

EAST RENFREWSHIRE COUNCIL9 February 2017Report by Head of Accountancy (Chief Financial Officer)FINANCIAL PLANNING 2017-2022**PURPOSE OF REPORT**

1. To submit for approval the updated Outline Revenue Financial Plan for 2017-2022.

RECOMMENDATIONS

2. It is recommended that the Council: -
 - (i) notes the increasing budget pressures anticipated in the next 5 years and the mitigating actions proposed;
 - (ii) approves the Outline Revenue Financial Plan 2017 – 2022

BACKGROUND

3. East Renfrewshire Council has undertaken long term financial planning for many years. Capital planning is undertaken over a rolling 8 year period reflecting the need to plan infrastructure over an extended period. The detailed revenue budget has been planned over a 3 year time horizon to reflect the budget periods of the Scottish Government. Despite a recent move to annual budgets by the Scottish Government and significant shifts in the overall budget allocated to local government making long term planning challenging, the Council has continued to prepare and publish a 3 year budget updating the budget on an annual basis.

4. The Council budget, which will be set today, will be the last budget of the present administration and will be year 3 of the present revenue budget. An indicative budget for 2017/18 was published in 2015 and has now been updated to reflect the terms of the Local Government settlement, announced to the Scottish Parliament on the 15th of December 2016. It has been forecast for some time that the settlement for Local Government would be significantly worse than that originally predicted back in 2015 and over the last year work has been undertaken by the Corporate Management Team to plan for a number of financial scenarios.

5. Traditionally the longer term financial outlook and the associated financial plans of the council have been presented as part of the Budget at the February budget meeting. However in light of the significant changes in Local Government funding, a draft of this outline financial planning paper was prepared in advance of the budget to highlight to Council in December 2016 the likely financial situation over the next few years and the potentially serious implications for local government. This paper now updates the position.

6. The administration formed in May 2017 is likely to wish to review the financial strategy and detailed 2017/18 budget during the Autumn of 2017, to ensure both reflect manifesto commitments.

7. It should be noted that financial planning is extremely difficult in the present economic and political situation. Financial markets are uncertain about future economic growth prospects and the impact on the finances available to Scottish local government very difficult to predict. One year budgets are making the situation even more difficult. The Council will have to be prepared to analyse a range of scenarios and be ready to undertake detailed budget planning as the most likely scenarios emerge for future years.

FINANCIAL OUTLOOK

8. Colin Mair from the Improvement Service has summarised the headline figures from the 2016 Autumn Statement as follows:

- GDP growth forecast has been downgraded with a sharp decline in the next two years (1.4% and 1.7%) and then a modest pick up to 2.1% from 2019/20 and beyond.
- The forecast for fiscal receipts is downgraded in the light of lower GDP, increased unemployment and slower real wage growth. Government borrowing will increase against previous forecasts by £122 billion through to 2021/22, which is £63 billion more than forecast in March 2016. The OBR attributes £59 billion additional borrowing to the effect of Brexit.
- CPI inflation is forecast to rise sharply across the next two years (0.7% in 2016/17 to 2.5% in 2018/19) and then to fall to 2% from 2020/21.
- Current Government spending is forecast to rise but this is attributable to forecast increases in Annually Managed Expenditure (AME) on pensions, welfare and debt interest due to higher inflation, higher unemployment, and the falling value of sterling.
- Current spending on public services within the Departmental Expenditure Limit (DEL) is lower for the next three years than this year. Current DEL spending per capita will fall by 7% across the period in real terms.
- The Statement emphasises increased investment but much of that also is phased towards 2020/21 and 2021/22. For public service capital, it grows marginally across the next three years to 2019/20 (£3 billion) and is then forecast to grow by £14 billion in 2020/21 and 2021/22. This phasing is likely to be applied to the £800 million increase in capital spend for Scotland with the implication that increases in the next three years will be relatively small (possibly £250 million across the next three years).

