Agenda Item No. 10

South Ayrshire Council

Report by Chief Financial Officer
to South Ayrshire Council
of 12 December 2024

Subject: Medium Term Financial Plan 2025-26 to 2029-30

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1. Purpose

1.1 The purpose of this report is to seek approval of the Council's updated Medium Term Financial Plan 2025-26 to 2029-30 and associated Budget Strategy for the 2025-26 budget.

2. Recommendation

2.1 It is recommended that the Cabinet:

2.1.1 considers and approves the Medium-Term Financial Plan (MTFP), attached as Appendix 1;

2.1.2 notes the potential cumulative five-year budget gap based on the assumptions contained in the plan is £40.0m; and

2.1.3 approves the budget strategy as contained in Section 4 of Appendix 1, developed to address the anticipated cumulative budget gap.

3. Background

3.1 At its meeting on 28 November 2023, the Cabinet approved the Council's five-year MTFP 2024-25 to 2028-29. The MTFP was extended from the previous three-year timeframe to a five-year timeframe covering the period 2024-25 to 2028-29 following discussions with Audit Scotland, the Council's external auditors. This approach introduced the new methodology of maintaining one extended medium term financial plan rather than the previous approach of having a three-year MTFP alongside a ten-year Long Term Financial Outlook.

4. Proposals

4.1 As is the case across all local authorities, this Council faces significant financial challenges due to the increased inflationary environment and will be required to operate within even tighter fiscal constraints for the foreseeable future alongside which the continuing difficult national economic outlook and increased demand for services is increasing the pressure on Council activity.

4.2 The purpose of the MTFP, contained in Appendix 1, is to provide a clear understanding of the expected resources that will be available in the short and medium term to deliver Council Priorities. It plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayers' funds

4.3 The primary source of funding for the delivery of Council Services is the Scottish Government through the allocation of Aggregate External Finance (General Revenue Grant and Non-Domestic Rates income) which accounts for 78% of the Council's funding. The expectation is that future Scottish Government funding will be severely limited or more likely flatline. This means that current service provision will become unaffordable within the estimated funding envelope, therefore decisions are required to increase income through other means (council tax or fees and charges) or to contract council service provision by reducing or ceasing certain non-priority service provision areas.

4.4 The anticipated budget gap position of the Council over the next five years, drawn from the MTFP, is provided in the Fig 1 below. Further work continues to refine the underlying assumptions and final savings requirements will be determined following the Local Government Financial Settlement due to be announced in December 2023.

Fig 1 – five-year budget gap

2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m	Cumulative Total £m
5.5	19.1	7.1	4.3	4.0	**40.0**

4.5 Fig 1 above indicates a significantly larger budget gap in 2026-27, compared to other years in the plan. This is predominantly based on the fact that the pension contribution rate for the Strathclyde Pension Scheme is being paid at the reduced rate in 2025-26 of 6.5%, however this reduction is only temporary, thereafter the rate will increase to 17.5%, significantly increasing costs in 2026-27, resulting in a much larger budget gap than the preceding year or subsequent following years after 2026-27.

4.6 Given the significant requirement for savings over the next five years it is essential that a budget strategy is agreed that recognises the fluctuating levels of the projected budget gaps and establishes appropriate plans and associated actions needed to meet the required savings targets.

4.7 Contained within the MTFP is a budget strategy that sets out the key principles to ensure a robust and strategic approach to financial planning is progressed.

4.8 This Budget Strategy will be key to ensuring that the achievement of the Council's Strategic Priorities identified in the new Council Plan are confined within the resources available to support the delivery of key outcomes.

4.9 The years through to 2030 will be challenging financially, given the available funding anticipated. Managing the financial pressures whilst seeking to deliver the Council's priorities will be difficult and will require a comprehensive review of the revenue budget, planned costs and performance as well as a review of the capital plans and aspirations in order to ensure that the Council remains financially resilient.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 The anticipated funding gap over the period 2025-26 to 2029-30, based on key assumptions, is £40.0m. The Council will require to set a balanced budget for 2025-26 and future years.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 ***Risk Implications of Adopting the Recommendations***

8.1.1 There is a risk that the Council, on adopting the recommendations, fails to take the necessary actions to address the anticipated funding gap.

8.2 ***Risk Implications of Rejecting the Recommendations***

8.2.1 There is a risk that Council fails to recognise the potential financial climate and does not take appropriate steps to manage the situation accordingly resulting in service interruption and reputational damage to the Council.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report although various options have been considered as part of the key assumptions when assessing future possible financial outcomes.

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12. Link to Council Plan

12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

14.1 If the recommendations above are approved by Members, the Chief Financial Officer will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

Implementation	Due date	Managed by
Publish on the Council's website	20 December 2024	Chief Financial Officer
Budget strategy to be implemented as part of the 2025-26 budget setting process	31 March 2025	Chief Financial Officer

Background Papers **Report to Cabinet of 29 November 2022 – Medium Term Financial Plan Update**

Report to Cabinet of 28 November 2023 - Medium Term Financial Plan 2024-25 to 2028-29

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Date: 29 November 2024

Appendix 1

Medium Term Financial Plan 2025-26 to 2029-30 (5 years)

December 2024

South Ayrshire Council

Medium Term Financial Plan 2025-26 to 2029-30

Contents

1. Introduction

The purpose of the Medium-Term Financial Plan (MTFP) 2025-26 to 2029-30, is to provide a clear direction on how the Council will manage its financial resources in the medium term to ensure they are deployed effectively to achieve Council Priorities and outcomes and should be seen in the context of the Council Plan and various other strategies and plans in place across the Council. The MTFP plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayer's funds.

Local authorities continue to operate in a very challenging and uncertain environment with public sector funding not keeping pace with the increasing costs and demand for services.

