

## **Financial Strategy 2019/20 to 2022/23**

### **Report by Gary Fairley, Head of Finance and Integrated Service Support**

#### **1 Purpose of Report**

This report provides Council with a further update on the Financial Strategy encompassing the years 2019/20 to 2022/23. It is the penultimate report before Council meets on 12 February 2019 when it is required to determine Council Tax and set a balanced budget for 2019/20 (required to do so by 11 March 2019) in accordance with Section 93 of the Local Government Finance Act 1992 (as amended). It includes:-

- An updated assessment of the 2019/20 and future years Scottish Government Grant prospects;
- Updated budget projections for 2019/20 to 2022/23;
- A sensitivity analysis reflecting the potential impact of different pay and grant settlement scenarios;
- An update on the arrangements for the delegation of resources to the Midlothian Integration Joint Board;
- An update on the Change Programme impact on the projected budget shortfalls;
- The governance arrangements and remaining timetable for the 2019/20 budget;
- An update on the 2018/19 position and General Fund Reserves.

#### **2 Background**

The core objective of the Financial Strategy is to secure the Council's financial sustainability during an ongoing period of financial constraint coupled with acute service demand pressures and increasing customer expectations.

The Financial Strategy is not only about balancing the budget, it provides a means to ensure that available resources are as far as possible targeted on delivery of improved outcomes, particularly against the key priorities of:-

- Reducing the gap in learning outcomes
- Reducing the gap in health outcomes
- Reducing the gap in economic circumstances

The Midlothian Community Planning Partnership continues to prioritise the available resources towards the delivery of the partnerships key priorities and the Financial Strategy sets out for partners the parameters the Council is

working within and provides a means to better facilitate the sharing of budget and resource planning information. The Financial Strategy and associated Change Programme are central to ensuring that the resources available to the Council and partners are directed towards the priorities set out in the Midlothian Single Plan.

The last Financial Strategy report was presented to Council on 13 November 2018 and provided an updated assessment of projections through to 2022/23. The report set out projected budget shortfalls of £9.394 million for 2019/20 rising to £39.068 by 2022/23. After the Change Programme and Council Tax increases the projected remaining budget gaps were £6.216 million for 2019/20 rising to £23.202 million by 2022/23.

### **3 Scottish Government Grant Settlement**

The Scottish Government's grant settlement remains one of the most critical aspects of the financial projections in this report. The position is broadly as reported on 13 November 2018 and whilst information is available on the Barnett consequential of the UK Government's Autumn Statement the impact of these, if any, on the grant settlement will not be known until the Scottish Government draft budget is published on 12 December 2018 and the subsequent grant circular is published on 17 December 2018. Scottish Government will publish a budget only for the year ahead and will not return to the publication of three year budgets for 2019/20.

Given the timing of these events I intend to provide Council with a verbal update on the grant position.

As previously highlighted there are a number of factors which will influence the level of grant support Council might expect for 2019/20 and beyond. Among these will be a range of economic factors which will influence the resources Scottish Government has at its disposal, whether from the UK Government block grant or through tax revenues directly controlled by Scottish Government. Ultimately the level of grant support Councils receive will be determined by the taxation and spending priorities of the Scottish Government and the negotiations with other parties in the Scottish Parliament to support the passage of the budget bill.

An assessment of the economic factors has been made based on the information available from the Office of Budget Responsibility, the Scottish Fiscal Commission (SFC) and [Scotland's Fiscal Outlook](#), the Scottish Government's first five year (medium term) financial strategy (MTFS). However the impact of Scottish Government's tax and spending priorities will only become fully apparent when the Scottish Government's 2019/20 budget is published on 12 December 2018.

[Scotland's Fiscal Outlook](#) together with the accompanying Economic and Fiscal Forecasts of the SFC, is designed to be a key part of the revised parliamentary budget process that arose out of the work of the Budget Process Review Group and the development of a year-round approach to budget scrutiny. At this time it represents the clearest statement of intent by

the Scottish Government of its future funding plans. In respect of the resource budget the MTFs confirms its spending priority areas to be:

- **Health**, with a budget of around £13 billion in 2018/19, but rising to over £14 billion by 2021-22 (and with scope for further increases, not included yet, in 2022/23);
- **Police**, with a budget of around £1 billion which is protected in real terms, i.e. growing at the rate of inflation;
- **Early Learning and Childcare**, with a budget rising to over £500 million by 2021 and with implications for Local Government resource funding;
- **Attainment**, via the £750 million Attainment Scotland Fund covering the term of the Parliament;
- **Higher Education**, with a budget of over £1 billion; and
- **Social Security**, with a budget that grows to over £3 billion by 2021/22, largely due to the phased transfer of responsibilities from the UK Government.

The majority of the £12 billion remainder of the resource budget relates to Local Government.

Under the Scottish Government's central scenario the overall resource budget (ex new social security) is projected to rise from £27.6 billion in 2018/19 to £29.2 billion in 2022/23. An increase of 5.8%. The resource budget that is utilised by the six commitments highlighted above is estimated to grow under the central scenario from 56% in 2019/20 to 64% in 2022/23. Accordingly, all things being equal, the impact on the remainder of the resource budget of £12 billion would result in a reduction to £10.5 billion. This would represent a significant cash reduction of 14% over the period.

The MTFs highlights that in setting the annual budget each year, the Scottish Government will have to make careful choices in the prioritisation of commitments and expenditure in order to reach a balanced budget position. The decisions that will be taken will include consideration of the balance of funding that will be allocated to the range of priorities, to Local Government and to support other key public services across Scotland. The central funding scenario in the MTFs indicates that decisions around prioritisation of spending, options for increasing revenues, delivery of efficiencies across all budget areas and considering options for reform will need to be undertaken to accommodate these priorities and continue to support high quality public services across Scotland. The MTFs indicates that even under the most optimistic scenario, if no reprioritisation or reform were agreed and no additional revenues generated, then efficiency savings of 5% per year could be required.

In terms of public sector pay policy the Scottish Fiscal Commission's (SFC) central scenario assumed a continuation of the 2018-19 Public Sector pay policy, i.e. based on 3% up to £36,500, 2% up to £80,000 and £1,600 above £80,000 in each of the years modelled. Alternative scenarios assume 4% and 2% across the board. Members will be aware that across the public sector the 2018 pay settlements offers are above this level and that it seems increasingly

likely that offers above the SFC central scenario will continue in the medium term.

Whilst the MTFS represents the clearest statement of intent, pre budget, by the Scottish Government of its future funding plans Government will still require to adapt these to secure support of others for the passage of future year's budget bills. The MTFS and pay scenarios of the SFC do however help inform two the key assumptions for the Council's own Financial Strategy, the prospects for the Scottish Government Grant Settlement and provisions for future pay inflation.

