partnership aims to enable people in Falkirk to live full and positive lives within supportive and inclusive communities.

Funding Arrangements

The Integration Joint Board (IJB) has a strategic planning, commissioning and performance monitoring role in relation to delegated community health and social care services. The IJB Chief Officer is also a Director of Falkirk Council and NHS Forth Valley and through the Partnership leadership team operationally manages services delivered through the Health and Social Care Partnership.

The IJB is primarily funded through contributions from Falkirk Council and NHS Forth Valley and allocates this funding via Directions to the Council and NHS to deliver commissioned services in line with its Strategic Plan. It then directs NHS Forth Valley and Falkirk Council to work together in partnership to deliver health and social care services, making best use of available resources.

The Scottish Government has to date put some parameters around the level of funding that the Council must pass to the IJB. In recent years this has tended to be based on previous year spends being retained at existing levels plus any additional ring-fenced funding being passed through to the IJB in full. The Council therefore has limited ability to reduce the funding to the IJB but could increase funding if deemed appropriate and affordable.

Whilst there has been no reduction in funding to the IJB in recent years, there has been growing demand pressures on the health and social care sector. The recent Audit Scotland Report "Integration Joint Boards' Finance and Performance 2024" highlighted that in real terms overall funding to IJBs in 2022/23 decreased by 9% in real terms or by 1% in real terms once Covid-19 funding is excluded.

It is important to note that it is for the IJB to make decisions on how to balance the Partnership budget, not the Council or Health Board.

IJB Business Case

Each year the IJB prepares a [business case](#) which is presented to the Council and the Health Board around December. The business case sets out critical information on the year ahead for the Partnership, highlighting for example pressures, planned activity and financial information. The business case is formally presented to Council so that Members can consider it as part of their budget setting process. A budget

strategy paper will be presented to the IJB on 27 September setting out the budget setting process and showing an initial medium term financial gap over the next three years of £19m.

A budget working group is being convened to take forward the IJB 2025/26 budget and medium term financial plan update for approval in March 2025. An update on progress will be remitted to Falkirk Council and NHS Forth Valley following a report to the November 2024 IJB.

2024/25 Financial Position

In March 2024, the Council approved a payment of £93.9m to the IJB, of which £92.4m was from the General Fund, £1.2m from the Housing Revenue Account and £0.3m was capital monies ringfenced for private sector housing grants. Given the previous guidance from the Scottish Government on funding packages to the IJB, it is anticipated therefore that at least £92.4m will be provided to the IJB in 2025/26. However, it may be that additional funding will be provided by the Scottish Government and passed through to the IJB.

The current financial forecast for the IJB at the end of quarter 1 is a projected overspend of £5.982million on the integrated budgets and an overspend of £7.405million in relation to the set aside budgets for large hospital services delegated to the IJB. (Note the current Integration Scheme sets out that the financial risk associated with the set aside will be borne by NHS Forth Valley.)

Services in relation to Social Care are expected to overspend by £6.254million following an allocation of £0.925million of service pressure reserves.

In line with integration scheme requirements a budget recovery plan is being implemented to address the projected overspend, and it is expected that there will a requirement to use non-recurring reserves in the current financial year.

Potential Integration of Children & Families with the HSCP

In 2023, the Council noted opportunities in relation to the existing close relationship between Children's Services and the Health and Social Care Partnership, along with the upcoming implementation of the National Care Service. It was agreed that work be progressed to enable a decision to be taken on the integration of Children's Social Work and Justice Services into the Health and Social Care Partnership. A Programme Board is in place and is driving this work forward, under the joint leadership of the IJB Chief Officer and the Chief Social Work Officer. This programme board includes a number of workstreams including finance and resources. It is anticipated that a recommendation will come to Council for decision in January 2025.

If a decision is taken to progress the integration of these services, the Council and the IJB will have to agree the associated budgets and resources to be allocated to the IJB, increasing the overall revenue from the Council.