Medium Term Financial Plan

Given the extent of financial challenges ahead, it is essential that the MTFP enables the Council to develop a better understanding of the wider policy and financial environment within which it operates and ensure that it can identify and respond flexibly to opportunities and threats and manage and mitigate risks whilst ensuring that financial resources are contributing to achieving Council priorities and outcomes. The principal objectives of the Financial Plan are to:

- Outline the Council's high level financial position over the years 2025-2030 based on a range of assumptions.
- Identify the key influential issues that have been considered in developing the plan.
- Ensure that limited available resources are focused on delivery of the Council's three priorities.
- Provide a financial planning platform for a sustainable revenue budget and capital investment programme which will support the Council's priorities.
- Ensure that the Council is fully aware of the financial challenges and uncertainties that it faces and is in the strongest possible position to deliver the best possible quality and range of services within available resources.
- Increase both organisational awareness and wider community understanding of the Council's financial position and the challenges it is facing over the medium term in balancing and delivering against its budget.

The scale of this challenge will inevitably have an impact on the range and level of services delivered by the Council, and this will require to be managed within the context of its statutory and regulatory responsibilities.

Transformational Change Programme

To help address the financial challenges, the Council will continue to progress its transformation programme at scale and pace over the short, medium and longer term, and for this activity to be incorporated in the Council's Medium-Term Financial Plan and aligned to the key priorities set out within the Council Plan 2023-2028.

Financial Forecast risk

The plan is prepared at a point in time and relies on a series of assumptions and estimates.

The Council will continue to engage with Scottish Government on local government funding through CoSLA. The Scottish Government has still to publish its updated Medium-Term Financial Strategy, however, prior to the launch of the Scottish Government’s Programme for Government on 4 September 2024, the Cabinet Secretary for Finance announced cuts to the Scottish Government budget of £500million across a range of portfolios. This is, in part, as a consequence of funding a proportion of public sector pay increases. This further re-enforces the challenging financial landscape faced by Councils. It is also important that Councils continue to lobby Scottish Government for maximum financial flexibility across all policy areas, in particular, funding for health and social care and education.

In the UK Autumn Budget in October 2024, the UK Government announced changes to Public Sector funding through budget policies that increase spending by almost £70 billion over the next five years. The impact on Local Government funding allocations in Scotland will only become clear when the Scottish Government announces its budget in early December 2024, with Local Government Settlement following shortly thereafter.

The assumptions on which the financial projections are built upon are the best estimate of the likely future movement in the financial environment. The actual outcome will no doubt differ from the various assumptions however they will continue to be kept under review and updated as appropriate.

2. Financial Outlook – Key factors and assumptions

There are several key factors affecting the financial position and financial sustainability of the Council over the medium term as shown in Fig 1 below.

Fig 1 – key contributing factors

Economic factors

Funding for public services is linked to the performance of global and national economies and through the volatility in financial markets. UK Government fiscal policy and Bank of England Monetary policy decisions have a significant influence on local government finance whether it is through the level of Block grant available to Scotland, or the purchasing power associated with this funding within the context of inflation and the level of interest rates.

Inflation

The Consumer Price Index (CPI) measure of inflation rose by 1.7% in the 12 months to September 2024. This is a reduction from August 2024 and significantly below the peak of 11.1% in October 2022 and is below the Bank of England (BoE) target of 2%. Latest forecasts project Inflation will increase further to around 2.5% by the end of the year before falling again through 2025. Moving forward this should have the effect of stabilising costs across various commodities and importantly, where contracts are linked to inflation indices, this should minimise any increases.

Interest Rates

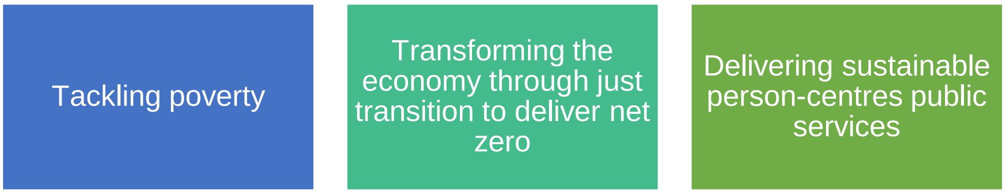
The Bank of England (BoE) Monetary Policy Committee met on 19 September 2024 and voted to maintain the bank base rate at 5.00%. This is the same level from the previous meeting on 1 August 2024 and a 0.25% reduction from the 5.25% rate prevalent through most of the previous year. It is projected that the base interest rate may reduce further towards the end of 2024 and into 2025, however, this will very much depend on inflation being at or around the 2% BoE target. From a Council borrowing perspective, through the Public Works Loans Board, the rates available are linked to the performance of government bond yields (Gilts). Current projections indicate that bond yields will fall slightly, leading to a reduced cost of borrowing. The landscape, however, remains quite uncertain. Any reduction in the cost of borrowing would help alleviate some of the pressures in delivering the capital programme.

National Factors

The Verity House Agreement

The Scottish Government and CoSLA (Convention of Scottish Local Authorities) signed the Verity House Agreement on 30 June 2023. This Partnership Agreement is a high-level framework document that sets out a shared vision for a more collaborative approach to delivering shared priorities, with a focus on:

Fig 2 – shared priorities



The document emphasises the need for regular and meaningful engagement between local authorities and the Scottish Government and respect for each other's democratic mandate.

