

**REPORT TO:** East Lothian Council

**MEETING DATE:** 29 October 2019

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Financial Review 2019/20 and Financial Prospects

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## **1 PURPOSE**

- 1.1 To inform the Council of the financial position at the end of August 2019, and to provide an update on the financial outlook for next five-year financial strategy period 2020/21 to 2024/25. This report also sets out the proposed budget development framework for the three-year period 2020 to 2023.

## **2 RECOMMENDATIONS**

- 2.1 The Council is asked to make recommendations:
- In accordance with Appendix A
    - Note the financial performance at the end of the Period 5 of 2019/20 relative to approved budgets.
    - Agree that the works progress within Musselburgh Grammar School, noting that these are in excess of approved budget levels.
    - Agree the enhanced financial controls for managing the 2019/20 financial position set out in paragraph 1.11 of Appendix A.
  - In accordance with Appendix B
    - Note the content of the report including the updated financial prospects covering the financial period 2019/20 to 2023/24;
    - Agree that advance work on budget development for 2020/21 onwards commences in accordance with the potential scenarios outlined within this report; and

- Approve the budget development process set out in Section 1.20 of Appendix B.

### **3 BACKGROUND**

3.1 This report brings together an earlier than normal in-year financial position along with an updated commentary on the financial prospects for the Council going forward. The report is structured with 2 separate appendices:

- Appendix A – sets out the in-year financial position. The Period 6 financial ledgers are not due to close until middle of October and typically the Q2, mid-year performance would not be reported until December Council. However, as suggested in August Council meeting when reporting Q1 financial performance, that if the Council continued to show a significant risk of overspending, an early Period 5 position would be reported.
- Appendix B – sets out the financial prospects for the Council for the five-year period until 2024-25 including high level forecasts for the Council based on scenario based financial modelling. This part of the report also sets out the proposed budget development process for the three year period 2020-23.

### **4 POLICY IMPLICATIONS**

4.1 There are no direct policy implications associated with this report although ongoing monitoring and reporting of the Council's financial performance is a key part of the approved Financial Strategy.

### **5 INTEGRATED IMPACT ASSESSMENT**

5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

### **6 RESOURCE IMPLICATIONS**

6.1 Financial – as described above and in the supporting appendices

6.2 Personnel - none

6.3 Other – none

## **7 BACKGROUND PAPERS**

- 7.1 Council 11 December 2018 – Item 5 – Financial Strategy 2019-24
- 7.2 Council 12 February 2019 – Item 2 – Administration Amendment General Services budget proposals
- 7.3 Council 12 February 2019 – Item 3 – Administration Amendment Rent Proposals
- 7.4 Council 27 August 2019 – Item 5 – 2019/20 Quarter 1 Finance Review

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<b>DATE</b>	17 October 2019

## Appendix A – 2019/20 Period 5 Financial Review

### General Services Summary – Period 5

- 1.1 This part of the report sets out the financial position for the Council as at the end of August 2019 against the approved budgets. An analysis of the financial position across service groups is set out in Appendix 1 with further detail summarised below. **The summary financial position reported for the Council as at the end of August 2019 shows a significant overspend of £1.749 million (4.2%).**
- 1.2 In accordance with normal practice, an overall financial risk rating has been assigned to each of the service areas based on a review of current expenditure and known financial pressures. Currently two service areas (Children's and ASL) are categorised as High Risk in line with the financial risk rating set out in Appendix 2 of this report. This assessment suggests a high degree of certainty that these budgets will not operate within approved financial limits and respective Heads of Service are considering appropriate control measures that will help reduce spending levels.
- 1.3 A growing number of service areas have now been categorised as Medium Risk, indicating significant potential for overspending in year. It is reasonable to conclude that such increased risk levels across an increasing number of service areas is a clear indication that services are struggling more than ever to deliver existing service levels within available resources. We will continue to work closely with all service areas in an attempt to best manage costs ensuring financial commitments are delivered within approved budgets.
- 1.4 The summary below sets out the key challenges and risks across each of the Directorates.
- 1.5 The **Resources and People Directorate, (covering Education and Children's Services Group alongside Council Resources)** is reporting an increased overspend of £1.9 million (3.8%) an increase from the Q1 reported position of £0.935 million. Education & Children's Services is reporting a collective overspend of £2.17 million (4.9%), with most of the pressure evident within Children's Services (£1.33 million (22.7%)) and Education ASL (£0.559 million (10.5%)). Council Resources is reporting an underspend at end of August of £0.263 million (5.1%), however a number of services are undergoing service reviews with related planned savings, and the delivery of these will be kept under close review.
  - Within Children's Services, and assuming existing commitments continue throughout the year, it is expected that the overspend will continue to grow. Most of the financial pressure is driven by an increased number of children placed in External Residential care during this year, combined with the full year impact of increased numbers in 2018/19. Further pressures are also evident in high tariff secure placements and external fostering, albeit the extent of

overspending in these areas will be lower than that experienced during 2018/19.

- As reported in my Quarter 1 financial review, a new Children's Services Project Board chaired by the Chief Executive has been established that seeks to develop a clear understanding of financial pressures, identify opportunities to transform delivery of Children's Services and reduce current costs to a sustainable level. Additional financial support has also been provided through the Cost Reduction Fund to support intensive targeted intervention services that will prevent children and young people needing to be accommodated and also to help return those currently in external placements back to supported care in East Lothian. Although both of these interventions are potentially positive, they are not quick fixes and it is highly likely that the service will still be overspent in 2019/20 with any potential financial benefits only impacting upon future years.
- Relating to ASL, there is an alignment with the increased levels of external placement in Children's Services, with pressures evident in respect of the education and transport cost components. An external review has been commissioned that will review the service delivery model used to support children with additional support needs. The outcome of this review is still being considered. Current forecasts suggests that this service is likely to overspend in excess of 2018/19 levels.
- We continue to work closely with Education and Children's Services management to better understand their cost base, and to identify options that would bring services within approved budget levels. During the course of this financial year and into next, the service is actively supporting the development and implementation of expansion plans to deliver the new national policy requirement of 1140 hours of early learning and childcare. There are many financial risks associated with delivery of this programme and doing so within the fixed funding allocation received by the Council is a constant challenge that will continue to be closely monitored and reviewed.

1.6 The **Health & Social Care Directorate** covers the Adult Wellbeing service. The position recorded at 31 August 2019 is an overspend of £0.177 million (0.9%). Most of this relates to an increased number of older people in external residential homes. The budget remains under close review, and we are actively working with Adult Wellbeing management to identify specific areas of financial pressure and related trends with a view to identifying any necessary corrective action. Members are reminded that the majority of this budget is delegated to the IJB, and therefore any under / overspends must be managed within the wider overall IJB resources.

1.7 Within the **Partnership & Community Services Directorate**, despite a relatively minor reported underspend of £50K (0.3%), pressures are evident in a number of service areas, with 2 services categorised as 'Medium Risk' with more detail set out below:

- Landscape and Countryside service is currently reporting an overspend of £61K and there is a risk this might increase in line with 2018/19 levels. The service is experiencing a number of pressures relating to; skip hire operations, reduced income levels and increased costs associated with higher levels of fleet repairs and maintenance.
- Roads Network includes both Decriminalised Parking (DPE) and Coastal Car Parking. As at August 2019, the service is reporting an overspend of £0.103 million. Income collection relating to DPE continues to be higher than planned, albeit this is partly offset by higher enforcement costs. Income levels relating to Coastal Car Parking have again improved relative to the in-year equivalent position last year, albeit they remain lower than approved budget levels. The ability to appropriately deliver planned work remains at risk due to any impact arising from adverse winter weather conditions and in accordance with normal practice, this will continue to be closely monitored.