Looking Ahead

It can be challenging to balance the priorities and financial pressures across the Council and the IJB. Recent Audit Scotland reviews have stressed the need for collaborative working and service redesign across the public sector and the Council and IJB are working to identify opportunities to collaborate in a way that will help both organisations to deliver on their plans and priorities within available resources. This includes a review of the built estate with the aim of ensuring that the Partnership has appropriate facilities to deliver a high standard of care, and a collaborative approach to the review of sports and leisure services across the area in order to improve health and wellbeing across our population so that people can remain well and independent for as long as possible. It is important that the Council and the Partnership consider their built estate requirements together, identifying opportunities to co-locate and provide services in a more efficient way, and a more convenient way for service users. Furthermore, there will be benefits from taking a whole system planning perspective in relation to future asset requirements across the wider public sector.

In the context of increasing demand due to an expanding older population with more people living with long term and multiple conditions, it will become increasingly challenging for health and social care services to meet the needs of our communities within the available resources. It is therefore recognised that significant transformation will be required to ensure sustainable service provision, and this will involve collaborative and courageous whole system working and significant transformation.

8. BUDGET COMMUNICATIONS & CONSULTATION

It is important that the Council communicates effectively with its communities. That communication can have varying purposes, including:

- To promote a shared understanding of the challenges being faced by the Council.
- To inform communities on how the Council operates and how they can be involved.
- To gather the views of communities to contribute to service delivery changes and inform decision making.
- To gather information on the impact of service changes, particularly from an equalities perspective.

It is essential however that communication is relevant and has a clear and defined purpose. Some budget proposals, for example further significant raises to Council Tax and service reductions or cessations, are likely to be unpopular. However, it is inconceivable that the Council can move to a financially sustainable position without such proposals, given the scale of the financial challenge.

Approach

The Council has planned a 3-phase approach to budget consultation during 2024/25:

1. A Council Tax survey was published on the Participate Plus site from 14 February 2024 to 31 May 2024. This was a high-level survey that was focussed on the communities understanding of what services Council Tax helps to support. A video was produced to help improve understanding of the breadth of council services.
2. A second more focussed survey was issued to understand attitudes towards Council Tax increases versus service reductions and the priorities of residents. This survey was supported by in-person consultation events held during August in each of the wards.
3. Consideration will be given to a third round of consultation which is focussed on specific savings options. This will be dependent on the options put forward by services as part of the February 2025 budget. If further consultation is required, this is likely to take place in October/November 2024. The findings and outcomes of Phase 1 and Phase 2 will also be communicated to people who participated in the consultations, and the wider community.

Outcomes to Date

Phase 1 - Council Tax Survey

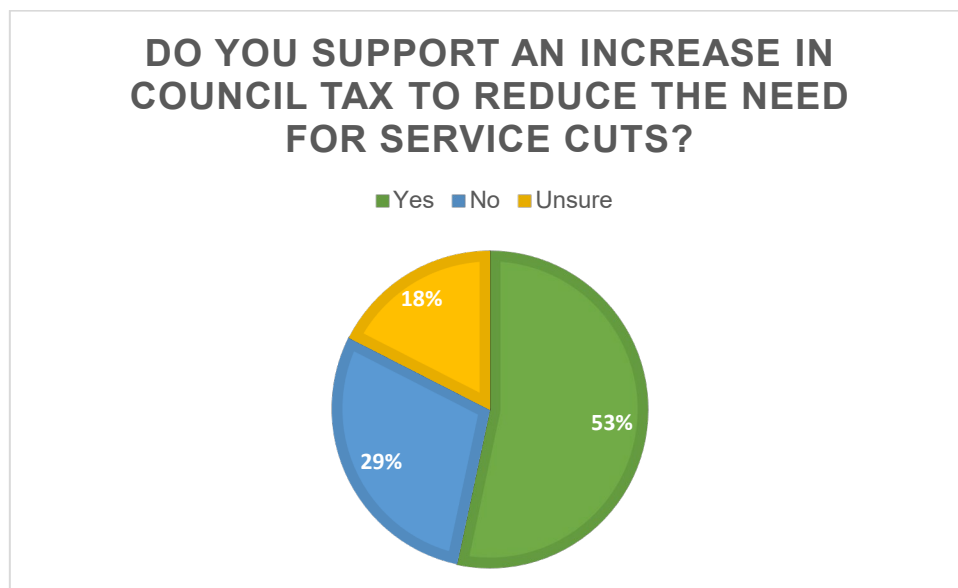
The results from the first phase of consultation – the Council Tax survey – were posted to Participate+ on 25 July 2024. This survey received 1,323 responses. Participants were asked how important a range of services are to them. Participants were also asked for their awareness on how Council Tax is spent, and how informed they feel about their Council Tax.