9. The Autumn Statement does not alter the picture for current service spending within DEL across the next three years. It remains within the framework set in the UK Spending Review (2015) and the budget 2016. This implies real reductions in current income across the next three years through Barnet.

10. In Scotland the spending available to Local Government is dependent on whether NHS spending grows in real terms and Police spending is protected against inflation. Schools' spending is likely to be relatively protected, and if the funds for the growth in care are ring-fenced through the NHS budget, other council spending will continue to face a further severe squeeze across the next three years. A recent report from the Fraser of Allander institute forecasts that unprotected public sector budgets will fall by 5% in real terms in 2018/19 and 4% in 2019/10.

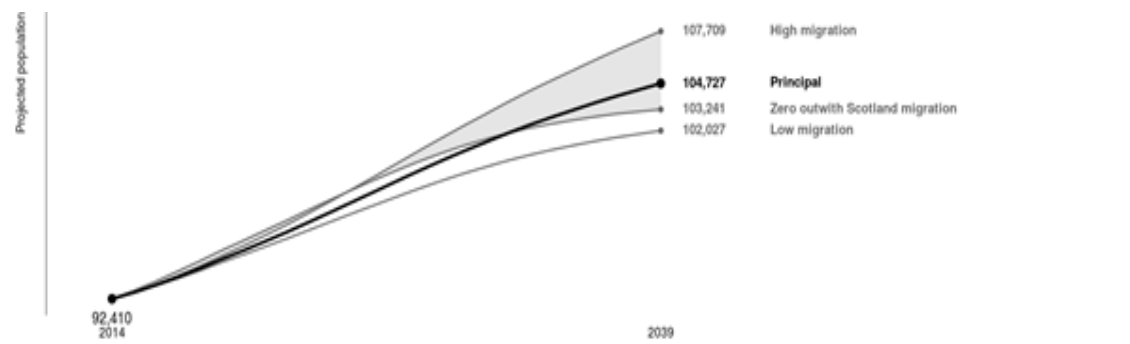
11. The Council's provisional settlement for 2017/18 was announced on 15 December 2016 and produced a like for like cash reduction in core grant funding of £6.312m (3.5%). This was within the most recent forecast range of 3.5% to 5% cash reductions. The figure has been arrived at after adjusting for new items within the settlement relating to additional ring fenced funding for educational attainment (£1.326m) and criminal justice (£0.462m). The Scottish Government will confirm the settlement figures when it sets its budget later this month.

12. The settlement also confirmed that Councils could retain the increased Council Tax collected as a result of the Scottish Government's changes to the banding of Band E to H properties (estimated at £4.158m for East Renfrewshire). The overall cash reduction on a like for like basis is therefore more than £2.1m after offsetting this increase in Council Tax income.

DEMAND PRESSURES

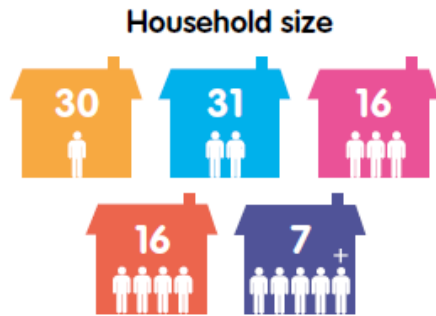
DEMOGRAPHICS

13. Our Planning for the Future report and Infographic summary provides a comprehensive summary of a rigorous analysis of the changing demographics of the East Renfrewshire Area. The report includes trend information from the Census and the use of the NRS mid-year estimates and NRS 2012 and 2014* population projections. Information which is used to create the Local Development plan such as service demand, SIMD data and future housing projections and associated infrastructure is also included. The report provides an overview of natural changes in the population such as birth and death rates and incorporates the latest figures released on the significant rise in net migration across the East Renfrewshire area. Key statistics until 2039 as shown in table 1 are as follows.