- 1.8 Most of the Corporate Management budgets are operating within approved budget levels and we expect this to continue during the remainder of this financial year. Members are fully aware that as part of the 2018/19 closedown, Council approved a significant review of the Loans Fund and it is currently anticipated this will generate a similar level of saving relative to planned budget as was achieved last year.
- 1.9 We continue to provide a regular assessment of progress made with the implementing of planned efficiencies, and this is set out in more detail within **Appendix 3** of the report and includes a 'RAG' assessment of the progress made. In total, planned savings amount to £5.2 million, of which £3.2 million relates to service specific efficiencies as well as £1.993 million relating to the delivery of corporate efficiencies (covering transformational change as well as the review of staffing / senior management). There has been no change to the Quarter 1 reported position where just under £1.0 million has been categorised as 'Red', indicating a high risk that the planned saving will not be fully delivered in 2019/20.
- 1.10 Overall, the Council continues to operate within an extremely challenging financial climate and it looks very likely that services will overspend during the 2019/20 financial year to a significant level. If the level of overspending evident at Period 05 should continue to the year end, the cost of providing council services would reflect an overspend against approved budgets of nearly £5 million. In line with the 2018/19 year-end report to Council in June of this year, it had been anticipated that any further benefit derived in 2019/20 from the loans fund review would provide the means by which we could top up our much-depleted general reserves. Unless significant intervention/control action is taken quickly, there is a high probability of a significant overspend that would more than wipe out any benefits from the Loans Fund Review with a residual net overspend in the region of between £1 and £2 million.
- 1.11 The Council Management Team (CMT) members both collectively and individually, are actively considering ways in which spending commitments

can be contained within approved levels and where possible, without impacting on agreed policy objectives. Enhanced financial controls are in place across many service areas but it looks unlikely that this will be able to address the deficit in full. Given that, it is strongly recommended that the Council continues to follow the path set out in the approved Financial Strategy, and the following steps be taken with the aim of reducing expenditure commitments in this current financial year:

- All Council Managers are asked to ensure that they deliver their service commitments within their approved budget levels, including preserving existing underspends. Where demand pressures are evident, this will require appropriate management actions and/or compensating cost reduction measures to be identified.
- All new and additional purchasing commitments should be avoided where possible.
- Expenditure on staffing should be minimised through continued application of stringent workforce management measures including careful monitoring of vacancies and minimising the use of overtime and temporary and agency working.
- The CMT will continue to oversee the delivery of planned efficiencies and will receive regular reports on the progress for implementing agreed savings plans. Where existing budget efficiencies cannot be delivered, alternative options to meet the budget efficiencies must be identified.
- In conjunction with the Chief Executive, I will continue to oversee and manage the use of the Cost Reduction Fund as a means of reducing the Council's cost base through the delivery of planned efficiency savings and therefore reducing budget overspending.
- Continued and enhanced efforts should be made to explore new ways of generating additional income for the Council.

### **General Services Capital Summary – Period 5**

- 1.12 **Appendix 4** sets out the 2019/20 re-profiled budgeted expenditure to the end of August 2019 with actual expenditure currently totalling £8.5 million. There is some anticipated slippage on a number of projects and as such the estimated gross spend for the full financial year is projected to be around £48.0 million, and the net borrowing requirement expected to be £19 million.
- 1.13 The Council has recently received confirmation that two of our major school projects will now attract significant Scottish Government support. The projects will see the delivery of two Community Learning Facilities that will include a Secondary School at Wallyford, and a Primary School at Whitecraig. We are still awaiting specific details around the financial

support to be provided, but it is anticipated that the Council will need to significantly extend its capital investment on both projects and that any subsequent Scottish Government funding will support lifecycle maintenance costs and the achievement of additional outcomes related to the national Learning Estate Strategy.

- 1.14 In order for these projects to be eligible for Scottish Government support, they have both been extended in scope and are now in excess of the approved budget plans. As such, development of the 2020 budget proposals will need to reflect the related increase in project costs yet must still work within affordability parameters.
- 1.15 On the related project that will deliver essential internal alterations to the existing Musselburgh Grammar School, following a tender process the cost of the required works are now estimated to be significantly in excess of the approved budget. Members are asked to support this work proceeding, noting it will be carried out across this and next financial year. Any additional cost above budget this year will be met from underspending elsewhere within the programme with overall project cost increases reflected in the new capital budget proposals to be developed for next year.

### **Housing Revenue Account Summary – Period 5**

- 1.16 At the end of August 2019, the Housing Revenue Account is reporting a break-even position against planned budget. In line with the existing financial strategy whereby the council should maximise any flexibility arising from revenue balances to minimise the future impact of debt charges, any additional surplus arising during 2019/20 will be applied to offset capital investment.
- 1.17 The current position reflects higher than anticipated reactive repair costs. The service is actively managing reactive repairs for the remainder of the financial year in order to contain spend within approved budget levels.
- 1.18 Details of the Housing Revenue Account capital budgets and expenditure incurred to date is set out in **Appendix 5** of this report. The total capital budget approved for HRA was £32.890 million. As at end of August 2019, the actual spend was £9.609 million (29%). Work is progressing well on both major programmes relating to modernisation and new affordable housing and it is anticipated that both will deliver broadly in line with the approved budget. There is a risk of marginal overspending on both programmes but any impact of overspending will be largely offset by higher grant subsidy. The Scottish Government's Mortgage to Rent Scheme continues to be supported and promoted, but in the current year to date, no eligible applications have been received. Capital fees are allocated at the year-end and it is anticipated that this will be around approved budget levels.