In respect of timing once the draft budget and finance circular are published the parliamentary process for approving Government's budget is expected to be concluded in February 2019. Members will recollect that for the last two years changes were made during the parliamentary process which resulted in an additional provision in the grant settlement from that originally published.

The changes in Income Tax announced as part of the Government's 2018/19 budget were expected to raise £164 million rising to £220 million by 2022/23. It remains to be seen whether these are the start of a journey towards higher tax rates to help offset further cuts or whether it is a one-off decision. If it is a one-off then it will do little to ease the pressure in future years for further cuts as Governments continue in their efforts to balance budgets.

On the basis of the information available from Government and independent sources the grant projections set out later in this report continue to be based on a central planning assumption of a 2% per annum cash reduction at a national level. It also assumes that the £125 million announced on 31 January 2018 will be mainstreamed. The lower scenario set out in section 6 assumes a cash reduction of 4% per annum with the upper scenario a cash flat position. The position at a national level is partly offset by the impact of the relative growth in the Midlothian population.

It is stressed that the grant settlement figures for 2019/20 to 2022/23 set out in table 1 remain projections, the actual figures being dependant on future budget decisions taken by Government. However they do provide Council with an assessment of the impact of the grant settlement on the Council's financial position. Critically they highlight the severity of the challenge ahead, based on the Government's central scenario, for the term of the Council and the extent to which service provision will have to be transformed.

#### **4 Council Tax**

The budget shortfalls set out in table 1 are based on the current Band D Council Tax of £1,283 and reflects the additional income from an increase in the number of properties.

The budget projections continue to be based on the assumption that Scottish Government will continue to limit the flexibility to increase Council Tax by up to 3%. For Midlothian a 3% per annum increase is estimated to generate

£1.460 million for 2019/20 rising to £1.688 million in 2022/23 and would result in Band D Council Tax rising to £1,321 in 2019/20 and to £1,444 by 2022/23.

Given the grant prospects set out in section 3 and the service pressures, particularly the acute demographic cost pressures in Education and Health and Social Care, set out in section 5 of this report, the Financial Strategy incorporates the full 3% increase for each year to increase the resources available to support these services and so contribute to reducing the projected budget shortfalls.

## **5 Cost of Services**

The projected cost of services for future years is derived from the 2018/19 budget and the significant work undertaken to review the projections in light of the latest information available. In particular school rolls, care demographics and also the deliverability of savings incorporated in previous year's budgets with table 3 below setting out the principal movements from 13 November 2018 and the resultant base budget for each service set out in appendix 1. The projections for 2019/20 will be finalised and later years updated for the next Financial Strategy report to Council on 12 February 2019.

Table 2 provides an analysis of the principle year on year budget changes which include the following key assumptions and cost drivers:

- Pay inflation based on the latest indications in respect of the 2018/19 pay settlement offers and an increase in the provision made for 2019/20 onwards representing a flat 3% for each year for all staff groups together with the cost of incremental pay progression;
- Changes in the Council's contribution towards employee pensions costs advised by Lothian Pension Fund and SPPA with the assumption that the increase of 5.2% in teachers' pension contributions from 2019/20, confirmed in the UK budget (£2.400 million per annum) is offset by additional government funding (see further details below);
- Provision for the Devolved School Management allocation to schools based on the DSM scheme and indicative pupil numbers;
- Contractual inflation linked to existing contractual conditions, many of which mirror pay inflation assumptions;
- A provision for the future years costs of maintain pay levels for procured care services at or above the living wage;
- The impact of current demand for services;
- The demographic impact on the future demand for services;
- Borrowing costs related to the approved capital investment decisions based on future interest rate forecasts provided by the Council's Treasury Advisers;
- Any new government policy requiring budgetary growth will be fully funded through increased Scottish Government grant;
- Council Tax income continues to grow in line with previous trends and planned future housing growth.

In respect of additional grant funding to offset the increase in teachers' pension costs COSLA officers advise that the UK Treasury is currently undertaking an analysis of the impact of the change in the valuation, with a view to providing funding to ease the impact. However there is currently no confirmation as to the amount of funding although it has been clarified that Barnett consequentials will flow to the Devolved Administrations.

COSLA officers also advise there are no consequentials included for this funding in the UK Autumn 2018 Budget and that this will be part of the UK Spring 2019 Budget. Accordingly any government funding support to offset the increase will not form part of the Scottish Budget at this stage which causes significant uncertainty in setting the Council's budget for 2019/20. The budget projections assume that this cost will be fully funded for 2019/20 and beyond.

As part of the work to ensure the 2019/20 budget is robust and deliverable and to update the projected budget shortfalls for future years a review of the 2018/19 and previous year's savings targets has been carried out. This has identified savings targets totalling £1.245 million which have been identified as not deliverable in full and which have therefore not been carried forward for inclusion in the 2019/20 base budget. A further £0.150 million savings target for efficiencies arising from the new Hopefield depot will not now be achievable until 2020/21. Given the adverse impact these changes have on the budget position compensating savings are being developed by the relevant Directorates.

In addition previous projections incorporated a number of savings targets totalling £ 0.220 million which related to unspecified increases in fees and charges. These have been removed from the base budget at this time with work ongoing to quantify the additional budget income that could be expected to be secured through an across the board inflationary uplift for fees and charges an early estimate is included later in the change programme section.

The resultant projected service budgets through to 2022/23 reflecting the assumptions are set out in sections 3 to 5. These identify budget shortfalls as follows:-

**Table 1: Budget Shortfalls 2019/20 to 2022/23 – 18 December 2018**

|                                 | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| Cost of Services                | 212.717        | 222.497        | 231.137        | 241.448        |
| Less: Council Tax               | (48.656)       | (49.656)       | (50.656)       | (51.656)       |
| Less: Scottish Government Grant | (154.470)      | (152.980)      | (151.488)      | (149.995)      |
| <b>Budget Shortfalls</b>        | <b>9.591</b>   | <b>19.861</b>  | <b>28.993</b>  | <b>39.797</b>  |

Net expenditure on services is projected to increase by 6% in 2019/20 and by 20% by 2022/23 with a significant element of this required to support a growth population, particularly for 0-15 year olds and over 65's. The resultant budget

shortfall in 2019/20 equates 4.5% of the net cost of services and the projections indicate this could rise to 16% by 2022/23.

As Council is aware, significant elements of the budget are either fixed or are challenging to change for a number of reasons including:-

- Historic decisions, for example, loan charges and unitary charge contractual payments;
- Specific conditions, for example the maintenance of the teacher pupil ratio; and
- Growing demand for services through demographic pressures.

These elements of the budget equate to £115 million in 2019/20 and are projected to rise to £150 million by 2022/23. Consequently the budget shortfall expressed as a percentage of the remainder of the budget equates to 9% for 2019/20 and has the potential to rise to 45% by 2022/23.