Source: <https://scotland.shinyapps.io/population-projection-variants/>

14. By 2039 the population of East Renfrewshire is projected to be 104,727, an increase of 13.3 per cent compared to the population in 2014. The population of Scotland is projected to increase by 7.5 per cent between 2014 and 2039. Over the 25 year period, the age group that is projected to increase the most in size in East Renfrewshire is the 75+ age group.



15. The total number of households in East Renfrewshire is projected to change from 37,575 in 2012 to 42,498 in 2037 which is an increase of 13 per cent.

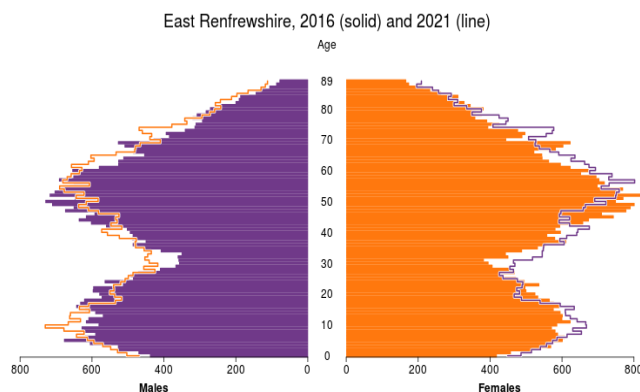
16. In Scotland, the numbers of lone adult households are projected to increase by 35 per cent over the 25 year period. In East Renfrewshire, the number of lone adult households is projected to increase by 42 per cent, and the number of larger

households in East Renfrewshire is projected to fall, with the number of households of 2 or more adults with children decreasing by 13 per cent over the 25 year period.

17. The average household size is projected to decrease from 2.41 in 2012 to 2.2 in 2037.

18. In East Renfrewshire, from 2012 to 2037, households headed by 60-74 year olds are projected to increase in number by 15 per cent, and those headed by the 75+ age group are projected to increase in number by 82 per cent.

The next 5 years



Source: <https://scotland.shinyapps.io/population-projection-pyramids/>

Over the next 5 years (2016- 2021), the following changes will create financial pressure:

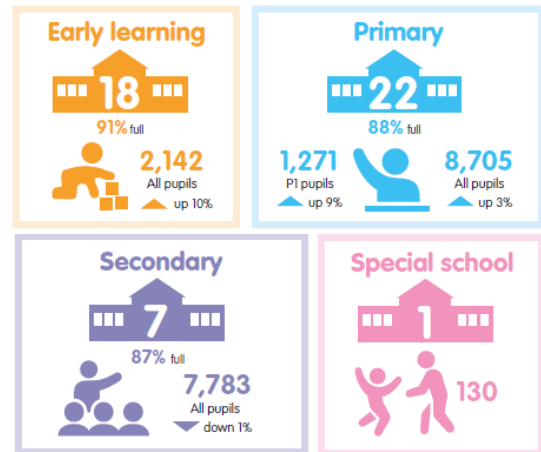
19. There will be an increase of 2,041 dwellings which represents 5.3 per cent. This increase in households will create additional demand for the full range of council services especially waste management, road maintenance, parking, money advice, customer services, early learning, childcare and education, employability, schools, health and social care, leisure and transport.

20. The pattern of more people entering East Renfrewshire than leaving (2,056 more over the past 3 years) is expected to continue with people aged 30-44 accounting for the largest proportion of entrants, mostly coming from Glasgow.

21. The numbers of children and young people increased by 7.5 per cent from 2011 to 2014. From 2011 to 2015, the number of children aged under 5 increased by 7.7 per cent and the number of 5 to 9 years olds increased by 8.5 per cent. This suggests that those moving into the area do so with young families

Source: Education Dec 2015

22. Demand for early learning and childcare places increased significantly reflecting the rise in migration of families to the area. The number of 3 and 4 year old children attending Council and partnership providers' early learning and childcare facilities over the past 7 years increased by 13 per cent and this trend is expected to continue.