Local Government Funding

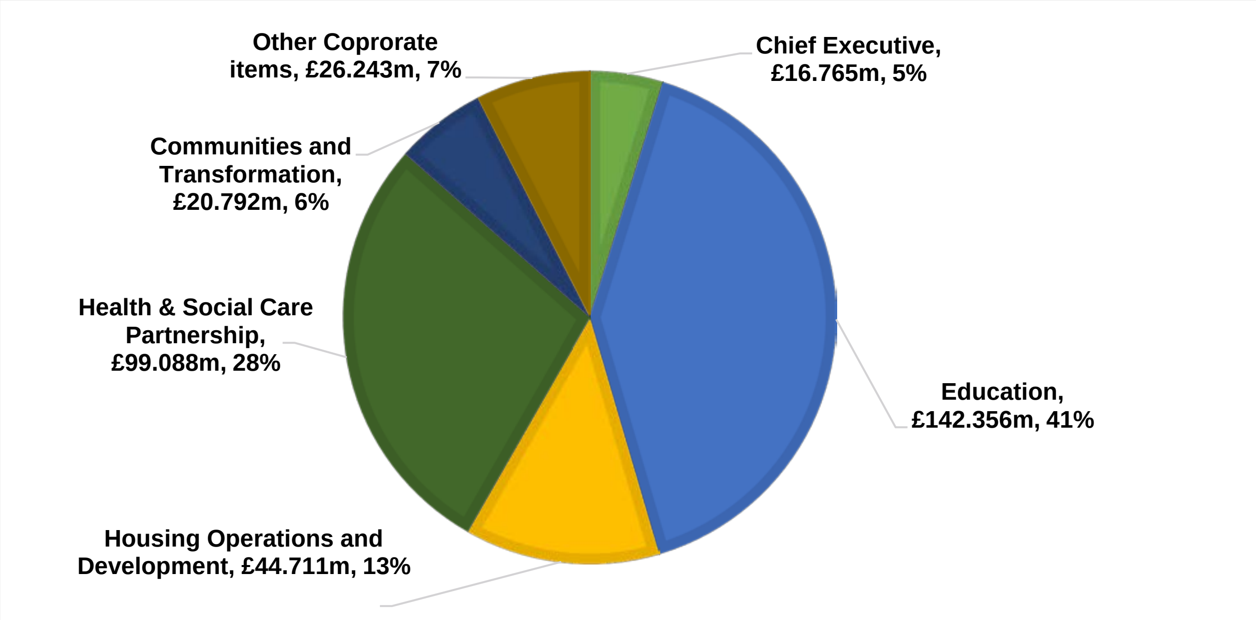
The primary source of funding for the delivery of Council Services is the Scottish Government through the allocation of general revenue and capital grants, and the distribution of national non-domestic rates income. Fig 3 shows the breakdown of funding sources for South Ayrshire in 2024-25. Aggregate external finance (General Revenue Grant and Non-Domestic Rates income) accounted for 80% in 2024-25, leaving the balance funded from local Council Tax income and the utilisation of Council reserves.

Fig 3 – Council funding sources 2024-25

With 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.

Fig 4 below summarises the allocation of resources for 2024-25 approved at Council in February 2024, with around 50% of gross expenditure relating to employee costs;

Fig 4 – Allocation of Resources to Council Services 2024-25 - £349.995m



The funding of Local Government in Scotland is one that is driven strongly by the impact of national policy and commitments. Ring-fencing (or Directed Funding), national policy initiatives and protections in education and health and social care continue to grow creating increasing protection. As a result, more and more must be delivered from an ever- decreasing portion of the budget. This continues to place a disproportionate level of pressure on the other Council budgets. This is unsustainable within the context of trying to deliver effective services to communities.

In the UK Autumn Budget in October 2024, the UK Government announced changes to Public Sector funding through budget policies that increase spending by almost £70 billion over the next five years, of which two-thirds is on current (resource) spending and one-third on capital spending, with the increase being very much front loaded.

From a Scottish perspective, through the Barnett Consequential allocations formulae, an additional £1.5 billion is being allocated in 2024-25 with a further £3.4 billion in 2025-26, however a substantial proportion of the funding relates to boosts to NHS funding and, as such, is likely to be ring fenced by the Scottish Government. The impact on Local Government funding allocations will only become clear when the Scottish Government announces its budget in early December 2024, with Local Government Settlement following shortly thereafter.

Key Planning Assumption 1: For planning purposes a flat cash approach has been assumed for Scottish Government grant funding for all years of the plan, plus or minus any confirmed or anticipated funding changes.

Public Sector Pay Settlements

Pay-related costs are a major component of the Council's overall expenditure and represents around 50% of Council net spend each year. The Council's financial planning requires to take account of likely future pay settlements and other pay-related costs.

Pay increases for employees are negotiated at a national level. Public sector pay will be a significant risk going forward and, while inflation has fallen back to 2% in recent months, this will not mitigate the risk that now exists in local government.

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. The most recent triennial review of the Strathclyde pension Fund resulted in a significant planned reduction from the previous contribution rate of 19.3% to 6.5% for both 2024-25 and 2025-26, followed by a subsequent increase up to 17.5% for 2026-27, with the assumption that this final 2026-27 rate will be maintained during the remaining lifetime of the strategy.

This temporary reduction in contribution rate resulted in significant savings for the Council in 2024-25 and 2025-26, however this will only be a temporary effect until the contribution rate reverts to more normal levels in 2026-27.

In the UK Autumn Budget in October 2024, the UK Government announced changes to National Insurance thresholds and payment rates from April 2025. The changes reduced the threshold from when National Insurance contributions begin from £9,100 annum down to £5,000 per annum for each employee and also change the payment rate from 13.8% to 15%. The impact of this is estimated to increase the pay bill for South Ayrshire council for 2025-26 by circa £5.5m. Latest information indicates that public sector organisations will be exempt or protected from the impact of this changes through additional UK funding. There are no specific details at this stage on how this will work in practice or if the funding provided will be sufficient.

Key Planning Assumption 2: For planning purposes, a rate of 3% has been assumed for pay uplifts in 2025-26 followed by a 2% uplift over the remaining lifetime of the plan.

Key Planning Assumption 3: For planning purposes estimated savings in pension contributions has been spread over a two-year period, 2024-25 and 2025-26, until the contribution rate reverts back to 17.5% in 2026-27.

Key Planning Assumption 4: Any increase in National Insurance contributions resulting from the planned UK government Changes will be mitigated through additional funding and will not impact on projected budget gaps.

Local Factors

Council Plan Priorities

It can be challenging to align funding and priorities during a period of financial constraint. 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.

Future budget decisions require to balance the Council Plan priorities with the challenges around financial sustainability and the needs of the local communities.

Council Tax Income

This is the main fiscal lever that local authorities have, setting the Council Tax.

Councils have discretion to increase Council Tax levels however this has been capped or severely limited on a number of occasions through conditions contained in the annual local government settlement. 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%. Councils were then given the flexibility to increase their Council Tax for 2019-20 and 2020-21 by 3% in real terms, which equated to increases of 4.79% and 4.84% respectively however this was followed with a further freeze on Council Tax increases in 2021-22, funded through additional Council Tax freeze funding. Council Tax levels were increased in 2022-23 by 2.9% and then by 5% in 2023-24, followed by a further Council Tax freeze in 2024-25.