Whilst the projected cost of service provision, Council Tax and Scottish Government grant has been projected forward to 2022/23 these are very much indicative projections based on the assumptions set out in sections 3 to 5 and will inevitably change over the period. The projections and planning assumptions on which they are based will be updated and reported to Council as new information becomes available.

The main purpose of the projections is to provide Council with an assessment of the key factors which influence income and expenditure and the overall impact these may have on the Council's financial position for future years. Critically they highlight the severity of the challenge ahead for the term of Council and the extent to which service provision will have to continue to be significantly transformed and or reduced.

Members should note that the projections are based on the continuation of the existing service delivery and funding arrangements for Local Government.

The budget shortfalls set out in table 1 arise for the following reasons:

**Table 2: Analysis of Shortfalls – 18 December 2018**

|                                      | 2019/20        | 2020/21      | 2021/22       | 2022/23       |
|--------------------------------------|----------------|--------------|---------------|---------------|
|                                      | £m             | £m           | £m            | £m            |
| Opening Shortfall                    | <b>(0.200)</b> | <b>9.591</b> | <b>19.861</b> | <b>28.993</b> |
| Pay Inflation and Salary Progression | 5.359          | 5.394        | 5.368         | 5.553         |
| Teachers' Pension increase           | 2.397          | 0.000        | 0.000         | 0.000         |
| Contractual Inflation                | 0.997          | 0.896        | 0.910         | 0.925         |
| Utilities                            | 0.227          | 0.070        | 0.071         | 0.073         |
| Demographics: Care                   | 1.040          | 1.040        | 1.040         | 1.040         |
| Demographics: School Rolls           | 2.194          | 2.375        | 2.375         | 2.375         |
| ASN Increase                         | 0.373          | 0.000        | 0.000         | 0.000         |
| Demand pressures: Children           | 0.640          | 0.025        | 0.025         | 0.025         |
| School Estate Investment             | 0.323          | 0.208        | 0.008         | 0.012         |

|   |              |               |               |               |
|---|--------------|---------------|---------------|---------------|
| Waste Disposal Costs                                  | (0.193)      | 0.000         | 0.112         | 0.129         |
| Non Domestic Rates                                    | 0.332        | 0.128         | 0.131         | 0.134         |
| Borrowing Costs                                       | (0.937)      | (0.123)       | (0.007)       | 0.000         |
| Scottish Government Grant                             | 1.489        | 1.490         | 1.492         | 1.493         |
| Scottish Government Grant – Teachers pension increase | (2.397)      | 0.000         | 0.000         | 0.000         |
| Council Tax Income                                    | (1.337)      | (1.000)       | (1.000)       | (1.000)       |
| Full year effect of 2018/19 savings                   | (1.180)      | (0.355)       | (1.329)       | (0.000)       |
| Other Movements                                       | 0.464        | 0.122         | (0.064)       | 0.045         |
| <b>Totals</b>   | <b>9.591</b> | <b>19.861</b> | <b>28.993</b> | <b>39.797</b> |

The principal movement from the figures set out in the 13 November 2018 report are as follows.

**Table 3: Movement from 13 November 2018 to 18 December 2018**

|                                      | 2019/20      | 2020/21       | 2021/22       | 2022/23       |
|--------------------------------------|--------------|---------------|---------------|---------------|
|                                      | £m           | £m            | £m            | £m            |
| <b>Shortfall 13 November 2018</b>    | <b>9.394</b> | <b>18.232</b> | <b>28.064</b> | <b>39.068</b> |
| Pay Inflation and Salary Progression | 0.430        | 0.930         | 1.130         | 1.330         |
| Contractual Inflation                | 0.115        | 0.115         | 0.115         | 0.115         |
| Utilities                            | 0.159        | 0.159         | 0.159         | 0.159         |
| Demographics: School Rolls           | (0.456)      | (0.456)       | (0.456)       | (0.456)       |
| ASN Increase                         | 0.373        | 0.373         | 0.373         | 0.373         |
| Demand pressures: Children           | (0.385)      | (0.385)       | (0.385)       | (0.385)       |
| Waste Disposal Costs                 | (0.391)      | (0.119)       | (0.119)       | (0.119)       |
| Non Domestic Rates                   | 0.207        | 0.207         | 0.207         | 0.207         |
| Borrowing Costs                      | (1.193)      | (1.193)       | (1.193)       | (1.193)       |
| Council Tax Income                   | (0.737)      | (1.137)       | (1.537)       | (1.937)       |
| Full year effect of 2018/19 savings  | 1.580        | 2.640         | 2.140         | 2.140         |
| Other                                | 0.495        | 0.495         | 0.495         | 0.495         |
| <b>Shortfall 18 December 2018</b>    | <b>9.591</b> | <b>19.861</b> | <b>28.993</b> | <b>39.797</b> |

## 6 Sensitivity Analysis

Given the level of uncertainty for future year grant settlements and pay awards table 4 provides a sensitivity analysis reflecting the potential impact of different scenarios for these two key aspects of the budget.

**Upper Scenario.** This is a more optimistic scenario which assumes a 2% pay award across the board in each of the years and cash flat grant settlements at a national level. All other assumptions remain as set out in section 3.

**Cash Flat Grant Settlement Scenario.** This scenario assumes cash flat grant settlements at a national level. All other assumptions remain as set out in section 3.

**Lower Scenario.** Is a more pessimistic scenario which assumes a 4% pay award and reducing grant income based on a 4% cash reduction per annum at a national level as set out in section 2.

**Table 4: Sensitivity Analysis – 18 December 2018**

|                          | 2019/20      | 2020/21       | 2021/22       | 2022/23       |
|--------------------------|--------------|---------------|---------------|---------------|
|                          | £m           | £m            | £m            | £m            |
| <b>Upper Scenario</b>    |              |               |               |               |
| Central Assumption       | <b>9.591</b> | <b>19.861</b> | <b>28.993</b> | <b>39.797</b> |
| 2% Pay Awards            | (1.576)      | (3.207)       | (4.930)       | (6.714)       |
| Cash flat settlement     | (3.103)      | (6.207)       | (9.313)       | (12.420)      |
| <b>Amended Shortfall</b> | <b>4.912</b> | <b>10.447</b> | <b>14.750</b> | <b>20.663</b> |

|                            |               |               |               |               |
|----------------------------|---------------|---------------|---------------|---------------|
| <b>Cash Flat Scenario</b>  |               |               |               |               |
| Central Assumption         | <b>9.591</b>  | <b>19.861</b> | <b>28.993</b> | <b>39.797</b> |
| Cash flat settlement       | (3.103)       | (6.207)       | (9.313)       | (12.420)      |
| <b>Amended Shortfall</b>   | <b>6.488</b>  | <b>13.654</b> | <b>19.680</b> | <b>27.377</b> |
|                            |               |               |               |               |
| <b>Lower Scenario</b>      |               |               |               |               |
| Central Assumption         | <b>9.591</b>  | <b>19.861</b> | <b>28.993</b> | <b>39.797</b> |
| 4% Pay Awards              | 1.576         | 3.207         | 4.930         | 6.714         |
| 4% cash reduction in Grant | 3.103         | 6.084         | 8.944         | 11.686        |
| <b>Amended Shortfall</b>   | <b>14.270</b> | <b>29.152</b> | <b>42.867</b> | <b>58.197</b> |

These scenarios demonstrate the significance of the impact that changes from the central planning assumption for either government grant or pay inflation have on the projected budget shortfalls.