## Appendix 1 - General Fund

Service	Head of Service	Business Unit	2019/20 Budget  £'000	Year to Date			2019/20 Variance  %	Financial Risk Assessment
				2019/20 Actual to Date  £'000	2019/20 Budget to Date  £'000	2019/20 Budget Variance to Date  £'000		
Resources & People	Education	Childrens	14,580	7,192	5,862	1,330	22.7%	High
Resources & People	Education	Additional Support for Learning	8,152	5,864	5,305	559	10.5%	High
Resources & People	Education	Pre-school Education & Childcare	11,856	5,688	5,830	-142	-2.4%	Medium
Resources & People	Education	Schools - Primary	40,432	11,748	11,682	66	0.6%	Medium
Resources & People	Education	Schools - Secondary	42,275	14,557	14,529	28	0.2%	Medium
Resources & People	Education	Schools - Support Services	2,683	1,592	1,264	328	25.9%	Medium
<b>RESOURCES &amp; PEOPLE</b>	<b>EDUCATION TOTAL</b>		<b>119,978</b>	<b>46,641</b>	<b>44,472</b>	<b>2,169</b>	<b>4.9%</b>	
Resources & People	Council Resources	Financial Services	1,388	1,284	1,334	-50	-3.7%	Low
Resources & People	Council Resources	Revenues & Benefits	1,996	336	489	-153	-31.3%	Low
Resources & People	Council Resources	IT Services	2,152	869	916	-47	-5.1%	Low
Resources & People	Council Resources	Legal & Procurement	551	337	343	-6	-1.7%	Low
Resources & People	Council Resources	People & Governance	4,706	2,116	2,123	-7	-0.3%	Low
<b>RESOURCES &amp; PEOPLE</b>	<b>COUNCIL RESOURCES TOTAL</b>		<b>10,793</b>	<b>4,942</b>	<b>5,205</b>	<b>-263</b>	<b>-5.1%</b>	
<b>RESOURCES &amp; PEOPLE TOTAL</b>			<b>130,771</b>	<b>51,583</b>	<b>49,677</b>	<b>1,906</b>	<b>3.8%</b>	
Health & Social Care Partnership	Adults & Older People	Adults	21,327	8,186	8,016	170	2.1%	Medium
Health & Social Care Partnership	Adults & Older People	Older People	25,535	8,573	8,479	94	1.1%	Medium
Health & Social Care Partnership	Adults & Older People	Director, Planning & Performance	5,874	2,270	2,357	-87	-3.7%	Medium
<b>HEALTH &amp; SOCIAL CARE PARTNERSHIP TOTAL</b>			<b>52,736</b>	<b>19,029</b>	<b>18,852</b>	<b>177</b>	<b>0.9%</b>	
Partnerships & Community Services	Development	Planning	983	347	368	-21	-5.7%	Low
Partnerships & Community Services	Development	Economic Development & Strategic Investment	1,561	1,020	1,046	-26	-2.5%	Low
Partnerships & Community Services	Development	Property Maintenance Trading Account	-813	-4	-2	-2	100.0%	Low
Partnerships & Community Services	Development	Community Housing	2,160	19	84	-65	-77.4%	Low
<b>PARTNERSHIPS &amp; COMMUNITIES SERVICES</b>	<b>DEVELOPMENT TOTAL</b>		<b>3,891</b>	<b>1,382</b>	<b>1,496</b>	<b>-114</b>	<b>-7.6%</b>	
Partnerships & Community Services	Infrastructure	Facility Support Services	3,538	936	916	20	2.2%	Medium
Partnerships & Community Services	Infrastructure	Facility Trading Activity	-276	-906	-912	6	-0.7%	Medium
Partnerships & Community Services	Infrastructure	Asset Planning & Engineering	2,510	1,731	1,775	-44	-2.5%	Medium
Partnerships & Community Services	Infrastructure	Landscape & Countryside Management	5,099	2,413	2,352	61	2.6%	Medium
Partnerships & Community Services	Infrastructure	Roads Network	4,568	1,598	1,495	103	6.9%	Medium
Partnerships & Community Services	Infrastructure	Roads Trading Activity	-728	-215	-224	9	-4.0%	Medium
Partnerships & Community Services	Infrastructure	Transportation	1,135	-30	-37	7	-18.9%	Low
Partnerships & Community Services	Infrastructure	Waste Services	7,550	3,175	3,169	6	0.2%	Low
Partnerships & Community Services	Infrastructure	Active Business Unit	3,600	1,192	1,244	-52	-4.2%	Low
<b>PARTNERSHIPS &amp; COMMUNITIES SERVICES</b>	<b>INFRASTRUCTURE TOTAL</b>		<b>26,996</b>	<b>9,894</b>	<b>9,778</b>	<b>116</b>	<b>1.2%</b>	
Partnerships & Community Services	Communities & Partnerships	Corporate Policy & Improvement	1,185	530	537	-7	-1.3%	Low
Partnerships & Community Services	Communities & Partnerships	Connected Communities	6,722	3,005	2,963	42	1.4%	Medium
Partnerships & Community Services	Communities & Partnerships	Protective Services	1,795	1,298	1,338	-40	-3.0%	Low
Partnerships & Community Services	Communities & Partnerships	Customer Services Group	3,517	1,754	1,801	-47	-2.6%	Low
<b>PARTNERSHIPS &amp; COMMUNITIES SERVICES</b>	<b>COMMUNITIES &amp; PARTNERSHIPS TOTAL</b>		<b>13,219</b>	<b>6,587</b>	<b>6,639</b>	<b>-52</b>	<b>-0.8%</b>	
<b>PARTNERSHIPS &amp; COMMUNITY SERVICES TOTAL</b>			<b>44,106</b>	<b>17,863</b>	<b>17,913</b>	<b>-50</b>	<b>-0.3%</b>	
<b>SERVICE TOTAL</b>			<b>227,613</b>	<b>88,475</b>	<b>86,442</b>	<b>2,033</b>	<b>2.4%</b>	
<b>CORPORATE MANAGEMENT TOTAL</b>			<b>-227,613</b>	<b>-128,860</b>	<b>-128,576</b>	<b>-284</b>	<b>0.2%</b>	
<b>TOTAL</b>			<b>0</b>	<b>-40,385</b>	<b>-42,134</b>	<b>1,749</b>	<b>-4.2%</b>	
<b>TOTAL HRA</b>			<b>0</b>	<b>-7,558</b>	<b>-6,897</b>	<b>-661</b>	<b>9.6%</b>	

Appendix 2

Financial Risk	Factors	Implications
<b>High</b>	<ul style="list-style-type: none"> <li>- The Business Group has been assessed as likely to overspend in the financial year</li> <li>- There has been a history of overspending within Units / Groups</li> <li>- There are new or revised funding arrangement and / or legislature changes with financial significance</li> <li>- Trading Accounts are in deficit for the year.</li> <li>-Grant schemes, on which the Council is reliant are either unconfirmed or have not been confirmed</li> <li>-The service is demand led and the Council has restricted control over the level and form of service</li> <li>- New Services are planned</li> </ul>	<ul style="list-style-type: none"> <li>-Cabinet &amp; Members Library reports with financial implications are not passed under delegated powers</li> <li>-Directors / Heads of Service will be asked to prepare a financial recovery plan</li> <li>-The Head of Council Resources may take enforcement action to ensure budgetary control</li> </ul>
<b>Medium</b>	<ul style="list-style-type: none"> <li>- There is significant potential that Business Group could overspend in the financial year</li> <li>- There have been previous incidences of some overspending within Units / Groups</li> <li>- There are new or revised funding arrangement and / or legislature changes with financial significance</li> <li>- Trading Accounts are having difficulty meeting financial targets</li> <li>-Grant schemes, on which the Council is reliant are either unconfirmed or have not been confirmed</li> </ul>	<ul style="list-style-type: none"> <li>-Members library reports are only passed when financial implications are addressed</li> <li>-Directors / Heads of Service will be asked to identify actions necessary to ensure expenditure is within budget by the year-end.</li> </ul>
<b>Low</b>	<ul style="list-style-type: none"> <li>-Finances are generally under control for the current financial year</li> <li>-Stable legislature, trading and funding environment</li> <li>-The service is supply led - i.e. the Council can decide the level and form of service</li> <li>-Finances in previous financial years have been controlled</li> <li>-Grant schemes are stable and not anticipated to change significantly</li> </ul>	<ul style="list-style-type: none"> <li>-Members library reports are approved promptly under delegated powers</li> </ul>

**2019/20 Budget Monitoring and Budget Efficiencies**

**Appendix 3**

**Budget Efficiencies:**

Service	2019/20		
	Achieved	Achievable	TBC
	£'000	£'000	£'000
Education	493	764	914
Council Resources	286	289	0
H&SCP	182	520	0
Communities	112	338	0
Development	324	309	0
Infrastructure	103	524	70
Corporate	0	0	0
<b>Total</b>	<b>1,500</b>	<b>2,744</b>	<b>984</b>
			<b>5,228</b>

**Savings Currently Red**

Service	Proposal	Value	Comments
Education	Staff Performance & Transformational Savings	914	Posts have not been identified.
Landscape & Countryside	Amenity Service - income generating target	20	Work is ongoing to identify opportunities to increase income.
Landscape & Countryside	Commercial Income from Play Area installation	30	Work is ongoing to identify opportunities to increase income.
Roads Trading	Explore new opportunities for income management	20	Work is ongoing to identify opportunities to increase income.
<b>Total</b>		<b>984</b>	

