

EAST RENFREWSHIRE COUNCIL1 March 2018Report by Chief Financial OfficerFINANCIAL PLANNING 2018-2024**PURPOSE OF REPORT**

1. To submit for approval the updated Outline Revenue Financial Plan for 2018-2024.

**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; and
  - (ii) approves the Outline Revenue Financial Plan 2018 – 2024

**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 first budget of the present administration and will be year 1 of the present revenue budget. The budget proposals for 2018/19 reflect the terms of the Local Government settlement, announced to the Scottish Parliament on the 14<sup>th</sup> of December 2017, and subsequent amendments.

5. Indicative budgets for 2019/20 and 2020/21 will also be published today to assist with longer term financial, workforce and asset planning. As recent settlements for Local Government have been on a single year only basis and have been difficult to predict, work has been undertaken by the Corporate Management Team to plan for a number of financial scenarios.

6. Traditionally the longer term financial outlook and the associated financial plans of the council have been presented at the annual budget meeting. This paper updates the Financial Planning document approved on 9 February 2017 and covers the next two three year budget periods, 2018/21 and 2021/24.

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 budget settlements are making the situation even more difficult. The Council will have to be prepared to continue 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. John McLaren from the University of Glasgow has summarised the headline figures from the 2017 UK Autumn Budget and the 2018/19 draft Scottish budget as follows.

9. In terms of the UK Autumn Budget:

- The UK GDP growth forecast has again been downgraded with a continuing decline in the next two years (1.4% and 1.3%). Thereafter the long term assumed annual growth rate is only 1.5%, rather than the previously forecast 2%.
- The UK forecast for tax revenues is also downgraded in the light of lower GDP and lower productivity. Government borrowing will increase against previous forecasts and a longer adjustment period will be needed to reach a fiscal balance. This will require an additional year of austerity in 2022/23.
- CPI inflation is forecast to peak around 3% in the current year, falling back to 2.2% and 1.8% in the next two years before settling at the 2% target.
- Current Government spending is forecast to rise more slowly than previously anticipated, but increased borrowing will still be required in the short term due to the lower revenues forecast.
- Current spending on public services within the Departmental Expenditure Limit (DEL) shows a marginal increase for 2018/19 but is then expected to fall for the next four years. Current DEL spending per capita will fall by almost 4% across the period in real terms.
- Public service capital will continue to grow across the next three years to 2020/21 and is then forecast to remain at an increased level until 2022/23.
- All forecasts remain highly uncertain at present, especially due to the uncertain impact of Brexit.

10. The draft public sector budget plans announced in by the Scottish Government in December 2017 reflected an increase of 2.4% in cash terms, made possible by overall raising of Income Tax rates in Scotland. Most protection was afforded to the NHS and to further/higher education and the Scottish Government's 1% pay cap was replaced by a 3% increase for lower paid staff and a 2% cap for better paid ones. All of these factors increased pressures on local government, with General Revenue Grant to Councils accounting for only 24% of the total 2018/19 Scottish public sector revenue budget as against 24.5% in 2017/18.

11. Scottish Budget plans published related only to 2018/19 and considerable uncertainty exists beyond this due to Brexit, future Income Tax rates and the slower than anticipated growth of the Scottish economy.

12. Overall, including funding held outwith the local government budget, support for local government services announced in December 2017 represented broadly a flat cash settlement. After consideration of new burdens to be met, however, COSLA estimated that this equated to a real terms reduction of £153m nationally.

13. As the Scottish budget has progressed through the parliamentary debate stages £159.5m of additional funding has been announced for local government. This is a similar pattern to 2017/18 and on this basis John McLaren considers that future years' forecasts for local government funding may be revised from the previous 2.1% annual cash cut assumption to a cash cut of only 1% per annum.

14. The Council's anticipated grant for 2018/19 is currently £177.065m and produces a cash increase in core grant funding of £1.277m (0.7%), however taking account of new burdens to be met, including the Carers' Act, the preparation for Frank's Law (Free Personal Care for under 65s) and other IJB funding pressures, the teachers' 2017/18 base pay uplift and early years expansion, this represents a like for like flat cash position. This is an improvement on the forecast 2.5% cash reduction. The Scottish Government will confirm the settlement figures when it sets its budget on 21 February 2018.

