EAST AYRSHIRE COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2022 – 2027

CONTENTS

TABLE INDEX

INTRODUCTION

East Ayrshire Council is proud of the services it provides and of the relationship it has built over many years with the communities spread across the 1,262km^2 it serves. East Ayrshire is a medium size council with a population of 121,000 and it is a Council that is forward looking and proactive in continually supporting individuals, families and businesses and none more so than during the Covid-19 pandemic.

The Council has a strong record of sound financial management where financial opportunities are maximised, annual budgets balanced and where financial resources are expended to enhance performance and improve the lives and life chances of our residents. It is a Council where reserves are only used to allow the timing of the achievement of savings and, in all cases, there must be an agreed plan to replenish the reserves.

The Council's most recent Best Value Audit was undertaken by Audit Scotland in 2018 and the findings highlight the particular emphasis that Members and Officers alike place on the effective use of financial resources, performance management and partnership working:

- *The Council has effective financial planning and management arrangements. It prepares medium and long- term financial plans. Senior management and councillors regularly review progress. Financial plans are linked to priorities and other strategic developments. Councillors challenge management where performance differs considerably from plans.*
- *We are pleased that East Ayrshire Council has maintained the strong performance that we reported in previous Best Value reports in 2006 and 2010. Such performance has been achieved against substantial socio- economic challenges in East Ayrshire. It is based upon a record of effective community planning and partnership working, underlined by a genuine commitment by partners to work with and empower local communities*

As part of the review of the Community Plan concluded in 2021, Members of the Council and the Community Planning Partnership Board recognised the significance of the Ayrshire Growth Deal and the Caring for Ayrshire Transformational Change Programme.

The Ayrshire Growth Deal and the Regional Economic Strategy have the potential to make a real difference to communities by providing employment and training based on fair work principles and enhancing existing community wealth building and wellbeing opportunities. The Covid-19 recovery and renewal plans created by each Service detail activities to support communities and tackle inequalities across East Ayrshire. Caring for Ayrshire is a transformative change programme that is looking at the best way to meet the health and care needs of local people through accessible, high quality, sustainable services that are fit for the future. It represents a proactive response to current and future challenges, including increasing demand for services, an aging population and significant forecasted financial constraints.

These key areas have been adopted as shared high-level strategic priorities amongst our community planning partners for the three year period 2021–2024 and represent the key, strategically important areas of activity they would wish to support which have the potential to make a demonstrable positive impact on local outcomes for our communities.

The Medium Term Financial Strategy (MTFS) provides details of the risks and opportunities that are likely to arise in the near future and sets out the available resources and the financial envelope that will be available to deliver the Council's vision and priorities that are contained in the Strategic Plan. It shows how Council finances will be structured and managed to ensure that this fits with and supports the priorities of the Council and its partners.

The MTFS covers the period 2022 through to 2027 and is aligned to the political term of the Council elected in May 2022. It sets out the Council's commitment to provide services that meet the needs of people locally and represents effective value for money within the overall resources available. It considers the budget issues that will need to be addressed by the Council over the coming financial years by forecasting the level of available resources from all sources and the budget pressures and funding gaps relating to both capital and revenue spending.

The strategy considers:

The Strategy will consider the financial environment in which the Council will operate and assess the impact of policy decisions, priorities and spending plans against the Council's revenue budget, capital investment plan and treasury management investment plans.

This strategy will sit alongside the Council's Strategic Plan in informing and shaping other strategies including our Workforce Plan and service improvement plans and service redesigns.

OBJECTIVES OF THE MEDIUM TERM FINANCIAL STRATEGY

The purpose of the Medium Term Financial Strategy (MTFS) is to enable the Council to consider and plan for longer term financial issues by providing advanced notice of pressures arising from grant funding variations; service demand changes; UK and Scottish Government policy intentions and population and demographic changes. The Financial Strategy will set out the financial resources that are available to deliver the Council's priorities and the necessary mechanisms that are in place to mitigate against potential future financial challenges that may adversely impact on the achievement of the priorities.

The objectives of the MTFS are to ensure that:

- resources are allocated and deployed to facilitate delivery of the outcomes set out in the Council's Strategic Plan;
- Elected Members are able to take full account of the impact of decisions on the overall financial resources of the Council in the short, medium and long term;
- the Council has flexibility to address new policy requirements, or significant changes to existing policies, within overall available financial resources;
- the Council has a comprehensive, coherent balanced budget for both General Services and the Housing Revenue Account (HRA);
- there is a clear strategic financial planning linkage between Council decisions on capital planning and the revenue budgets for both the General Fund and the HRA;
- all key strategic decisions on the allocation and deployment of resources are made within the appropriate financial context, with due regard to levels of risk and reward;
- capital investment expenditure must be prudent, affordable and sustainable, as defined by the Prudential Code and meet a statutory need or deliver long term revenue savings;
- priority is given to projects that link to our Strategic Plan priorities, help build resilience and will deliver the greatest return for our residents, communities and for the Council with a business case used to document this analysis;
- resources are invested effectively, efficiently and on a sustainable basis;
- every opportunity is taken to maximise external funding wherever possible;
- there is an ongoing focus on securing efficiencies across the Council and closing our budget gaps;
- there is an genuine understanding in the wider community of the challenges and risks that impact on the Council's finances and;
- financial management and governance remain strong and that relevant regulatory and audit requirements are met.

The Financial Strategy will be part of a suite of documents which will include the Workforce Plan, the Digital Strategy and the Asset Management Plan, all of which support the Strategic Plan and the delivery of the priorities of the Council.

The Strategy will contain the relevant financial information in a clear and accessible document covering the medium to long term and enable the Council to understand the wider policy and financial environment within which it operates. It will identify and respond flexibly to opportunities and threats, manage and mitigate risks and ensure that financial resources are contributing to achieving corporate objectives.

In delivering the Medium Term Financial Strategy consideration is taken of the overall risk environment that exists at this time. The Council has a well-established process in place to identify, assess, manage and report on service based and corporate risks with Members frequently updated on this work. In taking account of the issues highlighted in the Strategy it will be important to gauge the Council's appetite to risk especially when considered against the finite financial resources available, the service based demand pressures as well as the potential structural changes that are planned. Moreover, the limitation in overall grant funding to other parts of the public sector has the potential to impact on the Council and on the scope and scale of services provided by our partners. Consequently work to evaluate the Council's risk appetite will be undertaken in the coming months and used to inform and direct our decisions.

The nature of a Medium Term Financial Strategy is such that it contains assumptions and forecasts that will inevitably change over time and therefore the Strategy will be reviewed and updated regularly so that the Council can respond proactively to change.

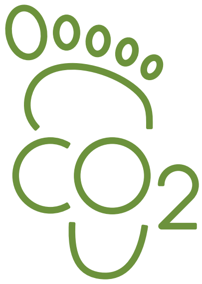
NATIONAL AND LOCAL PRIORITIES

The Scottish Government's Resource Spending Review published in May 2022 set out an overarching financial framework focusing on four key priorities to be taken forward by Government and partners in the years ahead.

The priorities are:

TACKLING CHILD POVERTY

ADDRESSING THE CLIMATE CRISIS



SECURING A STRONGER, FAIRER, GREENER ECONOMY

DELIVERING EXCELLENT PUBLIC SERVICES

The Financial Strategy is a five year plan which sets out our commitment to provide services that meet the needs of people locally, and represents good value for money. It details the available financial resources to deliver the Council's Strategic Plan and the priorities contained within the East Ayrshire Community Planning Partnership Local Outcome Improvement Plan 2021-24.

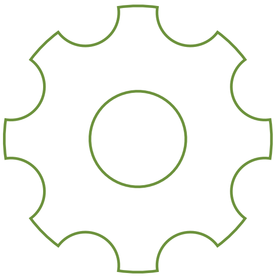
Through our Local Outcomes Improvement Plan 2021–2024, we are able to demonstrate our understanding of local needs, circumstances and aspirations, and the Community Planning priorities for 2021–2024 are reflected in the following diagram.

The priorities of the Strategic Plan take account of the communities we serve, including local needs, circumstances and aspirations; the current internal and external context in which the Council operates; national and local drivers for change, including risks, challenges and opportunities; governance arrangements; programme management and performance measurement.

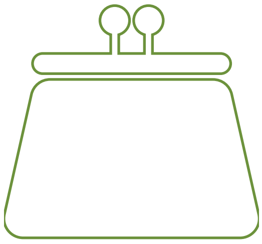
Our priorities build on the work of our previous two Transformation Strategies and our Covid-19 Recovery and Renewal Dynamic Action Plan. It is important to recognise that there are commonalities and interdependencies across and between our priorities.