Appendix 4

General Services Capital Budget Monitoring Summary  
Position as at 31 August 2019

<b>Key - project lifecycle indication</b>					<b>Project Status</b>
1 - Feasibility					
2 - Design					
3 - Out to tender					
4 - Tender Accepted					
5 - Under Construction					
6 - Operational/Retention					
7 - Annual Budget allocation					
<b>Approved Budget</b>	<b>Annual (In-Year)</b>		<b>Outturn</b>	<b>Budget-Outturn</b>	
	<b>Updated</b>	<b>Actual</b>			
<b>2019/20</b>	<b>Budget</b>	<b>2019/20</b>	<b>2019/20</b>	<b>Variance</b>	
	<b>2019/20</b>			<b>2019/20</b>	
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	

**Expenditure**

<b>Community Projects</b>
Assets in the Community - Investment
Community Intervention
Support for Business - Gateside West
Town Centre Regeneration
Synthetic pitches
<b>Total Community Projects</b>

500	500	-	500	-	✓
600	600	133	600	-	✓
461	461	42	50	(411)	*
100	1,375	-	1,375	-	✓
19	20	-	-	(20)	✓
<b>1,680</b>	<b>2,956</b>	<b>175</b>	<b>2,525</b>	<b>(431)</b>	

<b>ICT</b>
IT Programme
Replacement - CRM Project (Customer Services)
<b>Total ICT</b>

2,110	2,110	861	2,110	-	✓
-	103	(22)	103	-	✓
<b>2,110</b>	<b>2,213</b>	<b>839</b>	<b>2,213</b>	<b>-</b>	

<b>Fleet</b>
Amenties - Machinery & Equipment - replacement
Vehicles
<b>Total Fleet</b>

190	190	139	190	-	✓
1,850	1,882	311	1,882	-	✓
<b>2,040</b>	<b>2,072</b>	<b>450</b>	<b>2,072</b>	<b>-</b>	

<b>Open Space</b>						
Cemeteries (Burial Grounds)	287	727	-	120	(607)	✓
Coastal / Flood Protection schemes - East Beach, Dunbar	-	192	11	192	-	✓
Coastal / Flood Protection schemes - Haddington	256	328	20	100	(228)	✓
Coastal / Flood Protection schemes - Musselburgh	613	780	52	590	(190)	✓
Coastal Car Park Toilets	150	480	-	150	(330)	✓
Core Path Plan	50	50	2	50	-	✓
Mains Farm Sports Pitch & Pavilion	429	558	-	147	(410)	✓
Polson Park	138	138	-	-	(138)	✓
Waste - New Bins	150	150	78	150	-	✓
Waste - Machinery & Equipment - replacement	40	40	4	40	-	✓
<b>Total Open Space</b>	<b>2,113</b>	<b>3,442</b>	<b>166</b>	<b>1,539</b>	<b>(1,903)</b>	
<b>Roads, Lighting and related assets</b>						
Cycling Walking Safer Streets	171	171	-	171	-	✓
Parking Improvements	250	418	143	250	(168)	✓
Roads	7,500	7,500	2,049	7,500	-	*
Roads - externally funded projects	267	973	512	1,174	201	*
<b>Total Roads, Lighting and related assets</b>	<b>8,188</b>	<b>9,062</b>	<b>2,704</b>	<b>9,095</b>	<b>33</b>	
<b>Property - Education</b>						
Aberlady Primary - extension	40	40	-	40	-	✓
Aberlady Primary - outdoor facility incl 1140	149	149	-	-	(149)	✓
Campie Primary - 1140	80	150	37	152	2	✓
Dunbar Grammar - extension	140	140	1	1	(139)	✓
Dunbar Primary - John Muir Campus - Early Learning and 1140	83	83	-	6	(77)	✓
East Linton Primary - extension including Early Learning and 1140	913	968	-	87	(881)	✓
Gullane Primary - extension including Early Learning and 1140	100	180	-	180	-	✓
Haddington Infant School - upgrades	6	6	-	-	(6)	✓
Law Primary - school extension	37	37	-	-	(37)	✓
Law Primary - extension including Early Learning and 1140	147	147	-	147	-	✓
Letham Primary - New School	6,775	6,695	1,459	6,767	72	✓
Longniddry Primary - extension	34	34	-	-	(34)	✓
Loretto Primary - 1140	38	63	57	64	1	✓
Meadowpark Communications Provision - upgrades	8	53	-	53	-	✓

Musselburgh Grammar - upgrades	283	283	-	384	101	✓
Musselburgh Primary - 1140 upgrades	36	57	48	58	1	*
New Musselburgh Additional Secondary Education Provision	1,700	5,403	242	4,315	(1,088)	*
North Berwick High School - Extension	5,489	5,600	47	4,268	(1,332)	*
Ormiston Primary - extension	20	26	32	50	24	*
Pinkie St Peter's Primary - extension including Early Learning and 1140	160	160	-	160	-	*
School Estate - Curriculum Upgrades	330	330	-	330	-	✓
Ross High School - extension	5,815	6,082	311	5,772	(310)	*
St Gabriel's Primary - extension including Early Learning and 1140	58	58	-	58	-	*
Tranent Early Learning Centre 1140	262	262	-	30	(232)	*
Wallyford Primary - New School	300	300	102	452	152	✓
West Barns Primary - extension including Early Learning and 1140	175	175	-	275	100	*
Whitecraig Primary - extension including Early Learning and 1140	324	324	-	50	(274)	✓
<b>Total Property - Education</b>	<b>23,502</b>	<b>27,805</b>	<b>2,336</b>	<b>23,699</b>	<b>(4,106)</b>	

<b>Property - Other</b>						
Accelerating Growth - Enabling Infrastructure	3,100	3,038	179	919	(2,119)	*
Court Accommodation - incl. SPOC	1,554	1,554	193	298	(1,256)	*
Haddington Corn Exchange - upgrades	640	797	1	530	(267)	✓
Haddington Town House - Refurbishment and Rewire	548	548	-	30	(518)	✓
Herdman Flat	160	200	-	200	-	✓
Inveresk Mills - upgrades	83	169	106	173	4	✓
Meadowmill - New Depot	-	149	3	235	86	✓
Port Seton - Community Centre Extension	1,048	1,229	-	664	(565)	✓
Prestongrange Museum	100	100	-	-	(100)	✓
Property Renewals	951	951	453	951	-	✓
Eskgreen Care Home - Lift Refurbishment	200	200	-	-	(200)	✓
East Linton Primary - Lifecycle improvements	522	522	-	-	(522)	✓
Dunbar - The Cove ASN Unit	77	77	-	-	(77)	✓
Replacement Pathways Centre	1,046	1,046	-	-	(1,046)	✓
Sports Centres	200	200	200	200	-	*
Whitecraig Community Centre	483	973	708	994	21	✓
<b>Total Property - Other</b>	<b>10,712</b>	<b>11,753</b>	<b>1,843</b>	<b>5,194</b>	<b>(6,559)</b>	
<b>Total Property - Education and Other</b>	<b>34,214</b>	<b>39,558</b>	<b>4,179</b>	<b>28,893</b>	<b>(10,665)</b>	