Council tax was frozen between 2007-08 and 2016-17 and then again in 2021-22 and 2024-25. Over this period, it is estimated that the successive years of freezes mean that the Council Tax base is significantly smaller (around £600m) across Scotland than it could have been, had the decision been left to Councils.

The gearing effect of the smaller tax base means that each subsequent increase in Council Tax raises less income than would have been the case without the freeze. A revenue substitute into General Revenue Grant at year one of a freeze still results in a long-term reduction.

For each 1% increase in Council Tax rates, the Council can raise approximately £0.760m in income. This ability to raise income through Council Tax is important as any increase is mainlined into the base income for the following year and has a compound effect on future years income levels. Various Council tax uplifts have been modelled in the Section 4 (budget Strategy) to demonstrate the impact that different decisions may have on Council finances.

Key Planning Assumption 5: For planning purposes Council Tax rates will be uplifted by 5% base assumption for each year in the plan.

Inflationary/Contractual Pressures

Budgets have traditionally not been routinely increased to reflect inflationary pressure as pressure of this type remained at a relatively low risk levels, however recent national and international events, such as the war in Ukraine, gas and electricity price increases, the general cost of living crisis have all created an unprecedent level of uncertainty which has resulted in levels of inflation not seen for many decades.

Many of the Council's contracts, such as the Schools PPP contract, have direct links to inflation indices and will require to continue to be funded. However, the lack of certainty in future years forecasts, due to the recent economic uncertainty means that attempting to model inflation rates is challenging. Inflation has in recent months begun to ease, returning to the target rate of 2%.

The impact of inflation, despite the rate moving towards the target level of 2%, means that significant pressure is placed on service budgets as goods and services cost more and the purchasing power of existing budgets is diminished. Moreover, the need to provide inflationary uplifts for specific contracts, will inevitably lead to further budgetary pressures in 2024-25 and beyond.

Key Planning Assumption 6: For planning purposes an estimate of inflationary uplift for 2025-26 has been calculated based on latest information from services, followed by inclusion of an assumed uplift amount for the remained of the years of the plan. The reduced amount in later years of the plan is to account for the anticipated reducing inflationary pressure.

Revenue Implications of Capital Investment Decisions

The Council's Capital Investment Plan is considered by Council at the same time as both the revenue budget. This is to ensure there is a clear linkage between the longer-term capital investment decision making and the associated revenue impact for the Council; the resultant debt charges estimated for the period of the approved capital investment programme require to be incorporated into future financial considerations.

Consequently, when there is sustained pressure on the revenue budget this in turn causes pressure in capital finance and in the management of the capital programme and the debt and borrowing requirement that arises from it.

The current Capital Investment Programme was approved by Council in March 2024 with General Fund expenditure of around £408m planned from 2024-25 through to 2035-36 The programme contains a range of projects including new and refurbished schools, Information Technology expenditure, roads and infrastructure expenditure and planned expenditure as part of the Council's Ayrshire Growth deal agreement.

Given the scale of the financial challenges that lie ahead for the public sector it is prudent to review the overall quantum of the capital programme and the ability of the council to identify recurring debt charge budget increases.

The affordability of the capital programme is be assessed as part of the 2025-26 budget process and will inform the next iteration of the capital programme that will be presented to Members for consideration before the overall 2025-26 revenue budget is set.

Key Planning Assumption 7: For planning purposes the 2024-25 Period 6 position statement for the Capital Investment Programme presented to Cabinet in November 2024 is being used in relation to debt charge estimates extrapolated across the period of the plan, pending the outcome of the capital programme review to be presented to Council before the 2025-26 budget is set.

Service Concession Arrangements

The Scottish Government's 2022 Resource Spending Review contained details of a Service Concession Arrangement flexibility that related to the Council's PPP schools.

The flexibility permitted councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made which results in a one-off credit to the Council and ongoing annual savings for a period of time. In the remaining years following the end of the SCAs, the rescheduled debt repayments continue until the debt liability has been extinguished.

The Statutory Regulation was published and issued to councils in September 2022 and implementation of the flexibility was agreed in a report to Full Council December 2022. Council agreed that part of the one-off retrospective saving would be utilised to help balance the budget over the four-year period 2023-24 to 2026-27 providing the opportunity to buy some time for the Council during which the Council needs to refocus and redesign services to achieve permanent savings to reduce the overall revenue cost base of the council.

International Financial Reporting Standard (IFRS) 16 - In the addition to the application of the above Statutory Regulation and as a result of changes to the Cipfa Code of Practice, the Council requires to adopt a new accounting standard IFRS16 on a mandatory basis for leases and PFI/PPP arrangements with effect from the 2024-25 financial year. Council staff have been working alongside Link Asset Services, the Councils Treasury Management consultants in recent months, to establish the implications for the Council. This work will conclude prior to the year-end but an initial assessment of the impact indicates a positive impact on revenue budgets in 2024-25 and beyond when adopting the standard in relation to Loans Fund Repayment amounts charged to revenue each year for PFI/PPP arrangements.

The actual loans fund repayments (LFR) charged to revenue each year will depend on the indexation applied to the unitary payments each year for the remainder of the contract. An indication of the LFRs using the estimated inflation rate assumed in the current model of 2.5% is shown in the Fig 5 below:

Fig 5: Movement in Loans Fund Repayment

	Current planned LFR £m	New estimated LFR £m	Variance (saving)/cost £m
2024-25	4.448	2.660	(1.788)
2025-26	4.675	2.810	(1.865)
2026-27	4.907	2.968	(1.939)
2027-28	5.143	3.135	(2.009)
2028-29	4,991	3.311	(1.680)
2029-30	5.217	3.498	(1.719)
Remaining years	99.223	110.223	11.000
Total	128.606	128.605	0

Key Planning Assumption 8: For planning purposes the agreed use of the remaining PPP retrospective savings will stay in place for the period of the plan being £3.0m in 2025-26 and £2.0m in 2026-27.

Key Planning assumption 9: For planning purposes factor in the estimated revenue implications of the transition to IFRS16 for the period of the plan.