Our priorities are more than just simple words, they are the roadmap and commitment to supporting our residents and businesses, improving life chances by supporting and providing employment and training opportunities based on fair pay within the Council and our partners and in our local business.

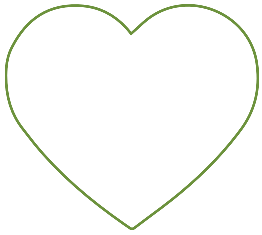
The £251m Ayrshire Growth deal provides further opportunities to support people into employment, enhance and develop new skills, build community resilience and wellbeing and support those who need our help most. The priorities are shared with all of our partners and their delivery is a collective endeavour across the Community Planning Partnership and forms the basis of the work and services undertaken and delivered by all partners. The priorities are summarised below and the detailed actions are contained within the individual delivery plans for each priority.



Building a Fairer Economy



Tackling Poverty and Inequality



Improving Community Wellbeing

Supporting Children and Young People

Delivering a Clean, Green East Ayrshire

Financial Sustainability and Ensuring Resilience

The Strategic Plan presented to Council on 29 June 2022 provided the context and key actions for the Council and its partners in delivering against each of the six priorities listed above and the Financial Strategy will set out the finite resources available to support and facilitate the delivery and achievement of the priorities for the years ahead.

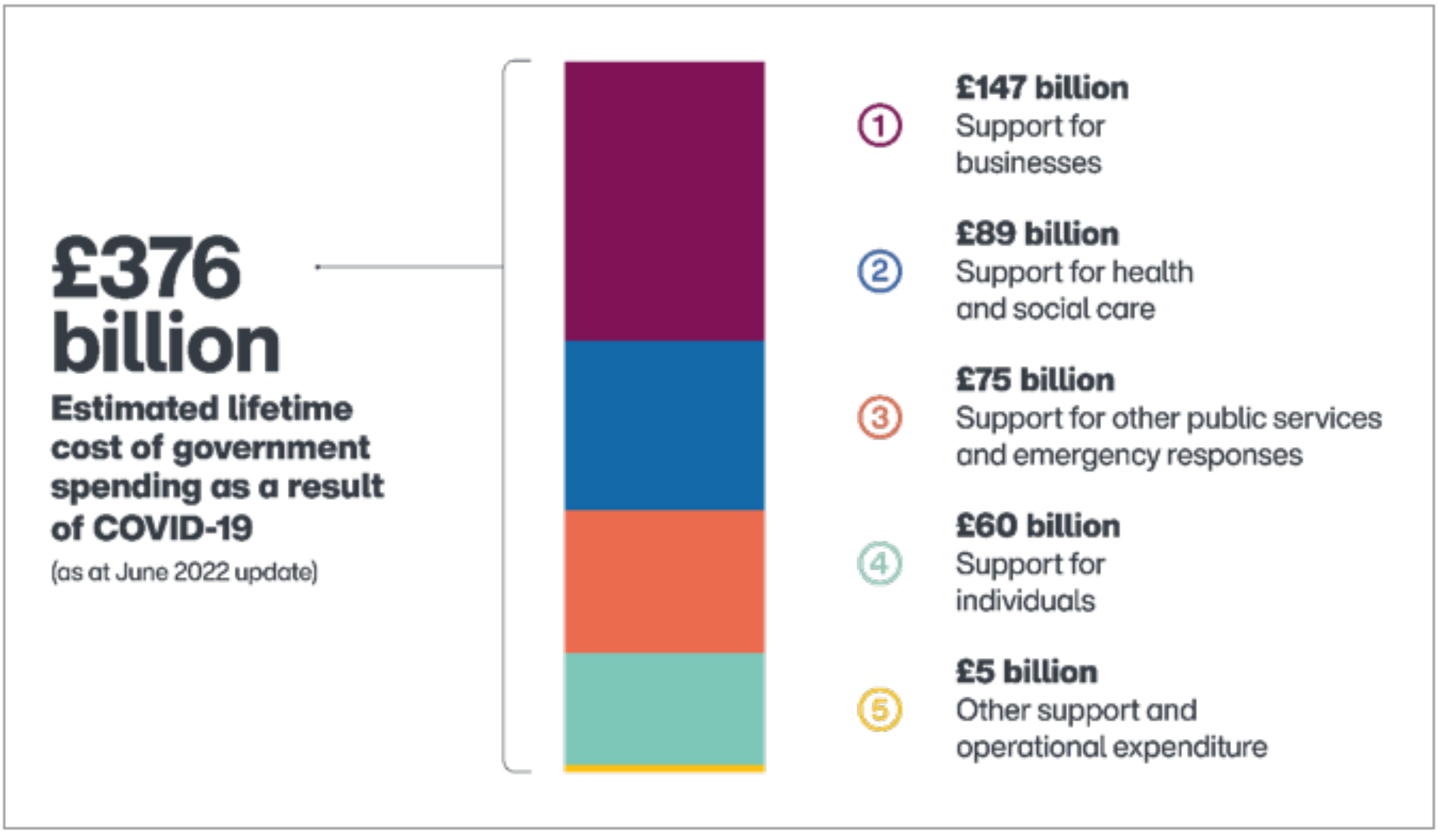
NATIONAL OUTLOOK

The current national outlook is one where it seems that pressure, volatility, uncertainty and an overwhelming sense of foreboding are the order of the day. Taking stock of these factors and scanning into the future brings little in the way of reassurance or resolution in the short to medium term.

Internationally we continue to see unintended consequences and pressure points following the UK's withdrawal from the EU and while the Government is seeking to reduce these pressures they have been exacerbated in the last few years by supply chain and other issues which have in turn led to adverse impacts on the wider economy

The tragic war in Ukraine has resulted in widespread disruption of goods and displacement of people and has heightened the uncertainty that already existed. The conflict shows little sign of ending and the consequential impacts of the war, particularly on markets, which have seen significant disruption and downward valuations, and also on goods and services which have seen prices become exorbitant and unaffordable to many, seem now to have become a constant. Moreover the UK has rightly provided substantial financial resources to the Ukraine Government at a time when domestic public finances are seeing unprecedented strain following the economic damage inflicted by the pandemic.

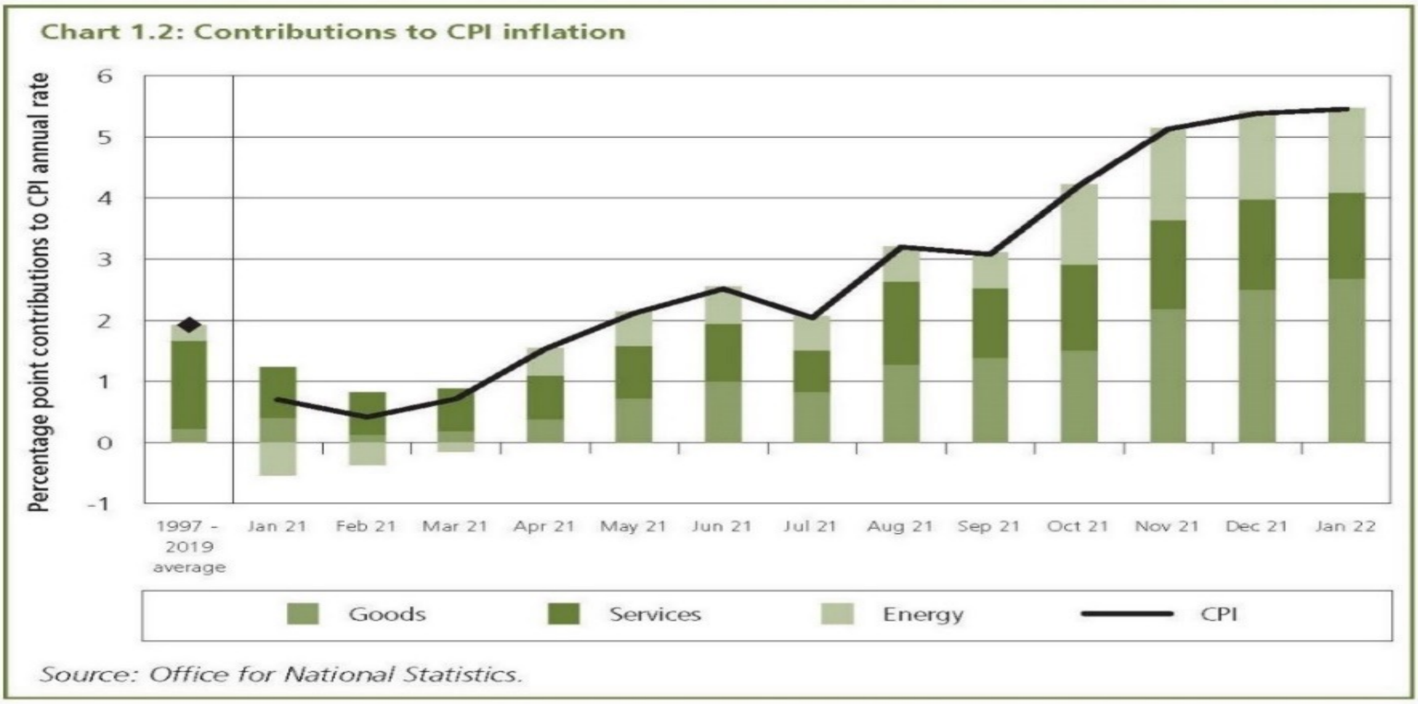
The scale of the financial intervention by the UK Government during the pandemic was unprecedented with the resultant borrowing levels only surpassed by the relative borrowing that took place during the Great Depression and World War 2. The Office for Budget Responsibility (OBR) estimated in March 2022 that the total cost of pandemic-related support measures would be £311bn. The National Audit Office (NAO) runs a Covid-19 cost tracker, which is regularly updated with estimates of the total lifetime cost of Covid-19 support measures, as well as the total spent so far. The NAO estimated that the lifetime cost of Government spending, predominately financed by borrowing was £376bn.



