



Agenda Item 8

**Revenue Financial Projection
2025/26**

Falkirk Council

Title: Revenue Financial Projection 2025/26
Meeting: Executive
Date: 22 January 2026
Submitted By: Director of Transformation, Communities & Corporate Services

1. Purpose of Report

- 1.1 This report presents an update on the financial position of the Council for 2025/26. The report is based on the financial performance for the first 7 months and circumstances may change over the course of the year.
- 1.2 This report relates to the Financial Sustainability enabler within the Council Plan.

2. Recommendations

2.1 Executive is invited to:

- (1) note the Council's projected year-end financial position for 2025/26**
- (2) note the position with respect to Reserves**
- (3) agree the allocation of £0.2m of reserves for library investment and the allocation of £1.72m for future Information, Technology and Digital systems to support delivery of the Digital Strategy as outlined at paragraph 5.4.3**

3. Climate Change Implications

- 3.1 The recommendations do not give rise to any material implications for the Council's climate change targets and obligations.

4. Background

- 4.1 The Council approved the Housing Revenue Account budget in January 2025 and the General Fund Revenue Budget in March 2025. The General Fund Revenue Budget included the requirement for Services to make savings and the budgets shown in Appendix 1 reflect these savings.

4.2 The opening unearmarked General Fund Reserve for 2025/26 was £11.821m. As part of the 2025/26 budget setting process, Members approved the use of £11.5m of Service Concessions.

5. Considerations

5.1 General Fund

5.1.1 Appendix 1 sets out both General Fund net expenditure by Service and how it is financed. Movements between budget and the outturn are expressed in monetary and percentage terms. The overall financial position is summarised in the table below.

	January Report £'000	November Report £'000	Movement £'000
Service (Under)/Overspend	(3,904)	(2,439)	(1,465)
Pay Award & National Insurance	(1,704)	-	(1,704)
Energy Provision	(421)	-	(421)
Voluntary Severance	750	750	-
Integration Joint Board	2,592	2,592	-
Savings on Loan Charges	(518)	(518)	-
Net Expenditure	(3,205)	385	(3,590)
Non-Domestic Rates	(273)	(273)	-
Council Tax	(112)	(112)	-
General Fund (Under)/Overspend	(3,590)	-	(3,590)
Opening General Fund	(11,821)	(11,821)	-
Projected (Under)/Overspend	(3,590)	-	(3,590)
Transfer Back to SCA Reserve	3,590	-	3,590
Closing General Fund	(11,821)	(11,821)	-

5.1.2 The key messages are:

- The figures presented in this report are based on seven months of the financial year and therefore it could still be subject to significant movement between now and the year end. Significant factors that have still to be determined include continuing uncertainty around interest rates, voluntary severance costs and the need to provide one-off funding to the Integration Joint Board.
- Council Services expenditure is now currently projected to be £3.590m lower than budget, an improvement of £1.465m from the previous projection. The various movements for each Service are detailed within the paragraphs below.
- The pay awards for the current financial year have now been approved by all Trade Unions, along with the confirmation of additional funding from the Government for all employees, except teachers. This has now enabled

excess pay provisions of £1.704m to be released to the General Fund. This includes £0.9m for the increase in employer national insurance contributions and £0.8m for the pay awards. The high level of budgeted vacancies across the Council is a contributing factor to the excess budget provisions.

- Energy expenditure to date indicates that budgets appear to be sufficient to meet the anticipated costs. This will continue to be reviewed over the winter months. Both the excess pay and energy provisions will be applied to the budget gap for 2026/27 and contributes to a budget alignment target of £3m.
- The 2025/26 budget noted the approved payment to the IJB did not address projected overspend pressures and there was a probability that additional non recurring funding will be required. The current projected non-recurring funding remains at £2.592m and this is incorporated within the Council's overall financial projections.
- Overall the General Fund is now £3.641m below budget. This underspend is reflected in a corresponding adjustment to service concessions, reducing the use of service concessions from £11.5m (noted in the November report) to £7.910m. The projected Service Concessions available for use has therefore increased from £46.3m to £49.9m. The ongoing use of non recurring funds to balance the budget means the Council remains in an unsustainable financial position.
- General Fund reserves of £11.8m are within the policy range of £9.8m - £12.8m.