23. These changes to the school population as a result of new housebuilding have been taken into account when new housing developments have been planned. Developer contributions have

contributed to the capital costs of new primary schools and nurseries and it is expected that the present secondary school estate has the capacity to cope with any planned increases in school population. This increase in pupil numbers will lead to a requirement for additional teachers and Child Development officers. The increase in council tax due to an increased number of dwellings will in part support the increase in revenue costs.

24. The number of looked after children has risen from around 90 at any one point to over 150 in the space of a decade and the trend is continuing. The majority of children are cared for at home, with well over half of children being cared for at home consistently over the last decade. Foster care has accounted for around 20 per cent of placements in recent years with the need for residential accommodation remaining small. We expect the need for foster care placements to rise in line with the looked after children population. These changes are likely to place additional demand on services for children and families.

25. Between 2014 and 2015 East Renfrewshire experienced a 2.1 per cent increase in the number of births, rising from 853 in 2014, to 871 in 2015 whilst the number of births in Scotland fell by 2.9 per cent. There is a declining death rate in all ages, leading to higher life expectancies for both men (79.8) and women (82.8). This is the second-highest life expectancy in Scotland.

26. East Renfrewshire already has an increasing ageing population with the second highest increase in the over 80s in Scotland. By 2025, almost one quarter of East Renfrewshire will be aged 65 or over. In recent years, the number of people aged over 85 needing key services has been rising. This has an impact on our services because the number of people aged 85 and over is expected to grow at a faster rate than the rest of the population. On this basis we can expect the number of people requiring home care support and care home residency to increase by around 20 per cent in the next 5 years

27. All of these changes will lead to increased pressures on services. The Council would expect to receive additional income from Council Tax due to an increase in the number of dwellings and increased General Revenue Grant from the Government as the GAE formula used to distribute Government grant is heavily influenced by population.

28. At times when the overall funding for Councils is declining in cash terms however, and the population of Scotland is increasing overall, the GAE formula may only lead to those councils with above average population growth receiving a slightly lower reduction than councils with average population growth.

29. In terms of the capital infrastructure required to service the new developments, the council has through its 8 year capital plan and its significant Capital reserve provision, taken steps to provide for the investment required in relation to population growth in the coming years.

City Deal

30. Work has started on £44 million of City Deal investment leading to business and regeneration opportunities. In Newton Mearns, this will lead to opportunities for business, networking and sites at Greenlaw. At Barrhead North the remediation of a 17 acre site (former Nestle site) will provide exciting opportunities for business and regeneration. The City Deal investment also includes significant projects which will improve the transport infrastructure to regenerate areas and link the communities of Barrhead and Eastwood. Another City Deal project will deliver an estimated 780sqm visitor centre at the Dams to Darnley Country Park and will include flexible space for café / meeting facilities / exhibition space and community use. This includes delivering infrastructure to support a wakeboard centre which will increase visitor numbers to the area significantly.

31. Whilst the majority of the funding of City Deal investment will be provided by both the UK and Scottish Governments, the Council will be required to contribute £6.2m as well as fund the cash flow over an extended period as most of the grant support will not be received until well into the future. This will require an increase in loans charges of £1.6m per annum by 2020/21.

LEGISLATIVE CHANGE

Entitlement to 1140 hours of Early Learning and Childcare provision

32. From August 2014, all local authorities had a duty to increase provision to 600 hours for all 3 and 4 year old children; and to introduce some flexibility on how entitlement is provided. In addition councils had to offer two year old children in workless/ job seeking households 600 hours of early learning and childcare. From August 2015 this has extended further to cover families with two year old children who are eligible for free school meals. These statutory changes have placed further demands on the capacity (available places) and resulting occupancy levels of East Renfrewshire early learning and childcare facilities.