Source: National Audit Office Covid-19 Cost Tracker

The need to repay the cost of the financial support and essentially re-balance the Covid-19 books will see both the UK and Scottish Government implement policies to replenish public finances and repay the significant borrowing that was taken in response to the pandemic. How the UK Government decides to deal with the financial impact of Covid-19 is not yet known. However the most likely approach is one where there is a prolonged period of fiscal constraint that will see public sector grant funding reduce in real terms for a significant period. Indeed this has been evidenced in the Scottish Government Resource Spending Review published in May 2022.

Households are experiencing a cost of living crisis with energy costs being the main driver in the inflationary increases. The most recent analysis by the Office for National Statistics reveals that until March 2021 household energy costs were an immaterial factor in driving inflation but that the volatility in the energy market later in 2021 saw energy costs become a factor in driving inflation upwards.



The energy price volatility led to the energy regulator Ofgem to announce an 80% increase to the energy price cap from October 2022, an uplift far higher than anticipated. Indeed earlier projections around the October 2022 price cap saw some forecasters anticipate increases that would be less than the April 2022 price increase of 50%. However the continued war in the Ukraine, the unscheduled maintenance carried out on the Nord Stream 1 gas pipeline and the preparations by some European states to purchase and stockpile gas in advance of the winter, has led to demand vastly outstripping supply, with prices reaching unprecedented levels.

The most recent projections on energy costs show that prices will continue to rise at unprecedented levels throughout 2023 which has led the energy regulator Ofgem to shorten the period between price cap changes with revisions moving from six months to three months in order to protect energy providers.

However, in recognising the financial pressures that were due to materialise at the price cap review in October, the Prime Minister announced on 8 September 2022 that the energy price cap would be replaced with a new Energy Price Guarantee (EPG). The EPG will remove the anticipated increase in bills and instead ensure that a typical household pays an average £2,500 a year for their energy for the next 2 years from 1 October 2022 with the support provided to the public sector and businesses restricted to only cover winter 2022. On 17 October 2022 the new Chancellor of the Exchequer reviewed the contents of the mini budget and changed the duration of the EPG for households from 24 months to 6 months with the support now due to end on 1 April 2023. While the reduced scheme will provide some respite from the immediate energy increases there remains the considerable risk that prices will continue to rise once the EPG is removed.

Energy costs now account for an extremely large proportion of household spend and the rise in energy costs are a significant contributory factor to inflation. The Bank of England's Monetary Policy report published in August 2022 revised its previous forecasts on inflation, noting that high inflation rates would last longer than previously anticipated and that CPI inflation is projected to be over 13% by the fourth quarter of 2022.

The Monetary Policy Committee (MPC) met again on 21 September 2022 reporting that since August, wholesale gas prices have remained volatile, with large moves in financial markets, including a sharp increase in government bond yields globally and Sterling depreciating materially over the period. However, the report noted that the volatility around the outlook for UK energy prices has fallen following the announcements of the initial package of support measures. This includes the introduction of the original Energy Price Guarantee, which the MPC felt at that time would significantly limit further increases in CPI inflation.

The report also reported that CPI inflation fell slightly from 10.1% in July to 9.9% in August 2022 and that the earlier peak in measured CPI inflation, previously forecast to be around 13%, would be revised downwards given the introduction of the Energy Price Guarantee. The September CPI rate has increased to 10.1% and it is likely that the removal of the EPG on 1 April 2023 will cause the CPI rate to remain high for a longer period than anticipated by the Bank of England.

The Monetary Policy Committee announcement on 22 September 2022 saw a further increase to the Bank Base Rate of 0.5%, taking interest rates to 2.25%, the highest level for 14 years. Moreover the recent turmoil in financial markets and the subsequent interventions by the Bank of England will see interest rates rise when the MPC next meet on 3 November 2022 with forecasters anticipating a rise of between 0.75% to 1%.

In all of the reports it is clear that the MPC will continue to take the actions necessary to return inflation to the 2% target sustainably in the medium term and this remains the main priority for the Committee in the months ahead. Consequently current forecasts show that interest rates will peak at around 5% to 6% as attempts to reduce what could be seen as a stubbornly high inflation rate are made.

In order to gauge how households will deal with higher energy and interest rates costs, the Bank of England survey of households noted the intended actions that families and households are expected to take in the months ahead as they attempt to counter the substantial financial pressure that will bear down on them. The undernoted summary of household responses shows that some of the actions that individuals and families intend to take are worrying, particularly around lower food purchases and increased credit card debt.

The Bank of England report presented a stark message. It signaled that the United Kingdom is now projected to enter recession in the fourth quarter of 2022 and that, as inflation falls and prices stabilise, then unemployment will begin to rise from 2023.

It is clear that as these pressures mount, and the need to support households increases, there will be little additional scope for either the UK or Scottish Government to generate or identify funding to support the public sector. Indeed, the scale of the challenge is so severe that the public sector will need to develop a dynamic perspective on how their operating and economic environments will evolve, but also assess the opportunities and risks these scenarios present.

There are a range of factors that will impact nationally and locally during the lifetime of this Plan and which in turn present further challenges for East Ayrshire. The scale of the challenge varies however it is clear that the Strategic Plan and this Medium Term Financial Strategy will play a lead role in ensuring that the Council delivers its aims and objectives and does so within sound financial parameters aligned to financial resilience and probity.

ECONOMIC OUTLOOK

The Council has a long and proud history of strong financial management, forward planning and aligning the necessary financial resources to enable policy decisions to be achieved. In previous years this has been done against a challenging financial backdrop where Government fiscal policies created a period of austerity which led to reductions in grant funding. However, it was also a period when interest rates and inflation were consistently low and stable.

It is clear that this Strategy will seek to deliver financial planning and resilience at a time when uncertainty and volatility will be ever present and where significant structural change to the public sector landscape will take place making financial planning and modelling even more challenging.

The preparation of financial modelling and creating effective budget assumptions is a well-established part of the work undertaken within the Finance & ICT Service. This will be needed more than ever given the current financial climate and there will also be a requirement to review, amend and update forecasts and assumptions as this Strategy progresses through to 2027.

The primary financial challenges facing the Council over the period of this strategy will be delivering a balanced revenue budget year on year and the development of an affordable capital programme which maintains appropriate investment in infrastructure that meets a statutory need or generates ongoing revenue savings.

The scale and scope of the economic pressures are such that Governments have acknowledged that they are unable to mitigate all pressures and, while specific financial interventions and supports have been made available with more planned for the future, these are only likely to provide short term relief.

