

7. SCOTTISH SPENDING REVIEW 2022 AND FUTURE BUDGET STRATEGY 2023/24 TO 2027/28 UPDATE

The Council Executive considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing a summary of the Scottish Government's Spending Review 2022 and the associated Scottish Government medium term financials strategy (MTFS), and an update on the council's draft budget model for the five-year financial planning period 2023/24 to 2027/28

The report also summarised all committee decisions in relation to the council's approach to financial planning and outlined the proposed next steps for developing the five-year financial plan for 2023/24 to 2027/28 to ensure the council continued to have a balanced revenue budget

It was recommended that Council Executive :-

1. Notes the outcome of the Scottish Government's Spending Review 2022 and medium-term financial strategy (MTFS) announced on 31 May 2022, including the letter from the Cabinet Secretary, and following agreement on the service concession fiscal flexibilities that officers should commence work on understanding the implications of this for the council's new ten- year capital investment strategy 2023/24 to 2032/33;
2. Notes the intention of the Cabinet Secretary to commission a review of capital accounting which could potentially result in very serious adverse consequences for local government finance and future capital investment should statutory mitigation be removed;
3. Notes that the assumptions in the draft five-year budget model 2023/24 to 2027/28 have been updated to incorporate the results of the Spending Review and the current outlook on inflation, with the council potentially facing a central scenario budget gap of £38.4 million between 2023/24 and 2027/28.
4. Notes that the high-level assumptions used to prepare the central budget scenario, the model and associated risks will remain under review and will be subject to change as assumptions are refined and updated.
5. Notes governance related to financial planning, including previous committee decisions, and the proposed approach for development of the next five-year financial plan which reflects decisions already taken by elected members in relation to financial planning
6. Agrees that officers continue to implement the process to ensure the council has a balanced revenue budget over the period 2023/24 to 2027/28.

Motion

Council Executive notes concern over the overall funding envelope for

Scottish local authorities for the period to 2026/27. Despite substantial increasing costs in delivering council services, as a result of both increasing demographics but also the current cost of living crisis which affects public bodies as well as individuals and families, councils are set to receive a flat cash settlement, with only a modest increase in 2026/27. The Fraser of Allander Institute estimates that the Scottish Spending Review will see local government budgets decline by 7% in real terms between 2022/23 and 2026/27 and this is after a 15 year period of funding restraint and the underfunding of £150m in that period, necessitating substantial budget savings.

In addition, Council Executive is concerned about the Cabinet Secretary for Finance and the Economy's statement in the Spending Review that "decisions are supported by a phased approach towards alignment with the CIPFA Code of Practice for Local Authority Accounting through a comprehensive Capital Accounting Review".

Council has previously made its position clear to the Scottish Government and to COSLA about the underfunding of Scottish councils. Council Executive approves the recommendations in the report and, following the publication of the spending review and medium term financial strategy and its potential impact on local government, instructs the Chief Executive to write a letter to the First Minister and Cabinet Secretary for Finance and the Economy seeking an improved settlement for local government. The letter should also state that a capital review is not required given that the recent review undertaken by local authority Directors of Finance demonstrated that councils currently meet the requirements of the CIPFA Code and that removal of statutory mitigation would have a catastrophic impact on capital investment and council tax levels.

- Moved by Councillor Fitzpatrick and seconded by Councillor Sullivan

Amendment

Council Executive notes that because of cost pressures due to Westminster austerity the Scottish Government has needed to prioritise funding of many core government services, Therefore. Council Executive agrees to write to the UK Chancellor of the Exchequer to request immediate action is taken to address this shortfall.

- Moved by Councillor De Bold and seconded by Councillor Clark

A roll call was taken. The result was as follows :-

Motion

Tom Conn
Angela Doran-Timson
Damian Doran-Timson
Lawrence Fitzpatrick
Danny Logue
Andrew McGuire
Craig Meek

Amendment

Pauline Clark
Robert De Bold
Carl John

Sally Pattle
Tony Pearson
Kirsteen Sullivan

Decision

Following a roll vote the motion was successful by 10 votes to 3 and it was agreed accordingly.