Health and Social Care Partnership (HSCP) contribution

The Integration Scheme sets out the Integrated Joint Board's (IJB) responsibility for financial planning and management of the HSCP's resources. The IJB operates its own Budget Working Group that considers information on anticipated pressures and proposed savings options to inform the allocation of resources delegated to the IJB. Many of the cost pressures experienced by the partnership are similar to those of the Council, such as contract inflation and pay inflation but with the added demographic pressure of an ageing population.

In 2024-25 the Council is contributing £99.1m for delegated services to the HSCP.

In recent years the local government financial settlement has included additional funding for social care with the caveat that the funding should be passported through to the partnership by Councils.

As noted in the Public Sector pay settlement section above, the HSCP will also benefit from the reduced pension contribution rate (down from 19.3% to 6.5%) for all council employees in the partnership, with the cost base for the partnership reducing accordingly. The Council reduced its planned contribution by an appropriate amount in 2024-25 and can maintain this reduced amount in 2025-26 with no detrimental effect on service provision. The Council's contribution will require to increase in 2026-27 when the pension contribution reverts to new 17.5% level.

Key Planning Assumption 10: For planning purposes the Council's contribution to the HSCP will continue on a flat cash basis, subject to any Scottish Government directed spend. In 2026-27 the contribution will be increased accordingly when the pension rate increases to 17.5%.

Fees & Charges

The Council raises income by charging for some of the services it provides. 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.

The Council has traditionally included the requirement to increase locally set charges by at least the consumer price index rate each year. Recent evidence suggests that this approach is impacting on the demand for services in certain areas, therefore a more flexible approach is now suggested, where each Service determines the most appropriate change to pricing structures in order to maximise demand for its service provision. It is anticipated that specific budget recommendations will be brought forward as part of the budget setting process each year. The potential to raise additional income will come from increasing current charges or through the introduction of new charges.

Key Planning Assumption 11: For planning purposes any increase income to be included in the budget through changes to pricing or the introduction of new charges will be included as part of the savings or efficiency measures rather than assuming a flat increase for all locally set charges.

3. Summary of five-year financial position

The previous MTFP approved in November 2023 highlighted that, for the five-year period, 2024-24 to 2028-29, a cumulative budget gap was estimated of £45.9m. This was subsequently updated as part of the 2024-25 budget approved in February whereby the budget gap for the remaining four-year period of the plan was estimated at £45.7m.

Based on the 11 Key Assumptions contained in Section 2, which are collectively detailed in Appendix 1, the budget gap forecast for the new five-year period, 2025-26 to 2029-30, is shown below:

Figure 6 – Five-year budget gap

	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m	Total gap £m
Income (based on 5% CT increase each year)	361.5	364.3	366.4	370.6	375.1	
Expenditure	367.0	383.4	373.5	374.9	379.1	
Budget gap	**5.5**	**19.1**	**7.1**	**4.3**	**4.0**	**40.0**

The budget gap is the difference between the anticipated income and expenditure of the Council.

The significant budget gap in 2026-27, compared to other years in the plan, is predominantly based on the fact that the pension contribution rate for the Strathclyde Pension Scheme is being paid at the reduced rate in 2025-26 of 6.5%, however as previously explained, this reduction is only temporary, thereafter the rate will increase to 17.5%, significantly increasing costs in 2026-27, resulting in a much larger budget gap than the preceding year or subsequent following years after 2026-27.

Given the significant requirement for savings over the next five years it is essential that a budget strategy is agreed that recognises the fluctuating levels of the projected budget gaps and establishes appropriate plans and associated actions needed to meet the required savings targets. This Strategy is detailed in Section 5 of this document.

4. Reserves Policy

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.

Useable Reserves Policy

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.

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.

(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) Transformation Fund - The transformation of the Council is a long-term commitment to ensure services continue to meet the needs of residents now and in the future. To enable the Council to deliver the vision for transformation, new activity will require to be implemented. It is recognised that the design, development and implementation of this activity may require upfront investment to enable the realisation of benefits. New activity will require to focus on one or more of our priority themes: Our workforce, our technology, our assets and our delivery model. The Council has established a Transformation Fund to provide enabling funding for transformation activity; 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.

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.

In addition, the Council agreed further changes to increase Council Tax charges for all Second Homes with effect from 1 April 2024 by 100% (double the standard charge) subject to regulations being approved by the Scottish Parliament and further agreed that 50% of additional income generated from charging double Council Tax on Second Homes should be allocated to the delivery of social housing or to fund other incentives such as the Empty Homes initiative or the Social Letting Service

To set aside or commit other such resources as determined either by the cabinet 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.

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

(i) Repairs and Renewal Fund; and

(ii) Capital Fund

Review of Reserves

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 MTFP.

Use of Reserves to support Financial Resilience

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

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.

5. Budget Strategy 2025-26 to 2029-30

The scale of uncertainty and the need for significant savings 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.

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 in lower priority areas to enable funding to be maintained elsewhere.

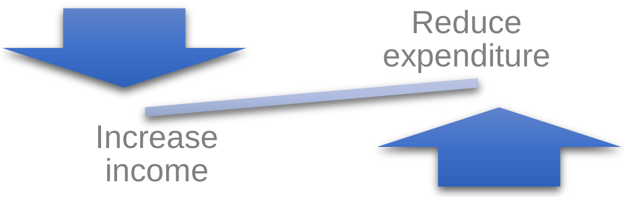
Whilst projections of Scottish Government core funding for local government are at best stagnant in cash terms, and reducing in real terms, councils still must meet ongoing and increasing cost commitments.

Whilst acknowledging the likelihood of continued limitations in funding settlements and increasing cost pressures, the Council needs to continue to strive to achieve its key financial objectives including delivering a robust, sustainable, and balanced budget.

Bridging the Budget Gap

Section 3 of the report identifies a budget gap of £40.0m over the five-year period 2025-26 to 2029-30. Effectively there are only two ways to bridge this gap.

Fig 7 – bridging the budget gap



In reality the Council will have to do both and there are a number of variables that impact on the budget gap.