33. The new Cart Mill Family Centre has provided additional early learning and childcare places and helped meet the increased demand. The Council is increasing provision with an increase in places at Crookfur nursery class from August 2016, a 100 place facility at the Faith Schools' Joint Campus for August 2017 (increasing Calderwood Lodge nursery from 80 to 200 places), a new build replacement and extended Arthurlie Family Centre at

Auchenback Community Hub (late 2017), and proposals to establish an early learning and childcare facility at remodelled accommodation at St Cadoc's Primary School and at the new non-denominational primary school planned at Maidenhill both for August 2019.

34. The Scottish Government is currently consulting on *A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland* which will require the Council to provide 1140 hours per year for every 3 and 4 year old and every entitled 2 year old, as set out above and is to be implemented by 2020. The expansion described above will not provide enough places to meet the potential demand once the entitlement is in place. Our initial estimate is that 10 new nurseries will be required. It is expected that a specific allocation of grant will be available from the Scottish Government to meet the costs of this new burden but as yet the scale of this grant is not known. The Council must also plan to ensure that the required increase in skilled Child Development Officer staff is in place by 2019.

35. One particular concern for East Renfrewshire is that there is a limited private sector which can share in providing places and investing in more accommodation. This means that the costs of capital may be higher for East Renfrewshire Council than for other areas which have traditionally more private sector nursery provision.

36. The Scottish Government is also consulting on a potential change to the funding of nursery places and one of the options is to consider introducing a voucher scheme which will enable more parental choice. This leads to a higher level of uncertainty over the level of provision required in the area, making planning more difficult. Whereas East Renfrewshire council nurseries have always been very popular with parents, some may prefer to choose a nursery close to their place of work once the place is for a full day.

Potential changes to school governance and teacher number ratios

37. The Government has recently concluded a consultation on changes to the governance of Education, and there is also ongoing work to devise a national minimum staffing standard for schools potentially on teacher/pupil ratios. The outcomes of these reviews are as yet unknown at present and therefore the potential impact on council budget is not known.

Council Tax Bandings

38. One change that has already been confirmed is the requirement for councils to raise council tax for higher band (Band E to H) houses from April 2017. This is expected to raise over £4m in East Renfrewshire. However the settlement for East Renfrewshire takes account of this anticipated increase in income in determining the amount of General Revenue Grant allocated to East Renfrewshire Council.

Educational Attainment

39. The 2017/18 provisional settlement included £119m for the Attainment Scotland Fund. This is ring fenced funding to be distributed directly to schools on the basis of deprivation. It has since been confirmed that East Renfrewshire schools will benefit by

£1.370m, but this spending must be determined by head teachers and cannot be controlled by the Council.

Participatory budgeting

40. As part of the Community Empowerment Act, Councils are being encouraged to include an element of participatory budgeting with local communities. Initial indications were that councils would have had to allocate 1% of their budget by participatory budgeting. However our understanding is that the 1% figure will not be embedded in legislation although Councils will be encouraged to work towards this figure.

41. Over the last few years East Renfrewshire Council and HSCP have been increasing working with communities and community organisations to prioritise spend and we have many examples of work that is closely linked to participatory budgeting. Work is underway to analyse this activity and to continue to strengthen our approach.

Welfare reform

42. The reform of the Welfare System has led to changes in the responsibilities of councils and the levels of financial support available to residents. The Council has allocated a contingency fund to cope with these changes.

WIDER POLITICAL, SOCIETAL AND ECONOMIC CHANGE

Brexit

43. The full impact of the decision to leave the European Union is not yet known and will require to be monitored carefully. The most obvious impact will be the loss of European funds to the council which account for an average annual income of £100,000 over the last few years, although the UK and Scottish Governments may well offer some degree of equivalent funding in future.