General Services Summary

5.1.3 The main variations from budget are described below for each Service.

Education Services (over budget by £0.025m, 0.01%)

5.1.4 Education Services projected financial position and main variations are summarised in the table and paragraphs below. The projected overspend has decreased by £0.476 million. This is mainly due to Scottish Government grant for additional support for learning being allocated to the service and reducing budgeted costs across the service, in particular expenditure on Support for Learning Assistants (SFLA).

Service Functions	January Report £'000	November Report £'000	Movement £'000
Primary Education	840	767	73
Secondary Education	(468)	(253)	(215)
Special Education	114	160	(46)
Early Years	(956)	(173)	(783)
Service Management	495		495
Net Overspend	25	501	(476)

- 5.1.5 The Primary Education projections are largely consistent with the November report. The overspend is predominantly driven by an increased cost of essential school repairs of £0.700m and teaching supply costs of £0.240m, offset by a few other underspends. As noted in the previous report, the property budgets will be reviewed to ensure they are adequate going forward. The projected underspend for Secondary Education has grown by £0.215m, mainly attributable to lower spending in its SFLA budget.
- 5.1.6 Special Education projections are largely unchanged from the previous report. The overspend is mainly due to out-of-area day placements, partially offset by savings in employee costs and recharge income from other local authorities for pupil placements. Some approved savings targets have been managed in year through non-recurring funding or underspends. Within Service Management the savings target of £0.500m has largely been met by underspends across the Service.
- 5.1.7 The underspend for Early Years has increased substantially as a result of several factors, including a £0.250m underspend in the SFLA budget due to unfilled positions, payments to third-party providers being £0.150m lower than previously projected, and additional childcare fees generated from the increased number of places now available within the Service.
- 5.1.8 For teacher numbers, the census submitted to the Scottish Government in September confirms that the agreed census target of 1,651 has been achieved. Recent workforce planning and payroll figures confirm that costs for teachers match the budget allocation.
- 5.1.9 The closure of Maddiston Primary School has incurred additional costs of c£40k a month for increased school transport provision and staffing, with a projected annual cost of £0.600m. This additional pressure will be covered by earmarked reserves (see para. 5.4.15). An update report on the school was presented to Council in November.

Children & Families (Under budget £0.874m, 2.4%)

- 5.1.10 Children and Families financial position and main variations are summarised in the table and paragraphs below. The projected underspend remains stable, with a slight decrease of £0.041m.

Service Functions	January Report £'000	November Report £'000	Movement £'000
Child Care – General	(141)	(51)	(90)
Child Care – Teams	(535)	(635)	100
Residential Care	206	793	(587)
Family Placement Services	(229)	(281)	52
Continuing Care	(517)	(1,089)	572
Aftercare	342	348	(6)
Net Underspend	(874)	(915)	41

5.1.11 Since the last report, the Service has worked to further align its budget for greater efficiency, including transferring £0.800m from Continuing Care to Residential Care. The total projected cost of providing care remains similar to the previous report. However, the underspend on employee costs has decreased by £0.198m, largely due to increased utilisation of agency workers and overtime to cover vacancies and staff absences due to sickness.

5.1.12 Operational responsibility for Children and Families has been delegated to the Falkirk IJB since April 2025. Following Scottish Government approval of the revised Integration Scheme, budget responsibility is scheduled to transfer in 2026/27.

Social Work Adult Services (under budget £0.355m, 8.0%)

5.1.13 This budget is in large part made up of property and transport costs for Social Work Adult Services that have remained with the Council. It also includes an area of direct social work provision, the Mental Health Officer (MHO) service.

5.1.14 Various operational costs are expected to be in line with last year's level. The projected underspend has improved due to lower employee costs.

Service Functions	January Report £'000	November Report £'000	Movement £'000
Social Work Shared Services	(127)	(107)	(20)
SW Adult out of scope	(228)	(159)	(69)
Net Underspend	(355)	(266)	(89)

Place Services (under budget £1.328m, 2.8%)

5.1.15 Place Services projected financial position has improved from the last reporting period. This includes absorbing various one-off costs across the Service, including investment in kitchen equipment at the Stadium and voluntary severance costs. The main variations are summarised in the table and paragraphs below.

Service Functions	January Report £'000	November Report £'000	Movement £'000
Investment, Assets & Climate	479	165	314
Growth, Planning, Sport, Culture	(560)	(252)	(308)
Environment and Operations	(1,247)	(1,051)	(196)
Projection Net Underspend	(1,328)	(1,138)	(190)

5.1.16 Investment, Assets & Climate is projecting a shortfall in commercial rental income, the cost of investing in the Stadium kitchen facilities and a reduction in recharge income for capital works. This has been partly offset by employee underspends in other areas of the Service.