It is clear from the responses that in general, people value the services that the Council provides. Roads maintenance was the most highly valued service within the survey, with concerns around the condition of roads and pavements frequently mentioned. However, respondents clearly value education, leisure and recreation services, libraries and social care services. Supporting small businesses and attracting investment, grass cutting, and welfare benefits and advice received lower levels of support.

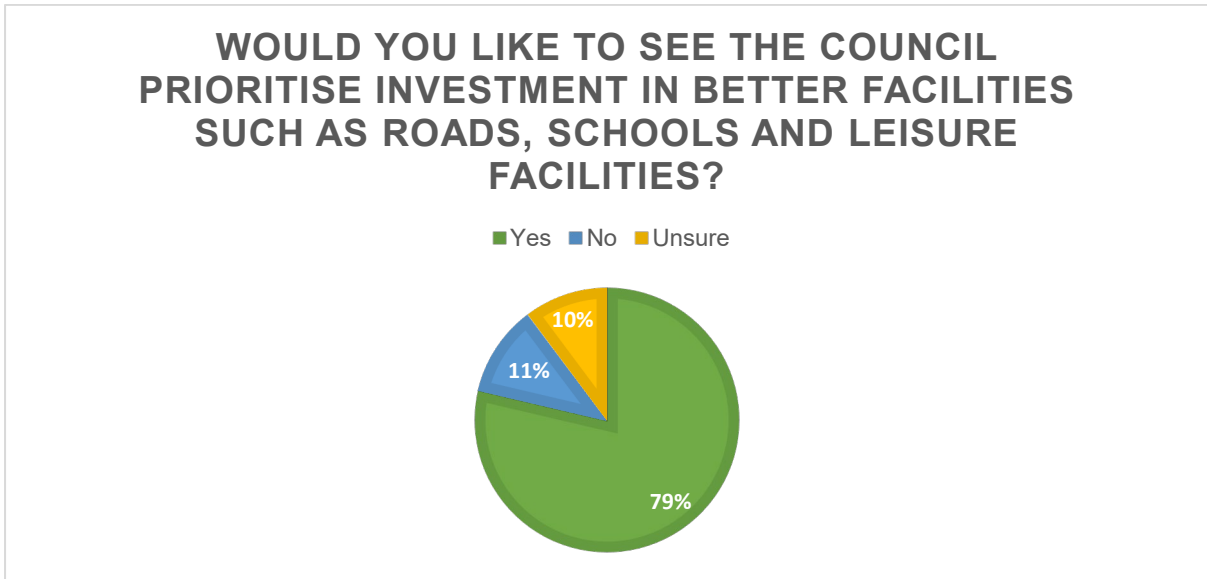
42.7% of respondents strongly agreed or agreed that they were aware that Council Tax helps support over 700 services in the local community. 26.6% of respondents strongly agreed or agreed that they felt that Council Tax was spent well and fairly – 28.1% strongly disagreed. Finally, 56.6% strongly disagreed or disagreed that it was easy to find out how Council Tax is allocated and spent and 40.8% strongly disagreed that they felt informed and consulted about Council Tax.

Phase 2 – Focussed Survey & In-Person Events

The second survey was hosted on Participate+, the Council’s digital engagement platform (paper copies were also available). This survey closed on 23 August 2024 and a total of 731 surveys were completed. The results of the survey are set out below:



The survey noted that an additional 1% on Council Tax could support around £10m of capital investment.