Economic uncertainty

44. Brexit and political changes around the world have led to uncertainty on world markets. Growth projections for GDP have been reduced by the OBR from 2.2 % to 1.4% which many commentators believe is still optimistic, inflation is expected to increase primarily due to changes in the exchange rate with food prices expected to rise by 5%. The OBR are also predicting that unemployment rates will increase from 5.1% to 5.5%. The Institute of Fiscal Studies (IFS) predicts that workers will earn less in real wages in 2021 than they did in 2008. Any increase in unemployment rates and related poverty increases the demand on council services.

OUTLINE REVENUE FINANCIAL PLAN

45. The Council's agreed financial policy states that "*The Council will make spending decisions based on an assessment of medium to long-term needs and consequences and will seek to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions.*" Over the last number of years the Council has considered and set

multi-year budgets. This has assisted in managing extremely difficult financial circumstances and is a demonstration of the value of adopting a longer term approach to financial planning. It is proposed that the Council continues to adopt this longer term approach.

46. Following publication of the UK Autumn Statement on 23 November, the 2017/18 provisional Scottish Council settlement figures were announced on 15 December 2016.

47. The local government settlement was more severe than previously thought with the range of cash reductions between 3.5% and 5% (3.5% for East Renfrewshire Council). The Council's existing plans had been based on scenarios between 1% and 3%.

48. Table 1 below shows the impact of the settlement on the Council with the resulting shortfall for 2017/18 being £9.762m. Members should note that £4.287m of savings had provisionally been agreed for the coming year during the 2015/16 to 2017/18 budget exercise as a contribution towards closing this gap and that the CMT had subsequently identified a further £4m of savings options for 2017/18.

Table 1

BUDGET GAP SCENARIO (POST 2017/18 SETTLEMENT)	
	£m
Budget Gap	9.762
Max permissible Council Tax Increase (3%)	1.507
Gap after max CTax Increase	8.255

49. If the maximum Council Tax increase of 3% were applied a further £1.507m of income would be realised, reducing the gap to £8.255m.

50. Officers have been working on other options to address the shortfall. These include efficiency savings, service reductions, increases in fees and charges and utilisation of reserves. Detailed proposals will be presented to Council later on today's agenda.

51. Looking further ahead, Table 2 below illustrates how further annual savings of £9.7m to £15.7m per year could be needed from 2018/19 until 2021/22. Assuming annual reductions of 3.5% in cash terms, this equates to an average savings gap of £12.3m per year. As such, it is essential that officers update and develop long term financial plans and options for consideration by the new Council after May 2017 to ensure that this can be factored into service planning.

Table 2

FUTURE YEARS' BUDGET OUTLOOK					
	CASH REDUCTION 2018/19 ONWARDS				
FORECAST ANNUAL BUDGET GAP	2%	3%	3.50%	4%	5%
	£M	£M	£M	£M	£M
2018/19	10.576	12.298	13.159	14.021	15.743
2019/20	9.808	11.456	12.267	13.069	14.649
2020/21	9.740	11.304	12.062	12.803	14.237
2021/22	9.673	11.157	11.864	12.547	13.845

52. Whilst the outlook for the next 5 years is illustrated in Table 2, planning will also flag up and take account of any other major longer term issues impacting on financial forecasts over an even longer time horizon. Such items might include future expiry of PFI contracts, repayments of major tranches of loan charge debt or significant planned legislative change.

MITIGATING ACTIONS

53. The Council has always taken a long term approach to financial planning. Whilst the scale of the budget cuts and the time period over which they would be implemented could not have been foreseen in 2008, the principles behind the approach to long term financial planning have stood the test of time. The focus has been on developing a very clear strategy to allow priorities to be identified and a very ambitious long term transformation programme to maximise all possible efficiencies in the Council.

STRATEGY FOR THE FUTURE

54. Over recent years East Renfrewshire Council and its community planning partners have developed a very clear strategy focusing resources on delivering the 5 outcomes in our Single Outcome Agreement.