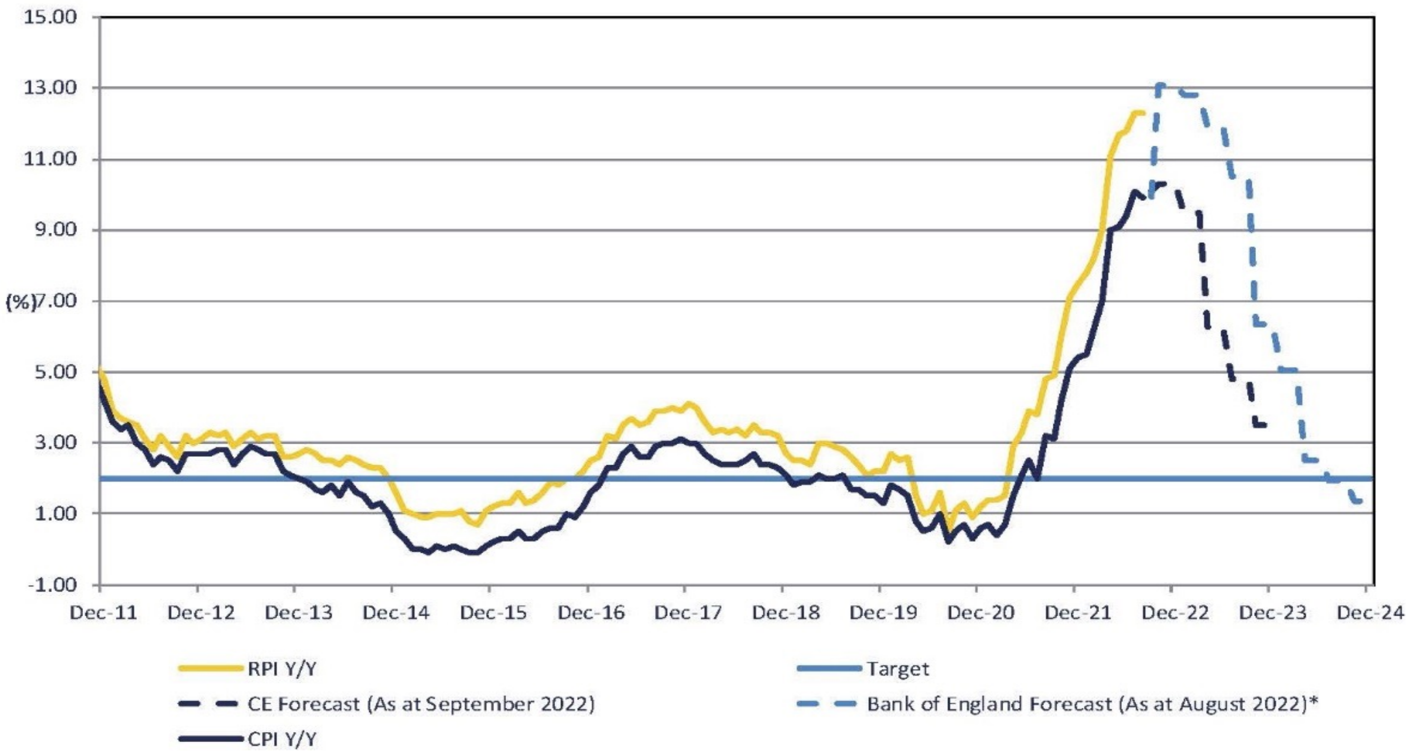
The Resource Spending Review (RSR) published by the Scottish Government noted the National Care Service Bill and signaled that further public sector structural changes are likely with precise detail being provided in the forthcoming Scottish Government budget to be published in December 2022. The anticipated changes will create further uncertainty and cause budgetary and operational challenges as functions and resources are disaggregated.

The Council and its services exist to serve the needs of local residents and communities and while it is acknowledged that the composition of communities change, the most recent information provided by the National Records for Scotland highlights population trends and movements that will present additional challenges for the Council that will impact operationally and financially and will require careful and ongoing planning in the years ahead. Local projections show sustained downward trends which are stronger and deeper than the Scottish average.

The mini budget announced by the Chancellor of the Exchequer on 21 September 2022 did not have an Office for Budget Responsibility (OBR) assessment accompanying it. The Chancellor of the Exchequer noted that an OBR report would be published towards the end of this year and an updated forecast was commissioned to be published on 23 November 2022 alongside the Medium-Term Fiscal Plan. However plans to publish an OBR assessment were brought forward following the volatility in the currency markets and it is now scheduled to be published on 31 October 2022. In a further attempt to calm financial markets the new Chancellor made a statement to the House of Commons which rolled back the majority of taxation reductions announced in the mini budget but confirmed that the reversal of the previously announced National Insurance increase would remain. The Scottish Government has intimated that it will hold an emergency budget to take account of the changes arising from UK Government's mini budget and the subsequent changes that took place.

The lack of future years forecasts means that attempting to model inflation rates is challenging. The most recent forecasts by analysts suggests that inflation will remain high at around 9% throughout 2023 with expectations being that CPI will return to previous levels of around 2% in 2024/25. It will be important to continue to track inflation especially given the impact that even a slight rise can have on the Council. However following the recent intervention by the Bank of England the projections for CPI inflation have moved with some commentators anticipating that the fall in inflation will start earlier in 2023 than previously expected.

UK Inflation



The impact of inflation, particularly at such high rates, means that significant pressure is placed on service budgets as goods and services cost more and the purchasing power of existing budgets is diminished. Moreover the need to provide inflationary uplifts for specific contracts, for example PPP schools that use a mix of the January RPI and RPIX rate, will inevitably lead to further budgetary pressures in 2023/24 and beyond.

Public Sector Grant Settlements

The Scottish Fiscal Commission (SFC) published Scotland's Economic and Fiscal Forecasts in May 2022 to accompany the Government's Medium Term Financial Plan (MTFP). In its publication the SFC noted that spending in most areas is expected to fall in real terms and in 2025/26 only the Net Zero, Energy and Transport portfolio is expected to increase and all other portfolios will see real terms reductions in spending in every year of the MTFP.

The RSR set out details of the grant funding settlement to local government from 2022/23 through to 2026/27, with the multi-year funding being held at flat cash for all years except 2026/27. In previous iterations of the MTFS flat cash settlements have provided an easier challenge to manage given that inflation rates have been relatively stable since 2008. However, with inflation forecast to remain high throughout 2022/23, a flat cash settlement presents a significant budgetary pressure to the Council and will deepen the budget gap for forthcoming years.

Table 1: Local Government Block Grant 2022/23 – 2026/27 (Cash Terms)

	2022/23	2023/24	2024/25	2025/26	2026/27
	£bn	£bn	£bn	£bn	£bn
Local Government	10.616	10.616	10.616	10.616	10.716

Source: Scottish Government - Investing in Scotland's Future: Resource Spending Review May 2022

The SFC acknowledge that the Scottish Government's spending plans have been set at a time when inflation will erode the purchasing power of the resultant grant settlements. It is clear from the analysis undertaken that the forthcoming years will be extremely challenging and that Council budgets will be under enormous strain. The analysis below shows the real terms impact of the Government's spending proposals for local government:

Table 2: Local Government Block Grant 2022/23 – 2026/27 (Real Terms)

	2022/23	2023/24	2024/25	2025/26	2026/27
	Real Terms %	Real Terms %	Real Terms %	Real Terms %	Real Terms %
Local Government	100	98	96	94	93
Impact - Reduction	-	-2	-4	-6	-7
	£bn	**£bn**	**£bn**	**£bn**	**£bn**
	10.616	**10.404**	**10.191**	**9.979**	**9.873**

Whilst this Strategy is linked to the Strategic Plan set by the Council, it is clear that the strategic intent and direction arising from this Strategy will inform the Council's Workforce, Digital and Asset Management Strategies as each of these work towards delivering strategic outcomes aligned to overall affordability and availability of financial resources within the Council.

Public Sector Pay

Original assumptions in relation to the 2022/23 pay award for all staff groups were aligned to the Scottish Government's Public Sector Pay Policy (PSPP). However the continuing increase in inflation and energy costs as well as other factors led to negotiations lasting several months.

Following negotiations with Trade Unions, councils and Government, COSLA submitted an offer of a 5% uplift which was considerably more than the rate set in the pay policy. In order to ensure the overall affordability of the offer, the Scottish Government agreed to provide £140m of recurring funding to local government to help meet some of the cost of the revised offer. Furthermore, as part of later negotiations, the Scottish Government agreed to provide an additional £120.6m of capital funding to councils in 2022/23 and 2023/24 to offset the additional revenue cost of the revised pay offer. This later element requires the necessary amendments to be made to existing Regulations and the Scottish Government has confirmed that Regulations will be amended to allow councils to convert the capital funding into a revenue resource with the funding being baselined as revenue in the local government finance settlement from 2024/25 onwards. Consequently, the additional recurring cost to East Ayrshire Council in 2022/23 is around £2.6m.

The most significant change in the RSR related to public sector pay with the Scottish Government seeking to introduce measures to reset pay and workforce expectations by announcing a broad aim to freeze total pay bill costs, as opposed to pay levels, at 2022/23 levels through a pathway that will return the overall size of the public sector workforce to around pre-Covid levels while supporting expansion in key areas. The Scottish Government also noted that opportunities to review wider pay and conditions, could include a review of :

- Developing non pay benefits
- Consider standardising the 35 hour week across bodies where the PSPP applies
- Introduce the Right to Disconnect
- Explore a 4 day working week where possible.

