

**BUDGET STRATEGY UPDATE**

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

PURPOSE OF REPORT

To update the Comhairle on the 2018/19 budget, to allow the Comhairle to consider the Audit Scotland 2018 overview Report and to enable the Comhairle to consider a request from the Integration Joint Board.

COMPETENCE

- 1.1 The implementation of the Comhairle's Budget Strategy will require the Comhairle to consider its compliance with statutory duties, carry out equality impact assessments and put in place appropriate risk management arrangements.

SUMMARY

- 2.1 The Comhairle set its 2018/19 Budget on 7 February 2018, ahead of the Local Government Finance (Scotland) Order 2018, on the basis that the expected increase in funding from the draft settlement would be set aside to support the future budget strategy.
- 2.2 The additional funding amounted to some £1.2m, £0.9m to be provided in 2017/18 and £0.3m in 2018/19. Appendix A sets out a summary of the final budget for 2018/19 and shows how the planned deficit will be funded from a combination of Service Redesign (£2.0m) and balances (£1.6m).
- 2.3 The most significant aspect outstanding for 2018/19 is pay. Whilst the Comhairle's budget is based on the Scottish Government's public sector pay offer this has not yet been accepted by any pay groups.
- 2.4 At the time the budget was set the Comhairle had £2.8m of balances available to support the budget process. Allowing for the overspend on Winter Maintenance, the extra in grant for 2017/18 and the planned use in 2018/19 this is presently forecast to reduce to £2.2m. This position will be reviewed after the year end when the outturn position is known.
- 2.5 As the 2018/19 Settlement was for a single year there is no certainty about what it will mean for future years. In addition work reviewing aspects of the distribution, including the floor, is about to commence and this could also impact on future settlements.
- 2.6 The Comhairle needs therefore to progress Service Redesign in accordance with the timetable set out in the concurrent Report. This is consistent with the message in the *Local government in Scotland: Challenges and Performance 2018* Report by the Audit Commission which highlights that finding savings is increasingly critical for councils dealing with ongoing reductions in funding.
- 2.7 As a consequence of the 2018/19 Settlement the Comhairle has now seen the biggest funding reduction (£20m or 17%) of any authority in Scotland since 2010/11.
- 2.8 At its meeting on 22 March 2018 the Integration Joint Board (IJB) resolved to request that the Comhairle allocate unconditionally the £429k that the Comhairle has earmarked for specific purposes, to be drawn down by the IJB only as required. The Comhairle in allocating resources to the IJB is required to be mindful of whether they are sufficient to meet the obligations it places on the IJB. Notwithstanding that this is not ring fenced funding it is submitted that agreeing to make the funding available should it be needed evidently passes this test. In the context of the IJB projecting a surplus of £0.6m for the current year and holding reserves of £3.3m it is not recommended that the Comhairle consider revisiting its decision.

RECOMMENDATIONS

- 3.1 **It is recommended that the Comhairle notes:**
- (a) **the revisions to the 2018/19 budget;**
 - (b) **the importance of progressing with the Service Redesign programme;**
 - (c) **the Audit Commission Report - Local government in Scotland: Challenges and performance; and**
 - (d) **that the Comhairle has already earmarked £429k for use by the Integration Joint Board, for the purposes set out in the Comhairle's 2018/19 Budget.**

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Appendix A: 2018/19 Budget Summary

Appendix B: Local Government in Scotland: Challenges and Performance 2018

APPENDIX A

BUDGET SUMMARY		Initial Budget 2017-18	Total Budget 2017-18	Initial Budget 2018-19
		£	£	£
	DEPARTMENT			
1	CHIEF EXECUTIVE	3,105,434	3,152,683	3,177,579
2	DEVELOPMENT	6,189,951	6,310,876	6,470,201
3	EDUCATION AND CHILDREN'S SERVICES	48,955,551	49,108,979	50,786,253
4	FINANCE AND CORPORATE RESOURCES	2,080,653	2,350,953	2,115,825
5	HEALTH AND SOCIAL CARE	21,595,352	21,673,637	21,774,385
6	TECHNICAL SERVICES	17,979,162	18,094,883	18,552,539
7	NET EXPENDITURE	99,906,103	100,692,011	102,876,782
8	CONTINGENCY	200,000	90,838	200,000
9	CENTRALLY HELD BUDGETS	1,260,977	1,512,895	1,713,930
10	WARD PRIORITIES FUND	155,000	152,027	155,000
11	INTEREST ON REVENUE BALANCES	-100,000	-100,000	-100,000
12	INTEREST PAYABLE	9,226,106	9,489,812	8,964,106
13	DEBT REPAYMENT	7,194,378	7,194,378	6,526,330
14	DEPRECIATION CHARGED	-12,341,592	-12,341,592	-12,873,186
15	TOTAL NET EXPENDITURE	105,500,972	106,690,369	107,462,962
	FINANCED BY			
16	REVENUE SUPPORT GRANT	85,392,000	85,392,000	86,029,000
17	NATIONAL NON-DOMESTIC RATES	7,783,000	7,783,000	7,702,000
18	COUNCIL TAX	9,794,000	9,794,000	10,128,080
19	SERVICE REDESIGN PROGRAMME			2,003,000
20	USE OF BALANCES	2,531,972	3,721,369	1,600,882
21	TOTAL FUNDING	105,500,972	106,690,369	107,462,962