- **Early Years** - *All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed.*
- **Learning, life and work** – *East Renfrewshire residents are fit and active and have the skills for learning, life and work.*
- **Economy and environment** – *East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents.*
- **Safe, supported communities** – *East Renfrewshire residents are safe and supported in their communities and homes.*

- **Older people** – *Older people and people with long term conditions in East Renfrewshire are valued; their voices are heard and they are supported to enjoy full and positive lives for longer.*

55. Changes to the legislation surrounding Community Planning require that the SOA becomes a Local Outcome Improvement Plan and also includes locality plans for areas with high levels of deprivation. Such changes are a natural progression of the way we have been working with partners and these changes are not expected to lead to a significant change in direction or the 5 outcomes.

56. Our clearly stated vision is to be a “Modern, Ambitious Council creating a Fairer Future with all”. As part of our strategy, we focus on developing our 5 capabilities. i.e. prevention, community engagement, data, modernisation of how we work and digital. We aim to be excellent in each of these capabilities and then use them to redesign our services to make them more effective and more efficient

57. These capabilities have formed the basis of our transformation programme over the last 2 years. The many service improvements and savings that the council has achieved have been enabled by the 5 capabilities and these capabilities will continue to drive improvement in the future. Details of our change programme can be found at [Change Programme](#).

MODERN AMBITIOUS COUNCIL PROGRAMME (MAP)

58. Whilst significant savings have already been achieved, the very difficult financial circumstances facing councils are expected to continue for the foreseeable future so the scale of change will need to be increased. Under the banner of our MAP programme we are implementing a range of redesign and “enabler” projects which will help us achieve significant savings in future years. A total of over £4.4m (70%) of the Council savings proposed for 2017/18 later on the agenda have been produced by efficiencies, through the Council’s MAP programme or as a result of our focus on the Council’s 5 capabilities.

59. Savings for the period 2018/2022 are already being planned under the leadership of the Corporate Management Team. Each department in the Council also has its own change programme to modernise and digitise services as part of the overall MAP programme. Whilst it is recognised that it will become progressively more difficult to identify efficiencies in future, it is the Council’s aim to identify at least £3m of savings per year through efficiencies or change projects. This target will be reassessed on an annual basis.

60. East Renfrewshire Council has a policy of always taking a prudent approach to the calculation of savings. Savings are only included in formal budgets once we have a high degree of confidence that they can be achieved (and in many cases are already in place through work in previous years).

61. The key principles behind the programme that will lead to budget savings are:

- More digital transactional services which are easy for the customer to use and which will reduce administration costs considerably

- More community engagement and self-directed support in the design of services to provide services which meet the needs of individuals and communities better and potentially at lower costs
- A long term direction to invest in prevention activity to reduce the cost of services in the longer term

PARTNERSHIP WORKING

62. The Council has already benefitted from joint working with other bodies in providing services and has delivered savings through the early adoption of integrated management of health and social care services in 2006 and through initiatives such as sharing Renfrewshire Council's Non Domestic Rates system. We anticipate further savings from this approach in future, e.g. through participation in the Clyde Valley Waste project, and we will continue to seek further opportunities to maximise efficiencies in this way.

SERVICE REDUCTIONS

63. Given the likely reduction in cash terms of the Local Government budget over the foreseeable future and the increase in demand for services, it is very unlikely that the MAP programme will be able to deliver the full scale of budget savings required. It is likely that a reduction in service levels will be required to ensure a balanced budget. The strategy for service reductions will be heavily influenced by the policy and manifesto commitments of the administration of the Council and therefore could change in 2017 after the Local Government elections. The present policy can be summarised as follows:

- Service cuts will only be taken once all possible efficiency savings have been taken, with an expectation that officers will deliver an ambitious programme of savings based on the 5 capabilities.
- Services will be maintained at statutory levels
- Any conditions of Scottish Government grant will be met e.g. teacher numbers, IJB funding
- Outcomes for our most vulnerable residents will be protected where possible
- Staff will be treated fairly and compulsory redundancies avoided where possible

To date, even where there have been significant changes to service provision the outcomes achieved for residents have, in the main, been protected and key performance measures have continued to increase. However if the budget cuts are as high as predicted, this will not continue and a more radical programme of future service cuts will be required.