5.1.17 Growth, Planning, Sport and Culture has higher than budgeted income streams from Building Standards and the Helix of £0.277m. In addition, the Employment Training Unit is benefiting from additional external income, reducing the burden on core budgets by £0.260m.

5.1.18 A reduction in employee costs is the main contributing factor for the underspend within Environment and Operations. This is being offset by reduced income streams from bereavement and parking. Alternative arrangements have been put in place to process bulky waste uplifts following the Lathallan Recycling contractor going into administration. This is projected to increase costs by c£0.335m in the current financial year.

5.1.19 There is also a downturn of income of £0.400m from waste dry recyclate sales which has improved since the last report. However, as this is due to the impact of introducing the Extended Producer Responsibility (EPR) scheme, this shortfall will be offset with the receipt of additional funding due to the authority. Under the scheme c£5.5m has been confirmed for this financial year, and a further c£5.5m currently estimated for 2026/27. It is also proposed that £1.5m of EPR funding will be allocated for waste improvement works in 2025/26. This will be carried forward for full spend in 2026/27.

5.1.20 The receipt of EPR funding also provides the opportunity to utilise some of the original budget allocations for waste to other areas. The table below indicates how the total resources for 2025/26 will be applied.

	£'000
Allocation to Reserves (Per Financial Strategy)	3,000
Waste Improvement Works (para. 5.1.19)	1,500
Dry Recyclate (para. 5.1.19)	435
Corporate Landlord	598
Total	5,533

Transformation, Communities & Corporate (TCC) Services (under budget £1.372m, 2.9%)

5.1.21 TCC Services projected financial position, and main variations are summarised in the table and paragraphs below. The Service is projecting an improved outturn position since the last report. This is a result of continued vacancy management within the Service

Service Functions	January Report £'000	November Report £'000	Movement £'000
General Fund Housing	(408)	121	(529)
Communities	(1,108)	(1,237)	129
Central Support Services	500	500	-
Governance & Human Resources	(185)	(98)	(87)
Finance, Innovation & Technology	(171)	93	(264)
Projected Outturn	(1,372)	(621)	(751)

5.1.22 The movement in General Fund Housing is associated with grant funding offsetting core budgets of c£0.170m, increased rental income from improved void management, and lower costs for private sector accommodation have also contributed to the movement. There are also underspends within employee costs in this area.

5.1.23 Within the Communities team, the underspend is largely due to lower employee costs as a result of the Strategic Property Review (SPR) as well as delaying recruitment of vacant posts. This has been offset by additional costs associated with voluntary severance. Within Finance, Innovation & Technology the movement is due to continued vacancy management resulting in lower in employee costs.

Integration Joint Board (over budget £2.592m, 2.5%)

5.1.24 A sum of £105.097m (£103.606m from General Fund) has been passed to the Integration Joint Board (IJB) for the current financial year. The IJB is responsible for managing this delegated budget. According to the IJB's latest projections, its social care budget could overspend by £7.286m, primarily due to significant pressures in residential care and care-at-home services. The overspend is linked to demographic pressure and some flow improvement activity.

5.1.25 At this stage in the financial year, the additional funding is still projected at £2.592m and is unchanged from the report presented in August. Should this position worsen, the IJB will need to develop a recovery plan and may require further funding support through the agreed risk sharing arrangement between the Health Board and the Council.

Pay Award & National Insurance Provisions

5.1.26 Pay offers for all employees, including teachers, have now been approved. The Scottish Government has also confirmed the additional funding for all SJC employees, with the additional funding for teachers due to be confirmed over the next few months. For the SJC employees the pay award costs were fully covered by the budgeted resources and the Scottish Government funding, leaving a favourable balance of £0.9m. It is expected that Scottish Government funding for the teachers' pay award will cover the additional costs over 3%.

5.1.27 Changes to employers' national insurance contributions increased costs by £5.6m. This has been fully covered by the budget provision of £2.8m and the additional grant of £3.6m, leaving a favourable balance of £0.8m. With the exception of funding for teachers' additional pay costs, the uncertainty over the pay awards is largely removed and this can now be released to the General Fund.

