Over the past seven years the Comhairle’s budget has fallen from £121m to £103m, a cash reduction of 15% and a real terms reduction of 29% with the Comhairle having to find savings of £34.5 over this period to balance its budget.

These saving have been met predominantly from efficiencies (£19.0m) but also through service reductions (£3.4m), loan charge savings (£5.7m) and the use of balances (£5.9m). The 2017/18 Council Tax reforms also made a contribution (£0.5m).

In realising savings the Comhairle has sought to protect services through a range of measures including service redesign, rationalisation and asset management. However, it has also been necessary to make reduction, recent examples being the removal of itinerant teachers and reducing budgets for roads maintenance.

The fall in the Comhairle’s budget has seen the number of employees decline by some 258 FTE between 2011 and 2018. Typically one additional job in the local economy is supported by four employees and the estimated direct economic loss to our community is some £10.7m. This is particularly important in the Western Isles where the public sector is such a significant part of the economy.

Whilst some parts of the Public Sector workforce, particularly the NHS, have grown these new jobs have not been in the Western Isles. The Comhairle would welcome the relocation of other public sector jobs to the Islands and considers the recent decision on the new Social Security Agency a missed opportunity for the devolution of jobs.

Following the ending of the Council Tax freeze the Comhairle determined to increase Council Tax by 3% in 2017/18, this decision, together with the reform of bands generated an additional £0.5m of revenues. However, these additional resources should be considered in the context of a £3.2m reduction in the funding the Comhairle received through the settlement.

The ring fencing of funding for the Integrated Joint Board (IJB) and the requirement to maintain teacher numbers have constrained the Comhairle in options to balance its budget. This will become an increasing issue for future years since the budgets for the IJB, teachers and fixed costs (principally loan charges and costs for schools under PPP type models) account for 53% of the Comhairle’s £103m budget.

If, for 2018/19, the Comhairle is faced with a cut in grant funding on the same scale as 2017/18 then, allowing for inflation at 2%, it will have a budget gap increase of £4.7m and this will require almost 10% of savings in the non-ring-fenced services. On the same basis for 2019/20 this would rise to almost 20%. With inflation presently at 2.9% (September 2017) and the uncertainty of Brexit this gap is almost certainly understated.
The Comhairle’s Budget Strategy includes plans for 5% incremental efficiencies over the next five years. However, the scope for significant redesign and efficiencies at an operational level are now limited. If, for example, a sports facility on an island is operating efficiently then saving 20% of its costs over a two year period could only be achieved through a 28% reduction in opening hours or a 31% rise in membership fees.

As part of its strategy the Comhairle has considered the contribution that fees and charges make to its budget. In the Island economy there are few opportunities for commercial revenues. The majority of income relates to statutory services or ones where the Comhairle has balanced uptake against income (for example, leisure charges and school meals).

The Comhairle has made use of accrued balances, in a planned way, to help offset the impact of funding reductions. To dates some £5.7m of balances have been used and a further £3.4 is set aside for use in future budgets. The Comhairle’s priority is to use resources in an organised way to provide services and as a consequence it will continue to hold specific earmarked funds including a lifecycle fund for schools, a winter maintenance reserve and resources set aside to support service redesign.

The Comhairle consults widely on Service Choices that form part of the budget and carries out equality impact assessments for all proposals.

The Comhairle understands the challenge faced by the Scottish Government in setting its budget and recognises that it is for the Parliament to determine how to distribute resources in Scotland.

Decisions made by the Scottish Parliament are at least as significant as the budget allocation from Westminster in reaching the local government settlement. In terms of transparency the Comhairle would wish to see more weighing up of the value of new proposals being brought in by the Government against the potential loss of local services.

As set out in the Comhairle’s submission to the Budget Review Group medium and long term financial plans for all sectors would help councils in their strategic planning. Notification of single year settlements in mid-December reduces the opportunity for meaningful engagement within communities. Like councils the Scottish Government could set out a range of scenarios it is planning for ahead of the actual announcement.

In line with the aspirations of Our Islands: Our future the Comhairle would wish to see the further devolution of powers, including the ability to raise local taxes and control revenues, such as those from the Crown Estate, within local authorities.

The Comhairle very much welcomes the allocation of resources for housing and believes this is an essential component, particularly in rural areas, for retaining population and jobs.

The Comhairle considers it essential that housing funding is permitted to be used flexibly to prevent the significantly higher cost of building houses in island locations acting as a barrier to development, and consequently population retention.
Robert Emmott
Director of Finance and Corporate Resources