INCOME GENERATION

Council Tax

64. For 2017/18 Councils are free to increase Council Tax by up to 3% without a penalty to the Grant settlement. This increase would provide additional income to the Council of £1.507m. At present it is unknown whether future grant settlements will continue to impose a cap on increases. If a cap of 3% continued into future years then this would net the council maximum additional income of some £8m by 2022.

Charging For Services

65. Each year the Council reviews charging for services. In general an inflationary rise is applied but market conditions are also taken into account, especially when there is alternative provision available to residents. During the last year Sports and Leisure services were transferred to a Culture and Leisure Trust which will allow the management team to take a more commercial approach, to access additional sources of funding whilst still working as a charity for the residents of East Renfrewshire. Other sources of income generation will also be explored by the Council for future years.

USE OF RESERVES

66. The recent Audit Scotland financial overview 2015/16 paper noted that by the end of 2015/16 usable reserves had risen by 5% across local government, to a total of £2.5bn.

67. Should a budget gap remain after the application of savings measures and income generation the Council may consider the short term measure of drawing down on reserves. The Local Authority Accounting Panel (LAAP) Bulletin 99 on Reserves and Balances provides guidance to Chief Financial Officers in the area of using reserves to fund recurrent expenditure as follows:

“It is not normally prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term. Advice should be given on the adequacy of reserves over the lifetime of the medium term financial plan, and should also take account of the expected need for reserves in the longer term”

68. It is important that members understand that any use of Reserves is a short term, one off measure and is only justifiable to address non recurring pressures or on the basis that there will be a fundamental review of Council Services over the next year.

69. The Council currently holds unallocated General Reserves of £9m. This represents our stated policy of holding 4% of our revenue budget as a general reserve. Auditors consider reserves of between 2 and 4% to be prudent. Should it be decided to meet any of the gap from reserves in 2017/18, additional savings of the same amount would have to be added to the estimated savings requirement for 2018/19. Should members wish to utilise reserves to help balance the budget in the short term, it is recommended that this should be kept to a minimum and used as far as possible only to cover one off spending pressures.

Future Workplan

70. Accountancy staff have been reviewing financial pressures and funding levels for the coming year and finalised budget proposals for 2017/18 are contained later on today’s agenda for approval. Work will continue in updating budget scenarios for the period to 2022,

with a view to permitting the approval of multi year budgets from 2018/19 should this approach be agreed by the new administration.

71. The timescales for submission of the Council's financial plans are listed below:

Plan	Approval
Outline Revenue Financial Plan	Council, December 2016
Updated Outline Revenue Financial Plan	Council, February 2017
8 year Capital Plan 2017/2025	Council, February 2017
2017/2018 Revenue Budget	Council, February 2017
Financial Plan 2017/2022	Council, Autumn 2017
3 year Revenue Budget 2018/19 - 2020/2021	Council, February 2018

CONCLUSIONS

72. In view of the significant financial and demand pressures facing the Council over the current and next five years it is essential that the Council's Financial plans are updated regularly for consideration by the Council and in particular for the new administration in May 2017. This is in line with the Council's agreed financial policy of basing decisions on an assessment of medium to long term needs and consequences.

RECOMMENDATIONS

73. It is recommended that the Council: -

- (i) notes the increasing budget pressures anticipated in the next 5 years and the mitigating actions proposed;
- (ii) approves the draft Outline Revenue Financial Plan 2017 – 2022

Further information is available from M. McCrossan, Head of Accountancy, telephone 0141 577 3035.

KEY WORDS Revenue Estimates, Council Tax, Reserves and Balances, Financial Planning