

**BUDGET STRATEGY UPDATE**

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

PURPOSE OF REPORT

To provide an update to Members on financial projections for 2019-29, savings from the service redesign programme and exit from the European Union.

COMPETENCE

- 1.1 This Report is concerned with financial matters and whilst there are no legal or financial implications to the recommendations being implemented the requirement to set a balanced budget may lead to future decisions on services that may require to be subject to risk assessment and equality evaluation.

SUMMARY

- 2.1 In June 2018, the Budget Strategy Update Report indicated that the implications of the Scottish Government's five-year financial plan for the Comhairle could be significant with savings in excess of 5% potentially required in 2019/20. Whilst this represents an extremely challenging outlook it is not a spending review. The present indications are that 2019/20 will be another single year financial settlement for Local Government and that the Scottish Budget and therefore the allocations for councils will be later than usual, potentially not until early 2019.
- 2.2 Appendix A provides an updated central case for the Comhairle and Appendix B a range of scenarios, showing how service redesign and balances would require to be used over the term of the council.
- 2.3 Pay awards for 2019/20 are still not settled and this remains a considerable area of uncertainty. Until this is resolved a provision has been made in the projections for 3% pay for all staff groups in 2019/20.
- 2.4 Given the uncertainty surrounding future budgets, especially in the context of the pending exit of the UK from the European Union it is recommended that the Comhairle continue with its existing Budget Strategy whilst engaging at a political level, both directly and through COSLA, to ensure the Comhairle's interests are represented.
- 2.5 Consequently, it is recommended that focus should remain on the delivery of the service redesign programme. Estimates provided by Directors, set out in Appendix C, show that savings are projected to be delivered later than originally sought. Whilst it is recognised, that by their very nature service redesign programmes are more complex and time consuming to deliver further slippage may create significant challenges in future years.
- 2.6 A concurrent Report to Service Committees and Policy and Resources Committee sets out the approach the Comhairle is recommended to adopt in relation to Service Redesign.
- 2.7 In relation to the UK's exit from the EU on 29 March 2019 there is considerable uncertainty about the nature of any agreement that may be reached by the UK Government and the impact of this on the Comhairle. It is prudent for the Comhairle to identify any financial and operational risks that may arise in as a consequence and it is recommended that a Report setting out any measures the Comhairle should adopt should be presented to the next meeting of the Policy and Resources Committee.

RECOMMENDATIONS**3.1 It is recommended that the Comhairle:**

- (a) **note the updated financial projections;**
- (b) **agree to continue with the current Budget Strategy alongside political discussions; and**
- (c) **agree that a Report setting out any measures the Comhairle should adopt to prepare for the UK's exit from the EU be presented to the next meeting of the Policy and Resources Committee.**

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Appendix A:	Comhairle Financial Projections 2019-29	
Appendix B:	Projected Savings 2019-29	
Appendix C:	Service Redesign Projections	