Fig 8 – budget variables

Council Tax	Fees & charges	Resource Pressures	Pay uplifts
•Each 1% increase equates to approx. £0.760m of additional income	•Increasing locally set charges •Introducing new charges •Commercial opportunity	•Corporate based •Service based •Funded through Settlement increases	•National agreements •Supn increases

Debt Charges

- Capital Programme
- Principal
- Interest

Transformational Change

- Transformation change activity
- Benefits realisation
- Release of cashable benefits

Savings

- Efficiencies
- Service Delivery
- Transformational change activity

A strategy for each of the above variables is proposed in the follow sections

Council Tax Strategy

Council Tax income equates to approximately 20% of the councils funding each year. It is therefore an extremely important lever for raising additional funding and an important consideration for the budget strategy.

The current Medium Term Financial Plan assumes an increase of 5% each year of the plan. Fig 8 below shows the different levels of income that could be chieved if an increase of 7% or 10% rather than 5% is applied in 2025-26, reverting back to 5% for all years of the plan thereafter.

Fig 9 – Council Income options

	5% increase across all years		7% increase in 2025-26 followed by 5% thereafter		10% increase in 2025-26 followed by 5% thereafter	
Year	Estimated CT income £m	Year on Year increase £m	Estimated CT income £m	Year on Year increase £m	Estimated CT income £m	Year on Year increas e £m
Base 2024-25	67.6	-	67.6	-	67.6	-
2025-26	71.4	3.8	72.8	5.2	74.8	7.2
2026-27	75.2	3.8	76.7	3.9	78.8	4.0
2027-28	79.3	4.1	80.8	4.1	83.0	4.2
2028-29	83.5	4.2	85.1	4.3	87.5	4.5
2029-30	88.0	4.5	89.7	4.6	92.2	4.7
Total Income		**20.4**		**22.1**		**24.6**

The five-year budget gap information provided in Section 3 of the MTFP is based on a 5% increase each year of the plan. Should the uplift be varied to either to 7% or 10% in 2025-26 followed by a 5% increase thereafter, it would have the effect of reducing the projected five-year budget gap by £1.7m or £4.2m respectively across the period of the plan.

When the Council Tax charge is increased, more households become eligible for Council Tax Reduction (CTR). As at September 2024 approximately 13.7% or 7,550 of chargeable properties were eligible for CTR. Of these the majority (93.2%) were in relation to Bands A to D.

The increase applied for 2025-26 and beyond is subject to Council approval however any decision regarding the level of increase in Council Tax will have direct impact on the level of savings needed to bridge the anticipated budget gap. Savings in whatever form they are agreed will inevitably impact on the level of service provided to the public.

In order to avoid any service savings, reductions or cuts in 2025-26 (excluding HSCP), a Council Tax increase of 13% would be required to fully bridge the estimated Medium Term Financial Plan funding gap of £5.5m in 2025-26.

Key strategy 1: Apply a minimum of 5% uplift but gauge potential appetite for increases beyond this minimum level.

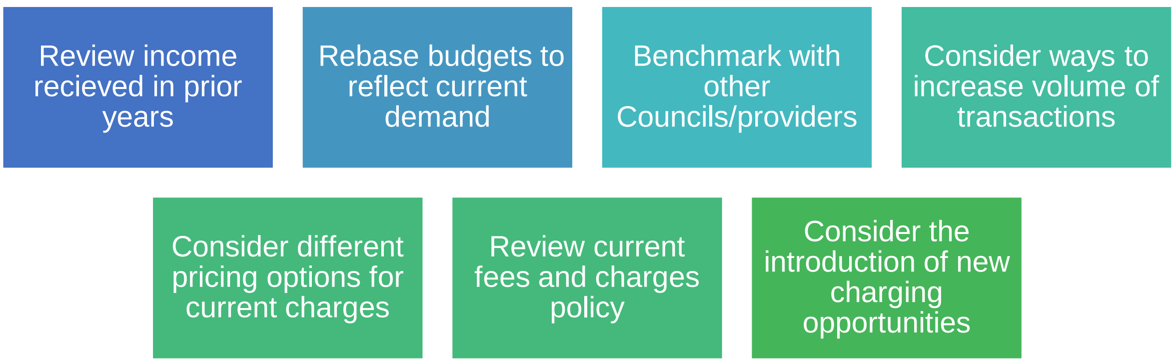
Fees & Charges Strategy

The Council receives income of around £14.9m (excluding HSCP) from fees and charges each year. Some of these charges are set on a statutory basis where the Council has no ability to change the rates set, however the Council sets most fees and charges.

Key Strategy 2: In order to maximise income generation opportunities available to the Council a review of current charges should be instigated alongside consideration of areas where new charges could be introduced.

The review should initially focus on the most significant income streams and include the elements identified in Fig 10.

Fig 10 - Income review considerations



Inflationary/Contractual Pressures Strategy

Budgets have traditionally not been routinely increased to reflect inflationary pressure as pressure of this type remained at a relatively low risk levels, however recent national and international events, such as the war in Ukraine, gas and electricity price increases and the general cost of living crisis have all created an unprecedent level of uncertainty which has resulted in levels of inflation not seen for many decades.

Many of the Council's contracts, such as the schools PPP contracts, have direct links to inflation indices and will require to continue to be funded. However, the lack of certainty in future years forecasts, due to the recent economic uncertainty means that attempting to model inflation rates is challenging. Inflation has been easing over the year, with the Bank of England recently hitting its 2% target.

Fig 11 below shows details of the additional 'Resource Pressure' funding provided over the last 7 financial years, split between service pressures, directed spend (SG funded) and corporate pressures. Corporate pressures encompasses; Electricity; Gas; Insurance; SPT/AVJB requisitions; and External Audit fees.

Fig 11 – Inflation/contractual pressures in last 7 years

	2018-19 £	2019-20 £	2020-21 £	2021-22 £	2022-23 £m	2023-24 £m	2024-25 £m
Service	1.366	1.554	1.835	1.567	3.739	5.988	4.288
Directed spend (SG funded)	1.639	0.148	0.357	(0.156)	3.219	2.370	0.337
Corporate	0.377	0.764	0.254	(0.090)	0.740	2.431	3.077
Total	**3.382**	**2.466**	**2.446**	**1.321**	**7.698**	**10.789**	**7.702**

This suggest that when inflation was running at more normal levels, for the period 2018-19 to 2021-22, the scale of the additional resources required for inflationary /contractual uplifts was at a much-reduced level compared to more recent years. Given that inflation has now reverted, for the time being, to more normal pre Covid levels, it would be appropriate to reconsider the planning assumptions for uplifts required for inclusion in future budgets.

