Justice Committee

Scrutiny of the Scottish Government’s Draft Budget 2017-18

Written submission from Orkney Islands Council

Thank you for your letter of 15 September 2016 seeking information about the impact that the delay in the announcement of the Scottish Government budget until December at the earliest will have on the Council’s financial planning and decision making.

The Council recognises that the Scottish Government announcement is contingent upon the United Kingdom autumn statement announcement on 23 November and the Barnett consequentials of that announcement.

The implication for the Council however is that we are largely unsighted on the quantum of the local government settlement and of our share of that settlement until 15 December with then just a few weeks to complete and set the Council budget for 2017/18. The Council must by law set a balanced budget by 11 March so there is really very little time to react to a settlement if it turns out to be worse than our planning has anticipated. If for example we require to reduce our workforce to balance the budget the consultation and subsequent notice periods for many staff would extend beyond the 11 March.

The opportunity for elected Members to fulfil their scrutiny role will also be limited by the quick turnaround required to set the Council budget and the opportunities for members of the public to make their feelings known on budget proposals will similarly be restricted.

The impact of the delay is that there is a much increased financial and reputational risk to the Council that it will not be able to implement the actions required to effect spending reductions at a greater level than expected and that a range of short term measures including reserves may have to be applied to balance the budget. It would be unthinkable for example to put service users, or a part of the workforce on notice that a service provision may need to be withdrawn so that we are able to react in a timeous manner in case the settlement is particularly challenging. That position may not materialise and we would have significantly damaged relations with our customers and our employees in the process.

The Council’s Annual External Audit report that was presented to members of the Monitoring and Audit Committee on 29 September 2016 included the following recommendation:

“The council should revise its medium-term financial strategy in light of known budget reductions. The council should also extend the period under which financial planning is considered, ideally between five and ten years in line with good practice. This will help the council clarify their financial sustainability over an extended period including the impact of any further settlement reductions on the council’s future spending plans and reserves.”
It is clearly a significant challenge to plan for five to ten years in advance when there is such uncertainty over the next 12-18 months. A three year financial settlement would greatly assist the Council in planning for the delivery of essential services.

Alistair Buchan
Chief Executive
21 October 2016