## **7 Midlothian Integration Joint Board**

As part of the budget setting process the Council will need to determine an allocation of resources to the Midlothian Integrated Joint Board (IJB). For 2018/19 the allocation was £39.726 million. The projected budget shortfalls set out earlier incorporate a provision for pay awards, inflationary uplifts and a sum for demographic cost pressures in respect of services delegated to the IJB.

Following discussion at the Midlothian IJB and directly with the officers of the IJB, it was agreed that work would be undertaken to determine whether the IJB could manage with a reduction in their allocation in support of the Council's overall challenging financial position whilst still delivering on the agreed outcomes within the Strategic Commissioning Plan. Therefore, opportunities have been identified that supports delivery of transformational savings as well as opportunities for additional income to be brought in to the IJB from outwith Council budgets. Accordingly it is proposed to reduce the 2019/20 allocation to the IJB by £0.800 million, subject to acceptance by Midlothian IJB.

Council will require to agree its budget allocation to the IJB on 12 February 2019 and in turn the IJB will need to consider if this represents a “fair and adequate” allocation of resources.

The indicative allocations for future years is estimated to be as follows:-

**Table 5: IJB allocations – 18 December 2018**

|                               | 2019/20       | 2020/21       | 2021/22       | 2022/23       |
|-------------------------------|---------------|---------------|---------------|---------------|
|                               | £m            | £m            | £m            | £m            |
| Previous Year's Allocation    | 39.726        | 40.862        | 42.825        | 44.816        |
| <b>Uplifts:</b>               |               |               |               |               |
| Pay and inflation             | 0.896         | 0.923         | 0.951         | 0.980         |
| Demographic Pressures         | 1.040         | 1.040         | 1.040         | 1.040         |
|                               | <b>41.662</b> | <b>42.825</b> | <b>44.816</b> | <b>46.836</b> |
| <b>Less:</b>                  |               |               |               |               |
| Reduction in IJB Allocation   | (0.800)       | 0             | 0             | 0             |
| <b>Indicative Allocations</b> | <b>40.862</b> | <b>42.825</b> | <b>44.816</b> | <b>46.836</b> |

These updated projections will be shared with the IJB, in the context of the Council's overall budget position. Discussions are continuing with officers of the IJB to secure a sustainable strategy for the delivery of delegated services which can be delivered within the resource Council has available to allocate to the IJB.

This approach supports the IJB as it develops its own Financial Strategy within the context of the financial pressures and the available allocations anticipated to be available from both the Council and NHS Lothian.

## **8 Change Programme**

### **8.1 Delivering Excellence**

The Delivering Excellence framework supports the repositioning of services to ensure they have a greater emphasis on and achieve better outcomes for those most disadvantaged and vulnerable in the community. The framework focuses on reshaping service delivery as the most sustainable way to address the financial and service challenges and maintain financial sustainability and that provides a means to:-

- Realise service transformation and savings of the scale and magnitude required and to continue to deliver high quality services by engaging staff, partners, stakeholders and citizens to determine the nature of service delivery, the level of service standards and the method of delivering these services;
- To perform successfully in this environment, the Council will require to forward plan for the period beyond known financial settlements, to prioritise the services to be delivered and to clearly identify those services which will no longer be funded or indeed provided or may be provided through alternative mechanisms or approaches; and

- To ensure that there is achievement of the outcomes and priorities of the Council and Community Planning Partners.

The Strategic Leadership Group is continuing its work with staff across the Council and with Political Groups to help shape future service delivery in order to place our citizens and communities at the centre of our work, finding the right solutions moving forward which enable the Council to continue deliver life changing impacts.

Final SLG proposals will be brought forward to Council on 12 February 2019, via the Business Transformation Steering Group on 28 January 2019, at which point Council must consider and then determine a budget for 2019/20 before the statutory deadline of 11 March 2019.

## 8.2 Transformation Programme

Since the last report on 13 November 2018 work has been undertaken to review the deliverability and timing of the savings targets with the relevant Directors. The resultant amended savings targets now associated with the Transformation Programme are set out in table 6 below and detailed in appendix 2.

**Table 6: Transformation Programme Savings (Cumulative) – 18 December 2018**

|                            | 2019/20      | 2020/21      | 2021/22      | 2022/23      |
|----------------------------|--------------|--------------|--------------|--------------|
|                            | £m           | £m           | £m           | £m           |
| Entrepreneurial Council    | 0.098        | 0.143        | 0.168        | 0.168        |
| Digital First              | 0.050        | 0.150        | 0.150        | 0.150        |
| Integrated Service Support | 0.500        | 0.500        | 0.500        | 0.500        |
| Workforce                  | 0.482        | 0.632        | 0.722        | 0.722        |
| <b>Totals</b>              | <b>1.130</b> | <b>1.425</b> | <b>1.540</b> | <b>1.540</b> |

The proposals presented to Council on 13 February 2018 include additions to the Transformation Programme as summarised in table 7. Similarly the deliverability and timing of the savings targets with the relevant Directors has been reviewed and the resultant current estimated impact of these is detailed in appendix 3. Whilst these savings were not incorporated in the future years budget gaps approved by Council they still remain relevant and will need to continue to be part of the solution to address the budget challenge.

**Table 7: Additions to Transformation Programme (Cumulative) – 18 December 2018**

|                               | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-------------------------------|---------|---------|---------|---------|
|                               | £m      | £m      | £m      | £m      |
| Entrepreneurial Council       | 0.020   | 1.085   | 3.320   | 3.420   |
| Enterprising with Communities | 0.000   | 0.100   | 1.100   | 1.100   |

|                               |              |              |              |              |
|-------------------------------|--------------|--------------|--------------|--------------|
| Shared Services               | 0.000        | 1.000        | 2.000        | 2.000        |
| Digital Led Transformation    | 0.000        | 0.000        | 0.500        | 0.500        |
| <b>Additions to Programme</b> | <b>0.020</b> | <b>2.185</b> | <b>6.920</b> | <b>7.020</b> |

### 8.3 Capital Strategy

The projected future year's budgets include a provision for the loan charges which reflects the General Services Capital Plan and is governed by the Treasury Management and Investment Strategy.

An increase in the affordable borrowing from that set out in the Capital Strategy, or changes from the proposed Treasury Management and Investment Strategy, would inevitably lead to an increase in the projected budget shortfalls for later years. In the absence of any other funding support, this will in turn require further reductions in the service budgets.

