Long Term Financial Outlook 2022 to 2032

October 2021

THE SOUTH AYRSHIRE WAY

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South Ayrshire Council

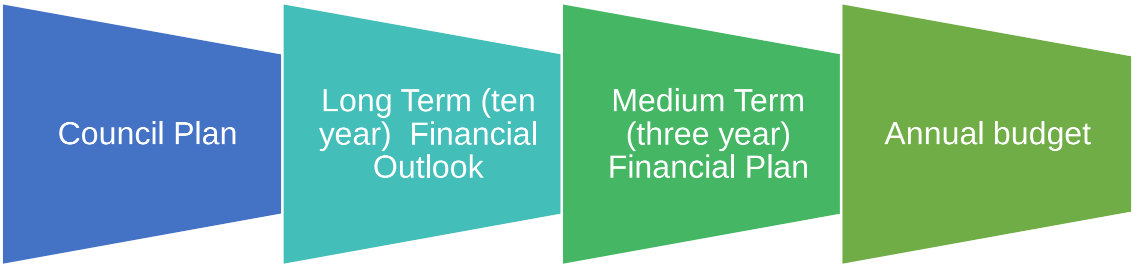
Long Term Financial Outlook 2022-23 to 2031-32

Contents

1. Long Term Financial Outlook - Introduction

1.1 South Ayrshire Council in line with other Councils is operating in an increasingly challenging environment and faces significant financial challenges going forward. It is expected that the Council will be required to operate within tight fiscal constraints for the foreseeable future due to the severe impact of the Covid-19 pandemic, the continuing difficult national economic outlook, increased costs, increased demand for services and increased public expectations. In this climate it is essential that the Council considers the long-term financial outlook, an essential component of the overall financial framework, that sets the context for medium term and annual financial planning and ensures that resources are targeted towards achieving Council priorities.

Fig 1 - Financial Framework



1.2 The value of a long-term financial outlook is well documented and is a key component of the council's strategic framework, building on the medium-term focus that has underpinned annual budget setting. The aim of the long-term financial outlook (LTFO) is to pull together in one place all known factors affecting the financial position and financial sustainability of the Council over the longer term. The Council's previous long term financial strategy covered 2020-2030. This report covers the period 2022-2032.

1.3 Financial planning relies on national and local data, from which assumptions emerge, that can be applied to a range of scenarios. Due to the nature of a local authority, it is not in control of all the determinants of its income and cost base, and crucially this includes the financial support provided from public funds. Many statutory services are provided free at the point of delivery and therefore the shape of services is determined by how much subsidy (grant) is provided.

1.4 Given the events which have occurred in 2020 and 2021 because of the global health pandemic, the task of medium and long-term financial planning has been made even more challenging. Governments across the world have invested significantly in financial rescue plans to mitigate the economic impact of the public health measures introduced to combat the virus. Whilst attention rightly remains on managing the response and recovery process, attention is also on supporting economic recovery. Economic recovery will be vital if governments are to be able to repay the borrowing incurred to support the financial rescue plans currently in place.

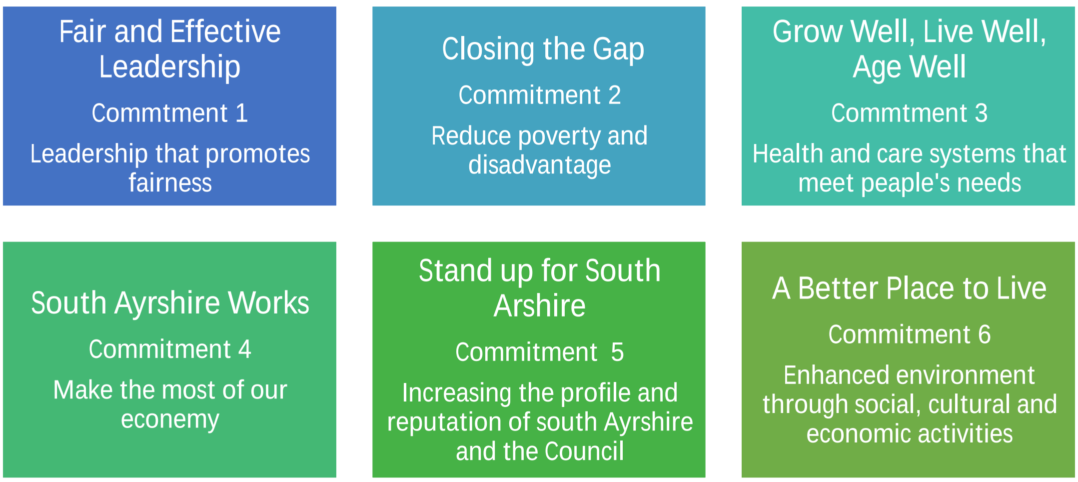
1.5 Both the UK and Scottish Government will be required to make political choices in terms of future funding both in the short, medium, and long term – all of which will have a bearing on the council's own short, medium, and long-term financial outlook and plans.

1.6 The Council should recognise that with so much of its income outside of its control, the assumptions that underpin the LTFO cannot be exact, they are subject to refinement and change over time. Therefore, a series of scenarios should be used to describe a range of income possibilities. This LTFO utilises 3 scenarios based on different contributing factors. These scenarios should be refreshed regularly as part of the budget setting and strategic planning processes.

1.7 A clear strategy is required to ensure the Council remains financially sustainable over the longer term. The value of such a Strategy is that it enables the Council to develop a better understanding of the wider policy and financial environment within which it operates, identify, and respond flexibly to changing contributing factors, manage and mitigate risk and ensure financial resources are directed towards achieving the Council's strategic objectives and outcomes.

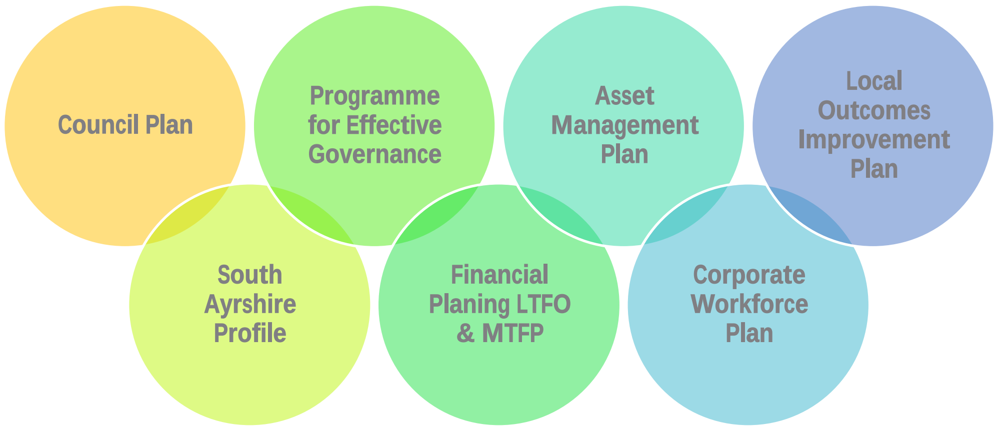
1.8 The Our People, Our Place Council Plan sets out the Council's ambitions, this plan was refreshed and refocused in 2020 taking account of our vision to serve South Ayrshire by **'making a difference every day'**. The plan contains six commitments and twenty-one ambition statements and is supported by a programme of work developed by Council services. The six high level Council's strategic commitments for 2018-22 per the Council Plan are:

Fig 2 – Council commitments



1.9 The Our People, Our Place Council Plan 2018-2022 is just one of the key strategic documents that informs the way forward for the Council. The others are:

Fig 3 – Key strategic Documents

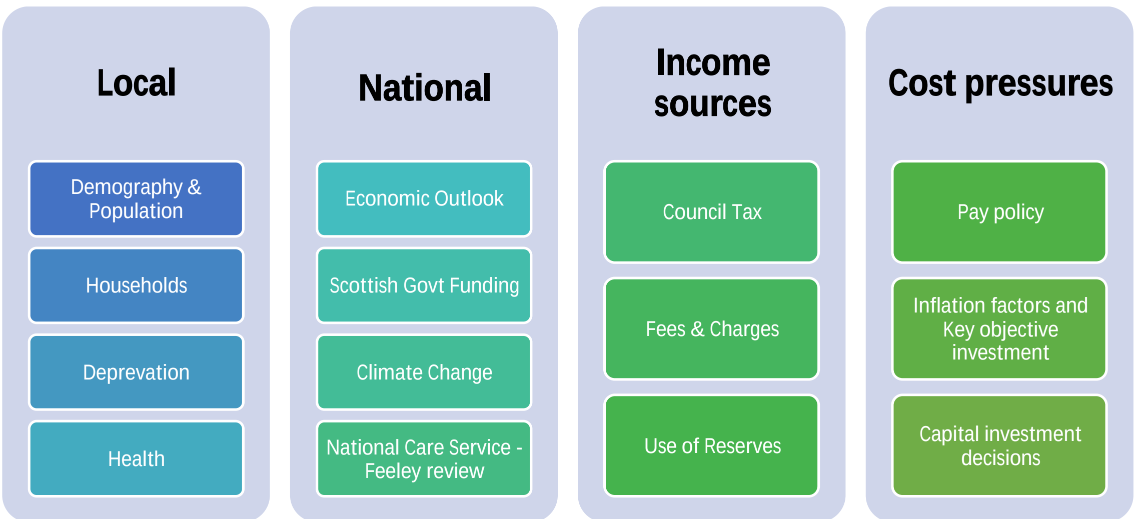


1.10 South Ayrshire has a record of sound financial management and planning encompassing General Services, Treasury Management, the Housing Revenue Account (HRA) and the Capital Investment Programme. Considerations regarding the Housing Revenue Account (HRA) are channelled separately through the HRA business plan and rent setting Strategy which is subject to separate consideration and review.