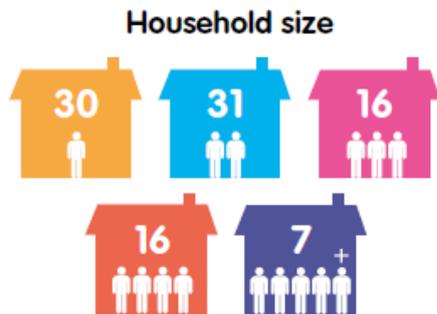
15. The settlement also confirmed that Councils could increase Council Tax by a maximum of 3%.

## **DEMAND PRESSURES**

### DEMOGRAPHICS

16. 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.

17. 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.



18. The total number of households in East Renfrewshire is projected to change from 38,048 in 2014 to 45,657 in 2039 which is an increase of 20 per cent.

19. In Scotland, the numbers of lone adult households are projected to increase by 22 per cent over the 25 year period. In East Renfrewshire, the number of lone adult households is projected to increase by 68 per cent, and the number of larger households in East Renfrewshire is projected to fall slightly, with the number of households of 2 or more adults with children decreasing by 2 per cent over the 25 year period

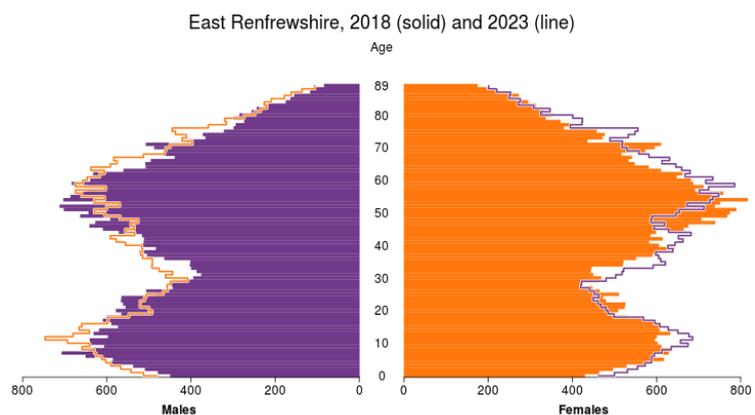
20. The average household size is projected to decrease from 2.42 in 2014 to 2.27 in 2039.

21. In East Renfrewshire, from 2012 to 2037, households headed by people aged 75+ are projected to increase in number by 86 per cent as the older population grows.

### The next 5 years

Over the next 5 years (2018- 2023), the following changes will create financial pressure:

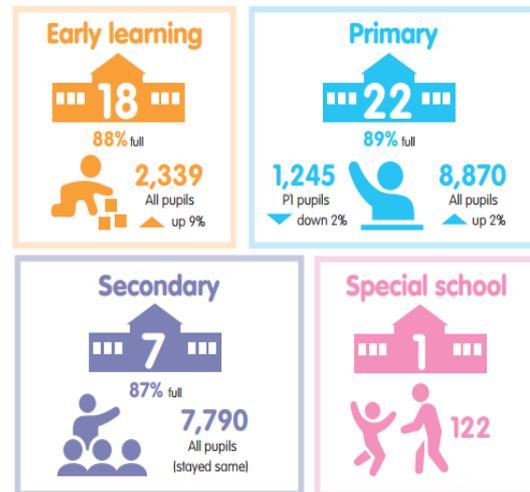
22. The number of households is projected to increase by more than 1,500 which represents a 4 per cent increase. This increase in households will create additional demand for the full range of council services especially waste management, road maintenance, parking, money advice, customer services, early learning, childcare and education, employability, schools, health and social care, leisure and transport. This will similarly impact on healthcare services and impact on General Practitioners.



23. The pattern of more people entering East Renfrewshire than leaving is expected to continue and includes inward migration of older people. The largest proportion of entrants mostly tends to come from the Glasgow City Council area each year.

24 Between 2012 and 2016, the number of children aged 0-4 increased by 6.5 per cent. This suggests that those moving into the area do so with young families.