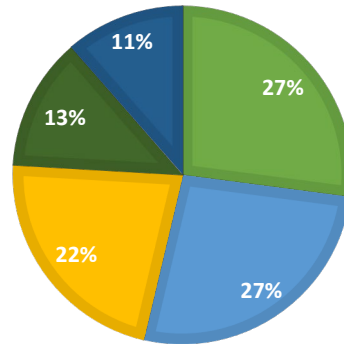


Respondents were asked to identify the top five areas of service delivery that they would like to protect:



BOTTOM 5 SERVICES TO PROTECT

- Grass Cutting & Grounds
- Regenerating Town Centres, including the Arts Centre
- Delivery of Major Infrastructure to Boost Economic Development
- Enhance childrens learning through digital opportunities
- Supporting People into their First Job



As noted previously, participation and community engagement tend to be higher where a single issue or connected range of issues is presented for consideration. Budget consultations, asking for views on much more broad and general issues, have tended to be less successful. This has been the experience during the Budget Consultation 2024 process. However, whilst the number of people attending the in-person events have been lower than we would have liked, it is important to acknowledge and value the contribution of those who did attend as they were fully engaged and provided helpful insights into how communities are feeling on some issues. Overall people were helpful, and their participation is very much appreciated.

Early conclusions from the survey responses and the in-person sessions include the following themes:

1. Concern over the local environment, including roads, paths, litter and lack of planting and flowers.
2. People want good information and communication to make informed choices about council budgets.
3. People care about their own community or area.
4. People care about the services that directly affect them.
5. The need for a better partnership between the Council and its communities.
6. A view that it is not clear what benefits the community gets from paying its Council Tax.

To encourage future participation and engagement the Communities service will develop a plan of ongoing conversations throughout the year, taking the

conversation out into the community. The Council will continue to improve how it communicates so that residents are fully informed regarding public sector finance. By ensuring good feedback and communication of the outcomes of participation in this year's budget engagement, the aim is to see a year on year rise in the number of people becoming involved.

Mainstreaming Participatory Budgeting

In 2017 Local Authorities and COSLA agreed that at least 1% of Local Government budgets would be subject to participatory budgeting by the end of 2021. The target of 1% is not necessarily about local authorities identifying a separate and/or additional resource. It is principally about involving communities in decisions regarding existing resources. This requires buy in from all services and the communities, and the approach can take many different forms to suit the needs of the local authority and the community.

Falkirk Council has adopted the 1% target within the Falkirk Plan and has applied Participatory Budgeting as a tool for community empowerment through the introduction of the Community Choices programme. This approach has enabled the council to achieve 0.6% participatory budget spend in 2023/24, an increase from 0.4% reported in 2022/23.

Focused efforts and improvements are needed across all services to ensure that communities are involved in budget decisions locally whenever possible to meet the 1% target and fully realise the benefits of participatory budgeting. The Community Choices capital programme has now ended and a Participatory Budgeting approach will be applied with the Open Space Strategy to identify priorities for allocating UK Shared Prosperity Funds in three green space locations. These neighbourhood improvement areas provide the public with the opportunity to vote on the design and spend priorities for investment in these public spaces.

A Participatory Budgeting approach has also been adopted for a programme of economic regeneration in our priority areas with investment planned in 2024/25.

To facilitate voting associated with Participatory Budgeting programmes and improve community engagement and participation, Falkirk Council has invested in the new community engagement platform, Participate+.

Ward Based Budgeting

Ward Based Budgeting is a Council of the Future Project linked to the Participatory Budgeting and Community Engagement objectives. The project is a test of concept and is innovative in its design and complex due to the current recording and reporting structures of financial arrangements across the different services within the organisation.

However, the project is making good progress and is providing insight into how money is spent in specific wards that can then be used to inform decision making and service improvements.