Energy Provision

5.1.28 A central provision has been made for energy costs across Council buildings. Energy expenditure to date suggests that there is sufficient budget provision within services to enable £0.421m to be released back to the General Fund. Energy budgets will continue to be monitored over the remaining months of the financial year.

Capital Charges (under budget, £0.518m, 3.9%)

5.1.29 Volatile market conditions make interest predictions difficult. The underspend of capital charges of £0.518m remains the same as previously projected. As noted in the last report any further reductions will be used to repay and reduce existing debt.

Revenue Support Grant (on budget)

5.1.30 Since the last finance projection report budget in November the expected grant from the Scottish Government has increased by £3.285m for the funding adjustments summarised in the table below.

Description	£'000	Comments
Local Government Pay Award	2,236	This is the share of additional funding to support the local government pay deal (see also para. 5.1.26)
Teachers Pay Award	839	This is an estimate of funding required to meet the additional costs of the teachers' pay award. The actual amount will be confirmed later in the financial year.
Adopt and Adapt Funding	70	Funding for councils to review services required to provide whole family support and tackle child poverty.
Foster Care Allowance	61	Additional funding to support an inflationary uplift to the Scottish Recommended Allowance (SRA) for kinship and foster carers.
Rapid Rehousing	21	Funding to support people with complex needs to access housing and support.
Home Emergency Action Plan	38	Grant funding to support households in temporary accommodation to find settled accommodation in the private rented sector.
Discretionary Housing Payments	20	Linked to the Home Emergency Action Plan above, further investment to support households in temporary accommodation.
Total Adjustments	3,285	

Council Tax Income (Over budget by £0.112m)

5.1.31 Council tax remains in line with the previous projection with an expected yield of £0.112m greater than budget. This is primarily due to new build properties added to the Valuation List during the last few months.

Non-Domestic Rates

- 5.1.32 Under the Non-Domestic Rates Incentivisation Scheme, the Council has received £0.273m as a result of growth within Falkirk's non-domestic rates tax base. While the scheme is still in operation, it is not expected that the Council will receive any further significant income.
- 5.1.33 Unpaid non-domestic rates in Scotland incur a 10% penalty when summary warrant is obtained. Any penalties collected are retained by the Council. Following the transition to a new software system, it was noted that although the rates balance due by individual ratepayers in the system remained accurate, the split of the overall debt was incorrect between rates and penalties outstanding. The impact within the Council's accounts was to understate the rates debt due by the penalties actually collected.
- 5.1.34 The software supplier provided a fix in summer 2023. At the end of 2023/24, the Council appropriately accounted for the penalties recovered during that year but not a historical element going back to 2013/14. This anomaly was identified at the end of 2024/25 and a sum of £1.92m for the period 2013/14 to 2022/23 was set aside for review after the annual accounts. That review is now complete and confirms that the one-off amount can be retained by the Council. A proposal for the use of these funds is detailed at para. 5.4.3.

5.2 2025/26 Approved Savings

- 5.2.1 Services have been tasked with delivering £11.549m of savings in 2025/26. Budgets were reduced at the start of the financial year. The non-delivery of any savings will result in an overspend. The table below indicates that all savings are expected to be fully achieved.

Service	Red Saving £'000	Amber Saving £'000	Green Saving £'000	Total Savings £'000
Education Services	-	-	4,335	4,335
Place Services	-	-	4,606	4,606
Transformation, Communities & Corporate Services	-	-	2,608	2,608
Total	-	-	11,549	11,549

- 5.2.2 The total savings for 2025/26 incorporates £5.2m from Council of the Future transformation projects, which includes c£2m from ending the Class 98 PPP contracts, £1m from the Strategic Property Review, £0.769m from Environment and Operations and £0.450m from the review of Sport & Leisure. A status position for the projects, alongside the financial savings, is noted below. Savings for projects that are not yet fully identified or confirmed refer to future years.