1.11 The Long-Term Financial Outlook (LTFO) and associated Medium Term Financial Plan (MTFP) are an important part of the Council's strategic planning process and are integral to the delivery of our ambitions. This report outlines the forecast financial position of the Council over the next 10 years and considers whether spending is sustainable over this period. Crucially it identifies the financial challenges which the Council will face and the approach which will be required to deliver financial sustainability over the longer term.

1.12 In preparing the report a wide range of factors have been considered to ensure a robust financial outlook position is established for the Council. The various factors are shown in Fig 4 below and will be explored further in section 2 of the report

Fig 4 – contributing factors



2. Financial Outlook – Contributing Factors

Local factors

2.1. Demographic and Population Changes

2.1.1 The population of South Ayrshire at June 2020 was estimated to be 112,140, accounting for 2% of Scotland's total population. Approximately 30% of South Ayrshire's population live in rural areas. The key stats for South Ayrshire are identified in Fig 5 below:

Fig 5 – Key stats for South Ayrshire*

The population is made up of 52.2% female and 47.8% male

The percentages of the population under the age of 16 years is 16% (Scottish Ave. 17%)

The percentages of the population of working age is 60% (Scottish Ave. 65%)

The percentage aged 65+ (25%) is above the Scottish average of 18%.

Population in South Ayrshire will continue to age. Over 75's expected to increase by 27% in the next decade and by 65% by 2043

Working age population expected to decrease by 2.1% in the next decade and decrease by 13.9% by 2043

Child population expected to decrease by 8.8% over the next decade and decrease by 17.5% by 2043

By 2043, the South Ayrshire population overall is projected to decrease by 6.5% compared to the population in 2018

*National Records Scotland mid-2018 population projections

2.1.2 These anticipated changes to the population will have considerable consequences for the Council as it strives to ensure social, educational, housing and community services meet the needs of the community.

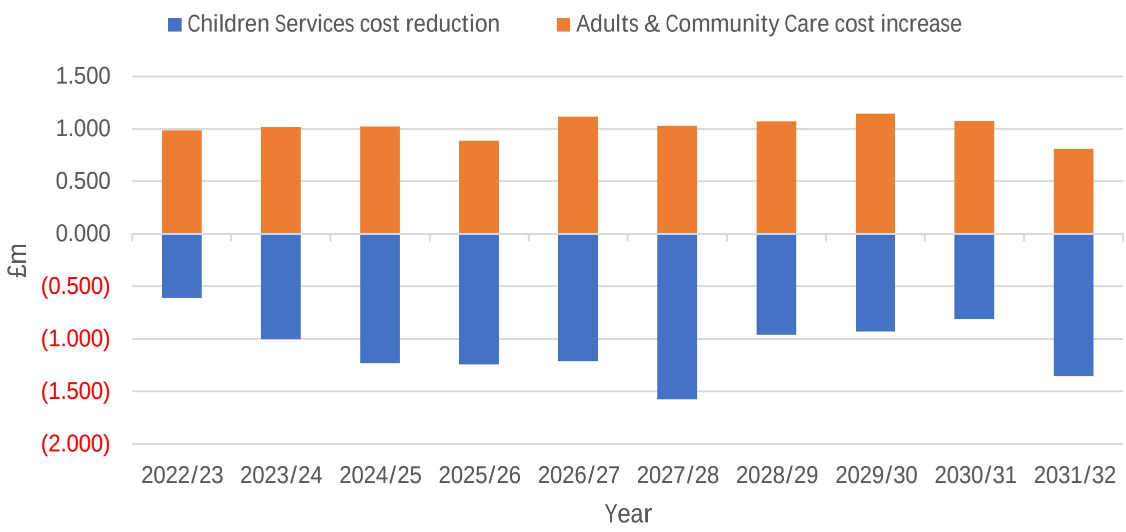
2.1.3 Demographic changes will have significant impact on services, particularly Education and Social Care, where there will be a need to actively manage the transition from current service delivery arrangements to new models that are built around the needs of the future population.

2.1.4 New demographic and social pressures are already generating a significant increase in the demand for Council services such as homecare for the elderly and care for vulnerable adults and children.

2.1.5 Many of the changes highlighted represent significant long-term challenges that have major implications in terms of the finances required to address them, and the funding that may be available from Scottish Government in terms of our changing local demographics.

2.1.6 The two main demographic issues which have the biggest impact on the LTFO as identified in Fig 5, are that the child population is expected to decrease over the period of the plan and that the population of 65+ is expected to increase. This results in increased demand in older people services and less demand in children services and therefore may require a shift or re-distribution of resources to meet demand. Fig 6 below provides a graphical representation of this potential movement based on current spend activity.

Fig 6 – Demographic change – young to older



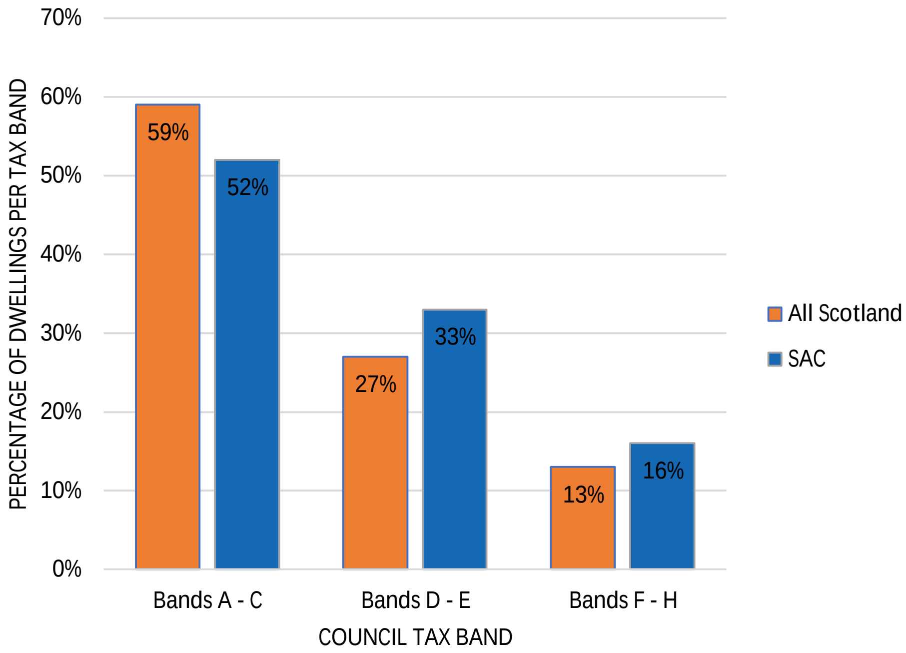
2.2 Households

2.2.1 National Records Scotland (NRS) published Estimates of Households and Dwellings in Scotland, 2020 statistics on 25 June 2021. The NRS publication describes the latest statistics on occupied and vacant dwellings, second homes and trends in household types. The publication is available on the NRS website.

2.2.2 For the first time in at least two decades the estimated number of households, 52,571, in South Ayrshire in 2020 was slightly less (-17) than the estimate for the previous year. Meanwhile the estimated number of dwellings, 55,793, was an increase of 0.2%. The average household size continued to decrease down from 2.11 persons in 2019 to 2.10 in 2020. Across Scotland the number of households and dwellings continued to increase while the average household size continued to decrease.

2.2.3 In terms of dwelling characteristics the proportions of South Ayrshire dwellings per council tax bands have not changed since the previous year. There is a lower proportion of dwellings allocated with council tax bands A to C but higher allocations of bands D to E and F to H than those across Scotland as a whole. More than half of South Ayrshire's dwellings are allocated the lower cost bands of A to C per Fig 7 below:

Fig 7 – Council Tax bands of Dwellings



2.2.4 The number and type of household (per CT band) will have a bearing on the level of income than can be raised through Council Tax across South Ayrshire.

2.3 Deprivation

2.3.1 The Scottish Index of Multiple Deprivation (SIMD) measures income, education, employment, health, crime, housing, and access to services to establish an overall score for each data zone. There are 153 zones in South Ayrshire, 2.2% of the Scottish total.

2.3.2 The SIMD 2020 highlights that South Ayrshire had 13.1% of its residents living in the most deprived 15% of all data zones. This is a deterioration on the SIMD 2016 figures (12.4%) therefore there remains a wide contrast in the prosperity of communities across South Ayrshire. The challenge for the Council is to provide high quality services for all, while specifically targeting additional resources in the communities with most need.