### 8.4 Resource Allocation Changes - Operational

The budget projections set out in tables 1 and 2 already reflect the deliverable operational savings reported in previous year's budgets.

The ongoing work of the Strategic Leadership Group has identified opportunities to reduce costs and so realign service budgets. The current impact is summarised below with further information set out in appendix 4. As further opportunities are developed they will be reflected in 12 February 2019 Financial Strategy Report.

**Table 8: Operational Savings (Cumulative) – 18 December 2018**

|                               | 2019/20      | 2020/21      | 2021/22      | 2022/23      |
|-------------------------------|--------------|--------------|--------------|--------------|
|                               | £m           | £m           | £m           | £m           |
| Operational Workforce Savings | 0.223        | 0.223        | 0.223        | 0.223        |
| <b>Operational Savings</b>    | <b>0.223</b> | <b>0.223</b> | <b>0.223</b> | <b>0.223</b> |

### 8.5 Resource Allocation Changes - Policy

The position remains as previously reported.

The budget projections set out in tables 1 and 2 already reflect the deliverable policy related resource allocation changes approved in previous year's budgets.

### 8.6 Resource Allocation Changes Bottom-up/Cross Cutting Service Reviews

On 26 June 2018 Council agreed the arrangements for the reviews together with proposals for the first three phases. Savings targets are expected to be developed for incorporation in the 12 February 2019 report.

### 8.7 Resource Allocation Changes – Fees and Charges

As detailed in section 5 the unspecified increases in fees and charges included in the 2018/19 budget have been removed from the base budget at this time with work ongoing to quantify the additional budget income that could be expected to be secured through an across the board inflationary uplift.

An initial estimate has been made of the impact of a minimum increase of 3% per annum (which reflects pay inflation) across all fees and charges which the Council determines unless higher increases are agreed for specific services. The impact of which is set out below.

**Table 9: Fees & Charges – 18 December 2018**

|                                 | 2018/19      | 2019/20      | 2020/21      | 2021/22      |
|---------------------------------|--------------|--------------|--------------|--------------|
|                                 | £m           | £m           | £m           | £m           |
| General Increase 3%             | 0.150        | 0.300        | 0.450        | 0.600        |
| <b>Total Fees &amp; Charges</b> | <b>0.150</b> | <b>0.300</b> | <b>0.450</b> | <b>0.600</b> |

## 8.8 Summary of Financial Strategy

The updated projections incorporating the impact of the various strands of the Financial Strategy set out above and a 3% per annum increases in Council Tax are set out in table 10 below.

**Table 10: Financial Strategy 2019/20 to 2022/23 – 18 December 2018**

| Cumulative                               | 2019/20        | 2020/21        | 2021/22        | 2022/23        |
|--|----------------|----------------|----------------|----------------|
|  | £m             | £m             | £m             | £m             |
| <b>Budget Shortfall Table 1</b>          | <b>9.591</b>   | <b>19.861</b>  | <b>28.993</b>  | <b>39.797</b>  |
| <b>Less: Change Programme</b>            |                |                |                |                |
| IJB Allocation Table 5                   | (0.800)        | (0.800)        | (0.800)        | (0.800)        |
| <b>Transformation Programme 8.2</b>      |                |                |                |                |
| - Existing Programme                     | (1.130)        | (1.425)        | (1.540)        | (1.540)        |
| - Additions to Programme                 | (0.020)        | (2.185)        | (6.920)        | (7.020)        |
| <b>Total Transformation Programme</b>    | <b>(1.150)</b> | <b>(3.610)</b> | <b>(8.460)</b> | <b>(8.560)</b> |
| <b>Less: Resource Allocation Changes</b> |                |                |                |                |
| - Operational 8.4                        | (0.223)        | (0.223)        | (0.223)        | (0.223)        |
| - Policy 8.5                             | 0.000          | 0.000          | 0.000          | 0.000          |
| - Bottom Up/Cross Cutting Reviews 8.6    | 0.000          | 0.000          | 0.000          | 0.000          |
| - Fees and Charges General 8.7           | (0.150)        | (0.300)        | (0.450)        | (0.600)        |
| <b>Total Resource Allocation Changes</b> |                |                |                |                |
| Council Tax Increase of 3%               | (1.460)        | (2.993)        | (4.602)        | (6.290)        |
| <b>Remaining Budget Gap</b>              | <b>5.808</b>   | <b>11.935</b>  | <b>14.458</b>  | <b>23.324</b>  |

| Cumulative                | 2019/20       | 2020/21       | 2021/22       | 2022/23       |
|---------------------------|---------------|---------------|---------------|---------------|
|                           | £m            | £m            | £m            | £m            |
|                           |               |               |               |               |
| <b>Upper Scenario</b>     | <b>1.129</b>  | <b>2.521</b>  | <b>0.215</b>  | <b>4.190</b>  |
| <b>Cash Flat Scenario</b> | <b>2.705</b>  | <b>5.728</b>  | <b>5.145</b>  | <b>10.904</b> |
| <b>Lower Scenario</b>     | <b>10.487</b> | <b>21.226</b> | <b>28.332</b> | <b>41.724</b> |

The projections for later years will be continually updated to take cognisance of the prospects for future years grant and pay settlements and demographic changes recognising the critical impact these issues have on the Financial Strategy and the projected budget position.

As the Financial Strategy develops over the period to 12 February 2019 I will, as Section 95 Officer, require to seek assurance from The Chief Executive, Directors and Heads of Service that the budget proposals for their services are achievable and the risks associated with delivery have been identified.

It is stressed however that ultimately the achievement of savings will be dependent on decisions taken by Council.

## 9 Governance and Timetable

Each element of the Financial Strategy continues to have clear governance in place to ensure the timely delivery of the work stream. All resource allocation proposals from SLG will be reported through Business Transformation Steering Group and then to Council as appropriate. Responsibility for setting Council Tax, determining budgets and approving savings etc. remains, with Council.

Council has a duty as set out in Section 93 of the Local Government Finance Act 1992 (as amended) to set its Council Tax and a balanced budget for the following financial year commencing 1 April by 11 March. The timetable set out in Table 11 supports the delivery of the Financial Strategy and specifically the determination of the 2019/20 budget and Council Tax levels before the statutory date.