25. 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 8 years increased by 20 per cent and this trend is expected to continue.



26. The number of looked after children, including those with additional needs, has risen from around 90 at any one point to over 180 in the space of a decade and the trend is continuing. Around 75% of these children are currently cared for at home. 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.

27. Between 2015 and 2016 East Renfrewshire experienced a 1.1 per cent decrease in the number of births, dropping slightly from 871 in 2015 to 861 in 2016. The number of births across Scotland also declined at the same rate. The death rate remained relatively stable East Renfrewshire has amongst the highest life expectancy rates in Scotland for both men (80.1) and women (83.5).

28. East Renfrewshire already has an increasing ageing population. By 2039, more than 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. Many older people are moving into East Renfrewshire to access our local retirement housing and care homes. This group is the greatest user of hospital and community health services and social care. On this basis we can expect the number of people with a need for home care support to increase by at least 32 per cent and those with care home levels support needs to rise by about 43 per cent by 2025. In addition, people with complex health conditions and profound and multiple disabilities are living longer and require intensive health and social care supports.

29. 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.

30. 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.

### CAPITAL INFRASTRUCTURE

31. In terms of the capital infrastructure required to service our population's demands, 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.

32. Provision of additional school facilities to meet demands from new house building, and the need to replace assets nearing the end of their lives, will require an increase in borrowing with a resultant impact on future years' revenue budgets for loan charge repayments.

### CITY DEAL

33. Work is progressing 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.

34. 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

35. From August 2014, all local authorities had a duty to increase provision to 600 hours of free early learning and childcare (ELC) for all 3 and 4 year old children and eligible two year olds; and to introduce some flexibility on how entitlement is provided for parents. This placed demands on the capacity (available places) and resulting occupancy levels of East Renfrewshire ELC facilities.

36. The Council expanded provision to meet these duties for example the new Cart Mill Family Centre and increase in the nursery classes at Crookfur and Calderwood Lodge primary schools and the extended new build replacement Arthurlie Family Centre. In addition further early years places for population growth are being taken forward with a new nursery class at St Cadoc's Primary School and at the new non-denominational primary school being established at Maidenhill both for August 2019.

37. The Scottish Government's *A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland* now requires Councils to provide 1140 hours per year for all 3 and 4 year olds and eligible 2 year olds by 2020. This effectively doubles the entitlement to free ELC and requires additional provision and increased workforce to be in place for 2020. Councils' Expansion Plans should be based on having 'neutral' providers, i.e. provision should be neutral to parents and as such include local authority provision and Partnership Providers i.e. private, voluntary and independent sectors and childminders. With more parental choice and the commitments of increased flexibility and accessibility of provision, planning is made more difficult and inevitably occupancy is less efficient.

38. East Renfrewshire will require to build new facilities and increase places through Partner Providers (including childminders). Geographically land is at a premium in East Renfrewshire with very little Council-owned available land, which presents a challenge moving forward to establish new facilities particularly within timescale and resources. The Council seeks to provide 10 new build /significantly extended early years centres across its four ELC community areas in a phased approach by 2020 to 2024 to account for its growing population and to provide parents a flexible and accessible place for their child(ren) addressing key national themes of the expansion.

39. It is expected that additional capital and revenue funding will be available from the Scottish Government to meet the costs of this new burden for the 2020 delivery date, but as yet the scale of this is not known. East Renfrewshire Council nurseries have always been very popular with parents and at present there is a reasonable level of flexibility and accessibility to full day provision for families within their own geographical community. This level of flexibility and accessibility is at risk if the Council is unable to invest and expand the existing ELC estate.

#### Potential changes to school governance and teacher number ratios

40. The Government has recently concluded two consultations on changes to the governance of Education, with proposals to devolve resources to schools allowing head teachers to decide on their own staffing standards. The outcomes of these consultations are not yet finalised and therefore the potential impact on council budget is not known.

#### Educational Attainment

41. The 2018/19 provisional settlement included £120m 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 £1.412m, but this spending must be determined by head teachers and cannot be controlled by the Council.

#### Participatory budgeting

42. In October 2017 COSLA Leaders endorsed the Community Choices Budgeting framework, which commits Councils to a target of 1% of our budget (just over £1.7m) to be subject to participatory budgeting by the end of financial year 2020/21.