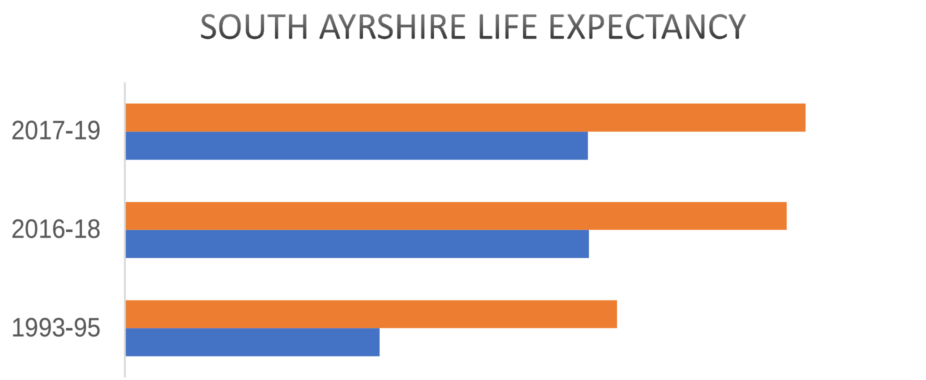
2.3.3 Whilst deprivation is a key driver of demand, it has, proportionately, a smaller impact on funding allocated to the Council from the Scottish Government.

2.4 Health

2.4.1 National Records Scotland (NRS) published Life Expectancy in Scotland 2017-2019 on the 24 September 2020 (excludes the impact of Covid-19). The NRS publication details life expectancy estimates for Scotland and comparisons with estimates for the rest of the UK. It also includes life expectancy estimates for councils, health boards and other areas within Scotland. The publication is available on the NRS website.

2.4.2 Over the last 25 years South Ayrshire's life expectancies at birth for males and females have continued to trend upward and been consistently higher than life expectancies for the whole of Scotland. However, over the last decade life expectancies generally have plateaued or decreased closing the gap between South Ayrshire and Scotland's life expectancies.

Fig 8 – Life expectancy



	1993-95	2016-18	2017-19
Female Life expecancy (years)	77.86	81.26	81.64
Male Life expecancy (years)	73.11	77.3	77.28

2.4.3 The South Ayrshire HSCP Strategic Needs Assessment published in September 2020 indicated that 27% of the locality's population had at least one long-term physical health condition.

2.4.4 The age and health of the local population impacts on demand for services, mainly from Communities and the Health and Social Care Partnership and can often result in different support levels than those experienced in other parts of Scotland.

National factors

2.5 Economic Outlook

2.5.1 2020 and 2021 will undoubtedly be seen as the years when everything changed. An unprecedented government intervention in response to the Coronavirus pandemic brought about global changes in how we live our lives and the corresponding consequences on business and the economy. The national lockdown in March 2020, followed by various local restrictions being imposed, relaxed, reimposed and then removed again resulted in huge uncertainty for local businesses.

2.5.2 In September 2021, the Fraser of Allander Institutes monthly update[1] on the Scottish Economy suggested that the latest GDP data for Scotland indicated:

[1] Fraser of Allander Institute September 2021 monthly update

Fig 9 – GDP data indicates

In June the economy had grown by 0.9% month-on-month, but still remained 2.1% below pre-pandemic levels.

Scottish vacancies have grown faster than the other nations of the UK, but overall levels of business activity and wages have been slower to recover.

The ONS also estimate that around 4% of businesses expect to make redundancies in the coming 4 months.

The share of workers on furlough also continues to fall. However, with a large share of jobs still supported, and the end of the government furlough scheme looming at the end of September, there remains a high degree of uncertainty in the labour market.

The recovery however continues to be made possible by the increasing number of individuals receiving their Covid-19 vaccination. As of 31st August, 91.1% of Scotland's adult population had received their first dose of the vaccine, with 82.7% having received both doses.

2.5.3 The Scottish Fiscal Commission (SFC)[2] published their latest economic and fiscal forecasts in August which indicated that in January the outlook for the Scottish economy was poor, with economic growth forecasted at 2% in 2021. At the start of the year the Scottish economy was not expected to reach its pre-pandemic peak until 2024. 8 months on and the outlook for the economy has improved significantly. All eyes are on the latest forecasts which sees the Scottish economy growing by 10.5% in 2021/22, with economic output reaching its pre-pandemic levels by 2022 Q2; around two years sooner than forecasted at the start of the year.

2.5.4 These improvements to the economic outlook add almost £900m to income tax forecasts for 2021/22. But it is critical to remember that this does not mean an extra £900m of spending for the Scottish Government; similar improvements in the UK outlook will offset these forecast upgrades to a large extent.

2.5.5 The furlough scheme has supported the labour market significantly throughout the pandemic however, with the job support scheme due to end on the 30th of September, the SFC forecast unemployment to peak at 5.4% in 2021 Q4. This is a downwards revision from its January forecast peak of 7.6% in 2021 Q2 – equivalent to 58,000 fewer unemployed.

2.5.6 Whilst the economic outlook has improved since the start of the year, there remains a great deal of uncertainty, particularly around employment. The furlough scheme has masked the true impact of the pandemic on employment and only after the scheme ends at the end of the month will the effects of the pandemic crystallise. In addition, the UK Government's planned removal of the £20-a-week Universal Credit uplift will undoubtable impact on low-income families and create greater hardship that may lead to increased pressure on council service provision.

2.5.7 Forecasts of the economy are exactly that, forecasts. Just as the projections have significantly improved since January 2021, they could also significantly worsen, depending on Scotland's recovery path from COVID-19.

The two main factors that could slow down Scotland's recovery are –

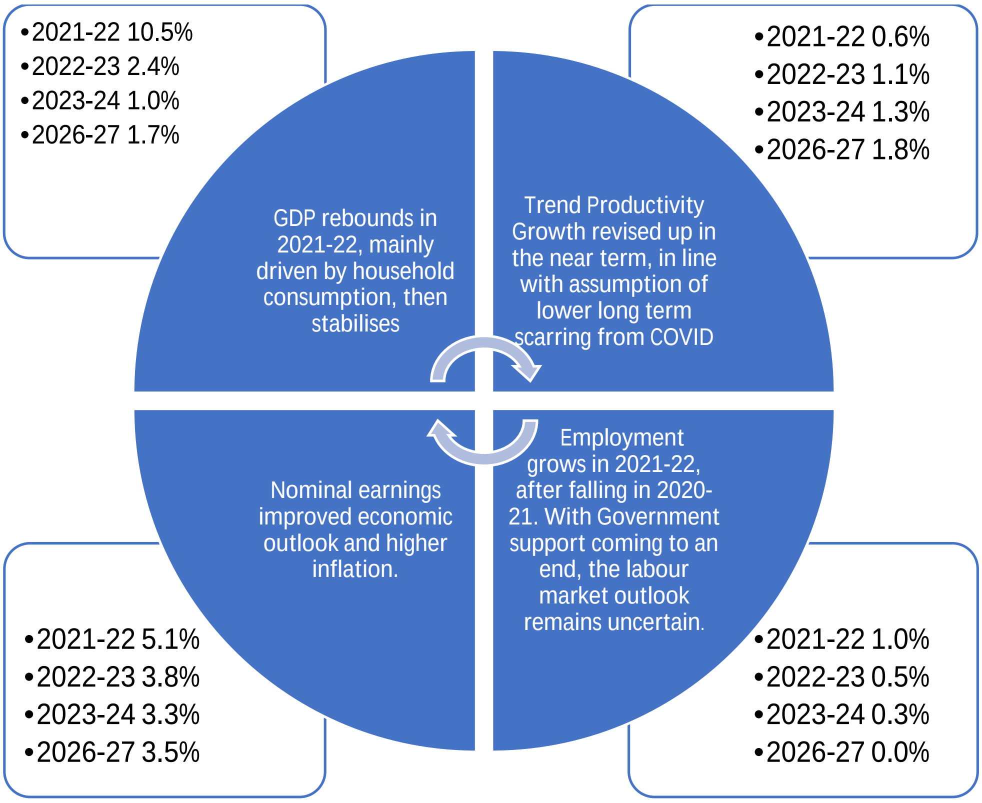
[2] Scottish Fiscal Commission (August 21)

- A fourth wave of rising COVID-19 cases; and
- New variants of COVID-19 that the current vaccines do not provide enough protection against.

Both scenarios could lead to the reintroduction of COVID-19 restrictions/another national lockdown, which could hinder any economic recovery and would require additional UK and Scottish Government support.

2.5.8 The table below highlights the Scottish Fiscal Commissions growth projections for a number of economic indicators:

Fig 10 – Economy % growth indicators



2.5.9 CPI inflation fell well below target in the months since the pandemic broke, reaching 0.5 per cent in the fourth quarter of 2020. The decline reflected falls in fuel and utility prices, plus the cut in VAT for the hospitality and tourism sector. Over the remainder of 2021 and 2022, CPI inflation is expected to remain a little below the MPC's 2 per cent target, as the rise in unemployment dampens wage growth. This is sufficient to outweigh the upward pressure from the rise in utility prices and the pass through of higher oil prices into fuel prices, the latter of which is also moderated by the Government's customary decision to freeze fuel duty for a year[3].