**Table 11: Timetable of Key Events**

| Date                     | Event                    | Action   |
|--------------------------|--------------------------|--|
| From October 2018        | Engagement               | <ul style="list-style-type: none"> <li>Shaping our Future engagement on the challenges and how best to prioritise the allocation of limited resources.</li> </ul>  |
| October to December 2018 | Development of proposals | <ul style="list-style-type: none"> <li>Development of resource allocation and change programme proposals.</li> <li>Leaders working with staff across the Council to help shape future service delivery.</li> </ul> |

| <b>Date</b>      | <b>Event</b>     | <b>Action</b>   |
|------------------|------------------|---|
| 17 December 2018 | Grant Settlement | <ul style="list-style-type: none"> <li>• Assessment of grant settlement implications on budget</li> </ul>   |
| 18 December 2018 | Council          | <ul style="list-style-type: none"> <li>• Consideration of updated projections.</li> <li>• Update on resource allocation and Change Programme proposals.</li> <li>• Update on Engagement activity.</li> </ul>  |
| 12 February 2019 | Council          | <ul style="list-style-type: none"> <li>• Consideration of update report, reflecting grant settlement.</li> <li>• Consideration of the resource allocation for service budgets for 2019/20 and the proposed Change Programme.</li> <li>• Recommendations to set Council Tax and determine a budget for 2019/20.</li> </ul> |
|                  | Council          | <ul style="list-style-type: none"> <li>• Reserves Strategy.</li> <li>• Quarter 3 Monitoring Reports</li> </ul>  |

Members should also note that in terms of Section 112 of the Local Government Finance Act 1992 (as amended) it is an offence for members to participate in any vote in respect of setting Council Tax where the member has unpaid Council Tax. Accordingly at the Council meeting proposed for late January/early February 2019 members would be required to disclose the fact if this section of the act applies to them and subsequently not vote on any question with respect to the matter.

## **10 Reserves Update**

The third quarter Financial Monitoring reports will be presented to Council on 12 February 2019. At the time of writing no material variations have been identified from the quarter two position which was reported on 3 November 2018.

The projected uncommitted General Fund Reserve at 31 March 2019 is £3.069 million. This uncommitted reserve equates to approximately 2% of next expenditure as a contingency in the context of the continuing challenging financial outlook, the uncertainty associated with future years grant settlements, pay awards, the economic impact of Brexit and also the potential costs to come from the historic child abuse enquiry.

Given the level of available contingent reserves, I do not consider it prudent for Council to meet additional spending pressures from the contingent reserve or to use reserves as part of the strategy to secure a balanced budget for 2019/20.

Table 12 summarises the General Fund Reserve position.

### **Table 12: Projected Available General Fund Reserve 31 March 2019 - 18 December 2018**

|  | <b>£million</b> |
|--|-----------------|
| <b>Projected Balance at 31 March 2019</b>                  | <b>3.859</b>    |
| <i>Earmarked for specific purposes</i>                     |                 |
| • Budgets carried forward to 2019/20 for specific purposes | (0.190)         |
| • Earmarked for Council Transformation                     | (0.907)         |
| • Devolved School Management                               | (0.591)         |
| <i>Early Years Cross Year Adjustment</i>                   | 0.898           |
| <b>Available Contingent Reserve at 31 March 2019</b>       | <b>3.069</b>    |

Recognising that the level of available reserves is projected to remain below £4 million, the recommended minimum level, a review of the Reserves Strategy is being undertaken and recommendations will be reported to Council before it is required to set the 2019/20 budget.

## **11 Report Implications**

### **11.1 Resources**

Whilst this report deals with financial issues there are no financial implications arising directly from it.

### **11.2 Risk**

Within any financial projections, there are a number of inherent assumptions in arriving at figures and budget provisions and therefore risks that may be faced if costs change or new pressures emerge.

The following key risks and issues are highlighted in the context of this report:

- The economic outlook and decision by Scottish Government on future years grant settlements and grant distribution;
- Given the nature of the savings options incorporated in the budget proposals the increase risk of non-delivery or late delivery of planned savings, including those arising from reductions in the staffing establishment;
- The risk to service provision and service users associated with a continued decline in available resources to fund services;
- Outstanding pay award settlements and the implications of the National Living Wage for external service providers;
- The uncertainty regarding Government funding to meet the increased cost of teachers pensions;
- Actual school rolls exceeding those provided for in the budget;
- The impact of the wider economic climate on range of factors including: inflation, interest rates, employment, tax and income levels and service demands;
- Cost pressures, particularly demographic demand, exceeding budget estimates;
- The impact of Universal Credit, and potential pension changes;
- The costs of implementation of national policies varying from the resources provided by Government;

- Potential liabilities arising from historic child abuse; and
- Unplanned capital investment requirements and associated cost.

The Financial Strategy aims to mitigate a number of these risks by setting out the key assumptions on which forward plans are based, and through the Change Programme activities, setting out the early identification of future saving proposals.

The projections set out in this report highlight the severity of the challenge ahead for the term of this Council and the extent to which service provision will have to be significantly transformed and or reduced.

The work to bring forward and implement a comprehensive Change Programme is critical to enable Council to address the projected budget gaps and in securing financial sustainability for the continued delivery of services.

The severity of the challenge is such that Council will require to approve a range of proposals which not only achieves a balanced budget for 2019/20 but which will also contribute to reducing future years budget shortfalls. The risk of not doing so would be the potential elimination of available reserves and so severely limiting the Council's ability to deal with unforeseen or unplanned events.

### **11.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

### **11.4 Impact on Performance and Outcomes**

The Financial Strategy facilitates decision on how Council allocates and uses its available resources and as such has fundamental implications for service performance and outcomes. The budget projections indicate that in 2022/23 the Council will have available in the region of £200 million for the provision of services and the pursuit of key outcomes as set out in the Single Midlothian Plan.

### **11.5 Adopting a Preventative Approach**

Whilst the proposals in this report do not directly impact on the adoption of a preventative approach, an effective Financial Strategy in turn allows resources to be prioritised to support prevention.

### **11.6 Involving Communities and Other Stakeholders**

Shaping our Future, the consultation strand of the Delivering Excellence framework was launched last month. This has a focus on informing the community and other stakeholders of the financial and service challenges and provides a means to consult on the allocation of resources.

A suite of information has been prepared and published on the Council website to support engagement activity. Initial engagement sessions did take place in early December with representatives from Community Councils and the Voluntary Sector. As previously indicated, it is appropriate that the engagement programme arrangements have a degree of flexibility and can be adapted over the remainder of the budget timetable.

In addition, there continues to be regular engagement with the recognised Trade Unions on the Council's financial position and service challenges.

An appraisal of the engagement activity, together with detailed feedback received will be presented to BTSG on 28 January 2019.

### **11.7 Ensuring Equalities**

The Financial Strategy, the resource allocation proposals and Change Programme proposals which will support financial sustainability will be developed within the context of the Midlothian Single Plan, ensuring that resources are directed towards the key priorities of reducing the gap in learning, health and economic circumstance outcomes.

The Financial Strategy emerging proposals will continue to reflect Midlothian Council's commitment to the ethos of the Equality Act 2010 with careful consideration of the interests of the most vulnerable in our communities through the preparation of equality impact assessments (EqIA) for all proposals.

In addition, these actions underline the Council's commitment in its Midlothian Equality Plan 2017/2021 to tackle inequality and promote inclusion which support the Council in planning and delivering services which meet the needs of our diverse communities and respond to the changes ahead.