43. East Renfrewshire Council undertook a pilot participatory budgeting project, East Ren Decides: Roads during summer 2017. Almost 1,300 local residents voted to determine how £600,000 of roads repair funding was to be spent, with a further project to be completed before the end of financial year 2017/18. Building on learning from these projects, we will work with national and local partners as we develop our local framework to achieve this target.

44. Over the last few years East Renfrewshire Council and the HSCP have been increasing working with communities and community organisations to prioritise spend including extensive community involvement in the development of Fairer East Ren and Locality Plans as required under the Community Empowerment Act, the Balgray Reservoir Boardwalk community design project and the “Your Voice” group of HSCP service users. Work is underway to analyse this activity and to continue to strengthen our approach.

#### Welfare reform

45. 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

46. The full impact of the decision to leave the European Union is still not yet known and will require to be monitored carefully. The most obvious local 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

47. Brexit and political changes around the world have led to uncertainty on world markets. Growth projections for GDP remain low at less than 1.5% which many commentators believe is still optimistic and inflation has recently increased primarily due to changes in the exchange rate impacting on food prices. Longer term impacts will remain more difficult to forecast until the shape of the UK exit plan becomes clearer. Any economic detriment and related poverty would increase the demand on council services.

### **OUTLINE REVENUE FINANCIAL PLAN**

48. 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.

49. Following publication of the UK Autumn Statement on 22 November, the 2018/19 provisional Scottish Council settlement figures were announced on 14 December 2017 and were subsequently updated during January 2018.

50. The latest local government settlement figures are less severe than previously thought with a like for like flat cash position as against the most likely forecast of a 2.5% cash reduction for East Renfrewshire.

51. Table 1 below shows the impact of the settlement on the Council with the resulting shortfall for 2018/19 being £6.392m. Members should note that in the recent budget consultation it was also proposed that Council Tax should be increased by 3% in each of the next three years.

Table 1

BUDGET GAP 2018/19 (POST SETTLEMENT)	
	£m
Budget Gap	6.392
Max permissible Council Tax Increase (3%)	1.567
<b>Gap after max CTax Increase</b>	<b>4.825</b>

52. If the maximum Council Tax increase of 3% were applied a further £1.567m of income would be realised, reducing the gap to £4.825m.

53. 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.

54. Looking further ahead and taking account of future expenditure pressures currently foreseen, Table 2 below illustrates how varying grant levels could require further savings of £4.0m to £14.1m per year from 2019/20 until 2023/24 even after applying an annual 3% Council Tax increase. Assuming annual grant reductions of 1% in cash terms, this equates to an average savings gap of £9.077m per year. As such, officers must continue to update and develop long term financial plans and options for consideration within our multi year budgeting approach to ensure that these can be factored into service planning, together with workforce and asset plans.

Table 2

FUTURE YEARS' BUDGET OUTLOOK					
FORECAST ANNUAL BUDGET GAP	CASH MOVEMENT 2019/20 ONWARDS				
	+1%	0% (FLAT CASH)	-1%	-2%	-3%
	£M	£M	£M	£M	£M
2019/20	7.049	8.819	10.590	12.361	14.131
2020/21	4.754	6.523	8.257	9.955	11.618
2021/22	5.479	7.266	8.983	10.630	12.208
2022/23	6.535	8.340	10.039	11.636	13.134
2023/24	4.009	5.832	7.514	9.062	10.482

55. Whilst the outlook for the 5 years beyond 2018/19 is illustrated in Table 2, our 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

56. 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

57. In light of the changes to community empowerment legislation East Renfrewshire Council and its community planning partners have developed a revised approach to the outcomes in our key strategic plans:

- East Renfrewshire's Community Plan covers our 5 overarching strategic outcomes, these are the near final outcomes which will be formally approved over the coming months:
  - **Childhood**- All children in East Renfrewshire experience a stable and secure childhood and succeed.
  - **Learning, life and Work**- East Renfrewshire residents are healthy and active and have the skills for learning, life and work

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- **Economy and Environment** - East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses
- **Safer, supportive communities**- East Renfrewshire residents are safe and live in supportive communities
- **Older People and people with long term conditions** - Older people and people with long term conditions in East Renfrewshire are valued; their voices are heard and they enjoy full and positive lives.
- Fairer East Ren, our Local Outcomes Improvement Plan, is focused on tackling inequality and closing the gap between communities of place and interest, Fairer East Ren will be the main way in which all our Community Planning partners will work together to reduce the embedded inequalities in East Renfrewshire.
- Additionally we have two Locality Plans which have been co-produced with communities within localities who are experiencing poorer outcomes than Scotland or the rest of East Renfrewshire.