The recent Bank of England report noted that inflation will remain high until 2024/25 meaning that pay uplifts for the 2023/24 financial year will likely be at levels similar to 2022/23 which will cause further pressure on Council budgets.

The expectation that future years pay awards will have to be met from existing resources and paid for through an overall reduction in the workforce will be challenging. While this could appear to some as being relatively simple to achieve, the fact that specific aspects of councils' functions are growing, for example in Early Years, Education and in Social Care, means that it is extremely likely that the remaining services will be unable to absorb the cost of the pay award or be able to reduce by enough staff to fund it.

Public sector pay will be a significant risk going forward and, while inflation is expected to fall back to 2% over time, this will not mitigate the risk that now exists in local government.

The National Care Service

On 9 August 2021 the Scottish Government launched a consultation document, 'A National Care Service for Scotland.' The proposals in the consultation went wider than the policy areas covered in the Feeley Review, which focused on adult social care, to include children's social work and social care services.

Members will be aware that Council on 28 October 2021 responded to the initial consultation on the proposed National Care Service (NCS) and set out a series of key messages around the effectiveness and success of the East Ayrshire Integration Joint Board.

Following the submission of consultation responses, the Scottish Government published the National Care Service (Scotland) Bill on 20 June 2022 with the intention being to see the National Care Service (NCS), established and operational within the term of the current Parliament.

The Bill notes that National Care Boards will be created across Scotland and Chapter 6 of the Bill provides Scottish Ministers with the necessary powers to transfer functions from local authorities and Health Boards to place significant aspects of health and social care under the control and direction of the National Care Service.

The current plans will result in adult health and social care being commissioned by the NCS and the Bill also makes provision for a consultation on whether Children's Services and Justice Services, currently delivered by local government, should also be transferred to the NCS.

The transfer of adult care services from the Council to the NCS will impact the Council financially and structurally given the scale of the disaggregation and, while the precise NCS service delivery model is unclear, work will commence to model the potential impact on the Council.

The Financial Memorandum that accompanies the National Care Service (Scotland) Bill makes clear that Care Boards will have functions and budgets transferred to them with the adult social care services currently delivered by councils possibly continuing under a procurement arrangement or alternatively being directly delivered by the relevant Care Board.

The scale of the potential transfers of budgets and functions are substantial and the Financial Memorandum provides analysis of the expected budget transfers that could take place from local government and Health as functions are transferred to the NCS.

As can be seen from the table below, there is potential for over £7bn of budgets to transfer from local government with a further £9bn transferring from Health Boards. The creation of the NCS presents a material risk to the operational and financial sustainability of local government as financial and structural change occurs and staff and integrated systems are disaggregated.

Table 3 : NCS Bill Financial Memorandum Data

Cost Category	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m	£m	£m	£m
Social Care Services								
Adult Social Care	3,517	3,659	3,844	4,205	4,600	4,833	5,077	5,334
Children & Families	992	1,032	1,084	1,186	1,298	1,363	1,432	1,505
Justice Social Work	137	143	150	164	180	189	198	208
Service Strategy	52	54	57	63	68	72	76	79
Total	**4,699**	**4,889**	**5,136**	**5,618**	**6,146**	**6,457**	**6,783**	**7,127**
Community Health Services								
Primary Care	2,690	2,799	2,941	3,217	3,518	3,696	3,884	4,080
Community Health	3,135	3,261	3,427	3,748	4,100	4,307	4,525	4,754
Mental Health	70	73	76	84	92	96	101	106
Total	**5,895**	**6,133**	**6,444**	**7,048**	**7,710**	**8,100**	**8,510**	**8,940**

Source: The National Care Service (Scotland) Bill Financial Memorandum

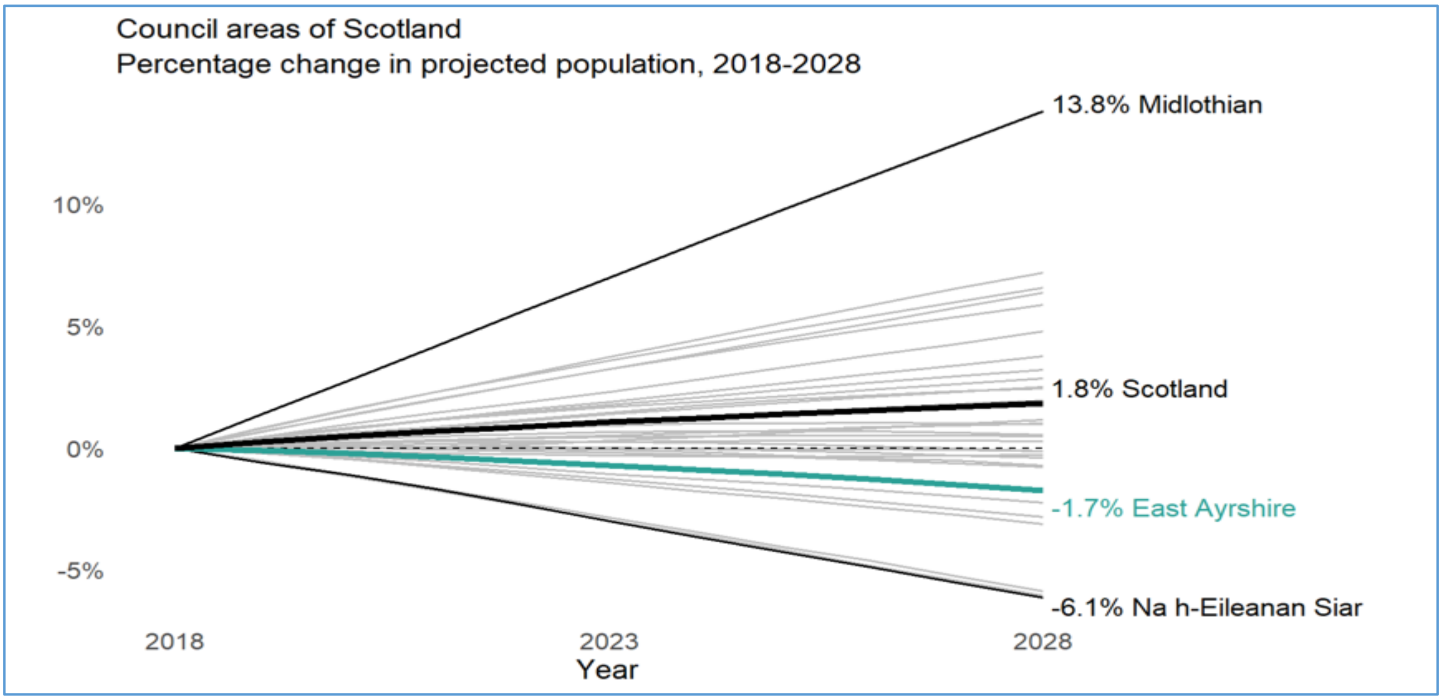
Initial analysis of the 2022/23 adult social care budget shows that there is the potential for £73m to be removed from the Council's funding allocation once the transfer to the NCS takes place. This represents around 25% of the Council's total revenue budget and demonstrates the scale of the change and the impact that the removal of such a large part of the budget will have on the financial resilience of the Council.

A review of the £73m budget shows that just over 800 staff work in adult social care in East Ayrshire and this number will increase as other elements are considered for inclusion into the NCS. While the precise service delivery arrangements to be put in place by the NCS are unclear it will be important to safeguard this workforce during the transition to the NCS.

Population Projections and Demographics

One of the most significant challenges facing the Council is the movement in population projections. The most recent population statistics show that the population across East Ayrshire will fall by 1.7% from 121,840 in 2018 to 119,716 by 2028.

During the same period the All Scotland population is projected to increase by 1.8% and while the number of households in Scotland are estimated to grow considerably by 2028, the number of households within East Ayrshire are projected to show only a marginal increase of 0.3% for the same period.