Individual assessments for each resource allocation proposal together with an overarching EqIA which will be published alongside the Financial Strategy report on 12 February 2019 to support Council to determine a budget for 2019/20.

### **11.8 Supporting Sustainable Development**

There are no direct sustainability issues arising from this report.

### **11.9 Digital Issues**

There are no direct digital implications arising from this report.

## **12 Summary**

This report provides:-

- An updated assessment of the 2019/20 and future years Scottish Government Grant prospects;
- Updated budget projections for 2019/20 to 2022/23;

- A sensitivity analysis reflecting the potential impact of different pay and grant settlement scenarios;
- An update on the arrangements for the delegation of resources to the Midlothian Integration Joint Board;
- An update on the Change Programme impact on the projected budget shortfalls;
- The governance arrangements and timetable for the 2019/20 budget;  
An update on the 2018/19 position and General Fund Reserves.

### **13 Recommendations**

Council is recommended to:-

- a) Note the position in respect of the Scottish Government Grant Settlement as set out in section 3 and the verbal update to be provided on the initial assessment of the Scottish Governments 2019/20 draft budget;
- b) Note the updated projected cost of services, key assumptions and resultant budget shortfalls as set out in section 5;
- c) Note the continuing uncertainties and the potential impact as outlined in the differing scenarios as set out in section 6;
- d) Note the revised indicative allocation and requirement to delegate resources to the Midlothian Integrated Joint Board and the ongoing work to support the development of the IJB's own Financial Plans;
- e) Note the updated projected impact of the Change Programme and projected future years Council Tax increases and the impact on the Financial Strategy as set out in table 10;
- f) Note that the projections at this time indicate that a remaining budget gap of £5.808 million for 2019/20 rising to £23.324 million by 2021/21, though these are heavily dependent on the assumptions detailed in the report;
- g) Note that given the level of available contingent reserves it is still not considered prudent for Council to meet additional spending pressures from the contingent reserve or to use the contingent reserve as part of the strategy to secure a balanced budget for 2019/20;
- h) Note the acute financial pressures and also the risks as set out in section 11.2;
- i) Otherwise note the contents of the report.

**Date** 11 December 2018

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## MIDLOTHIAN COUNCIL

## Appendix 1

## REVENUE BUDGET PROJECTION 2019/20

| <b>Function</b>                                 | <b>2018/19 Approved<br/>Budget<br/>£</b> | <b>2019/20 Draft<br/>Base<br/>£</b> |
|---|--|-------------------------------------|
| Management and Members                          | 1,590,652                                | 1,985,634                           |
| <u>Education Communities and Economy</u>        |  |                                     |
| Childrens Services                              | 15,234,429                               | 16,211,393                          |
| Communities and Economy                         | 3,239,777                                | 3,165,820                           |
| Education                                       | 88,849,435                               | 97,902,582                          |
| <u>Health and Social Care</u>                   |  |                                     |
| Adult and Social Care - IJB                     | 38,972,052                               | 41,662,490                          |
| Adult and Social Care - Non-IJB                 | 777,886                                  | 781,363                             |
| Customer and Housing Services                   | 11,274,354                               | 10,337,766                          |
| <u>Resources</u>                                |  |                                     |
| Commercial Operations                           | 14,024,072                               | 13,299,422                          |
| Finance and Integrated Service Support          | 11,086,020                               | 11,221,484                          |
| Property and Facility Management                | 12,742,587                               | 14,497,764                          |
| Lothian Valuation Joint Board                   | 550,551                                  | 545,551                             |
| Non Distributed Costs                           | 1,338,436                                | 1,338,436                           |
| <b>GENERAL FUND SERVICES NET EXPENDITURE</b>    | <b>199,680,251</b>                       | <b>212,949,705</b>                  |
| Loan Charges                                    | 7,060,000                                | 6,123,494                           |
| Investment Income                               | (406,420)                                | (406,420)                           |
| NDR Discretionary Relief                        | 70,300                                   | 70,300                              |
| Centrally Held Budget Provisions                | (788,951)                                | (134,582)                           |
| Allocations to HRA & Capital Account            | (4,934,180)                              | (5,015,808)                         |
| <b>NET EXPENDITURE</b>                          | <b>200,681,000</b>                       | <b>213,586,689</b>                  |
| <b>FUNDING</b>                                  |  |                                     |
| Scottish Government Grant Projection            | 153,562,000                              | 155,340,000                         |
| Council Tax Income including Demographic Growth | 47,319,000                               | 48,656,000                          |
| <b>TOTAL FUNDING</b>                            | <b>200,881,000</b>                       | <b>203,996,000</b>                  |
| <b>Shortfall / (Surplus)</b>                    | <b>(200,000)</b>                         | <b>9,590,689</b>                    |

## Change Programme Overview

Financial Strategy Report - 18 December 2018 - Transformation Programme

Appendix 2

| Strand                            | SERV | No. | DESCRIPTION   | Cumulative Savings |                   |                   |                   |
|-----------------------------------|------|-----|---|--------------------|-------------------|-------------------|-------------------|
|                                   |      |     |   | Year 1<br>2019/20  | Year 2<br>2020/21 | Year 3<br>2021/22 | Year 4<br>2022/23 |
|                                   |      |     |   | £m                 | £m                | £m                | £m                |
| Entrepreneurial Council           | EDUC | 1.3 | Review Early Years Contracts  | 0.053              | 0.053             | 0.053             | 0.053             |
| Entrepreneurial Council           | CO   | 27  | Increase training offer - increase income Risk Management                     | 0.000              | 0.025             | 0.025             | 0.025             |
| Entrepreneurial Council           | CO   | 28  | Sales Force Spend to Generate   | 0.000              | 0.175             | 0.225             | 0.225             |
| Entrepreneurial Council           | PFM  | 9   | Café Service Social Enterprise/Branding                                       | 0.020              | 0.040             | 0.040             | 0.040             |
| Entrepreneurial Council           | PFM  | 20  | Wrap around care provision - holiday club                                     | 0.025              | 0.050             | 0.075             | 0.075             |
| <b>Entrepreneurial Council</b>    |      |     | <b>Total</b>  | <b>0.098</b>       | <b>0.343</b>      | <b>0.418</b>      | <b>0.418</b>      |
| Shared Services                   | PFM  | 6   | Sharing Catering management with neighbouring LAs                             | 0.000              | 0.025             | 0.025             | 0.025             |
| <b>Shared Services</b>            |      |     | <b>Total</b>  | <b>0.000</b>       | <b>0.025</b>      | <b>0.025</b>      | <b>0.025</b>      |
| Digital Lead                      | CHS  | 4   | Libraries Service   | 0.050              | 0.150             | 0.150             | 0.150             |
| <b>Digital Lead</b>               |      |     | <b>Total</b>  | <b>0.050</b>       | <b>0.150</b>      | <b>0.150</b>      | <b>0.150</b>      |
| Integrated Service Support        | FISS | 4   | Service Improvement Plans/Business Processes/Service Reduction                | 0.500              | 0.500             | 0.500             | 0.500             |
| <b>Integrated Service Support</b> |      |     | <b>Total</b>  | <b>0.500</b>       | <b>0.500</b>      | <b>0.500</b>      | <b>0.500</b>      |
| Workforce                         | EXE  | 1   | Senior Management Team Review   | 0.200              | 0.200             | 0.200             | 0.200             |
| Workforce                         | EDUC | 1.1 | Reduce Learning Assistants by 10%   | 0.132              | 0.132             | 0.132             | 0.132             |
| Workforce                         | FISS | 5   | Remove Regular Car Allowance  | 0.100              | 0.200             | 0.265             | 0.265             |
| Workforce                         | FISS | 6   | To remove Lease Car Scheme and the cessation of Employee Retention Allowances | 0.050              | 0.100             | 0.125             | 0.125             |
| <b>Workforce</b>                  |      |     | <b>Total</b>  | <b>0.482</b>       | <b>0.632</b>      | <b>0.722</b>      | <b>0.722</b>      |
| 0                                 |      |     |   |                    |                   |                   |                   |
| <b>TOTAL</b>                      |      |     |   | <b>1.130</b>       | <b>1.650</b>      | <b>1.815</b>      | <b>1.815</b>      |