Community Engagement Strategy

The Community Engagement Strategy 2025-28 is being developed through a Policy Development Panel approach. A reflective approach on the previous Community Engagement Strategy, along with research on best practice nationally, and consultation with stakeholders, has informed the development of a new strategy which will be presented to Committee in December 2024.

9. SUCCESS MEASURES

The Council Plan includes a series of success measures for each of the Council's priorities and enabler projects. Financial sustainability is an enabler project, and this Strategy therefore includes a set of success measures.

The Council's approach to performance management and reporting is set out in the [Falkirk performs](#) section of the Council's website.

For the financial sustainability enabler, there are two broad sets of success measures:

Strategic	This is a set of measures that are designed to measure the financial health of the organisation, not only in the short term but also in the medium and longer term.
Operational	These are measures that look at how efficiently and effectively the Council is managing the service delivery and budgets for specific operational services. The measures have been selected from the Local Government Benchmark Framework (LGBF) which allows comparison with other local authorities and the Scottish average. This type of measure can be used to identify areas for review/efficiency savings.

Performance against the strategic measures has been summarised in this document. The biggest barrier to financial sustainability remains the reliance on non-recurring funding and the difficulty in identifying and/or approving options to balance the position. These challenges are reflected in our performance which is summarised in the table below.

FINANCIAL SUSTAINABILITY				
STRATEGIC MEASURES	Result 2023/24 End Of Year (LGBF 2022/23)	Current Target	Scottish Average 2022/23	Proposed Target
Bridging the budget gap – at least 90% of savings identified over the period of the financial strategy	60.8%	90%	N/A	90%
Reducing reliance on non-recurring reserves to balance the budget gap over the period of the financial strategy	4.84%	0.5%	N/A	0.5%
Healthy and efficient use of reserves – maintain reserves within the range of the general fund reserves policy	2.5%	2%	N/A	2%
Percentage of savings delivered in year	63%	95%	N/A	95%
Percentage of income due from Council Tax received by the end of the year	97.0%	96.5%	96.2%	96.5%
Gross Rent arrears (all tenants) as at 31 march each year as a percentage of rent due for the reporting year	14.0%	10.2%	9.6%	10.2%
Ratio of general fund income that is used to fund borrowing costs from capital investment	2.1%	4.1%*	5.4%	4.1%*
Ratio of housing income that is used to fund borrowing costs from capital investment	19.8%	34.8%*	22.2%	34.8%*

* These figures are not targets as such, but the budgets as currently approved by Members as part of the General Fund and Housing Investment Programmes.

10. RISK

Risk Strategy

The development, reporting and monitoring of the Financial Strategy is an important part of managing the Council's financial sustainability risk, as it aims to identify financial challenges at an early stage, sets out the targets that the Council must work towards and provides a foundation for all decisions with a financial impact. The Strategy helps to ensure a shared understanding of the position, encouraging the Council officers, Members and communities to work together to tackle the issues.

The key risks and mitigation actions relating to the achievement of financial sustainability have been incorporated throughout the Financial Strategy, for example:

- The economic uncertainty is outlined in the Economic Context section;
- Mitigating actions are highlighted throughout the document, including the Council Tax section and Service Savings section; and
- Success Measures will give an indication of how well the risks are being managed. Current performance demonstrates that there is a long way to go before the Council is in a financially sustainable position.

Corporate Risk Register

The Council maintains a Corporate Risk Register (CRR) which sets out the risks associated with delivery of the Council Plan priorities. The CRR is regularly reviewed by officers and the risk rating considered taking into account the likelihood and the impact of the risk occurring.