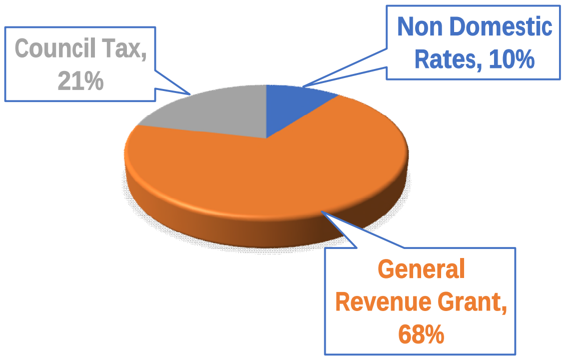
2.6 Scottish Government Funding

2.6.1 The primary source of funding for the delivery of Council Services is the Scottish Government through the allocation of general revenue and capital grants, and

[3] OBR Economic and Fiscal Outlook March 2021

the distribution of national non-domestic rates income. Fig 11 shows the breakdown of funding sources for South Ayrshire in 2021-22. Aggregate external finance (General Revenue Grant and Non-Domestic Rates income) accounted for 78% in 2021-22, leaving the balance funded from local Council Tax income.

Fig 11 – Funding Sources 2021-22



2.6.2 With approximately four fifths of the Council's net revenue funding being received in this way it is simple to see why UK and Scottish Government policies and economic forecasts impact on the level of Council funding.

2.6.3 The Scotland Block Grant from UK Treasury is based on the Barnett Formula, adjusted to take account of taxation and fiscal powers now devolved to the Scottish Government.

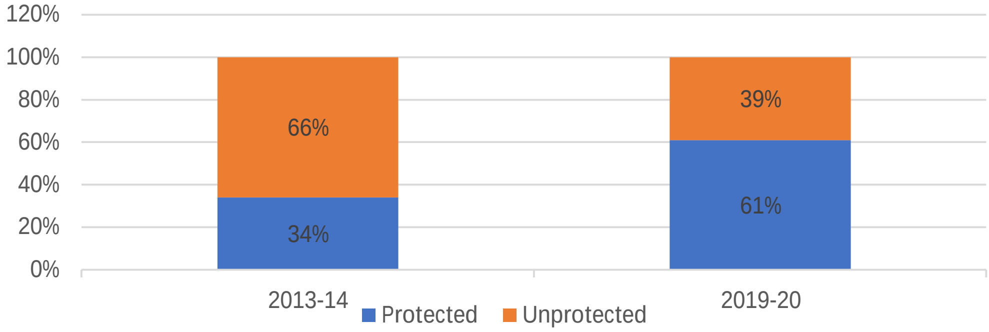
2.6.4 Notable is the adjustment to the block grant for the devolved tax raising powers that now sit with the Scottish Parliament. The size of the Scottish Budget is therefore directly affected by economic performance, through taxation revenues, in Scotland compared to the rest of the UK.

2.6.5 The 2019-20 Accounts Commission, Local Government in Scotland Financial Overview report[4], described the difference in funding between the local government sector and the other areas of the Scottish public sector. Their report indicated that funding from the Scottish Government to local government between 2013-14 and 2019-20 decreased by 4.7 per cent, in real terms. Scottish Government funding to other areas of the total Scottish budget decreased by 0.8 per cent between 2013-14 and 2019-20, demonstrating that local government funding has undergone a larger reduction than the rest of the Scottish Government budget over this period.

2.6.6 The funding of Local Government in Scotland is one that is driven strongly by the impact of national policy and commitments. Ring-fencing, national policy initiatives and protections in education, health and social care continue to grow creating increasing protection[5]. As a result, more and more must be delivered from an ever- decreasing portion of the budget. In addition, the Scottish Government's recently published Programme for Government 2021-22 appears to suggest an increased ring-fencing approach with no clear increase for Local Government.

[4] Accounts Commission – Local Government in Scotland Financial Overview 2019-20, January 2021
[5] The Convention of Scottish Local Authorities (COSLA), "Invest in Essential Services" publication

Fig 12 – movement in Protected/Unprotected



2.7 Climate Change and Carbon Budget

2.7.1 2021-22 saw the introduction of South Ayrshire Council's first carbon budget. This comes in the context of a nationally declared Climate and Ecological Emergency and as we prepare for COP26 due to be hosted in Glasgow in November 2021. The clear need for action has never been greater or more compelling.

2.7.2 In October 2020 South Ayrshire Council adopted stretching targets for reduction of the organisation's greenhouse gas emissions, with the aim of delivering against the council's public sector climate change duties as well as its moral and ethical obligations in this area. At the same time the council also committed to make a green recovery from Covid-19. This commitment intends to ensure that the disruption brought by the pandemic is harnessed as an opportunity for positive change while leaving the negative behaviours, habits and impacts of both the pre Covid-19 era and the pandemic in the past. By moving forward in ways which build and develop on the positives we will be best placed to deliver a resilient and low carbon future with a focus on wellbeing and future generations. The carbon budget is a key mechanism to deliver against these commitments while ensuring individual service needs and delivery is at the heart of how this is achieved.

2.7.3 Total accounted carbon emissions of the council in relation to electricity, direct fossil fuel use and grey mileage equated to 19,424.47 TCO2e in 2019-20. The carbon budget for 2021-22 set out below considers the spend and trajectory the organisation needs to be on to meet its targets, as well as the historic carbon emissions required by individual service areas to provide for service delivery and meet the needs of the people of Ayrshire.

Fig 13 – Carbon budget target 2021-22

Directorate	TCO_2e
Chief Executive	529.29
Health & Social Care	1,155.35
People (of which Education is 6,001.63 TCO_2e)	9,208.07
Place	4,399.00
Ayrshire Roads Alliance	1,571.00
Total Carbon Budget 2021/22	**16,863.55**

2.7.4 This approach is in its infancy and there are many unknowns about potential future opportunities and indeed challenges in relation to climate change solutions in the years between now and our 2030 and 2045 target dates. However, it is only with improved understanding of how our emissions relate to the services we provide and the levels that we need to be aiming for that we can begin to adapt to deliver in a way that is fit for a resilient low carbon future. This is what the carbon budget seeks to do, taking our engagement and consideration of this critical agenda to new levels with its introduction. All services have been involved in the development of this our first carbon budget, and all will be central to the delivery of our climate change and sustainable development targets and ambitions going forward.

2.7.5 Delivering the carbon budget will undoubtedly require financial investment and changes to the way in which we deploy our resources. The carbon budget processes set out above is intended to help the Council to meet requirements in a way which is planned and structured, recognising the financial costs but striving to meet them in the most resource efficient way possible.

2.7.6 The full costs of becoming net zero carbon are not known at this point, and many variables, including technology and energy prices, will change over the period between now and 2030 and 2045. The Council will seek and pursue external funding opportunities where possible, however it is important for the Council to be aware that investments from within the Council's own budgets will also be required.

2.8 **National Care Service – Feeley Review**

2.8.1 In September 2020 the First Minister announced that there would be an Independent Review of Adult Social Care in Scotland as part of the Programme for Government. The Review was chaired by Derek Feeley a former Scottish Government Director General for Health and Social Care and Chief Executive of NHS Scotland.

2.8.2 The principal aim of the review was to recommend improvements to adult social care in Scotland, primarily in terms of the outcomes achieved by and with people who use services, their carers and families, and the experience of people who work in adult social care. The Independent Review concluded at the end of January 2021 and its report, together with an accompanying short film, was published on 3 February 2021. The review has now moved to the consultation stage but with further Local Government Services now included within the review.

2.8.3 There may be a significant impact on local government service provision at a local level however it is too early to tell what the ultimate outcome of this review and final recommendations will be, therefore the potential implications have not been factored in to the LTFO at this stage.

2.9 Income Sources

2.9.1 Limits placed on the funding local government receives means that local authorities must turn to the fiscal levers they have to pay for services. Fundamentally this means looking at raising funds locally from Council Tax, and to review / apply fees and charges for services that are delivered and to consider utilising uncommitted available reserves.

2.9.2 **Council Tax Income** – In recent years the local government financial settlement has placed restrictions on setting the level of Council Tax increases. The cap on Council Tax increases was introduced in 2017/18, following a nine-year Council Tax freeze, from 2008/09. The initial cap condition was absolute in cash terms at 3% and in 2019/20 a real terms limit of 3% was introduced which equated to a 4.79% cash increase. In 2021/22 Scottish Government provided additional freeze funding to again restrict Councils to a zero Council Tax increase. Despite this it offers local authorities limited opportunity to raise the funds they need to meet rising costs.

2.9.3 **Fees and Charges** - The Council also raises income by charging for some of the services it provides. The net budget for 2021-22 included income from external fees and charges (excluding Social Care) of £14.6m. Some elements of this relate to charges that are set at a national level through statutory or regulatory measures such as Planning and Licensing fees however many of the remaining charges such as cremation fees, swimming charges, school meal charges etc are set at a local level by the Council. There is a degree of flexibility for the Council as to what level many charges are set at. However, any increases in charges for services need to recognise the relationship between price and demand and the resultant impact on the local economy.