Project Title	Project Status	% of Savings Target Identified	Savings Target £'000	Savings 2025/26 £'000
Early Years Review	Closed	100%	1,279	512
Learning Estate Phase 1	Closed	100%	330	90
Budget Alignment Exercise	Current	71%	3,000	-
Catering Review	New	tbc	tbc	-
Council Wide Transport Review	Current	tbc	541	-
Environment and Operations	Current	84%	2,161	769
Facilities Review Phase 2	Under Review	tbc	815	80
Learning and Employability	Current	100%	500	286
Learning Estate Phase 2	New	tbc	tbc	-
PPP Contracts	Current	100%	3,065	2,065
Sport & Leisure	Current	83%	3,000	450
Strategic Property Review	Current	100%	3,095	997
Falkirk & Clackmannanshire Collaboration	Current	tbc	tbc	-
Totals			17,786	5,249

5.3 Voluntary Severance

5.3.1 Due to the continued budget pressure the organisation has had to review and redesign its Services. This has resulted in reductions in the current workforce which is expected to continue in future years. The costs associated with the exit packages approved to date this financial year are shown below. The table below also shows the savings generated by these staff reductions over the longer term 5-year payback period and these savings will be factored into the Council's budget going forwards.

5.3.2 It is difficult to determine the final cost for the current financial year. The total cost for voluntary severance was £2.8m in 2024/25. The c£0.8m costs incurred to date has been factored into the financial projections for services, an increase of £0.1m from the previous projection report. A further £0.750m remains in the financial projections to reflect the probability that these costs will increase between now and the end of the financial year.

Service	Cost of Exit Packages £'000	Leavers No.	Total Savings over 5 years £'000
Education Services	40	6	318
Place Services	502	7	844
Transformation, Communities & Corporate Services	258	5	880
General Fund	800	18	2,042
HRA (BMD)	-	-	-
Overall Total	800	18	2,042

5.4 General Fund Reserve

- 5.4.1 The Council's reserve policy is to retain a balance on this reserve at a level of 2% of annual revenue expenditure (both net and gross). Based on the approved budget in March, this gives a range of £9.8m to £12.8m. The projected closing General Fund balance detailed at Appendix 1 is £11.821m.
- 5.4.2 The closing balances for the other earmarked funds and reserves are noted at Appendices 2 and 3. Information on planned expenditure and spending commitments for some of the more significant balances are also noted below. These reserves will continue to be reviewed during the course of the financial year.

Repairs and Renewals Fund

- 5.4.3 The Repairs and Renewals Fund balance is £0.537m. The balance is made up of a number of small amounts which are currently being reviewed. As noted at paragraph 5.1.30 the Council has accrued £1.92m from non-domestic rate statutory penalties. It is proposed to credit this sum to this reserve and allocate £0.200m for investment within libraries. This will be used to improve library facilities in Grangemouth and Meadowbank to expand services to the public. The balance of £1.72m will be set aside for the development of the Council's Information, Technology and Digital systems to support delivery of the Digital Strategy, which will come to Members for approval in 2026. It is important that the Council has sufficient funds to support delivery of the Digital Strategy which will be the foundation for improved service delivery and enhanced resilience against cyber security incidents.

Earmarked Reserves

Service Concession Arrangements (SCAs)

- 5.4.4 The SCA balance carried forward from the previous financial year was £56.4m. After allowing for the use of £7.9m and the availability of £1.4m of SCAs in 2025/26, the balance at the end of March 2026 is projected to be £49.9m, an increase of £3.6m from the November report.

	January Report £'000	November Report £'000	Movement £'000
Balance Brought Forward	56,359	56,359	-
SCAs available in 2025/26	1,421	1,421	-
SCAs applied in 2025/26	(7,910)	(11,500)	3,590
SCAs Balance	49,870	46,280	3,590

- 5.4.5 Service concessions are backed by borrowing, with any underspend, as in previous years, being released back to the service concessions reserve. This avoids borrowing in advance of need and incurring additional costs.

5.4.6 Within the Financial Strategy for 2026/27, the Council agreed in principle to retain the £46m of service concessions for capital investment.

Insurance Fund (£5.132m)

5.4.7 The Fund is actuarially valued every three years, and the last valuation was received in March 2024. Given the level of uncertainties and estimation, it is anticipated that the balance is sufficient in the medium term.

Devolved Schools Management (£0.150m)

5.4.8 The balance carried forward was £1.458m. This is made up of the year end balances held by individual schools for use by headteachers and the full amount will be credited back to the schools.

Place Services Funds (£3.101m)

5.4.9 Place Services has three funds split across the operational areas of Invest Falkirk, Growth Planning & Climate and Environment & Operations. In 2025/26, £1.037m of expenditure has been funded from this reserve to cover the cost of planned roads gully/drainage clearing works, and funding various revenue projects led by Investment, Assets and Climate. The balances held are regularly reviewed by senior officers during each financial year.