The current planning assumptions for Inflation/Contractual pressures assumed in the updated Medium Term Financial Plan is shown in Fig 12 below

Fig 12 – Current Inflation/contractual planning assumptions 2025-26 to 2028-29

	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Total	**4.888**	**3.054**	**3.000**	**3.000**	**3.000**

Key Strategy 3: Given the recent easing of inflation it is proposed that, for 2025-26 and beyond, to initially limit corporate uplifts to £1.0m per annum and limit Service uplifts to £4.0m per annum. All other contractual increases and any growth items within services will not be accepted and will therefore require to be met from current resources if considered a priority.

The Corporate amount remains relatively high due to the nature of the items contained within it. For example electricity and gas price increases are expected to still run well above the 2% current inflation rate, as are expected insurance increases. The Service uplift amount is to allow for major contract increases such as PPP, ICT contract increases or ARA contributions. To ensure that this approach is maintained, only contractual increases of £0.050m or above should be considered for inclusion in 2025-26.

Pay uplift Strategy

Pay-related costs are a major component of the Council's overall expenditure and represents 50% of Council net spend each year. The Council's financial planning requires to take account of likely future pay settlements and other pay-related costs.

Pay increases for employees are negotiated at a national level. Public sector pay will be a significant risk going forward and, while inflation has fallen back to 2%, this will not mitigate the risk that now exists in local government.

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. The most recent triennial review of the Strathclyde pension Fund resulted in a significant reduction from the previous contribution rate of 19.3% to 6.5% for both 2024-25 and 2025-26, followed by a subsequent increase up to 17.5% for 2026-27, with the assumption that this final 2026-27 rate will be maintained during the remaining lifetime of the strategy.

Fig 13 below shows the current planning assumptions for pay and superannuation rates contained in the updated Medium Term Financial Plan over the period 2025-26 to 2029-30:

Fig 13 – Pay uplift assumptions

	2025-26 %	2026-27 %	2027-28 %	2028-29 %	2029-30 %
Pay uplift	3	2	2	2	2
Superannuation rate	6.5	17.5	17.5	17.5	17.5

Key Strategy 4: Apply the MTFP planning assumption of 3% for pay uplifts in 2025-26 followed by 2% across the remaining years of the plan.

Capital Programme Strategy

The Council's Capital Investment Plan is considered by Council at the same time as the revenue budget. This is to ensure there is a clear linkage between the longer-term capital investment decision making and the associated revenue impact for the Council with the resultant debt charges estimated for the period of the approved capital investment programme being incorporated into future financial considerations.

Consequently, when there is sustained pressure on the revenue budget this in turn causes pressure in capital finance and in the management of the capital programme and the debt and borrowing requirement that arises from it.

The current Capital Investment Programme was approved by Council in February 2024 with General Fund expenditure of around £408m planned from 2024-25 through to 2035-36 The programme contains a range of projects including new and refurbished schools, Information Technology expenditure, roads and infrastructure expenditure and planned expenditure as part of the Council's Ayrshire Growth deal agreement.

Fig 14 show the updated planned General Services Capital investment programme and associated planned borrowing to finance the investment over the period 2024-25 to 2028-29 based on the 2024-25 Period 6 (September) capital monitoring report.

Fig 14 - Planning capital investment and borrowing

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Total capital investment	62.263	114.935	93.558	38.427	17.786	18.011
Planned borrowing	47.451	72.092	61.356	21.847	6.249	8.974

Fig 15 below shows the current planning assumptions for debt charges over the period 2024-25 to 2028-29 based on the planned borrowing to finance the capital investment plan shown in Fig 13.

Fig 15 – Debt charge implications

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Principal	6.457	6.544	7.091	7.675	7.916	8.283
Interest	10.979	14.023	16.126	16.950	16.501	16.776
Expenses	0.174	0.169	0.167	0.165	0.161	0.157
Total	17.610	20.736	23.384	24.790	24.578	25.216
Movement		3.126	2.648	1.406	(0.212)	0.638

Revenue debt charge uplifts are driven by the level of planned borrowing in terms of principal repayments and assumptions around interest rates at which the borrowing is taken. In recent years, the Council has continued to increase the level of capital investment which increases the level of principal repayments in a period of higher-than-normal interest rates, resulting in significant increases in borrowing costs.

In addition the current 2024-25 ‘in year’ intertest rates have remained higher for longer than anticipated which is having a detrimental effect on the affordability of the current capital investment programme in 2024-25. This will have a compound increases effect on future years.

Given the scale of the financial challenges that lie ahead for the Council, it is prudent to review the overall quantum of the capital programme with the aim of reducing planned investment in order to reduce future recurring debt charge budget increases.

Key Strategy 5: The affordability of the current capital investment programme will be assessed and presented to Members for consideration in December 2024.

Transformational Change Programme

In March 2024 the Council approved the establishment of a Transformation Board with the board being chaired by the Chief Executive as the officer ultimately responsible for the transformation of the Council.

The Councils delivery of a programme of transformational change 'Shaping Our Future Council' has been developed to address improvement and transformation Council-wide across four identified priority areas:

Fig 16 – transformation priority areas

Our Workforce
- including a refreshed approach to Service Re-design, Business Support and workforce development to enable services to meet future challenges, opportunities, and constraints.

Our Technology
- enabling and underpinning transformation through technological change, updating our technology roadmap, reviewing our applications and ICT service offer

Our assets
- maximising use of our estate and assets with operating models that are sustainable and reduce dependency on the public purse. This includes income generation and rationalisation proposals.

Our delivery model
- reviewing our investment in non-core service delivery, developing alternative delivery and operating models across council services, reviewing third party spend

Project approval by the Transformation Board will require the inclusion a benefits realisation proposal that incorporate years 1 – 3 of the transformation programme (until 2026/2027). Cashable benefits will be incorporated as part of the annual budget setting exercise.

Key Strategy 6: Include cashable benefits derived from the benefits realisation element of any approved transformation project as part of the annual budget setting process.