## Change Programme Overview

Financial Strategy Report - 18 December 2018 - Additions to Transformation Programme

Appendix 3

| Strand                        | SERV | No. | DESCRIPTION   | Cumulative Savings |              |              |              |
|-------------------------------|------|-----|---|--------------------|--------------|--------------|--------------|
|                               |      |     |   | Year 1             | Year 2       | Year 3       | Year 4       |
|                               |      |     |   | 2019/20            | 2020/21      | 2021/22      | 2022/23      |
|                               |      |     |   | £m                 | £m           | £m           | £m           |
| Digital Lead                  | FISS | 3   | Digital by Default across Council                     | 0.000              | 0.000        | 0.500        | 0.500        |
| Digital Lead                  |      |     | <b>Total</b>  | <b>0.000</b>       | <b>0.000</b> | <b>0.500</b> | <b>0.500</b> |
| Entrepreneurial Council       | CW   | 3   | Entrepreneurial Council                               | 0.000              | 0.500        | 1.000        | 1.000        |
| Entrepreneurial Council       | CO   | 32  | Provide Taxi Testing Service at Hopefield             | 0.000              | 0.060        | 0.060        | 0.060        |
| Entrepreneurial Council       | PFM  | 1   | Building Services Company                             | 0.000              | 0.250        | 0.610        | 0.610        |
| Entrepreneurial Council       | PFM  | 3   | Construction and Design Service Consultancy           | 0.000              | 0.190        | 0.190        | 0.190        |
| Entrepreneurial Council       | PFM  | 4   | Income from Professional Consultancy                  | 0.000              | 0.050        | 0.050        | 0.050        |
| Entrepreneurial Council       | PFM  | 8   | Expand Catering/Function Service                      | 0.020              | 0.025        | 0.030        | 0.030        |
| Entrepreneurial Council       | PFM  | 12  | Property Company                                      | 0.000              | 0.000        | 0.240        | 0.240        |
| Entrepreneurial Council       | PFM  | 13  | Renewable Sources of Energy                           | 0.000              | 0.000        | 0.280        | 0.280        |
| Entrepreneurial Council       | PFM  | 16  | Community run 'Pure Gymn'                             | 0.000              | 0.000        | 0.200        | 0.200        |
| Entrepreneurial Council       | PFM  | 22  | Selling Services                                      | 0.000              | 0.050        | 0.050        | 0.050        |
| Entrepreneurial Council       | PFM  | 23  | Destination Hillend                                   | 0.000              | 0.250        | 0.900        | 1.000        |
| Entrepreneurial Council       |      |     | <b>Total</b>  | <b>0.020</b>       | <b>1.375</b> | <b>3.610</b> | <b>3.710</b> |
| Enterprising with Communities | CW   | 1   | Co Production Community Engagement                    | 0.000              | 0.000        | 1.000        | 1.000        |
| Enterprising with Communities | PFM  | 21  | Transfer all halls and pavillions to community groups | 0.000              | 0.100        | 0.100        | 0.100        |
| Enterprising with Communities |      |     | <b>Total</b>  | <b>0.000</b>       | <b>0.100</b> | <b>1.100</b> | <b>1.100</b> |
| Shared Services               | CW   | 2   | Shared Services                                       | 0.000              | 1.000        | 1.000        | 1.000        |
| Shared Services               | FISS | 7   | Shared Service  | 0.000              | 0.000        | 1.000        | 1.000        |
| Shared Services               | PFM  | 14  | PPP Shared management with other LA                   | 0.000              | 0.035        | 0.035        | 0.035        |
| Shared Services               |      |     | <b>Total</b>  | <b>0.000</b>       | <b>1.035</b> | <b>2.035</b> | <b>2.035</b> |
| <b>TOTAL</b>                  |      |     |   | <b>0.020</b>       | <b>2.510</b> | <b>7.245</b> | <b>7.345</b> |

## Change Programme Overview

Financial Strategy Report - 18 December 2018 - Operational Savings

Appendix 4

| Strand                | SERV | No. | DESCRIPTION   | Cumulative Savings |                   |                   |                   |                  | TOTAL SAVINGS | Staff FTE |
|-----------------------|------|-----|---|--------------------|-------------------|-------------------|-------------------|------------------|---------------|-----------|
|                       |      |     |   | Year 1<br>2019/20  | Year 2<br>2020/21 | Year 3<br>2021/22 | Year 4<br>2022/23 | TOTAL<br>SAVINGS |               |           |
|                       |      |     |   | £m                 | £m                | £m                | £m                | £m               |               |           |
| Operational Workforce | EDUC | 1   | Central Education Staff                               | 0.103              | 0.103             | 0.103             | 0.103             | 0.103            | 2.0           |           |
| Operational Workforce | CS   | 2   | Childrens Services Staffing                           | 0.100              | 0.100             | 0.100             | 0.100             | 0.100            | 3.0           |           |
| Operational Workforce | CO   | 3   | Early Years Funding towards Contryside Ranger Service | 0.020              | 0.020             | 0.020             | 0.020             | 0.020            | 0.0           |           |
| Operational Workforce |      |     | <b>Total</b>  | <b>0.223</b>       | <b>0.223</b>      | <b>0.223</b>      | <b>0.223</b>      | <b>0.223</b>     | <b>5.0</b>    |           |
|                       |      |     | <b>TOTAL</b>  | <b>0.223</b>       | <b>0.223</b>      | <b>0.223</b>      | <b>0.223</b>      | <b>0.223</b>     | <b>5.0</b>    |           |