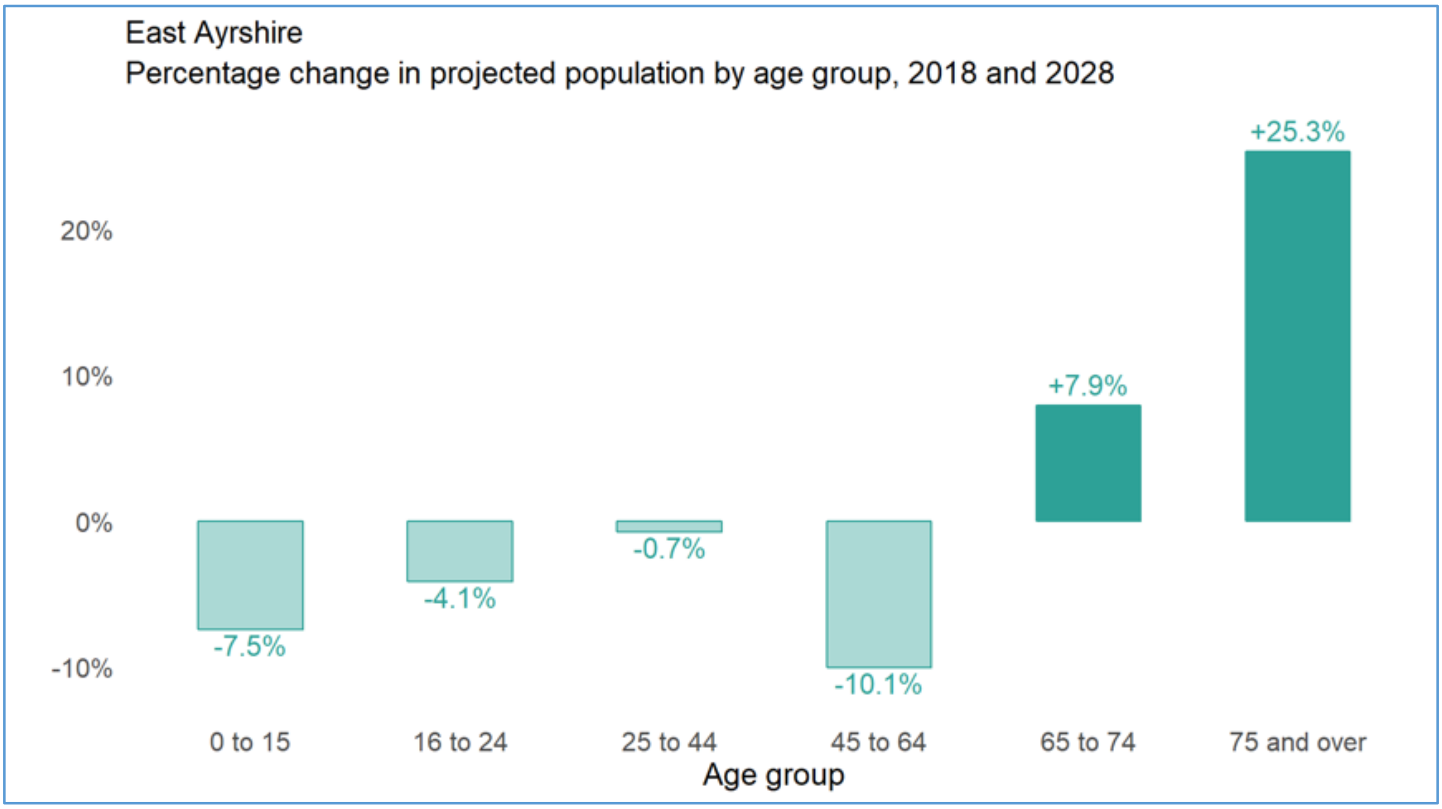


Source: National Records of Scotland

Members are aware that Scottish Government grant funding is linked to specific Grant Aided Expenditure (GAE) indicators and to a number of other service based returns which are submitted periodically to Scottish Government. Analysis of the GAE Green Book primary and secondary indicators show that around 30% have funding linked to the number of school pupils with around 15% aligned to population.

The impact of these changes in population and in specific parts of the population mean that funding to East Ayrshire Council will fall relative to other councils as resources are moved to the parts of Scotland where there is population growth. While the movement in population and the resultant reduction in funding will impact on the Council generally, it will lead to funding reductions for specific services particularly Education as the number of young people living in East Ayrshire falls. At the same time we will see a £2m reduction in Scottish Attainment Challenge (SAC) funding. It is important to note that these demographic changes are within the lifetime of this Strategy and this Council.

The analysis below shows that in East Ayrshire only the 65 to 74 and over 75 year olds age groups are anticipated to have projected growth in the period to 2028 which will present further operational and financial challenges to the Council and also to the National Care Service once it becomes operational. In order to safeguard the Council and to build operational and financial resilience it will be important to plan for these changes and deliver new service delivery models around the future population for East Ayrshire.



Source: National Records of Scotland

The RSR set out the Scottish Government's priorities for the term of the Parliament and gave notice of some challenging policies for local government particularly around flat cash settlements, structural changes in addition to the creation of the NCS, a new policy where pay awards would have to be self-financing with no increase to the overall pay bill and an announcement that staff numbers across the public sector should return to pre-pandemic levels.

FUNDING AND BUDGET GAP PROJECTIONS

The update to the Medium Term Financial Strategy in February 2022 highlighted that the 2022/23 to 2026/27 cumulative budget gap was £57m. The assumptions contained within the February report were amended and updated to reflect the latest available information. In some cases this caused the gap to increase while in others, particularly around grant funding levels based on the recent Resource Spending Review, this caused the gap to reduce.

The volatility of the economy and the impact on the ability to provide certainty in terms of long term forecasts means that assumptions will be reviewed on an ongoing basis and updates to the Strategy and the resultant budget gap provided at specific points. Moreover, the level of uncertainty that currently exists means that the projected budget gap through to 2027 will be based on a range of assumptions and on a series of low, medium or high risk scenarios.

The introduction of an in-year recurring pressure from the 2022/23 pay offer means that there is an increased level of complexity in calculating the budget gap. This is due to the timing in identifying the recurring funding to meet the cost of the pay award.

Based on the assumptions and risk scenarios, the budget gap forecast for 2023/24 to 2026/27 are shown below.

Table 4: Low Risk – Assumptions weighted towards best case scenario

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Expenditure	389	396	408	418	429
Income	387	389	393	396	400
Gap	**(2)**	**(7)**	**(15)**	**(22)**	**(29)**

Table 5: Medium Risk – Assumptions weighted towards average case scenario

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Expenditure	389	399	415	426	438
Income	387	389	392	394	399
Gap	**(2)**	**(10)**	**(23)**	**(32)**	**(39)**

Table 6: High Risk – Assumptions weighted towards worst case scenario

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Expenditure	389	402	421	437	454
Income	387	389	391	392	393
Gap	**(2)**	**(13)**	**(30)**	**(45)**	**(61)**

The Medium Term Financial Strategy will proceed on the basis of the medium risk scenario and take the necessary steps and actions to mitigate an anticipated cumulative budget gap of £39m by 2027.

As noted above, identifying the funds to close the £2.6m in-year pay gap will be extremely important given that if sourced early then it will reduce the future years funding gap. However if it is not sourced until later years then not only will it cause drag in the financial plans but it will require the use of balances to close the gap until such time as recurring funds are found and allocated.

An early task of Finance & ICT will be to review all funding and liaise with budget holders to seek to close the in-year gap quickly wherever possible given that this will reduce the 2023/24 savings target that will be applied to all Services.

It is recognised that a budget gap of £10m for 2023/24 is significant and far higher than previous gaps that Services and budget holders have had to achieve.

MEETING THE FINANCIAL CHALLENGE

Services will have a range of locally based and corporate tools available to close the budget gap and they are best placed to know where efficiencies can be taken or where opportunities to invest in schemes that allow their services to be delivered at lower cost. While the Medium Term Financial Strategy links to the Council's Strategic Plan, the strategies and priorities noted below will be aligned to the Financial Strategy and to the achievement of the savings required over the years to close the budget gap.

The Workforce Strategy sets out the future shape of the Council and the human resources needed to deliver services. It takes account of the impact on costs of pay awards and models the impact of structural changes specifically relating to the implementation of the National Care Service and need for growth in certain service areas. However just as the creation of the National Care Service has the potential for over 800 staff to leave the Council, Services must also be preparing for the public sector financial constraint that will be applied and how, in the years ahead, there will be a need to reduce the size of the workforce to balance the budget.

The proportion of the Council budget that is used to pay staff costs is so significant that attempting to close the gap without reducing staff costs will be almost impossible and therefore closing the budget gap will result in a reduction in staff numbers.

Moreover the Scottish Government's requirement to reduce the public sector workforce to pre-pandemic levels and that the cost of future pay awards cannot increase the overall pay bill cost means that, while the requirement will be challenging, there is little scope elsewhere in the budget to meet these costs. The Council's Workforce Plan will support Services manage staff reductions and transition to a workforce level that reflects future budgets and the Scottish Government's objective to maintain the cost of the public sector pay envelope at current levels.