Central Energy Efficiency Fund (£0.530m)

5.4.10 This is a rolling fund used to facilitate energy efficiency works. Energy savings generated from funded projects are paid back into the fund to enable the delivery of future projects.

Revenue Grants (£Nil)

5.4.11 The Revenue Grants reserve accommodates the carry forward of grant funding not yet utilised. The most significant areas of grant funding carried forward include Pupil Equity Fund, whole family wellbeing fund, employment training unit, early years and funding for Ukrainian resettlement. The grant funding has been credited back to Services to appropriately match expenditure in the current financial year.

COVID-19 Reserves (£1.871m)

5.4.12 COVID Funding of £1.9m specifically relates to education with the balance of £0.2m to support individuals at financial risk. The £1.9m has been carried forward for a number of years and could have been used to offset costs arising from the COVID situation rather than carrying forward. Education Services are considering a specific use for this funding.

Spend to Save (£2.847m)

5.4.13 This fund is used for a mix of purposes such as covering the costs of voluntary severance, front funding investment for transformation and spend to save initiatives and supporting enabler projects to help deliver priorities. The costs of

voluntary severance, where possible, will be accommodated within service budgets. Allocated funding to various project initiatives is currently £1.386m.

Empty Property Relief (£0.899m)

5.4.14 From 1 April 2023, Empty Property Relief was devolved to councils. This underspend has been carried forward to manage the risk of any exceptional costs arising if a large industrial or listed building were to become vacant.

Budgetary Pressures Contingency (£6.750m)

5.4.15 It is expected that £1.850m of reserves will be utilised in the current financial year. This includes £0.750m to offset the costs arising from pay and conditions, an allocation of £0.5m for the Regeneration Fund (this will be transferred to Capital) and £0.600m to offset revenue costs arising from the closure of Maddiston Primary School (see para 5.1.8).

5.4.16 In addition, as part of the Financial Strategy approved by Members, there are commitments of £0.5m to support feasibility studies that can't be funded from capital and a further £0.185m to help bring forward strategic capital housing developments.

Other Earmarked Reserves (£0.833m)

5.4.17 As part of the 2023/24 budget, funding for a number of specific proposals was agreed. The remaining balance of £0.833m is detailed at Appendix 3.

5.5 Housing Revenue Account (HRA)

5.5.1 The Service is currently projected to underspend by £1.458m, which is £0.904m more than the £0.554m surplus anticipated in the budget. This underspend largely relates to lower employee costs and central support recharges of £0.500m.

5.5.2 In addition to lower operational costs, the Service has also benefited from lower capital charges as a result of reduced interest rates. Maintaining the projected surplus at c£1.5m for the financial year, will enable any remaining underspends to be used to reduce borrowing. Based on the current projections, the borrowing reduction is currently estimated at £3.7m. This aligns with the messages in the Financial Strategy to reduce borrowing exposure.

5.5.3 The opening HRA reserve is £2.380m. Based on the current projection the surplus in the financial year is £1.458m, this will result in a projected reserve balance at 31 March 2026 of £3.838m. This increase in reserves moves the Service closer to the agreed threshold of c£5m.

5.5.4 The Service continues to operate within strict financial management and controls to ensure the reserves balance is increased to a more prudent level moving forward, with an overall balanced goal as highlighted above to increase reserves and reduce borrowing.

6. Consultation

- 6.1 There is no requirement to carry out a consultation based on the report recommendations. However, the information included in the report has been discussed with Directors and relevant Chief Officers.

7. Implications

Financial

- 7.1 The financial implications are detailed within the report. Overall, the General Fund expenditure is now projected to be below budget. Issues detailed in the report may adversely affect the financial position and new cost pressures may still arise. The projection requires the application of £7.9m of service concessions, which is £3.6m lower than budgeted. Spending more than the recurring income available is not sustainable over the medium term.
- 7.2 The Housing Revenue Account is projected to underspend by £1.458m, which incorporates a borrowing reduction of £3.7m and increases the level of reserves to £3.838m and closer to the agreed threshold of £5m. The Service will continue to take a balanced approach to continue to grow reserves to a more prudent level as well as reducing borrowing.

Resources

- 7.3 There are no resource implications arising from the report recommendations.

Legal

- 7.4 There are no legal implications arising from the report recommendations.