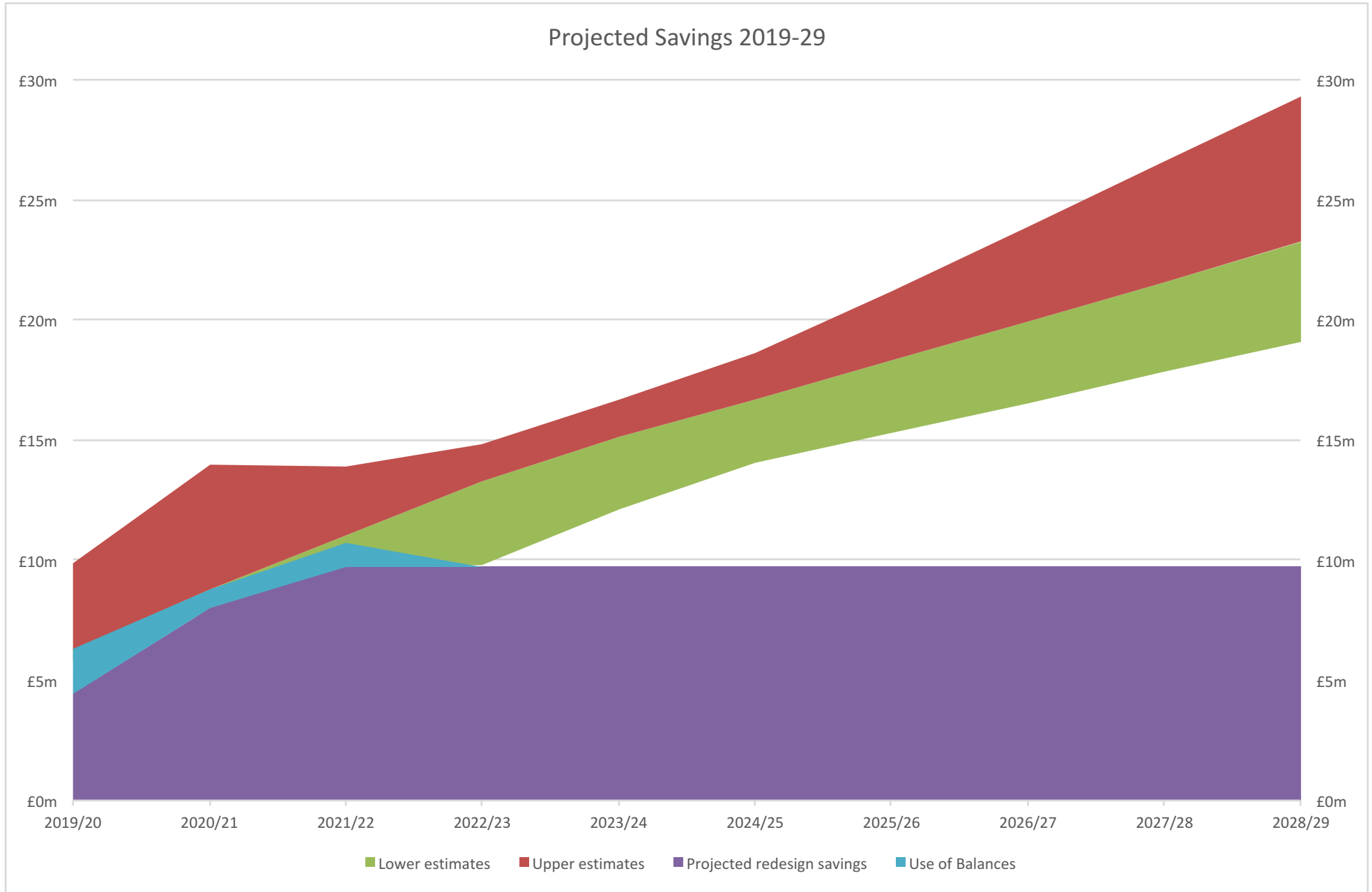


Comhairle Financial Projections 2019-29

	2018/19 Base	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£	£	£	£	£	£	£	£	£	£	£
Employees	47,419,079	48,389,822	49,388,660	50,198,100	51,027,256	52,047,802	53,088,758	54,150,533	55,233,543	56,338,214	57,464,979
Premises	7,833,616	7,940,527	8,049,797	8,155,340	8,263,106	8,428,368	8,596,936	8,768,874	8,944,252	9,123,137	9,305,599
Transportation	4,460,643	4,521,521	4,583,741	4,643,840	4,705,205	4,799,309	4,895,295	4,993,201	5,093,065	5,194,926	5,298,825
Supplies	7,535,195	7,638,033	7,743,140	7,844,663	7,948,324	8,107,290	8,269,436	8,434,825	8,603,521	8,775,592	8,951,103
Agency	16,719,794	16,947,981	17,181,202	17,406,471	17,636,482	17,989,212	18,348,996	18,715,976	19,090,296	19,472,102	19,861,544
Transfer Payments	5,069,250	5,170,635	5,274,048	5,379,529	5,487,119	5,596,862	5,708,799	5,822,975	5,939,434	6,058,223	6,179,387
Loan Charges	14,868,506	14,868,506	14,868,506	14,868,506	14,868,506	14,868,506	14,868,506	14,868,506	14,868,506	14,868,506	14,868,506
Central Budgets	2,068,930	2,068,930	2,068,930	2,068,930	2,068,930	2,068,930	2,068,930	2,068,930	2,068,930	2,068,930	2,068,930
Income	(17,722,637)	(18,077,090)	(18,438,632)	(18,807,404)	(19,183,552)	(19,567,223)	(19,958,568)	(20,357,739)	(20,764,894)	(21,180,192)	(21,603,796)
Projected Budget	88,252,376	89,468,866	90,719,392	91,757,975	92,821,376	94,339,055	95,887,087	97,466,080	99,076,653	100,719,438	102,395,078
Cùram is Slàinte	19,360,586	19,360,586	19,360,586	19,360,586	19,360,586	19,360,586	19,360,586	19,360,586	19,360,586	19,360,586	19,360,586
Revenue Support Grant	(86,029,000)	(84,523,493)	(83,044,331)	(81,591,056)	(80,163,212)	(79,561,988)	(78,965,273)	(78,373,034)	(77,785,236)	(77,201,847)	(76,622,833)
