

**BUDGET STRATEGY CONSULTATION 2016-18**

Joint Report by Chief Executive and Director of Finance and Corporate Resources

**PURPOSE OF REPORT** To provide Members with an update on progress with the 2016-18 Budget and seek Comhairle approval of proposals for public consultation.

**COMPETENCE**

- 1.1 The Comhairle is under a legal duty to set a balanced budget. In doing so the Comhairle must observe proper accounting practices and make arrangements which secure best value. A local authority must maintain an appropriate balance between the quality of the performance of its functions; the cost to the authority of that performance; and the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis. In maintaining that balance a local authority shall have regard to efficiency, effectiveness, economy and the need to meet the equal opportunity requirements.

**SUMMARY**

- 2.1 The Scottish Budget announced on 16 December 2015 included a one year settlement for Local Government for 2016/17. Overall revenue funding for authorities has reduced by £336m (3.4%) compared with 2015/16. With the floor set at minus 4.5% the consequence for the Comhairle is a reduction of £4.5m in funding.
- 2.2 The settlement is conditional on Councils agreeing to continue the Council Tax freeze and maintain teacher numbers, and the Comhairle is required to indicate to Scottish Government by 22 January 2016 if it does not intend to accept the settlement. Dependent on the ongoing discussions between Scottish Government and COSLA, it may not be possible for the Comhairle to indicate definitively whether or not it wishes to accept the settlement by this date and, in the event that a response has to be given to Scottish Government in advance of the next meetings of this Committee and the Comhairle on 17 February 2016, delegation is sought to authorise the Chief Executive, in consultation with the Leader, Convener, Vice Chairman and all members of Policy and Resources Committee, to agree the terms of the Comhairle's response.
- 2.3 The position of COSLA, agreed at a Special Leaders' meeting of 16 December 2015, reflected COSLA's earlier position that:
- the proposed settlement is unacceptable, on account of the proposed level of reduction in budgets;
  - dialogue (COSLA has been clear that it has not been engaged in negotiations) continue with Scottish Government as regards steps to alleviate the severe funding pressures to which Councils are subject, noting Scottish Government's account of its own funding pressures; and
  - the settlement should be sanction free, and should include the removal of the Council Tax freeze and requirement to maintain teacher numbers.
- 2.4 COSLA Political Group Leaders met the Cabinet Secretary, John Swinney MSP, on 7 January 2016, and discussions continue on the implications of the settlement announcement. Of particular importance are the terms of allocation of the £250m funding proposed for improving outcomes in Health and Social Care. As noted below, it is proposed that this be distributed via Health Boards, but it is important for Local Government that, firstly, that the total sum is available for Health and Social Care Integration and, secondly, the funding be used wholly for the purposes of the Integration Joint Boards Taking account of the planned deficit for 2015/16, the reduction in funding, pay awards, inflation and additional pension related costs the deficit for 2016/17 stands at £8.5m. For the reasons set out above this excludes demand led cost pressures in Health and Social Care which could add between £0.7m and £1.2m to this total.
- 2.5 The Scottish Government has indicated that 2016/17 is likely to be the most challenging year. As only one year funding has been announced there is significant uncertainty about future years. However, a planning assumption of a further 3% reduction in the Comhairle settlement would mean a further funding gap of £4.5m in 2017/18.
- 2.6 The table below shows the updated position with savings identified by year:

	2016/17	2017/18
Identified savings (fuel, prior year severance and funding)	£0.6m	£0.0m
Loan charge savings	£3.3m	£0.0m
Debt Rescheduling	£0.5m	£0.0m
Corporate savings proposals	£0.3m	£0.6m
Workforce plans: efficiency proposals	£1.6m	£1.1m
<b>Totals</b>	<b>£6.3m</b>	<b>£1.7m</b>

- 2.7 This leaves an estimated balance of savings (excluding Health and Social Care) of £2.2m and £2.8m to find in 2016/17 and 2017/18 respectively. Details of how these figures differ from those submitted to the November 2015 meetings will be given at the Seminar, hopefully following further clarification of the terms of allocation of the funding for Health and Social Care.
- 2.8 Effective forward planning means that the Comhairle holds balances that it has already agreed to use to defray the impact of funding reductions. However, the Comhairle must plan to achieve a balanced budget and continue to prepare for further funding reductions in future years.
- 2.9 The Report considered by Policy and Resources Committee in December 2015 set out potential budget choices for consideration. These, together with options for prudential borrowing and centrally held budgets will be considered at the Member Seminar scheduled for 13 January 2016 which will recommend which proposals should be considered for formal consultation. An updated list of potential budget choices will be submitted to the Committee following consideration at the Seminar.

## RECOMMENDATIONS

### 3.1 It is recommended that the Comhairle:

- (a) **note the current position and latest financial projections;**
- (b) **authorise the Chief Executive, in consultation with the Leader, Convener, Vice Chairman and Members of Policy and Resources Committee, to submit, in the event that the Comhairle is not in a position to accept in full the proposed settlement and it would not be possible for the matter to be considered at the next meetings of the Committee and the Comhairle on 17 February 2016, the Comhairle's response to Scottish Government's proposed financial settlement for the Comhairle;**
- (c) **agree, in the light of the settlement announcement, to plan for the savings needed across 2016/17 and 2017/18; and**
- (d) **determine which of the budget choice proposals should be the subject of formal consultation.**

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Background Papers: Budget Strategy 2016-18 (Policy and Resources Committee 22 April 2015)  
Budget Strategy Update (Policy and Resources Committee 24 June 2015)  
Budget Strategy Update (Policy and Resources Committee 30 September 2015)  
Budget Strategy Update (Policy and Resources Committee 2 December 2015)