2.9.4 **Use of reserves** - Local authorities are permitted to establish reserve funds as part of their responsibility for ensuring that sound financial management arrangements are in place. The purposes of reserve funds are as follows:

Fig 14 – Reserves purposes

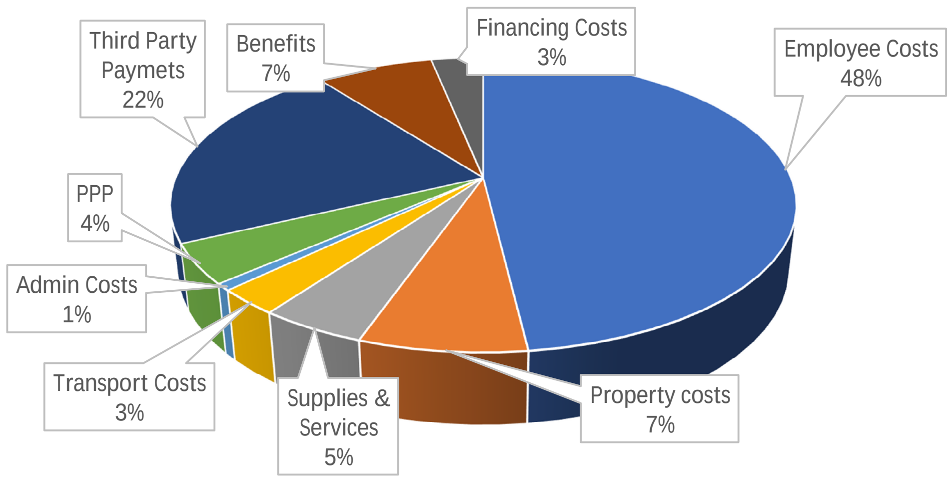
As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing	As a contingency to mitigate against the impact of unexpected events or emergencies	As a means of building up funds to meet known or anticipated future commitments

2.9.5 The council currently has a policy of maintaining uncommitted general reserves at a minimum of 2% of the following year's net expenditure. The current uncommitted reserves for the Council for 2021/22 are projected to be £12.1 million by 31 March 2022, equating to approximately 5.9% of future spend, which is above the minimum policy requirements. Further detail on the Reserves policy is provided in section 5 of this LTFO.

2.10 **Cost Pressures**

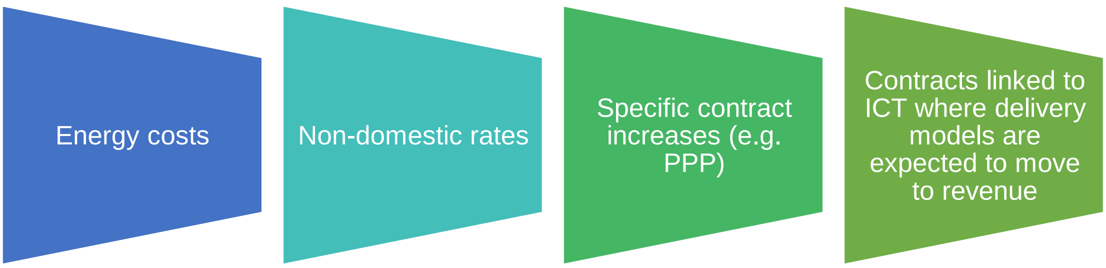
2.10.1 **Pay -** Employee costs represent 48% of the Council's net budget excluding benefit payments. Inflationary pressure in this area represents the most significant pressure which will be faced by the Council over the next 10 years. Pay increases for employees are negotiated at a national level. This LTFO includes assumptions in relation to pay awards and the national commitment to living wage. Employees of South Ayrshire Council are members of the Strathclyde Pension Fund or the Scottish Public Pension Agency. Both pension schemes routinely review employer pension contributions. Although there are triennial reviews of the pension schemes, there are currently no planned changes to contribution rates and the assumption is that this will be maintained during the lifetime of the LTFO**.**

Fig 15 – Expenditure profile



2.10.2 **Key objective investment** - Like many other organisations, the Council is subject to inflationary pressures. Despite this, budgets are not routinely inflated, and every effort is made to contain non pay inflation pressures within existing budgets. The LTFO recognises that, for some key areas, maintaining spend within budgets over the longer term is not sustainable unless additional provision is made. The key areas where specific provisions are made include:

Fig 16 – Specific inflationary provision



Capital Investment decisions - When the Council approves its ten-year Capital Investment Plan, the revenue implications of any investment is known and needs to be reflected in our longer-term financial plans. These relate to additional borrowing costs associated with the funding of the programme. The LTFO requires to been adjusted to reflect estimated increased capital project costs associated with the impact of Covid-19 and assumptions around potential capital investment required to implement climate change policy requirements.

2.10.3 Further detail on the Councils Capital Investment Strategy is provided in section 6 of this LTFO.

3. Consolidated Long Term Financial Outlook

3.1 The funding gap

3.1.1 Overall, the Long-term outlook is that increasing demand, pay and price inflation will drive costs up at a faster rate than the council can expect to raise income. This gap must be addressed for each individual year, but also sustainably for the future.

3.1.2 The long-term financial outlook provides long term forecasting of the potential scale of the financial challenge, which enables the Council to plan for the future and deliver services within the resources which are available. Therefore, a series of scenarios have been used to describe a range of income possibilities. The LTFO utilises three scenarios, Best Case, Mid Case and Worst Case, based on different contributing factors and assumptions.

3.2 Scenario based approach

3.2.1 Details of the key assumptions for each scenario are contained in the tables below. The calculations that flow from these assumptions reveal a particular sensitivity to Scottish Government funding levels and general pay and price inflation assumptions, while key components of the demand underpin rising costs, such as population demand changes.

3.3 Income assumptions

Fig 17 Funding and income

Assumption	Best Case	Mid Case	Worst Case
Scottish Government General funding (AEF)	Year 1 to 5 - 1% increase Year 6 to 10 Flat Cash	Year 1 to 5 - Flat Cash Year 6 to 10 1% reduction	Year 1 to 10 1% reduction
Schools for the future SG funding contribution	£1.773m in Year 2 and 3 and then £1.385m from year 4 onwards	£1.773m in Year 2 and 3 and then £1.385m from year 4 onwards	£1.773m in Year 2 and 3 and then £1.385m from year 4 onwards
Scottish Government HSCP additionality funding	Year 1 - 3% increase Year 2 to 5 - 2% increase Year 6 to 10 - 1% increase	Year 1 - 2% increase Year 2 to 5 - 1% increase Year 6 to 10 - Flat cash	Year 1 - 1% increase Year 2 to 10 - flat cash
Council Tax levels	Year 1 to 10 4% increase	Year 1 to 10 3% increase	Year 1 - CT Freeze Year 2 to 10 2% increase
Council Tax property base increase	Year 1 - 100 new properties Year 2 to 10 - 2,400 new properties	Year 1 - 100 new properties Year 2 to 10 - 1,650 new properties	Year 1 - 100 new properties Year 2 to 10 - 900 new properties

Assumption	Best Case	Mid Case	Worst Case
2021-22 Council Tax freeze funding	Assumed to be mainlined in core AEF Year 1 Year 2 to 10 n/a	Assumed to be mainlined in core AEF Year 1 Year 2 to 10 n/a	Assumed to be one off funding in 2021-22 only Year 2 £2.200m included to reflect a further year of CT freeze funding from the Scottish Government and then mainlined thereafter Year 3 to 10 n/a
CT BDP - Covid-19	Year 1 £0.250m loss and return to normal levels by year 2	Year 1 & 2 £0.250m loss and return to normal levels by year 3	Year 1 to 3 £0.250m loss and return to normal levels by year 4

3.4 Expenditure Assumptions

Fig 18 – Expenditure assumptions

Assumption	Best Case	Mid Case	Worst Case
Covid -19 - Fees, Charges & Other income	Year 1 £3.5m loss returning to normal levels by year 2	Year 1 £3.5m loss Year 2 £1.750m loss returning to normal levels by year 3	Year 1 £3.5m loss, Year 2 £1.750m loss, Year 3 £0.875m loss returning to normal levels by year 4
Covid-19 - Reserves contribution for loss of income year 1	Year 1 £3.5m only	Year 1 £3.5m only	Year 1 £3.5m only
Covid-19 - Service cost implications	Year 1 £2.3m Year 2 £0.668m returning to normal levels by year 3	Year 1 £2.3m Year 2 £1.150m returning to normal levels by year 3	Year 1 £2.3m Year 2 £1.150m Year 3 £0.575m returning to normal levels by year 4
Covid-19 - Reserves contribution for cost implications	Year 1 £2.3m Year 2 £0.668m	Year 1 £2.3m Year 2 £0.668m	Year 1 £2.3m Year 2 £0.668m
Inflation of Fees & Charges	Year 1 - no increase Year 2 to 10 - 2.5% increase per annum	Year 1 – no increase Year 2 to 10 - 1.5% increase per annum	Year 1 no increase Year 2 to 10 - 0.5% increase per annum
Key Strategic objectives/additional investment/general inflation increases	Year 1 to 10 based on similar level of increased investment as 2021/22 (£1.5m pa)	Year 1 to 10 33% increase over 2021/22 level to reflect increased inflationary and other cost factor increases (£2m pa)	Year 1 to 10 67% increase over 2021/22 level to reflect increased inflationary and other cost factor increases (£2.5m pa)
Remove one off 2021/22 Savings	Year 1 £0.566m	Year 1 £0.566m	Year 1 £0.566m
Health inflation Increase	Year 1 - 3% uplift less Pay & Demographic uplift Year 2 to 10 - 1.5% uplift less pay uplift	Year 1 - 3% uplift less Pay & Demographic uplift Year 2 to 10 - 2% uplift less pay uplift	Year 1 - 3% uplift less Pay & Demographic uplift Year 2 to 10 - 3% uplift less pay uplift
Health Pay uplift	Year 1 to 10 - 1.5% uplift	Year 1 to 10 - 2% uplift	Year 1 to 10 - 3% uplift
Demographic Health Changes	Per Demographic statistics shift	Per Best case with 50% less reduction in Children's element	Per Best case with 75% less reduction in Children's element
Education Children's Service Demographic Changes	Per Demographic statistics shift	Per Best case with 50% less reduction	Per Best case with 75% less reduction
Pay uplifts	Year 1 to 10 - 1.5% uplift	Year 1 to 10 - 2% uplift	Year 1 to 10 - 3% uplift