Risk

- 7.5 The Corporate Risk Register includes a risk entitled Financial Sustainability. That risk is currently rated 'high' with a target of 'medium'. It is unlikely that the Council will reach that target for some time. Although the report shows that the Council's expenditure is now below budget, the budget is still reliant on non-recurring funding. The fundamental issue remains that the Council is spending more than its recurring income and that position cannot be sustained.
- 7.6 The Council continues to have a significant structural deficit within its General Fund revenue budget. Failure to address the Council's serious financial position will lead to unplanned service interruptions and disruption for service users.
- 7.7 There are significant cost pressures within the IJB, and this remains a high-risk area.

Equalities

- 7.8 Equality and Poverty Impact Assessments (EPIAs) were carried out as appropriate during the Budget process and no further EPIA is required on this report.

Sustainability/Environmental Impact

- 7.9 A sustainability assessment is not required.

8. Conclusions

- 8.1 Projected expenditure for the General Fund is now below budget. This is positive news, although there are a number of factors that could have an adverse effect. The Council continues to operate within challenging economic and financial circumstances
- 8.2 The Housing Revenue Account projection is below budget, increasing the reserves to £3.838m, whilst also reducing borrowing reliance.

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Appendices:

Appendix 1 – General Fund Outturn Statement 2025/26

Appendix 2 – Earmarked Reserves 2025/26

Appendix 3 – New Earmarked Reserves

Appendix 4 – Housing Revenue Account Outturn Statement 2025/26

List of Background Papers:

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

- Budget Working Papers

FALKIRK COUNCIL

GENERAL FUND

PROJECTED REVENUE OUTTURN STATEMENT 2025/26

	<u>Budget</u>	<u>Outturn</u>	<u>(Fav)/ Adv</u>		<u>Previous</u>
	<u>£'000</u>	<u>£'000</u>	<u>Variance</u>		<u>(Fav)/ Adv</u>
			<u>£'000</u>	<u>%</u>	<u>£'000</u>
Education Services	259,885	259,910	25	0.0	501
Social Work - Childrens Services	36,308	35,434	(874)	(2.4)	(915)
Social Work - Adult Services	4,433	4,078	(355)	(8.0)	(266)
Place Services	46,975	45,647	(1,328)	(2.8)	(1,138)
Transformation, Communités & Corporate Services	46,960	45,588	(1,372)	(2.9)	(621)
Sub - Total	<u>394,561</u>	<u>390,657</u>	<u>(3,904)</u>	<u>(1.0)</u>	<u>(2,439)</u>
Pay Award & National Insurance	1,704	-	(1,704)	(100.0)	-
Energy Provision	421	-	(421)	(100.0)	-
Severance Costs	-	750	750	-	750
Valuation Board	1,576	1,576	-	-	-
Integration Joint Board	103,711	106,303	2,592	2.5	2,592
Capital Financing Costs	13,130	12,612	(518)	(3.9)	(518)
NET EXPENDITURE	<u>515,103</u>	<u>511,898</u>	<u>(3,205)</u>	<u>(0.6)</u>	<u>385</u>
<u>Financed By :</u>					
General Revenue Grant	(313,550)	(313,550)	-	-	-
Non-Domestic Rates	(82,693)	(82,966)	(273)	(0.3)	(273)
Council Tax	(90,937)	(91,049)	(112)	(0.1)	(112)
NET INCOME	<u>(487,180)</u>	<u>(487,565)</u>	<u>(385)</u>	<u>(0.1)</u>	<u>(385)</u>
Service Concessions (Appendix 3)	(11,500)	(7,910)	3,590	31.2	-
Earmarked Funds (Appendix 3)	(16,423)	(16,423)	-	-	-
RESERVES	<u>(27,923)</u>	<u>(24,333)</u>	<u>3,590</u>	<u>12.9</u>	<u>-</u>
TOTAL RESOURCES	<u>(515,103)</u>	<u>(511,898)</u>	<u>3,205</u>	<u>0.6</u>	<u>(385)</u>
(SURPLUS)/DEFICIT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Fund Surplus as at 1 April 2025		(11,821)			
General Fund Balance as at 31 March 2026		<u>(11,821)</u>			
Reserves Strategy Policy - Range			<u>9,760</u>	<u>-</u>	<u>12,800</u>