Non-Domestic Rates	(7,702,000)	(7,567,215)	(7,434,789)	(7,304,680)	(7,176,848)	(7,123,022)	(7,265,482)	(7,410,792)	(7,559,008)	(7,710,188)	(7,864,391)
Council Tax	(10,128,080)	(10,462,307)	(10,807,563)	(11,164,212)	(11,532,631)	(11,913,208)	(12,306,344)	(12,712,453)	(13,131,964)	(13,565,319)	(14,012,975)
Balances			0	0	0	0					
Funding	(103,859,080)	(102,553,014)	(101,286,683)	(100,059,948)	(98,872,691)	(98,598,218)	(98,537,099)	(98,496,279)	(98,476,208)	(98,477,353)	(98,500,199)
Cummulative Deficit	3,753,882	6,276,437	8,793,296	11,058,613	13,309,271	15,101,423	16,710,574	18,330,388	19,961,031	21,602,670	23,255,465
Balances b/f	6,400,000	3,557,118	1,717,681	973,385							
Redesign Programme	911,000	4,437,000	8,049,000	9,751,000							
Net Service cost	(3,753,882)	(6,276,437)	(8,793,296)	(11,058,613)							
In year Deficit	(2,842,882)	(1,839,437)	(744,296)	(1,307,613)							
Balances c/f	3,557,118	1,717,681	973,385	(334,228)							

Key Assumptions

1. Reduction in grant of 1% plus floor of 0.75%
2. General inflation remains at 2%.
3. Council Tax rise of 3% per year plus buoyancy.
4. Pay inflation of 3% till 2021, then 2.5% for two years then 2%
5. 1% efficiencies from 2019-22.



Service Redesign Projections - updated September 2018

Theme	2018/19 £000		2019/20 £000		2020/21 £000		2021/22 £000
	Original	Revised	Original	Revised	Original	Revised	Original
Children's Services					775	775	
Properties	291	51	291	531			
Waste & Cleansing Services	570	75	570	1,065			
Community Services	355	355	355	355			
Transportation			1,658	1,105		553	
Housing	51		51	75		27	
Economic Development	306		306	218		217	
Libraries				177			
Schools & Related Services	430	430			2,040	2,040	
Early Years Education							587
Community Support							206
Roads & Related Infrastructure							828
Apprentices							81
Totals	2,003	911	3,231	3,526	2,815	3,612	1,702
Cummulative	2,003	911	5,234	4,437	8,049	8,049	9,751