The Council's Digital Strategy embeds a digital culture across the Council and takes forward the learning and opportunities that have arisen in the last two years. It places digital at the forefront of the Council's plans and it is a strategy that seeks to elevate digital knowledge and solutions in the Council and in communities and households.

The Digital Strategy will support service led innovation and build upon the success of the customer digital interactions that are growing exponentially. Data shows that increasing numbers of our residents and businesses prefer to transact with the Council online using specific customer friendly functionality that enables effective service delivery and one time resolution. Services will be supported to review existing processes and introduce online customer focused options. It is recognised that whilst the traditional method of service delivery will still be required for some, there are a significant number of residents and businesses who are currently interacting online and their expectations are that this will grow in the years ahead.

The introduction of the Digital Strategy and the move towards more digital solutions will enable Services to identify local service based digital efficiencies that can be used to close the budget gap.

The Council's Asset Management Strategy will provide opportunities to review the overall estate and rationalise wherever possible. This will be done against a requirement to identify cost reductions and savings and to do so against a backdrop where affordability and value for money are considered and achieved. The cost of capital and the impact on revenue debt charge costs means that the capital programme needs to be reviewed and reduced. A review of the programme will take place prior to the 2023/24 Capital Plan being produced with the outcome reported to Members for consideration and approval.

The Recovery and Renewal Plans published by each Service set out the future service delivery arrangements and direction of travel for the Council. The Plans sought to review existing arrangements, embed learning from the pandemic and seek wherever possible to introduce a changed service that was more adaptable and responsive to the needs of communities. The Plans sought to ensure that the renewed Service was markedly different from the previous one and included detailed options for change and opportunities for efficiencies. These plans saw significant proposals around workforce and digital and the introduction of the two strategies will support Services realise these efficiencies.

As public sector financial constraint is introduced and as budgets tighten and costs and demand for services increase then opportunities to spend effectively today and lower costs for the future have to be undertaken. The Local Government Benchmarking Framework (LGBF), is a well-established and effective tool to compare and contrast costs and performance across councils and the use of the framework will be enhanced with targeted and specific work undertaken to compare costs and performance across all councils and within the relative family groupings established by the LGBF.

A strategic review of costs and performance using the current and historical data contained within the LGBF will be undertaken by the Programme Management Office supported by Finance and ICT and relevant Services.

The Strategic Plan set out the priorities and ambitions for the Council for the years ahead and it is important that financial resources follow these priorities and that finances and priorities are evidenced and aligned. It is proposed that a strategic review of funding allocations is undertaken to assess the need for further alignments between funding and priorities, the requirement to continue to protect specific elements of service budgets from efficiency targets as well as taking into account specific changes to the demography of East Ayrshire.

It is clear from examining the national and financial context and the pressures that will arise in the near future that inaction is not an option. Indeed, there is a need to change services to align with future needs and to target available resources towards early intervention and prevention which will, in time, lower costs and establish even more effective and powerful services. However in order to allow space for strategic planning and for resources to be available to allow early intervention and prevention business cases to be compiled it is acknowledged that pump prime funding has to be identified for this to be meaningful and effective. Accordingly it is proposed that an early intervention and prevention fund is created using the financial flexibilities provided by the Scottish Government, particularly around service concession arrangements with allocations from this fund based on robust business plans.

The Finance Strategies in 2012 and 2017 saw significant budget gaps closed by a variety of means and with Services working collaboratively to achieve savings targets. Although challenging, Services have evidenced their ability to identify efficiencies within their budgets and this will continue and form an integral part of effective budget management at a time of limited resources.

The scale of the forecast budget gap is such that effective management and monitoring of the achievement of service efficiencies becomes strategically important and the responsibility to undertake this role will be led corporately by the Programme Management Office with support from the Finance & ICT Service.

FINANCIAL RESILIENCE

The continuing and volatile pressures experienced by local government throughout the UK has resulted in some councils facing extreme financial hardship and crisis. This has been caused by a variety of reasons ranging from changes to funding models as well as failed investments undertaken by some councils. Having a strong finance presence linked to the obligations placed upon the Chief Financial Officer (S95 officer) and equivalent is a critical feature of an effective council and a properly managed finance function. The CIPFA publication, 'The Role of the Chief Financial Officer (CFO) in Local Government' extends this obligation further noting that the CFO is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers.

It is also self-evident that councils have moved from delivering what was previously viewed as a traditional service delivery model to an environment where councils have wholly owned subsidiary companies or other entities that are aligned to council functions and responsibilities. Council decisions are also now more complex and include a range of delivery options that require specific knowledge and understanding of the obligations and liabilities that flow from them. It is also clear that the role of the modern day finance function is to understand and monitor the wider financial arrangements, obligations and performance that can impact on the Council itself.

The pressures on councils will increase in the coming years as funding is reduced and structural changes take place and there is a growing need for the Council to create a set of resilience indicators that can predict and provide early warning of issues that are likely to impact upon the Council.

There will be a more robust debate in the coming years around public sector sustainability and while this will include the whole public sector, Members will already be aware that councils in England are already experiencing severe financial problems leading to some Section 151 Officers (S95 in Scotland) issuing formal S114 Notices to cease all but essential spend.

Moreover, as further pressure has been placed on councils in England a further debate is emerging around whether councils that are experiencing significant financial pressure or those that have issued S114 Notices remain a "going concern". It is likely that this debate will shortly come to Scotland and there will be a greater emphasis from external auditors on the assurance and demonstration of financial management and resilience for local authorities which will only grow as pressure begins to bear down and as structural changes to the Scottish public sector landscape takes place.

East Ayrshire Council has a Reserves Strategy which ensures an appropriate level of level of reserves is retained to safeguard the Council against the risk of any uncertainties or unforeseen expenditure. This is considered best practice and demonstrates sound financial planning. Much like using savings to offset monthly household bills the use of financial reserves cannot solve a budget problem outright but allows for short term smoothing of impacts.

Reserves are predominantly held to:

- Manage the impact of cuts over a longer period;
- Invest in schemes that allow services to be delivered at lower cost;
- Fund "one-off hits" for the Council without the need to further reduce service budgets;
- Provide capacity to absorb any non-achievement of planned budget reductions in each year;
- To insure against major unexpected events.

The financial resilience of the Council is an important gauge of the financial wellbeing of the Council. It is about the Council's ability to anticipate, prepare for and respond to the changing financial environment, derived from internal decisions and external factors. To be financially resilient is to have resources available in the time of crisis as well as understanding the level of flexibility the Council has in terms of accessing funds when they are needed.

The Local Government Benchmarking Framework (LGBF) contains a number of financial sustainability measures which are helpful in providing easy to understand information. Moreover, the CIPFA Resilience Index provides significantly more indicators that may also be relevant albeit, a large number relate to the arrangements in use in England.

Given the financial challenges that exist and which will increase during the lifetime of the Strategy it is proposed to introduce a number of financial indicators in order to inform policy decisions, provide early indications of adverse events and provide assurance around the adequacy of the financial resources available to the Council. Work to compile the most effective indicators for the Council will be undertaken as part of the Revenue Budget, Treasury Management, Capital Asset Plan suite of reports presented to elected members as part of the 2023/24 Budget Setting process. It is anticipated that the indicators will provide details in the following areas:

- Council reserves and liquidity (the availability of resources);
    - Reserves
    - Liquidity

- Capital financing; investment, and borrowing;
    - Capital Finance Requirement
    - Debt
    - Prudential indicators
    - Investments

The indicators will be presented to Members at specific points in the year so as to inform and support judgements and decisions that are to be taken. The overall purpose is to ensure that East Ayrshire Council remains financially secure in the long term and that actions will be taken to modify policies and actions based on the information and trends provided by the indicators.

IMPACT ON CAPITAL FINANCE AND TREASURY

The Cost of Capital Borrowing

The Council's revenue budget is inextricably linked to the financing of its capital expenditure and to the treasury management function that underpins and oversees the daily transactional arrangements for the Council and its services.

Consequently, when there is sustained pressure on the revenue budget this in turn causes pressure in capital finance and in the management of the capital programme and the debt and borrowing requirement that arises from it.

The Capital Programme was approved by Cabinet on 23 February 2022 with General Fund and Housing Revenue Account expenditure of around £560m planned from 2022/23 through to 2030/31 (£515m 2022/23 – 2026/27). The programme contains a range of projects including new and refurbished schools, expenditure for town centre regeneration, roads and infrastructure expenditure and planned expenditure as part of the Council's climate change ambitions.

When capital expenditure is approved the impact is factored into the revenue budget and treasury management decisions to take account of the recurring repayment of interest and principal debt to be paid each year by the Council.