Capital Plan Fees	1,728	1,728	-	1,728	-	✓
<b>Total Gross Expenditure</b>	<b>52,073</b>	<b>61,031</b>	<b>8,513</b>	<b>48,064</b>	<b>(12,966)</b>	
<b>Income</b>						
<b>Total Income</b>	<b>(36,257)</b>	<b>(39,709)</b>	<b>-</b>	<b>(28,775)</b>	<b>10,934</b>	
<b>Borrowing Requirement</b>	<b>15,816</b>	<b>21,322</b>	<b>8,513</b>	<b>19,289</b>	<b>(2,032)</b>	

## 2019-20 Period 5 Financial Review - Appendix 5

### HRA Capital Programme

	Budgeted	Actual	Over/(Under)
	(£000s)	June 2019	(£000s)
		(£000s)	(£000s)
Modernisation Spend	11,998	3,719	(8,279)
New Affordable and Council Housing	18,657	5,889	(12,768)
Mortgage to Rent	840	0	(840)
Fees	1,395	0	(1,395)
<b>Gross Total Housing Capital Spend</b>	<b>32,890</b>	<b>9,608</b>	<b>(23,282)</b>



## **Appendix B – Financial Prospects 2020 and beyond**

- 1.1 The financial prospects covering the financial planning period from 2019/20 to 2023/24 was considered and approved by Council in October 2018. The report set out some of the wider forecasts and assumptions which the Council could expect during that period and this helped form the basis of the Council's existing Financial Strategy approved in December 2018.
- 1.2 One year on, this report refreshes these forecasts and extends the financial planning period for a further year until 2024/25, setting the context which will help inform the financial planning framework for the Council over the next 5 years, and will be set out within the new Financial Strategy in December of this year.
- 1.3 Audit Scotland's most recent Annual Audit Report for 2018/19 provides a summary of their key findings in relation to financial management and sustainability for the Council, and whilst it states that the financial management is effective, amongst other messages, it does state the following:
  - The Council and its group financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the Council's capacity to deliver services at the current levels.
  - The council has made savings over the past few years. However the size of the future funding gap and a reliance on non-recurring savings means it will struggle to make the required savings in future years.
- 1.4 The continuing economic and political uncertainty around future public sector funding, against a backdrop of increasing demand, means that it is inevitable the Council will need to find ways of ensuring that it can continue to deliver sustainable services to the public within likely reducing levels of resources. This report sets out some of the wider financial prospects for the Council over the medium term, and will be used to develop the future Financial Strategy for the Council and set the framework to drive forward effective forward financial planning, helping to ensure limited resources are most effectively aligned to delivery of the Council plan and related priorities.

### **2019/20 Budget**

- 1.5 At its meeting on 12 February 2019, the Council approved a budget for 2019/20 for both General Services and Housing Revenue Account (HRA) revenue and capital, and outline budgets for subsequent financial years. The General Fund revenue budget was approved across a 3 year financial planning period (2019/20 to 2021/22) with the HRA (revenue and capital) and General Fund capital programme covering a 5 year period until 2023/24.

1.6 The approved General Services revenue budget included a number of key assumptions relating to income and expenditure commitments in future years, and included efficiency plans totalling £11.3m across the 3 year period. The ability for the Council to fully deliver its policy commitments and achieve associated outcomes within available resources is predicated on ensuring that these assumptions remain accurate and should any of these assumptions change, that appropriate remedial action is then put in place. A summary of key variables that will need to be reflected within the approved budget over the next 3 years is set out below;

- **Revenue Support Grant (RSG)**

- The Revenue Support Grant (RSG) is funding provided from the Scottish Government currently makes up about 2/3rds of the Council's overall funding. The financial strategy places a greater emphasis for the Council to become more commercial and entrepreneurial, however in proportionate terms, any change to the RSG awarded by the Scottish Government can have a major impact upon future financial plans and therefore service delivery levels.
- The existing approved budget assumed 'flat cash' across the 3 year planning period. This also includes the assumption that the additional £90 million funding which was reflected within the overall 2019/20 Local Government Settlement is baselined. As has been the case for some time, Scottish Government settlement figures are only provided for one year (2019/20), and therefore funding from 2020/21 onwards cannot be projected with any certainty.

- **Other Scottish Government Funding**

- The Council also receives Scottish Government funding for a growing number of specific and new policy objectives including: Social Care Fund, Pupil Equity Fund (PEF), Criminal Justice Funding (CJSW) as well as significant additional funding provided to support the delivery of Early Learning and Childcare – 1140 hours expansion.
- The current budget has reflected specific funding already confirmed in relation to the delivery of 1140 hours through until 2021/22. Plans are currently being developed to support the roll out of the 1140 hours policy, but there remains a degree of risk around the ability to deliver the policy within the current fixed funding envelope. Funding for PEF has been removed from 2021/22 in line with the existing commitment aligned to this current Parliament. The budget assumes recurring funding levels relating to Social Care Fund and CJSW funding.

- **Council Tax Income / Yield**

- The Council Tax income within the 3 year approved budget includes: increased yield from additional properties anticipated to be built in the next 3 years plus an assumed annual Council Tax increase of 4.79% in 2019/20 which was in line with the flexibility approved by the Scottish Government and an assumed 3% increase in the following 2 years. The Council annually determines the level of Council Tax which is levied as part of the annual budget process.
- Council Tax currently equates to around a quarter of the overall funding provided to the Council. Current projected increases in Council Tax yield is driven by forecasts relating to planned and completed housebuilding within the Council area and anticipated collection rates, much of which can be variable and dependent upon economic conditions.
- Despite this anticipated increase in income, the cost to the Council in providing our range of council services to an increased population, number of households and a growing number of businesses is substantially higher than any increase received from Council Tax yield. This is further referenced under the subsequent section on Demand Growth.

- **Use of Reserves**

- The current 3 year budget plans to make use of general reserves of up to £3.000 million in 2019/20 with no further general reserves applied in the subsequent 2 financial years. This is consistent with the Financial Strategy which includes the requirement to deliver a sustainable budget. During the budget period there is however a planned draw down from a number of the specific earmarked reserves such as DSM balances and also a number of approved commitments against the Cost Reduction Fund.
- The 2018/19 audited accounts show a total General Fund Reserves balance (including the Council's Insurance Fund) balance of £19.4 million, most of which is committed to support a wide range of future requirements. The approved Financial Strategy includes a specific Reserves Strategy within which, there is a requirement to maintain a minimum level of uncommitted reserves which equate to 2% of the Council's annual running costs. The 2% target is currently being met, but this combined with a relatively low level of overall general reserves remains a significant challenge.
- It remains vital that the Council has in place a clear reserves and wider financial strategy that will help deliver stability within its cost base yet ensures the Council retains a degree of flexibility to address both future planned and unforeseen commitments.

- **Pay / Pensions**

- The current pay settlement stems a 3 year period from 2018/19 until 2020/21. The approved 3 year budget has included the following in relation to pay:
  - For 2019/20 and 2020/21 the agreed pay award for Local Government staff groups and Teachers. This reflected the following:
    - The base adjustment required to address the 2018/19 pay award;
    - 3% increase for 2019/20 and 2020/21
  - For 2021/22, no pay award has been agreed and an indicative increase of 2% for all staff groups has been reflected within the budget plans.
  - Some funding has been provided by the Scottish Government to fund an element of the Teachers Pay award and this will require to be reflected throughout future budget plans.
- Relating to Pensions, the Council has in recent years been part of a stability mechanism agreed with Lothian Pension Fund which provides a degree of certainty around any changes to employer's pension contribution rates. The currently stability mechanism is in place until 2020/21 and an increase of 0.5% increase per annum has been budgeted for the period 2019/20 to 2020/21. The current budget assumes a similar level of increase will also be in place for 2021/22. The next valuation of the Local Government Pension Scheme is scheduled to take place from April 2020, the outcome of which may impact on contribution rates from 2021/22 and therefore the current assumptions being made.
- The employer contribution rate relating to Teachers' Pension Scheme increased from 17.2% to 22.4% from September 2019. This change in rate will apply until March 2023 and thereafter the rate will be dependent on future actuarial valuations. The increase was announced in March 2019, and as such the costs have now been reflected in 2019/20 budget but not in future years. Funding has been provided by the Scottish Government to fund up to 79% of the costs, with the remainder to be met from Local Government budgets. This cost increase will be required to be reflected in future budgets.