There are two main corporate risks that link to this Financial Strategy. Details of these risks are shown in the table below:

Risk	Description	Current Assessment of Risk Level	Target Risk Level
Financial Sustainability	<p>The Council's Financial Strategy and Budget Reports set out the need to deliver annually recurring budget savings to continue to meet statutory duties and provide sustainable services.</p> <p>There is a risk that if recurrent savings are not found then the Council will have insufficient funding to deliver Services, and so will be unable to deliver on the commitments made in the Council Plan. In addition, there is a risk that delays in identifying savings increase the budget gaps, reduce reserves, and increase the potential severity of service reductions in future years.</p>	High	Medium

Risk	Description	Current Assessment of Risk Level	Target Risk Level
	For Housing, there is a risk that continued increases in costs could potentially impact on performance and ultimately the availability of properties.		
Transformation & Delivery of the Council of the Future Programme	<p>The Council's Council of the Future Programme aims to deliver transformational services.</p> <p>There is a risk that the Council does not deliver on its Council of the Future Change Programme objectives because of a lack of political buy-in and approval for projects. The risk includes failure to recognise, and act upon, the need for transformational change, continuous improvement, and financial benefits/or failure to plan for, and implement, appropriate change/financial benefits. This risk also includes potential missed opportunities and failure to deliver the right services, to the right people, in the right way, and within budget.</p>	Medium	Medium

Current Risk Ratings and Appetite/Tolerance

The risk of not achieving financial sustainability is currently rated high. This reflects the significant funding gap forecast, the difference between savings required and savings identified and the difficult and unpopular decisions that will no doubt be required to balance the position. However, the aim is to reduce the risk to medium, recognising that it will be difficult to get to a low risk, in part due to major impact of failing to achieve financial sustainability. The impact includes being unable to deliver services and the negative impact this would have on the wellbeing of citizens.

The risk of not delivering on the Council of the Future programme is currently rated medium which means that this risk has met its target rating. The medium rating reflects the work that has been carried out to improve governance and reporting in this area.

Further Information can be found on the [Corporate Risk Management section](#) of the Council's website, including a copy of the Council's Risk Management Policy and most recent Corporate Risk Register.

Income & Expenditure Assumptions

Income:	Assumption
General Revenue Grant from Scottish Government	The budget gaps assumes a flat cash settlement for the next 5 years.
Council Tax	The gap in the tables within this paper assumes an annual Council Tax increase of 7%.
Other Fees & Charges	The budget gap does not incorporate any increases from existing or new fees and charges. Any proposals that are approved by Members will help to reduce the gap.

Expenditure:	Assumption
Pay Awards	<p>A pay increase of 3% has been assumed each year. There is significant risk in this assumption because the pay award for 2024/25 hasn't been agreed yet and the ask from the Trade Unions is significantly higher than 3%. The budget currently assumes that any award beyond 3% will be met through additional funding from the Scottish Government. However, it may be that the Council has to make a further contribution, which would add to the recurring cost pressures.</p> <p>Negotiations for 2024/25 are ongoing at the time of writing.</p>
Energy	Energy inflation reflects the projected contract price increases received from the Scottish Government Procurement Team.
Other Inflation	Other inflation factors are adjusted in line with the projections from the Bank of England and contractual conditions as appropriate.
Employers Pension Contributions	<p>The volatility of the financial markets has seen an increase in the valuation of most Pension Funds in the UK. Every three years the Pension Fund goes through a detailed actuarial valuation exercise. Following this exercise, the contributions for employers are reviewed and the rates set for the following three years. With such volatile markets, these rates can significantly change between valuations, and this can have a significant financial impact for employers.</p> <p>The valuation exercise and contribution review for Falkirk Pension Fund for the period 2024/25 to 2026/27 resulted in a decrease in employers pension contributions to</p>

Expenditure:	Assumption
	19.5%. In years four and five of the period of the Strategy there is an assumption that the contribution will increase by 0.5% per annum.
Loan Charges	<p>Loan Charge costs are based on projections of capital investment over the next five years and the borrowing required to fund it, alongside estimates of interest rates. Changes to interest rates can have a significant impact.</p> <p>It is expected that the Bank of England will reduce the base interest rate. However, the pace of this is unclear due to stubborn inflation.</p>

The assumptions in the table have the potential to result in fairly big movements in the financial position due to the large sums involved. Officers of the Council have considered the range of scenarios for each of these assumptions and selected the most probable outcome based on information available at this time.