58. Changes to the legislation surrounding Community Planning have required that the Community Planning partners develop Local Outcome Improvement Plans as well as 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 have not led to a significant change in direction or the 5 outcomes.

59. 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

60. These capabilities have formed the basis of our transformation programme over the last 3 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.

#### MODERN AMBITIOUS COUNCIL PROGRAMME (MAP)

61. 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. MAP is working towards creating and implementing the modern, digitally enabled organisation that we want to be, based on an evolving picture of what our future council might look like. It is building on the 5 capabilities, particularly focusing on the areas of digital, data and modernising the way we work, whilst enabling future savings contributions.

62. Under the banner of our MAP programme we are implementing a range of “enabler” projects and service redesigns which will help us achieve significant savings in future years. A total of over £4.4m (70%) of the 2017/18 Council savings (excluding IJB), and £9.6m (69%) of the proposed 2018-21 savings listed later on this agenda (including £3.2m (81%)

for 2018/19) arise from efficiencies, through the Council's MAP programme or as a result of our focus on the Council's 5 capabilities.

63. Savings plans up to at least 2020/2021 have already been drafted under the leadership of the Corporate Management Team. Each department in the Council, through its own change programme to modernise and digitise services, contributes to the delivery 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.

64. 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).

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

- Continue implementing our ambitious Digital Strategy to become a fully digital Council, with 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
- Improving the sharing and management of data across the organisation.

66. There are significant programmes of work underway moving at a considerable pace right across the Council and HSCP. These are covering some complex and challenging areas which challenge the most fundamental building blocks of how we operate (e.g. our financial systems and core business platforms). These are resource intensive areas of work but, given the right input and commitment, have real opportunity to transform the way we work and deliver efficiencies for the future.

### PARTNERSHIP WORKING

67. 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, the establishment of the Integration Joint Board in June 2015 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

68. Given the likely continuing constraints in cash terms on 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. 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 future 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

69. For 2018/19 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 £1.567m. 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 £10.4m by 2024.

### Charging For Services

70. 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 2016 Sports and Leisure services were transferred to a Culture and Leisure Trust, allowing 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

71. The recent Audit Scotland Financial Overview 2016/17 paper noted that by the end of 2016/17 usable reserves had fallen by £33m across local government. This equates to a 1.3% reduction nationally. Forecast levels of the Councils' usable reserves, including graphical illustrations of trends, are considered as part of the Revenue Estimates report later on this agenda.

72. 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”

73. 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.

74. As at 31 March 2018 the Council forecasts holding 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 2018/19, these would have to apply only to one off items or the savings would simply be deferred to future years. 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 or short term spending pressures.

## Future Workplan

75. Accountancy staff have been reviewing financial pressures and funding levels for the coming year and finalised budget proposals for 2018/19, together with indicative budgets for 2019/21 are contained later on today's agenda for approval. Work will continue in updating budget scenarios for the period to 2024 with a view to continuing with multi year budget planning in future.

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

Plan	Approval
Financial Plan 2018/2024	Council, March 2018
8 year Capital Plan 2018/2026	Council, March 2018
3 Year Revenue Budget 2018/21	Council, March 2018
Financial Plan 2019/2025	Council, February 2019
Updated Revenue Budget 2019/21	Council, February 2019

## CONCLUSIONS

77. 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. 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

78. It is recommended that the Council: -
- (i) notes the continuing budget pressures anticipated in the next 5 years and the mitigating actions proposed; and
  - (ii) approves the draft Outline Revenue Financial Plan 2018 – 2024

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

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

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