- **Non-pay Inflation**

- Currently no general inflationary adjustments has been made to individual service budgets. Where inflationary uplifts are linked to contractual requirements such as PPP, alongside some

property related inflationary pressures such as energy, these have been reflected within 2019-2022 budget plans.

- UK CPI inflation rate as at August 2019 is currently at the lowest level for some time at 1.7% (2.4% as at August 2018), with the next published statistics available mid October. A broad inflationary target of 2% reflects current Government policy, with a drive to reduce this further through wider Monetary Policies. Despite this, we are still experiencing significant increased costs in a number of areas including; waste, energy and especially so in recent capital construction related projects, with many projects now being priced at considerably higher than budgeted levels.

- **Capital commitments**

- The Council already has a substantial General Services Capital Programme which has been developed to support growth such as the infrastructure requirements across the county as required by the Local Development Plan alongside the delivery of new policy requirements such as enhanced Early Learning and Childcare.
- The current LDP and South East of Scotland City Deal investments will create significant economic long term benefits for the East Lothian economy, but will place a significant and more immediate financial burden upon council finances. The current LDP related commitments have been built into current budgets, but progress towards fully delivering infrastructure projects identified within the City Deal and other growth related commitments such as Blindwells and Cockenzie will require significant future capital investment.
- The Council has also committed to a wider School Estate review which will impact significantly upon future capital investment plans. A significant proportion of the existing approved capital plans relates to increased investment in our wider school infrastructure, and this will continue for the foreseeable future.
- The prevailing economic uncertainty places greater risk on the cost and deliverability of both current and future capital plans. There is evidence of growing cost pressures associated with delivering future capital commitments within existing budget levels. Although a significant proportion of this additional investment will be supported through income contributions derived through the Developer Contributions Framework, volatility and economic uncertainty in the housing market can impact on both the timing and realisation of anticipated funding levels.
- In an unexpected and potentially significant development at the time of writing this report, the UK Treasury announced a significant increase to the Public Works Loans Board (PWLB)

interest rates. This increase in borrowing rates together with future capital investment requirements will need to be carefully considered within the wider Capital and Treasury strategies and future capital plans. Existing capital commitments may require to be reviewed to ensure that priorities can be delivered within agreed expenditure limits, to ensure these remain affordable and sustainable going forward.

- **Demand Growth**

- The Council's population profile continues to expand with increasing growth projected going forward in both sides of the demographic spectrum relating to school-age children and pensioners.
- Current budget plans have reflected some changes to population and service demand for areas such as pupil school roll, but does not include a more general population related adjustment.

- **Transformational Change / Efficiency Programme**

- A key requirement of the current budget is the delivery of the planned programme of efficiencies, with £11.3m of recurring efficiencies already identified within the current 3 year budget.
- The current 3-year budget assumes the delivery of the following efficiencies.
  - £6.7 million service efficiencies;
  - £3.0 million enhanced programme of transformational change / commercialisation alongside a reduction in the costs associated with core service provision;
  - £1.6 million staffing / review of senior management.
- Whilst substantial progress has been made to deliver the required level of savings to date, there remains some challenges within the current financial year, and it current remains unlikely that all efficiencies will be delivered with recurring plans. This is likely to place further challenges on future year's efficiency plans.

- **2019/20 Budgetary Pressures**

- The 2019/20 in year financial review highlights a growing number of significant service pressures, particularly within Children's Services and the wider Education group including ASL service but also within certain Infrastructure service areas. The 2020/21 and 2021/22 budget plans already include a recurring benefit derived from the then anticipated loans fund review with any other residual gain being used to dampen future

loans charge implications that would otherwise flow from our capital investment plans.

- The current approved 3 year budget is set on the assumption that the Council will deliver a break even position in the current year. Any change to this position would have a recurring impact on future budget plans.

### **General Services Budget – Prospects/Potential Implications**

- 1.7 Whilst many of these assumptions still remain appropriate, the potential consequence of any movement in any of these key variables poses a very significant risk to balancing our future budgets and therefore to maintaining service provision at existing levels.

### Economic / Fiscal Outlook – Scottish Local Government

- 1.8 The overall economic position across the UK remains uncertain. Discussions are on-going around the anticipated departure for the UK leaving the European Union with the planned date at end of October 2019 still unclear. With this comes added uncertainty around both the UK and Scottish economies and therefore on future public spending levels including Local Government funding settlements.
- 1.9 The recent COSLA evidence to the Local Government and Communities Committee pre-budget budget scrutiny, highlighted that between 2013/14 and 2019/20 Local Government has been passed a disproportionate funding cut in comparison to budget reductions the Scottish Government has faced where the overall Local Government budget share has fallen from 34.8% to 33%. Whilst some increase has been reported in recent years, this has largely been ring-fenced and linked to the delivery of new policy commitments predominately such as early learning and childcare, with core budgets significantly reduced and therefore pressurised. COSLA believes that Scottish councils have been tasked with delivering an increased number of Scottish Government priorities as well as absorbing the impact of inflationary and demand increases, and are ‘undeniably doing more with less’.
- 1.10 In May 2019, the Scottish Government’s Medium Term Financial Strategy was published which set out the Fiscal Framework and funding arrangements that the Scottish Government now operates within. The report outlines the Scottish Government’s approach to financial management and fiscal rules and sets out a range of possible funding scenarios for the Scottish Budget over the next five years based on modelling using the Scottish Fiscal Commission’s economic and fiscal forecasts as the central scenario. The Strategy also details the Scottish Government’s key policy priorities and approach to supporting Scotland’s economy.
- 1.11 Outline UK Spending Plans were announced by the Chancellor on 4 September for a one year period, but lack clarity surrounding related tax

policies and fiscal forecasts, all of which remain relevant given the devolution of tax policies to Scotland. In total, is expected that Scotland will receive an extra £1.2bn of funding in 2020/21 representing 2.1% real terms growth. Of this, £1.12bn is revenue funding while £88 million is capital funding. It is anticipated that the impact of this will be reflected in the Scottish Government's draft spending plans which we now expect to be announced on 12 December 2019, allowing for a period of Parliamentary scrutiny. Based upon pledges made within last year's Local Government settlement, it was anticipated that Council's would receive a multi-year funding settlement although this now looks unlikely, and it remains the expectation that funding for 2020/21 will again be provided for a one year period.

- 1.12 Given the challenging economic situation, there remains significant uncertainty within the UK and also Scottish economy. Whilst there remains some positive signs of real growth in the funding available to Scotland, the allocation of any increase must be considered within the wider tax and fiscal policy alongside Scottish Government spending plans.