ANALYSIS OF REPAIRS & RENEWALS FUND

Service		Balance 01/04/2025 £'000	Transfers In £'000	Reserves Applied £'000	Transfers Out £'000	Balance 31/03/2026 £'000
Former FCT	ICT	61				61
Transformation, Com & Corp Services	Printworks	29				29
	Mobile & Flexible Working	61				61
	Payroll	55				55
	Legal Case Mgt System	86				86
	Procurement	125				125
	ICT Posts	120				120
	Library Development	-	200			200
	Computer Systems Development	120	1,720			1,840
TOTAL		657	1,920	-	-	2,577

ANALYSIS OF INSURANCE FUND

Description	Balance 01/04/2025 £'000	Transfers In £'000	Reserves Applied £'000	Transfers Out £'000	Balance 31/03/2026 £'000
Insurance	5,132	-	-	-	5,132

ANALYSIS OF GENERAL FUND EARMARKED RESERVES

Description	Balance 01/04/2025 £'000	Transfers In £'000	Reserves Applied £'000	Transfers Out £'000	Balance 31/03/2026 £'000
Service Concessions	56,359	1,421	(7,859)		49,921
Devolved Schools Management	1,458		(1,308)		150
Invest Falkirk	1,208		(511)		697
Growth Planning & Climate	2,299		(246)		2,053
Environment and Operations	630		(280)		350
Growth Planning & Climate (CEEF)	530				530
Revenue Grants	15,331		(11,731)	(3,600)	-
Covid Reserves	2,096		(225)		1,871
Spend to Save	2,847				2,847
Empty Property Relief	899				899
Budgetary Pressures	2,000	6,600	(1,850)		6,750
New Earmarked Reserves	1,106		(273)		833
TOTAL	86,763	8,021	(24,283)	(3,600)	66,901

OVERALL TOTAL	92,552	9,941	(24,283)	(3,600)	74,610
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OVERALL NET MOVEMENT**(17,942)**

Service Concessions
EPR Scheme
NDR Statutory Penalties
Service Concessions Applied
Other Earmarked Funds Applied

1,421

3,000

1,920

(7,859)

(16,424)

(17,942)

-

Analysis of Other Earmarked Reserves

Description	Updates	Balance 01/04/2025 £'000	Transfers In £'000	Reserves Applied £'000	Transfers Out £'000	Balance 31/03/2026 £'000
Retraining of Existing Staff	A reserve to support the retraining of existing to support redeployment.	50				50
Children & Families	£342k will be allocated to fund renovations of accommodation for continuing care, with the balance retained for foster carer homes	356		(273)		83
Climate Change	The funding was earmarked to support climate change initiatives. There are currently two feasibility studies in progress Hallglen solar farm and a study with the Coal Authority on heat transfer from mine water.	231				231
20mph Speed Zones	A report detailing proposals to introduce 20mph speed zones was presented to the March 2024 Executive.	469				469
		1,106	-	(273)	-	833

FALKIRK COUNCIL

HOUSING REVENUE ACCOUNT

PROJECTED REVENUE OUTTURN STATEMENT 2025/26

	<u>Budget</u> £'000	<u>Outturn</u> £'000	<u>(Fav)/ Adv</u> <u>Variance</u>		<u>Previous</u> <u>Variance</u> £'000
			£'000	%	
Employee Expenses	12,117	11,047	(1,070)	(8.8)	(1,182)
Property Expenses	28,374	28,150	(224)	(0.8)	523
Transport Expenses	19	19	-	-	-
Supplies and Services	4,770	4,893	123	2.6	-
Third Party Payments	966	966	-	-	-
Transfer Payments	280	260	(20)	(7.1)	-
Support Services	4,071	3,571	(500)	(12.3)	(500)
Capital Charges	30,482	27,621	(2,861)	(9.4)	-
Capital Financed from Revenue	-	3,695	3,695		-
Sub-Total	81,079	80,222	(857)	(1.1)	(1,159)
Integration Joint Board	950	950	-	-	-
GROSS EXPENDITURE	82,029	81,172	(857)	(1.0)	(1,159)
Council House Rents	(76,194)	(76,486)	(292)	0.4	(223)
Other Rents	(2,198)	(2,225)	(27)		30
Other Income	(4,191)	(3,919)	272	-	382
GROSS INCOME	(82,583)	(82,630)	(47)	0.1	189
(SURPLUS)/DEFICIT	(554)	(1,458)	(904)	163.2	(970)
Reserves brought forward at 1 April 2025		(2,380)			
Projected Reserves at 31 March 2026		(3,838)			