Assumption	Best Case	Mid Case	Worst Case
Capital Investment - Covid-19 debt charges per October 2021 Leadership Panel report	Estimated impact per October 2021 LP report	Year 1 - 5% increase Year 2 - 3% increase Year 3 to 5 - 2% increase Year 6 to 10 back to October 2021 LP report estimated impact	Year 1 - 7.5% increase Year 2 - 5% increase Year 3 to 5 – 2.5% increase Year 6 to 10 back to October 2021 LP report estimated impact
Capital Investment - Carbon budget debt charge increase	Year 1 - 0% increase Year 2 – 2.5% increase, Year 3 to 10 - 5% increase	Year 1 - 2.5% increase Year 2 - 5% increase, Year 3 to 10 - 7.5% increase	Year 1 - 5% increase Year 2 to 10 - 7.5% increase

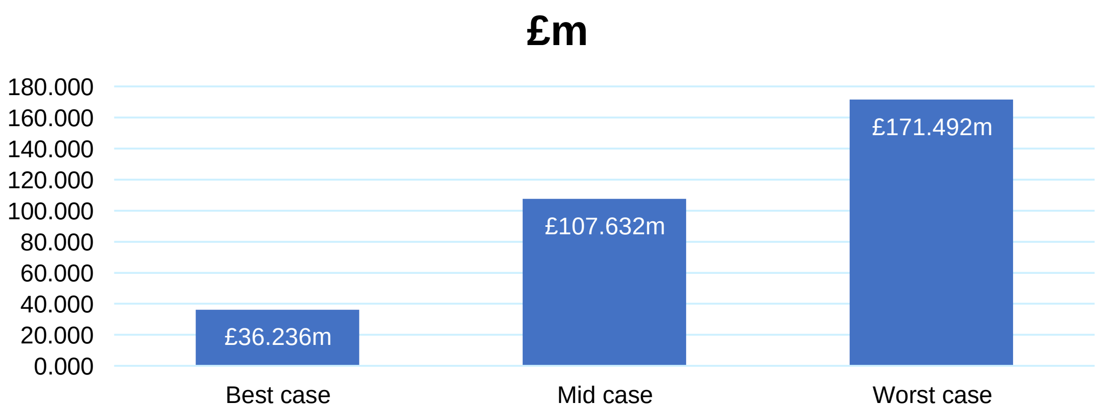
3.5 The impact of income and expenditure assumptions for each scenario over the ten-year period of the outlook is shown in the Fig 19 below. A more detailed analysis is provided in Appendix 1.

Fig 19 – Budget gap scenarios

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	2031/32 £m
Best	(2.395)	(3.453)	(2.776)	(2.056)	(2.567)	(4.344)	(4.920)	(5.398)	(4.686)	(3.642)
Mid	(7.971)	(12.215)	(9.055)	(8.717)	(9.536)	(11.515)	(12.051)	(12.783)	(12.156)	(11.632)
Worst	(14.930)	(20.219)	(17.142)	(14.763)	(16.597)	(15.829)	(17.366)	(18.641)	(18.022)	(17.985)

3.6 The above table assumes that each year the budget gap is bridged prior to commencing the following year. The table indicates a range of between £2.4m and £14.9m for 2022-23 and a cumulative 10-year gap as shown in Fig 20 below.

Fig 20 – Cumulative 10-year gap



3.7 Financial Forecast Risk

3.7.1 The assumptions which the financial projections are built upon are the best estimate at September 2021 of the likely future movement in the financial environment.

3.7.2 The use of scenario planning using a best case, mid case and worst-case estimate, shows the likely impact of changes to these assumptions. Whilst the outcome will no doubt differ from the scenarios, they provide a useful illustration of the overall financial envelope. The assumptions will continue to be kept under review and updated as appropriate.

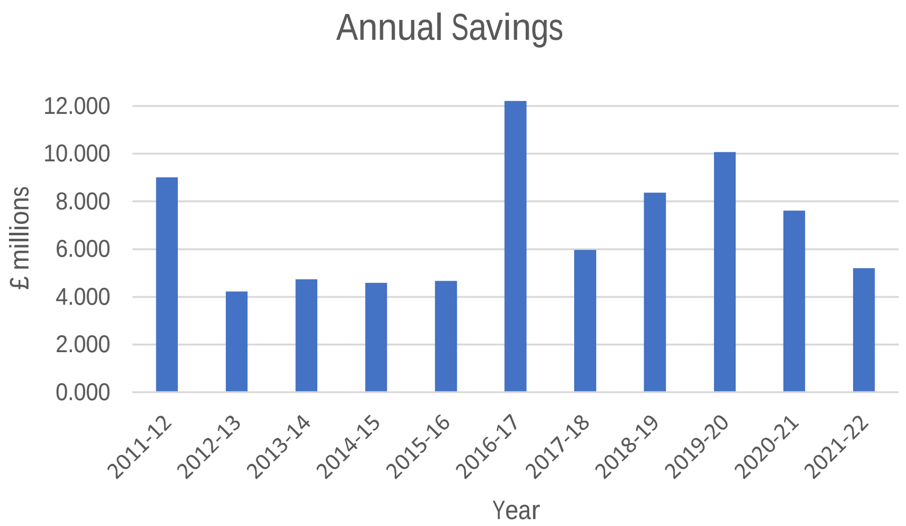
4. Strategic Response to the Long Term Financial Outlook

4.1 The scale of uncertainty and the potential for significant funding cuts means that the Council will require to address the situation and consider options for budget savings over the short, medium, and long-term timescale if a balanced budget is to be maintained. The situation is exacerbated if the Scottish Government continues to ring fence funding or insist that certain outcomes are achieved. This means that there may be certain areas of the council budget, particularly in relation to Education and Social Care, where budget savings potentially cannot be achieved. This will mean that reductions in other budgets will require to be much higher.

4.2 Should nothing change then future Service demands and cost pressures will significantly outstrip the resources available. The Council will need to continue to improve its productivity and efficiency in order to maintain and improve the Services provided, as well as continue to prioritise its spending. Decisions will have to be taken that will lead to funding reductions or cessation of services in lower priority areas to enable funding to be maintained elsewhere.

4.3 The Council has a proven track record in achieving annual savings delivering just under £77 million in the period since 2011-12 (inclusive of HSCP savings).

Fig 21 - Savings achieved since 2011-12



4.4 In addition to achieving savings of £77 million, a total of £14 million of useable reserves have been applied over the same time frame to support the achievement of a balanced budget each year.

4.5 The scale of Scottish Government grant reductions already made in recent years, and those forecast in future years mean that it will become increasingly difficult for Scottish local authorities to remain financially sustainable under the current service delivery model.

4.6 While core funding for local government is at best stagnant, and, reducing in cash and real terms, councils still must meet ongoing and increasing cost commitments.

4.7 In recent years the Council has taken a one-year approach to achieving a balanced budget, primarily driven by the significant uncertainty caused by the Scottish Governments single year settlement regime. It is essential that a more medium-term strategic approach is initiated over the next three-year period to allow action to be taken now that will impact on future years. The Key elements of this strategy should be to focus or refocus on 8 levers for change.

Fig 22 – Levers for change

Change Programme
- progress the refreshed transformational change activity programme to redesign services and reduce cost of provision

Managing demand
- effective demand management to transform local services and deliver better outcomes

Reviewing costs and income
- continue to review the cost of service delivery and sources of income to minimise cost and maximise income where possible

Future Operating Model
- consider the lessons learned from the pandemic and find better ways of working to deliver sustainable savings

Dis-invest in non priority service areas
- promotion of Council priorities will require the disinvestment in non priority service areas to remain within the avaialble financial envelope

Digital Technology
- continue to invest in ICT systems and technologies to take full advantage of the opportunities presented through the rapid accelleration of digital technologies

Reduce Council asset base
- reduce/rationalise the number of buildings/assets we own, by disposing of surplus assets and also achieve a positive effect on our carbon footprint

Workforce planning
- effective workforce planning will be required to ensure an integrated approach to managing the reducing cost, reorganisation of services and revision of service delivery models

4.8 The fundamental basis for this Strategy is to support the Council's duty to set a prudent, sustainable budget and to maintain appropriate levels of service provision to the public in line with the Council's legal obligations and agreed strategic objectives.

4.9 As highlighted in the introduction, the LTFO is an essential component of the overall financial framework that ensures resources are targeted towards achieving Council priorities. The LTFO assist in driving the development of the Council's Medium Term Financial Plan (MTFP) and subsequent annual budget.