### **Medium Term Outlook – East Lothian Council**

- 1.13 Notwithstanding the many uncertainties facing Scottish local authorities, the need for medium to longer term financial planning is becoming increasingly important. Councils must ensure that they have robust financial plans in place that can respond to and absorb the potential impact arising from an increasingly wide range of variables highlighted earlier in this report. Only by doing, can they ensure long term sustainability of service provision.
- 1.14 Scenario based financial modelling covering the period to 2024/25 has been undertaken to assist with assessing the potential impact on future budget plans based on a range of potential scenarios using a relatively limited set of key variables (RSG, Pay, Non-pay Inflation, budget pressures and Council Tax yield). **These scenarios should not be confused with any funding gap and associated saving plans developed during the subsequent budget process**, but any change to these variables may have a significant impact on the spending projections for the Council, and therefore should be used as illustrative examples to support and enhance future spending discussions.
- 1.15 Three separate scenarios have been used with details set out within **Appendix 1** of this report. **Appendices 2 and 3** sets out a summary of the scenario assumptions and key variables used.
- 1.16 These scenarios are based on the existing approved 3-year approved budget, and therefore any assessed funding requirement is over and above existing planned efficiencies.
- 1.17 The total estimated level of savings which will be required over the next 5 years is summarised in the table below.



Scenario	19/20	20/21	21/22	22/23	23/34	24/25	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	
		Year 1	Year 2	Year 3	Year 4	Year 5	
Existing Planned Efficiency Savings	5,228	3,941	2,143	-	-	-	11,322
<b>Potential Funding Gap</b>							
1	3,000	4,307	4,178	6,411	6,901	6,901	31,699
2	1,000	1,023	668	3,533	3,778	3,778	13,779
3	0	-2,432	-2,750	1,879	1,879	1,879	455

1.18 Should the full extent of these assumptions materialise, the Council would require to make some difficult choices in order to balance the budget. Although the level of savings identified will undoubtedly change as work progresses on developing the Revenue Budget, this illustration provides an indication of the scale of financial challenge facing the Council over the next five years. Reductions of the scale set out in scenario 1 would have a significant adverse impact upon service delivery and it is imperative that early consideration is given to how best this might be managed.

1.19 The Council's Financial Strategy provides a practical framework within which policy choices can be identified, debated and approved. This will require some difficult choices to be made around how resources are prioritised to best deliver local services.

### **Budget Development Process**

1.20 Officers have been reviewing the existing budget development process and I am recommending that the following arrangements should apply to the 2020-2023 budget. This will provide the framework for budget discussions and establish a platform for the development of an updated set of financial plans.

- A 3-year General Services revenue budget will be prepared covering 2020/21 to 2022/23, initially based upon a roll forward of existing budget plans.
- A longer term General Services capital budget will be prepared covering the 5 year period 2020/21 to 2024/25.
- The base budget will be developed and issued to all political groups by early December. This will be refreshed in light of settlement details

following presentation of the Scottish Government's Draft Budget to Parliament on 12 December 2019.

- A budget briefing on the development of the baseline budget and key assumptions for members will be held early in December.
- The Council's Financial Strategy setting out a clear direction on how the Council will manage its financial resources in the medium to long will now be proposed to Council in December. This will be considered alongside an updated Capital Strategy
- DRAFT budget proposals (covering both General Services and HRA) will be developed by the Administration and considered by Cabinet in January 2020 covering both revenue and capital budgets.
- Other Political Groups will have the option to develop any amendments to the Administration budget, with formal proposals to be considered by Council in February, when the Council budget for both General Services, HRA and Council Tax setting will be approved.

1.21 Given the high likelihood that further savings will be required to be delivered across the next few years, it is recommended that work on budget development for 2020/21 and beyond commences taking into consideration the potential scenarios outlined within this report.

1.22 In terms of public consultation, the Council will develop an enhanced public awareness campaign relating to our current financial position including information on the wider financial challenges faced. This will be supplemented by running focus group discussions aligned with the wider resident's survey.

1.23 Preparations for the formal statutory rent consultation are already well underway. Details of the feedback received from both processes will be shared with members to help inform final budget proposals.

## Appendix 1 – Financial Modelling 2020/21 to 2024/25 and potential savings gap

	<u>Current</u> <u>2019/20</u>	<u>Year 1</u> <u>2020/21</u>	<u>Year 2</u> <u>2021/22</u>	<u>Year 3</u> <u>2022/23</u>	<u>Year 4</u> <u>2023/24</u>	<u>Year 5</u> <u>2024/25</u>	<u>TOTAL</u>
Current Planned Efficiencies	5,228	3,941	2,143	n/a	n/a	n/a	<b>11,312</b>

<u>Scenario 1</u>	<u>Current</u> <u>2019/20</u>	<u>Year 1</u> <u>2020/21</u>	<u>Year 2</u> <u>2021/22</u>	<u>Year 3</u> <u>2022/23</u>	<u>Year 4</u> <u>2023/24</u>	<u>Year 5</u> <u>2024/25</u>	
Pay / Pensions	0	355	1,654	4,581	5,072	5,072	
RSG	0	1,691	0	0	0	0	
Non Pay / Inflation	0	1,336	1,336	1,336	1,336	1,336	
Current Pressures	3,000	0	0	0	0	0	
Council Tax	0	925	1,189	493	493	493	
<b>TOTAL</b>	<b>3,000</b>	<b>4,307</b>	<b>4,178</b>	<b>6,411</b>	<b>6,901</b>	<b>6,901</b>	<b>31,699</b>

<u>Scenario 2</u>	<u>Current</u> <u>2019/20</u>	<u>Year 1</u> <u>2020/21</u>	<u>Year 2</u> <u>2021/22</u>	<u>Year 3</u> <u>2022/23</u>	<u>Year 4</u> <u>2023/24</u>	<u>Year 5</u> <u>2024/25</u>	
Pay / Pensions	0	355	0	2,928	3,173	3,173	
RSG	0	0	0	0	0	0	
Non Pay / Inflation	0	668	668	1,336	1,336	1,336	
Current Pressures	1,000	0	0	0	0	0	
Council Tax	0	0	0	-731	-731	-731	
<b>TOTAL</b>	<b>1,000</b>	<b>1,023</b>	<b>668</b>	<b>3,533</b>	<b>3,778</b>	<b>3,778</b>	<b>13,779</b>

<u>Scenario 3</u>	<u>Current</u> <u>2019/20</u>	<u>Year 1</u> <u>2020/21</u>	<u>Year 2</u> <u>2021/22</u>	<u>Year 3</u> <u>2022/23</u>	<u>Year 4</u> <u>2023/24</u>	<u>Year 5</u> <u>2024/25</u>	
Pay / Pensions	0	355	-1,654	1,274	1,274	1,274	
RSG	0	-1,691	0	0	0	0	
Non Pay / Inflation	0	0	0	1,336	1,336	1,336	
Current Pressures	0	0	0	0	0	0	
Council Tax	0	-1,096	-1,096	-731	-731	-731	
<b>TOTAL</b>	<b>0</b>	<b>-2,432</b>	<b>-2,750</b>	<b>1,879</b>	<b>1,879</b>	<b>1,879</b>	<b>455</b>