The Council has a revenue budget for debt charges and the increases in the capital expenditure between 2022/23 and 2030/31 means that the revenue debt charge budget also to be reviewed and increased. The impact of the £515m of capital expenditure approved in February 2022 will require increases to the debt charge budget which will require to be considered as part of this Strategy and future years budgets. Current assumptions in respect of the debt charges budget are:

Table 7: General Fund Debt Charge Budget Requirements

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Projected Debt Charge	19.976	21.760	22.990	23.867	24.158
Budget	19.607	21.607	22.607	23.607	24.607
Variance	0.369	0.153	0.383	0.260	(0.449)
Required Budget Uplift	-	2.000	1.000	1.000	1.000

The revenue budget gap forecasts set out previously show a £10m gap for 2023/24 based on the medium risk scenario and this includes a contribution to the debt charge budget in order to support the capital expenditure. However given the scale of the financial challenges that lie ahead for the public sector it is prudent to review the overall quantum of the capital programme and the ability of the Council to identify recurring debt charge budget increases.

Moreover, the Treasury Management Strategy that was approved by Council on 24 February 2022 contained a number of affordability prudential indicators associated with the capital programme. One of the key indicators is the financing costs as a percentage of expected revenue streams for the General Fund and the Housing Revenue Account.

This indicator currently shows the following:

Table 8: Capital Financing Costs (General Fund)

Capital Financing Costs (gross) as a percentage of Expected Revenue Stream	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
	Projected	Estimate	Estimate	Estimate
Revenue / Funding	318.570	315.169	314.645	314.196
Capital Financing Costs (£m)	22.034	23.849	24.825	25.619
Capital Financing Costs (%)	**6.92%**	**7.57%**	**7.89%**	**8.15%**

The capital financing costs for the Housing Revenue Account (HRA), are higher than those noted for the General Fund and reflects the housing improvements and new house building that have taken place. The impact of financing costs for the HRA are currently being assessed and capital spending plans will be reviewed and updated as part of the annual housing reports that will be considered by Cabinet in November 2022.

The structural changes that are likely to arise following the introduction of the National Care Service will mean that the £73m budget for adult social care could possibly be transferred from the Council leading to a significant reduction in the overall value of the remaining Council budget. This will have a significant impact on this affordability indicator as the revenue funding will likely reduce while the capital financing costs will remain at planned levels.

This structural change has the potential to cause the Capital Financing Costs percentage figures noted above to increase by around 3 to 5 percentage points which would then require a wider review of the affordability of the planned capital programme with action being taken to reduce the programme for the years ahead. This will lead to difficult decisions for Services and Members as finite revenue resources means that consideration has to be given to increasing the debt charge budget which if supported, will be at the expense of other revenue commitments and priorities. Moreover, the current increase in interest rates means that borrowing costs are around 50% higher than they were a few years ago leading to further pressure in the cost of capital.

Taking all these factors into account, the affordability of the capital programme will be assessed as part of the 2023/24 budget process and will inform the next iteration of the capital programme that will be presented to Members for consideration in February 2023. The affordability review will also include the impact of the cost of living crisis and recent financial market trends and whether specific projects should be paused, removed or reprofiled from the capital programme.

Service Concession Arrangements Flexibility

The Scottish Government's Resource Spending Review (RSR), contained details of the Service Concession Arrangement flexibility that relates to the Council's PPP schools. The flexibility was provided due to the significant financial pressures experienced by local government as a result of the Covid-19 pandemic and more recently from the cost of living crisis.

The flexibility recognises that councils have planned to pay for these school assets over the 30 year term of the PPP/PFI contract despite the assets being available for use beyond the 30 years once they are returned to the Council in 2038.

The flexibility permits councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made which results in a one off credit to the Council. The credit is substantial and will be subject to a future report to Council where, if agreed, the income will be used to provide support to the Council and our communities.

The Statutory Regulation was published and issued to councils in September 2022 and work on modelling the impact of the flexibility on the specific elements within our school estate is well advanced. A report seeking approval to implement the Service Concession Flexibility will be presented to Council in due course with the additional resource used to provide extra resilience to deal with the challenges that lie ahead.

Capital Accounting Review

The Resource Spending Review also formalised the review of local government capital accounting which will assess whether the current statutory mitigation arrangements that are afforded to councils should continue in their current form or be removed. The Review has the potential to significantly impact on councils future capital expenditure plans and adds yet another element of uncertainty into what is already a crowded, uncertain and volatile public finance environment. This review has the potential to present real and lasting adverse risks to the Council and further information will be provided once the Group has met and the terms of reference have been agreed.

Mr Michael Hearty has been appointed by Scottish Ministers as the independent chair of the Capital Accounting Review. Mr Hearty is a Non-Executive Director at HMRC and Strategic Advisor to the Financial Reporting Council's Audit and Risk Committee and brings substantial knowledge of public sector finance to the group.

Local government requested that this work be delayed to allow councils to focus on the cost of living crisis and in supporting communities in the months ahead and the Deputy First Minister has agreed to permit a twelve month pause to the Capital Accounting Review. However, regardless of the timing of the review, the potential impact of the removal of statutory mitigation is so significant that this also means that a review and reduction of the capital programme is required. Members will be provided with updates as necessary in the months ahead.

CONCLUSIONS

External evaluation has consistently shown that East Ayrshire Council has strong and effective financial management processes that are embedded across all areas of the Council. It is these processes that have served the Council and its communities well as budgets have been balanced without the utilisation of reserves. These same processes will be crucial in the years ahead as the Council progresses this Financial Strategy and takes action to close the projected budget gap.

This Financial Strategy covers a period of significant and prolonged volatility and uncertainty and, unfortunately, there does not appear to be any respite or resolution in the short to medium term.

The financial impact of the Covid-19 pandemic on public finances has led to near unprecedented levels of Government indebtedness that will require to be repaid. The cost of the pandemic coupled with the current cost of living crisis means that there is little scope for the UK or Scottish Government to provide additional funding to local government. Indeed analysis shows that there will be a prolonged period of fiscal constraint by both Governments.

The cost of living crisis will be severe and require local government to provide support to those most in need and deliver this support at a time when the availability of additional financial resources will be scarce. The scale of the support required will be unprecedented and potentially long lasting.

Grant funding allocations to Councils will be held at 2022/23 levels until 2026/27. The time value of money means that there will be a real terms cut of 7% (£743m) in local government funding over this timeline with the financial pressure made worse by the high rate of inflation.

The UK economy will enter recession in 2023 and forecasters predict that unemployment will begin to rise once prices and inflation stabilise in 2024/25.

The creation of the National Care Service (NCS), will lead to significant structural change to the local government landscape with budgets and resources disaggregating from councils and transferring to the new body. This will cause substantial change to the structure and operations of the Council and planning for this change has already begun and will be enhanced once the specific operational details of the NCS are published by the Scottish Government.

The Council is forecast to have a budget gap of £39m for the period 2022/23 to 2026/27 based on current assumptions and the medium risk scenario. This is higher than the budget gaps in any of the previous two Financial Strategies and will require continued collaboration and planning to close the gap and achieve a balanced budget each financial year.

Financial planning will be key to meeting the challenges around resources and future funding and this Strategy will prepare the Council to take the necessary actions to counter the pressures and provide financial resources to allow change and innovation to take place and close the budget gap. The planned strategic review of the revenue budget and its alignment to the priorities and ambitions set out in the Strategic Plan will ensure that the Council's resources are targeted effectively.

To support the Financial Strategy and to provide assurance and facilitate scrutiny to Members, a suite of local Resilience Indicators will be created to provide analysis, assurance and early warning of financial risks and safeguard the financial management arrangements that have served the Council well for so many years. The strategic review of costs and performance undertaken using the datasets in the Local Government Benchmarking Framework (LGBF) will support spend and provide further evidence of best value and provide the opportunity to review funding and outcomes.

The need to review and minimise risks as well as maximising external funding opportunities will be required in the years ahead. As part of this the Council's attitude and appetite to risk will be reviewed with this work helping to shape the type of decisions and interventions that are made going forward.

This Strategy sets out the financial roadmap for the Council for the medium term and gives background to the various financial pressures and issues that will impact on the wider economy, on our towns and villages and on individuals, families and businesses we serve.

The years through to 2027 will be challenging financially, given the available funding. This Strategy details the available funding through to 2027. Managing the financial pressures whilst seeking to deliver the Council's priorities will be difficult and will require a comprehensive review of the revenue budget, planned costs and performance as well as a review of the capital plans and aspirations in order to ensure that East Ayrshire remains a financially resilient Council.