5. Useable Reserves

5.1. Introduction

5.1.1 Local authorities are permitted to establish reserve funds as part of their responsibility for ensuring that sound financial management arrangements are in place. The purposes of reserve funds are as follows:

- As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- As a contingency to mitigate against the impact of unexpected events or emergencies; and
- As a means of building up funds to meet known or anticipated future commitments.

5.2 Useable Reserves Policy

5.2.1 **To maintain uncommitted general reserves at a minimum of 2% of the following year's net expenditure.**

This will mean that the Council continues to maintain its reserves at a level which meets CIPFA's best practice guidelines. At this level there will be an inbuilt flexibility for the Council, over the period of this Strategy, to use a level of reserves, as appropriate, to meet particular pressures.

5.2.2 **To consider, on a regular basis, contributing resources to augment currently held committed funds.**

This will mean that the balances held in following funds will be maintained at a level that will allow the Council to meet known or anticipated future commitments.

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(i) Workforce Change Fund - This fund is used mainly to meet the severance and other employee-related costs arising from the Council's Efficiency and Improvement measures undertaken. The level of contribution requires to be reviewed annually as part of the budget setting process to ensure that the Council has sufficient funds available to support further service redesign over the forthcoming years;

(ii) Efficiency and Improvement Fund - In order to re-design and develop service provision to be more efficient and effective, proposals may require up-front investment in new technology, additional temporary staffing arrangements or the introduction of alternative work patterns etc. to enable the Council to secure efficiencies or maximise income in the longer term (i.e. 'Spend to Save'). This fund is used to provide short-term enabling funding to assist in short term redesign arrangements; and

(iii) Election Fund - this fund is used to support expenditure associated with local Council elections. The Scottish Government provides some financial support to Councils for local elections but does not fully provide for all associated costs of running the election. The Council therefore requires to set aside funds to supplement government funding.

5.2.3 **To contribute a proportion of the Council tax raised from second homes each year to the Affordable Homes fund.**

The Council amended its policy in relation to Unoccupied Properties and Second Homes with effect from 1 April 2018. The amendment whilst increasing charges in relation to these types of properties retained the requirement to ring-fence a proportion of the income raised for the purchase or building of new social housing, either by the Council itself or local housing associations.

5.2.4 **To set aside or commit other such resources as determined either by the Leadership Panel or Council to meet other pressures or initiatives as required.**

This will mean that resources may be set aside to be used to finance expenditure not included in original revenue budgets for a given year which it is deemed appropriate to incur, and which is out with the level of service provided for in the approved revenue budget.

5.2.5 **To maintain three statutory funds as empowered under Schedule 3 of the Local Government (Scotland) Act 1975 as follows:**

(i) Repairs and Renewal Fund;

(ii) Insurance Fund; and

(iii) Capital Fund

5.3 **Review of Reserves**

5.3.1 An annual review will be undertaken, as part of each annual budget process, to assess the existing reserves and funds and the use made of them over the preceding year and to determine appropriate future use in line with the Council Plan and the LTFO.

5.4 **Use of Reserves to support Financial Resilience**

5.4.1 For financial resilience purposes the council may need to consider using a proportion of unearmarked Useable Reserves over the life of the LTFO.

5.4.2 The overall level of financial resources available to the council is finite and therefore any continued use of reserves cannot be sustained in the longer term without placing the council's financial position at risk.

6. Capital Investment Strategy

6.1 Introduction

6.1.1 This Capital Investment Strategy is a high-level framework for the management of the Council's core assets and infrastructure and sets out broad principles for the development of the Council's capital strategies and plans. It sits alongside and is intrinsically linked to;

(i) The Council's Treasury Management and Investment Strategy; and

(ii) The Council's Asset Management Plans.

6.1.2 The Prudential Code for Capital Finance in Local Authorities was introduced on 1 April 2004. The Code replaced the previous cash spending limits determined annually by the former Scottish Executive and instead now enables Councils to set their own limits whilst ensuring that the investment plans are affordable, prudent, and sustainable.

6.1.3 The Prudential Code provides a framework for the Council's longer-term financial planning and provides better integration and prioritisation between capital and revenue spending:

(i) The Council's capital expenditure plans are no longer limited to the level of cash grants available from government and capital receipts from the sale of assets in any year. The Council focuses on more strategic planning by borrowing money over a number of years to augment its capital income, provided the resultant annual debt repayments can be accommodated within the revenue budgets for future years; and

(ii) The Council therefore has increased scope to plan for large projects and finance them, either by restricting capital investment in other years or by borrowing money to fund the initial outlays and identifying resources within the revenue budget to meet the resultant annual debt repayments.

6.1.4 In determining the affordability of its capital programmes, the Council is required to examine all the resources available to it and estimates of funding available in the future. Consideration also needs to be given to the inter-dependencies between the capital and revenue budgets, by recognising that capital investment may either, generate, avoid, or reduce cost pressures on the revenue budgets depending on the nature of the investment. Similarly, revenue investment in asset maintenance may avoid or delay the need for capital expenditure.

6.1.5 The capital strategy is intended to give a high-level overview of how capital expenditure; capital financing and treasury management activity contributes to the provision of services along with an overview of how risk is managed and the implications for future financial sustainability.

6.1.6 In order to ensure the Councils Capital Investment Strategy and associated capital investment plans are developed and maintained in accordance with sound governance arrangements, due diligence, best practice, and legislative requirements, council staff involved throughout the process are suitably qualified to undertake the roles and responsibilities required of them. Furthermore, the

Council has access to external advisors such as Link Asset Services who act as its external treasury management advisors.

6.2 Capital Investment Strategy

6.2.1 The Council recognises that a longer-term financial plan for assets is vital to secure best value; this reflects the high value of these assets together with the longer time frame to secure, develop or dispose of assets. By carefully planning investment and taking a longer-term approach the Council ensures that scarce resources are applied in a sustainable way that supports Council and partner priorities.

6.2.2 To enable this approach the Council will:

(i) have sound governance arrangements in place to improve corporate asset management;

(ii) ensure the Council only retains and then maximises the use of assets which support its strategic objectives by utilising Asset Management Plans;

(iii) have a corporate approach to prioritisation of investment founded on a clear business case and clear criteria, with due consideration to whole-life costing and embedded post-project evaluation;

(iv) take a longer-term approach to capital investment to allow a greater flexibility in the planning of significant capital investment which will ensure adequate preparation and planning in terms of operational service activity;

(v) invest in Council General Services assets through an average of £41.4m per annum capital investment over the period of the programme, inclusive of £21m over the period for the Councils investment in Prestwick Airport and contribution to the Ayrshire Growth Deal investment;

(vi) in accordance with the agreed HRA business plan invest in Council Housing Revenue Account assets through an average of £29.3m per annum capital investment over the period of the programme;

(vii) fund capital investment through a combination of Capital Grants, Capital receipts through the sale of council assets, Capital Funding from Current Revenue (CFCR), other contributions and through prudential borrowing; and

(viii) where prudential borrowing is undertaken for investment it should be affordable, prudent, and sustainable.

6.3 Governance Arrangements

6.3.1 Good practice recommends the need for a clear process for preparing and approving business cases as a key part of decision-making and continuous review of all major capital projects. Further that a detailed and robust business case for every project should be prepared. This should cover the intended aims and benefits, options appraisal, risk assessment and cost, time, and scope targets.

6.3.2 The Leadership Panel of 30 September 2014 approved a revised approach to capital asset management planning and a revised remit and membership of the Capital Asset Management Group (CAMG), comprising senior officers representing all services, which is tasked with ensuring the effective management of the capital programme and the evaluation of any new bids brought forward.

6.3.3 The specific process and roles within the council are as follows:

(i) The Council approves the medium and longer-term capital programme as part of the annual budget setting process;

(ii) The Executive Leadership Team and the CAMG ensure officer coordination of corporate asset management and support the Council and Leadership Panel at chief officer and senior management levels;

(iii) Bids for capital for all new projects are considered on an annual cyclical basis and to accord with a timescale that aligns with the budget setting process each year. This will ensure that projects are considered against other Council corporate needs on a prioritised basis;

(iv) Investment projects are considered on a regular basis by the CAMG (chaired by the Director – Place) with a view to producing a Capital Project Business Case for each project;

(v) The programme for assessment of business cases for projects is as follows:

- completed business cases are considered and assessed at the one time by the CAMG in September each year;
- recommendations from the CAMG based on the scored templates are passed to the ELT for consideration;
- proposals are presented to Elected Members for inclusion in the capital plan as part of the budget setting process for each year;
- only projects in excess of £100,000 capital requirement will be subject to this process;
- Projects under £100,000 are prioritised and approved through a separate form submitted to the CAMG. These are considered and approved utilising a similar methodology for main capital bids. There may be various sources of funding utilised for works in this category of value including the Central Repairs Account and the Repairs and Renewal Fund; and
- works required to be undertaken and proposed to be funded by the Repairs and Renewal Fund in excess of £100,000 will be

considered for recommendation by the CAMG but will require formal approval by Leadership Panel.

(vi) A Capital Asset Sub-Group (CASG) has also been established, chaired by the Service Lead – Assets Management and Community Asset Transfer, with the remit to monitor the actual delivery of approved projects. The CASG provides regular updates to the CAMG to allow consideration of asset management and service delivery on a more strategic basis.