## **Appendix 2 – Scenario Assumptions**

<b>Variable</b>	<b>Scenario 1</b>
Pay / Pensions	<p><b><u>Pay</u></b></p> <ul style="list-style-type: none"> <li>- Current pay award until 2020/21 and 3% increase per annum from 2021/22 to 2024/25.</li> </ul> <p><b><u>Pensions</u></b></p> <ul style="list-style-type: none"> <li>- Current planned increase in LGPS and from 2021/22 a further 0.5% increase per annum until 2024/25, and current planned increase in Teachers until 2022/23 and a further 0.5% per annum in 2023/24 and 2024/25.</li> </ul>
RSG	<ul style="list-style-type: none"> <li>- RSG reduces by 1% in 2020/21 and remains static in cash terms from 2021/22 onwards.</li> </ul>
Non Pay / Inflation	<ul style="list-style-type: none"> <li>- Additional Inflationary uplift of 2.0% in 2020/21 and 2021/22, with a 2% per annum general inflationary increase from 2022/23 until 2024/25.</li> </ul>
Current Pressures	<ul style="list-style-type: none"> <li>- Recurring budgetary pressure of up to £3m from 2019/20 and no further budgetary pressure.</li> </ul>
Council Tax	<ul style="list-style-type: none"> <li>- An annual increase of 1% per annum in Council Tax levels from 2020/21 until 2024/25 and 890 additional new homes per annum until 2024/25</li> </ul>

<b>Variable</b>	<b>Scenario 2</b>
Pay / Pensions	<p><b><u>Pay</u></b></p> <ul style="list-style-type: none"> <li>- Current pay award until 2020/21 and 2% increase per annum from 2021/22 to 2024/25 in line with planned inflation targets.</li> </ul> <p><b><u>Pensions</u></b></p> <ul style="list-style-type: none"> <li>- Current planned increase in LGPS and from 2021/22 a further 0.5% increase per annum until 2024/25, and current planned increase in Teachers until 2022/23 and a further 0.5% per annum in 2023/24 and 2024/25.</li> </ul>
RSG	<ul style="list-style-type: none"> <li>- RSG remains in line with current 3-year approved budget, and remains static in cash terms from 2020/21 onwards.</li> </ul>
Non Pay / Inflation	<ul style="list-style-type: none"> <li>- Additional Inflationary uplift of 1.0% in 2020/21 and 2021/22, with a 2% per annum general inflationary increase from 2022/23 until 2024/25.</li> </ul>
Current Pressures	<ul style="list-style-type: none"> <li>- Recurring budgetary pressure of up to £1m from 2019/20 and no further budgetary pressure.</li> </ul>
Council Tax	<ul style="list-style-type: none"> <li>- An annual increase of 3% per annum in Council Tax levels until 2024/25 and 890 additional new homes per annum until 2024/25</li> </ul>

Variable	Scenario 3
Pay / Pensions	<p data-bbox="528 259 576 288"><b><u>Pay</u></b></p> <ul data-bbox="528 315 1433 376" style="list-style-type: none"> <li data-bbox="528 315 1433 376">- Current pay award until 2020/21 and 1% increase per annum from 2021/22 to 2024/25.</li> </ul> <p data-bbox="528 405 655 434"><b><u>Pensions</u></b></p> <ul data-bbox="528 461 1433 551" style="list-style-type: none"> <li data-bbox="528 461 1433 551">- Current planned increase in LGPS and from 2021/22 no further increase until 2024/25, and current planned increase in Teachers until 2022/23 and no further increase until 2024/25.</li> </ul>
RSG	<ul data-bbox="528 584 1433 645" style="list-style-type: none"> <li data-bbox="528 584 1433 645">- RSG increases by an additional 1% per annum from 2020/21 and remains static in cash terms from 2021/22.</li> </ul>
Non Pay / Inflation	<ul data-bbox="528 674 1433 734" style="list-style-type: none"> <li data-bbox="528 674 1433 734">- No further inflationary uplift in 2020/21 and 2021/22, with a 2% per annum general inflationary increase from 2022/23 until 2024/25.</li> </ul>
Current Pressures	<ul data-bbox="528 775 1433 835" style="list-style-type: none"> <li data-bbox="528 775 1433 835">- No recurring budgetary pressure and services will continue to deliver within approved budget levels.</li> </ul>
Council Tax	<ul data-bbox="528 875 1433 965" style="list-style-type: none"> <li data-bbox="528 875 1433 965">- An annual increase of 4.79% per annum in 2020/21 and 2021/22 and 3% per annum from 2022/23 to 2024/25 and 890 additional new homes per annum until 2024/25.</li> </ul>

## **Appendix 3 – Variable Assumptions**

<b>Variable</b>	<b>Scenarios</b>
Pay / Pensions	<p><b><u>Pay</u></b></p> <ul style="list-style-type: none"> <li>- Scenario 1 – Current pay award until 2020/21 and 3% increase per annum from 2021/22 to 2024/25</li> <li>- Scenario 2 – Current pay award until 2020/21 and 2% increase per annum from 2021/22 to 2024/25 in line with planned inflation targets</li> <li>- Scenario 3 – Current pay award until 2020/21 and 1% increase per annum from 2021/22 to 2024/25</li> </ul> <p><b><u>Pensions</u></b></p> <ul style="list-style-type: none"> <li>- Scenario 1 – current planned increase in LGPS and from 2021/22 a further 1% increase per annum until 2024/25, and current planned increase in Teachers until 2022/23 and a further 1% per annum in 2023/24 and 2024/25.</li> <li>- Scenario 2 – current planned increase in LGPS and from 2021/22 a further 0.5% increase per annum until 2024/25, and current planned increase in Teachers until 2022/23 and a further 0.5% per annum in 2023/24 and 2024/25.</li> <li>- Scenario 3 – current planned increase in LGPS and from 2021/22 no further increase until 2024/25, and current planned increase in Teachers until 2022/23 and no further increase until 2024/25.</li> </ul>
RSG	<ul style="list-style-type: none"> <li>- Scenario 1 – RSG reduces by 1% in 2020/21 and remains static in cash terms from 2021/22 onwards.</li> <li>- Scenario 2 – RSG remains in line with current 3-year approved budget, and remains static in cash terms from 2020/21 onwards</li> <li>- Scenario 3 – RSG increases by an additional 1% per annum from 2020/21 and remains static in cash terms from 2021/22.</li> </ul>
Non Pay / Inflation	<ul style="list-style-type: none"> <li>- Scenario 1 – Additional Inflationary uplift of 2.0% in 2020/21 and 2021/22, with a 2% per annum general inflationary increase from 2022/23 until 2024/25.</li> <li>- Scenario 2 – Additional Inflationary uplift of 1.0% in 2020/21 and 2021/22, with a 2% per annum general inflationary increase from 2022/23 until 2024/25</li> <li>- Scenario 3 – No further inflationary uplift in 2020/21 and 2021/22, with a 2% per annum general inflationary increase from 2022/23 until 2024/25</li> </ul>
Current Pressures	<ul style="list-style-type: none"> <li>- Scenario 1 – recurring budgetary pressure of up to £3m from 2019/20 and no further budgetary pressure.</li> </ul>

	<ul style="list-style-type: none"> <li>- Scenario 2 – recurring budgetary pressure of up to £1m from 2019/20 and no further budgetary pressure</li> <li>- Scenario 3 – no recurring budgetary pressure and services will continue to deliver within approved budget levels</li> </ul>
Council Tax	<ul style="list-style-type: none"> <li>- Scenario 1 – an annual increase of 1% per annum in Council Tax levels from 2020/21 until 2024/25 and 890 additional new homes per annum until 2024/25.</li> <li>- Scenario 2 – an annual increase of 3% per annum in Council Tax levels until 2024/25 and 890 additional new homes per annum until 2024/25</li> <li>- Scenario 3 – an annual increase of 4.79% per annum in 2020/21 and 2021/22 and 3% per annum from 2022/23 to 2024/25 and 890 additional new homes per annum until 2024/25.</li> </ul>