Service Savings Strategy

The modelled funding gap of £40.0m represents around 11% of the current 2024-25 net budget (inclusive of HSCP spend). This is a significant level of savings that need to be achieved.

Education Services, the largest service in the Council has in recent years been relatively protected from significant budget reductions either through local priorities or more recently through Scottish Government policy requirements, enforced through the threat of financial sanctions. Given the scale of the expenditure in Education Service, £142.4m in 2024-25 or 41% of the Councils overall net budget, it is not possible to get to a financially sustainable position without significant savings in this area of spend. The ability to achieve savings in this area will be dependent on Scottish Government decisions, particularly in relation to teacher numbers.

A number of workstreams are being progressed through the Transformation Change Programme and it is essential that these projects release cashable savings to drive cost reductions within service provision. It is likely that this will not achieve the level of savings needed within the timescale required to bridge the entirety of the identified budget gaps therefore a normal savings exercise will need to be progressed in tandem with the Transformational change programme.

In the recent past, Services have been asked to bring forward significant levels of savings without specific targets being allocated. This approach has had limited success therefore, for 2025-26 and beyond, it is recommended that should the transformational change programme and other offered service proposals not achieve the required levels, that targets are then allocated to services which must be achieved.

The allocation of the target will be based on a controllable resource methodology. This approach takes the gross costs of service provision and adds controllable income to arrive at a controllable spend amount for each directorate. This is then used to allocate a target to each service area with proposals being brought back for Members consideration in December 2024.

Key Strategy 7: **Should the Transformational Change Programme and other offered Service savings not achieve the desired levels then Service Savings targets will be allocated to directorates based on a controllable resource methodology with proposals being brought forward for Members consideration.**

Appendix 1 – MTFP Key Planning Assumptions

The following key assumptions have been used to establish the estimated budget gap for the five-year period 2025-26 to 2029-30.

Key Assumption	Detail
1 – Scottish Government grant funding	A flat cash approach has been assumed for Scottish Government grant funding for all years of the plan, plus or minus any confirmed or anticipated funding changes.
2- Pay uplifts	A rate of 3% for pay uplifts in 2025-26 followed by 2% across the remaining years of the plan.
3 – Pension contributions	Estimated savings in pension contributions will be spread over a two-year period, 2024-25 and 2025-26, until the contribution rate reverts back to the higher rate of 17.5% in 2026-27.
4 – National Insurance contributions	Any increase in National Insurance contributions resulting from the planned UK government Changes will be mitigated through additional funding and will not impact on projected budget gaps.
5 – Council tax	Council Tax rates will be uplifted by 5% for each year in the plan.
6 – Inflationary pressure	An estimate of inflationary uplift for 2025-26 has been calculated based on latest information from services, followed by inclusion of an assumed uplift amount for the remained of the years of the plan. The reduced amount in later years of the plan is to account for the anticipated reducing inflationary pressure.
7 – Debt Charges	The 2024-25 Period 6 position statement for the Capital Investment Programme presented to Cabinet in November 2024 is being used in relation to debt charge estimates extrapolated across the period of the plan, pending the outcome of the capital programme review to be presented to Council before the overall 2025-26 revenue budget is set.
8 – PPP service concession retrospective saving	The agreed use of the PPP retrospective savings will remain in place for the period of the plan.
9 – IFRS16 impact	The estimated revenue implications of the transition to IFRS16 have been factored in for the period of the plan.
10 – HSCP contribution rate	The Council’s contribution to the HSCP will continue on a flat cash basis, subject to any Scottish Government directed spend. In 2026-27 the contribution will be increased accordingly when the pension rate increases to 17.5%.
11 – Fees & Charges	Increase in income to be included in the budget through changes to pricing or the introduction of new charges will be included as part of the savings or efficiency measures rather than assuming a flat increase for all locally set charges.

Appendix 2 - Key Budget Strategy matters with completion dates

Key Strategy No.	Description	Responsible	Completion Date (By end of)
1 – Council Tax	Apply a minimum of 5% uplift but gauge potential appetite for increases beyond this minimum level.	CEX/CFO/ Members	Dec 2024
2 – Fees & Charges	In order to maximise income generation opportunities available to the Council a review of current charges should be instigated alongside consideration of areas where new charges could be introduced.	CFO/ Dir SC/Dir HOD	Dec 2024
3- Inflation/ Contract uplifts	Limit corporate uplifts to £1.0m per annum and limit Service uplifts to £4.0m per annum. All other contractual increases and any growth items within services will not be accepted and will therefore require to be met from current resources if considered a priority.	CEX/CFO/Dir SC /Dir HOD	Sept 2024
4 – Pay uplifts	Apply the MTFP planning assumption of 3% for pay uplifts in 2025-26 followed by 2% across the remaining years of the plan.	CFO	Nov 2024
5 – Capital Investment	The affordability of the current capital investment programme will be assessed and presented to Members for consideration before the overall 2025-26 revenue budget is set.	Dir HOD	Jan 2025
6 – Transformation Programme	Include cashable benefits derived from the benefits realisation element of any approved transformation project as part of the annual budget setting process.	Transformation Board	Ongoing
7 - Savings	Should the Transformational Change Programme and other offered Service savings not achieve the desired levels then Service Savings targets will be allocated to directorates based on a controllable resource methodology with proposals being brought forward for Members consideration.	CEX/CFO/CHRO/ Dir SC/Dir HOD/Members	Dec 2024

Appendix 2

South Ayrshire Council
Equality Impact Assessment
Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx

Further guidance is available here: https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/

1. Policy details

Policy Title	Medium Term Financial Plan Update
Lead Officer (Name/Position/Email)	Tim Baulk, Chief Financial Officer – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes **Consider the 'Three Key Needs' of the Equality Duty**	**Level of Negative and/or Positive Impact** **(High, Medium or Low)**
Eliminate unlawful discrimination, **harassment and victimisation**	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as **Medium and/or High**)	~~**YES**~~ **NO**
Rationale for decision: **This report seeks approval of the updated Medium Term Financial Plan. Members' decision on this has no specific equality implications**	
Signed : Tim Baulk **Chief Financial Officer** **Date:** 29 November 2024	