(vii) For ICT investment projects, to ensure appropriate decisions are made with respect to new and upgraded technology projects, a governing board is seen as an essential element of governance.

(viii) An ICT Technology Review Board (TRB) has been established to manage and oversee the rolling multi-year ICT investment programme, taking responsibility for reviewing and approving business cases for all significant technology-enabled investment decisions.

(ix) The review board comprises the Head of Finance and ICT, the four Assistant Directors; and the ICT Enterprise Architect. Other stakeholders also attend as needed for specific projects or proposals.

6.3.4 To ensure Members are fully apprised of progress on the Council's annual capital investment programme, regularly update reports are submitted to Leadership Panel on a quarterly basis.

6.3.5 In line with the CIPFA 'Guide to Asset Management and Capital Planning in Local Authorities' the Council has classified its assets into six categories of Land and buildings, Housing, Roads, Open space, fleet and ICT. The plans and strategies are at various stages of completeness.

6.3.6 Each asset plan/ strategy aims to ensure that the Council holds the right assets and that they are fit for purpose in terms of condition, suitability, sufficiency, and accessibility. In addition to the assets captured in the core asset plans, there is a range of initiatives, including town centre regeneration which do not sit within any of the core asset plans as the assets are not Council owned. The need for investment in these assets is recognised in the Council's capital investment programme.

Appendix 1 – Detailed Financial Outlook – Funding and Expenditure

Scenario 1 – Best Case

	Description	Yr1 2022/23 £m	Yr2 2023/24 £m	Y3 2024/25 £m	Yr4 2025/26 £m	Yr5 2026/27 £m	Y6 2027/28 £m	Yr7 2028/29 £m	Yr8 2029/30 £m	Yr9 2030/31 £m	Yr10 2031/32 £m	
Funding	Aggregate External Finance	214.742	217.844	219.989	221.767	223.955	223.161	223.161	223.161	223.161	223.161	
	Council Tax	63.747	66.685	69.756	72.965	76.320	79.827	83.492	87.323	91.326	95.510	
		278.489	284.529	289.745	294.733	300.276	302.988	306.654	310.484	314.487	318.671	
Expenditure	Base expenditure	271.131	280.884	287.982	292.521	296.789	302.843	307.332	311.573	315.882	319.174	
	Assumed saving reduction to balance budget		(2.395)	(3.453)	(2.776)	(2.056)	(2.567)	(4.344)	(4.920)	(5.398)	(4.686)	
	Covid Recovery net cost impact	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	Fees & Charges inflation	0.000	(0.367)	(0.376)	(0.385)	(0.395)	(0.405)	(0.415)	(0.425)	(0.436)	(0.447)	
	Key Strategic increases	2.578	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	
	HSCP uplift	1.491	1.227	1.258	1.289	1.319	1.353	1.385	1.419	1.456	1.492	
	HSCP demographic changes	0.891	0.858	0.830	0.694	0.925	0.779	0.922	0.997	0.947	0.592	
	Education - Demographic changes	(0.512)	(0.843)	(1.035)	(1.045)	(1.019)	(1.325)	(0.807)	(0.781)	(0.683)	(1.138)	
	Pay uplift (excl HSCP)	4.381	4.336	4.458	4.583	4.711	4.843	4.979	5.118	5.262	5.409	
	Debt Charges - general increase	0.924	2.687	1.208	0.367	0.925	0.285	0.881	1.166	0.594	0.363	
	Debt Charges - Covid-19 impact	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	Debt Charges - Climate Change	0.000	0.096	0.148	0.042	0.144	0.026	0.141	0.234	0.050	0.055	
		280.884	287.982	292.521	296.789	302.843	307.332	311.573	315.882	319.174	322.313	
												Cumulative
	Budget Gap	**(2.395)**	**(3.453)**	**(2.776)**	**(2.056)**	**(2.567)**	**(4.344)**	**(4.920)**	**(5.398)**	**(4.686)**	**(3.642)**	**(36.236)**

Scenario 2 – Mid Case

	Description	Yr1 2022/23 £m	Yr2 2023/24 £m	Y3 2024/25 £m	Yr4 2025/26 £m	Yr5 2026/27 £m	Y6 2027/28 £m	Yr7 2028/29 £m	Yr8 2029/30 £m	Yr9 2030/31 £m	Yr10 2031/32 £m	
Funding	Aggregate External Finance	211.866	212.845	212.845	212.457	212.457	209.560	207.478	205.418	203.377	201.357	
	Council Tax	63.053	64.956	67.432	69.732	72.110	74.568	77.108	79.734	82.447	85.252	
		274.919	277.801	280.277	282.189	284.567	284.128	284.587	285.151	285.825	286.610	
Expenditure	Base expenditure	271.131	282.890	290.016	289.332	290.907	294.104	295.643	296.638	297.935	297.981	
	Assumed saving reduction to balance budget		(7.971)	(12.215)	(9.055)	(8.717)	(9.536)	(11.515)	(12.051)	(12.783)	(12.156)	
	Covid Recovery net cost impact	0.000	2.232	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	Fees & Charges inflation	0.000	(0.220)	(0.223)	(0.227)	(0.230)	(0.233)	(0.237)	(0.241)	(0.244)	(0.248)	
	Key Strategic increases	2.822	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	
	HSCP uplift	1.442	1.636	1.687	1.740	1.790	1.846	1.901	1.959	2.020	2.081	
	HSCP demographic changes	0.940	0.938	0.928	0.793	1.021	0.904	0.998	1.072	1.012	0.700	
	Education - Demographic changes	(0.256)	(0.422)	(0.517)	(0.523)	(0.510)	(0.662)	(0.404)	(0.391)	(0.342)	(0.569)	
	Pay uplift (excl HSCP)	5.805	5.940	6.166	6.401	6.644	6.897	7.159	7.431	7.714	8.007	
	Debt Charges - general increase	0.924	2.687	1.208	0.367	0.925	0.285	0.881	1.166	0.594	0.363	
	Debt Charges - Covid-19 impact	0.055	0.115	0.059	0.017	0.058	0.000	0.000	0.000	0.000	0.000	
	Debt Charges - Climate Change	0.027	0.191	0.223	0.062	0.216	0.040	0.211	0.351	0.075	0.083	
		282.890	290.016	289.332	290.907	294.104	295.643	296.638	297.935	297.981	298.241	
												Cumulative
Budget Gap		**(7.971)**	**(12.215)**	**(9.055)**	**(8.717)**	**(9.536)**	**(11.515)**	**(12.051)**	**(12.783)**	**(12.156)**	**(11.632)**	**(107.632)**

Scenario 3 – Worst Case

	Description	Yr1 2022/23 £m	Yr2 2023/24 £m	Y3 2024/25 £m	Yr4 2025/26 £m	Yr5 2026/27 £m	Y6 2027/28 £m	Yr7 2028/29 £m	Yr8 2029/30 £m	Yr9 2030/31 £m	Yr10 2031/32 £m	
Funding	Aggregate External Finance	209.088	206.211	204.149	202.108	200.087	198.086	196.105	194.144	192.202	190.280	
	Council Tax	60.972	62.079	63.465	65.132	66.580	68.060	69.573	71.119	72.699	74.314	
		270.060	268.290	267.614	267.240	266.667	266.146	265.678	265.263	264.901	264.594	
Expenditure	Base expenditure	271.131	284.990	288.509	284.757	282.002	283.264	281.975	283.044	283.904	282.924	
	Assumed saving reduction to balance budget		(14.930)	(20.219)	(17.142)	(14.763)	(16.597)	(15.829)	(17.366)	(18.641)	(18.022)	
	Covid Recovery net cost impact	0.000	2.232	1.450	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	Fees & Charges inflation	0.000	(0.073)	(0.074)	(0.074)	(0.074)	(0.075)	(0.075)	(0.076)	(0.076)	(0.076)	
	Key Strategic increases	3.194	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	
	HSCP uplift	1.418	2.454	2.557	2.663	2.768	2.883	2.998	3.119	3.246	3.375	
	HSCP demographic changes	0.964	0.978	0.977	0.843	1.070	0.967	1.037	1.109	1.044	0.754	
	Education - Demographic changes	(0.128)	(0.211)	(0.259)	(0.261)	(0.255)	(0.331)	(0.202)	(0.195)	(0.171)	(0.285)	
	Pay uplift (excl HSCP)	7.296	7.527	7.886	8.262	8.657	9.070	9.503	9.957	10.432	10.930	
	Debt Charges - general increase	0.924	2.687	1.208	0.367	0.925	0.285	0.881	1.166	0.594	0.363	
	Debt Charges - Covid-19 impact	0.082	0.191	0.074	0.021	0.072	0.000	0.000	0.000	0.000	0.000	
	Debt Charges - Climate Change	0.109	0.164	0.147	0.068	0.362	0.009	0.256	0.646	0.091	0.116	
		284.990	288.509	284.757	282.002	283.264	281.975	283.044	283.904	282.924	282.579	
												Cumulative
Budget Gap		**(14.930)**	**(20.219)**	**(17.142)**	**(14.763)**	**(16.597)**	**(15.829)**	**(17.366)**	**(18.641)**	**(18.022)**	**(17.985)**	**(171.492)**