

9. HORIZON SCAN

The Panel considered a joint report (copies of which had been circulated) by the Head of Finance and Property Services and the Head of Planning, Economic Development and Regeneration providing a summary of the latest UK economic indicators, including details on the UK leaving the European Union and an update on the estimated revenue budget position facing the council as a result of ongoing unavoidable spending pressures.

The report went on to provide the Panel with a Horizon Scan for the UK covering areas as the UK leaving the EU, debt and borrowing, economic growth, exports and inward investment, inflation, interest rates unemployment and house prices and consumer sentiment. A similar Horizon Scan was also provided for in the report specifically relating to Scotland and to West Lothian Council.

With regards to budget planning and changes to the budget model work was currently underway to review and update the budget model in advance of the 2019/20 annual revenue budget setting process. This exercise was focused on re-evaluating the assumptions underlying the approval model, especially where additional information or update forecasts could impact on the original financial values.

In summary the main high risk areas being reviewed were pay award; teachers pensions; school demographics; revenue consequences of capital programme; recurring service budget pressures; inflation and indexation; council tax income; and local government finance settlement.

The Head of Finance and Property Services continued to explain that the nature of forecasting meant that it was challenging to identify with any certainty expenditure pressures and income. Therefore in general the following risks and uncertainties would also be monitored :-

- Economic growth being less than forecast, resulting in further public spending reduction;
- Funding not provided to fully cover costs of introducing new legislation;
- Policy changes by the UK or Scottish Government which restricted the council's flexibility to decide how to deliver services locally;
- Ring fencing of grant funding, constraining how local authorities allocated resources; and
- Changes to local government remits with uncertainty for service provision and funding.

The report concluded that the report provided a high level overview of the latest economic indicators and other announcements likely to have an impact on the council and that based on forecasts and commentary the outlook would suggest that in the short, medium and long term public

finances would continue to be constrained.

It was recommended that the Panel notes :-

1. The latest economic and financial position and the potential financial implications for West Lothian and the council's future financial planning;
2. That whilst the council's estimated budget gap for the five years 2018/19 to 2022/23 continued to be £65.3 million, this would change as a result of the finance settlement in December and a detailed review of the budget model currently being undertaken;
3. The specific risks which could have an adverse impact on the overall financial plan and the detailed revenue budget agreed for 2019/20; and
4. The potential risks and uncertainties in the five year revenue budget strategy.

Decision

To note the contents of the report