FALKIRK COUNCIL

SUMMARY OF REVENUE BUDGETS 2025/26 & 2026/27

<u>Service</u>	2024/25 £'000	Movements £'000	Inflation £'000	Savings £'000	Fees & Charges £'000	2025/26 £'000
Children's Services	277,751	-5,794	8,085	-7,412	-70	272,560
Social Work Services	4,220	-124	91	-	-	4,188
Place Services	42,407	-459	1,830	-3,152	-1,142	39,484
Transfrm, Comm & Corp Services	40,536	-20	1,059	-2,283	0	39,292
	364,914	-6,397	11,065	12,847	-1,212	355,523
Joint Boards	100,508	-	38	-	-	100,546
Capital Charges	10,301	1,444	-	-	-	11,745
Total Expenditure	475,723	-4,952	11,103	12,847	-1,212	467,815
	-					-
Aggregate External Finance	374,500	6,233	-	-	-	368,267
Council Tax	-78,691	-5,616	-	-	-	-84,307
Other Reserves	-22,532	7,291	-	-	-	-15,241
Total Income	475,723	7,908	-	-	-	467,815

Appendix 2

<u>Service</u>	2025/26	Movements	Inflation	Savings	Fees & Charges	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services	272,560	-2,839	7,935	-5,914	-70	271,672
Social Work Services	4,188	6	79	-	-	4,273
Place Services	39,484	707	1,932	-3,097	-1,430	37,596
Transfrm, Comm & Corp Services	39,292	17	1,101	-1,713	0	38,697
	355,523	-2,110	11,048	10,724	-1,500	352,238
Joint Boards	100,546	-	40	-	-	100,586
Capital Charges	11,745	1,193	-	-	-	12,938
Total Expenditure	467,815	-917	11,088	10,724	-1,500	465,762
	-					-
Aggregate External Finance	368,267	2,880	-	-	-	365,387
Council Tax	-84,307	-6,017	-	-	-	-90,324
Other Reserves	-15,241	5,190	-	-	-	-10,051
Total Income	467,815	2,053	-	-	-	465,762

Fees and Charges

	2023/24 Budget £m	Rebasing £m	Revised Budget £m	7% Increase £m	10% Increase £m	15% Increase £m	20% Increase £m
Entertainment Shows	0.143	-	0.143	0.010	0.014	0.021	0.029
Hall Hires	0.200	-	0.200	0.014	0.020	0.030	0.040
Tuition Fees	0.481	-	0.481	0.034	0.048	0.072	0.096
School Meals	1.598	-	1.598	0.112	0.160	0.240	0.320
Child Care Fees	0.446	-	0.446	0.031	0.045	0.067	0.089
On Street Car Parking	0.035	-	0.035	0.002	0.004	0.005	0.007
Off Street Car Parking	0.862	-	0.862	0.060	0.086	0.129	0.172
Dry Recyclate Income	1.540	(0.200)	1.340	0.094	0.134	0.201	0.268
Special Uplift	0.193	-	0.193	0.014	0.019	0.029	0.039
Swimming Lessons	0.622	-	0.622	0.044	0.062	0.093	0.124
Catering	1.557	-	1.557	0.109	0.156	0.234	0.311
Electric Vehicle Charging	0.330	-	0.330	0.023	0.033	0.050	0.066
Helix Visitor Centre	0.828	-	0.828	0.058	0.083	0.124	0.166
Street Cleansing	0.383	-	0.383	0.027	0.038	0.057	0.077
Trade Waste Collection	0.408	0.086	0.494	0.035	0.049	0.074	0.099
Brown Bins	1.510	(0.200)	1.310	0.092	0.131	0.197	0.262
Crematorium	1.750	-	1.750	0.123	0.175	0.263	0.350
Burial Grounds	0.919	-	0.919	0.064	0.092	0.138	0.184
Sports & Fitness	2.991	(0.175)	2.816	0.197	0.282	0.422	0.563
TOTAL	16.796	(0.489)	16.307	1.143	1.631	2.446	3.262