

**DELAYING THE REVIEW OF THE COUNCIL'S MEDIUM TO LONG TERM  
FINANCIAL STRATEGY**

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**1. EXECUTIVE SUMMARY**

- 1.1 This report asks the Business Continuity Committee (BCC) to approve a delay to the review of the Council's Medium To Long Term Financial Strategy due to the level of economic uncertainty created by COVID-19 outbreak and also the impact the outbreak has had on resource availability.

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**2. RECOMMENDATIONS**

- 2.1 To approve a temporary cessation of the work to review and refresh the Council's Medium to Long Term Financial Strategy.
- 2.2 To note that the S95 Officer will present the Budget Outlook report to the BCC as a standard agenda item until such time as the Policy and Resources Committee is reinstated.

**3. DETAIL**

- 3.1 The Council's Medium to Long Term Financial Strategy is one of the Council's key strategic documents which supports the delivery of the Council's Corporate Plan by:
- Outlining the Council's high level financial position over the life of the strategy
  - Ensuring available resources are focused on delivery of the Council's key priorities.
  - Planning for a sustainable revenue budget and capital investment programme which support the Council's key priorities.
  - Ensuring the Council is fully aware of the financial challenges and uncertainties that it faces and is in a strong position to continue to deliver the best possible quality and range of services within available resources.
  - Increasing the wider community's understanding of the Council's financial position and the challenges it is facing in balancing its budget.
- 3.2 The current version of the Medium to Long Term Financial Strategy was finalised in September 2017 and covers the period 2018-19 to 2027-28. Work was underway to refresh the Medium to Long Term Financial Strategy to cover the period 2020-21 to 2029-30 and there was an intention to present this to the Policy and Resources Committee on 14 May 2020 for review and approval.
- 3.3 The outbreak of COVID-19 gives rise to two material considerations, the consequences of which are a need to consider pausing this work at the current time. The first relates to the significant increase in uncertainty in relation to the global, UK and Scottish economy. It is very difficult to predict what the short, medium and long term financial impact of COVID-19 might be. On 11 March 2020 the Bank of England stated:

*‘although the magnitude of the economic shock from Covid-19 is highly uncertain, activity is likely to weaken materially in the United Kingdom over the coming months. Temporary, but significant, disruptions to supply chains and weaker activity could challenge cash flows and increase demand for short-term credit from households and for working capital from companies. Such issues are likely to be most acute for smaller businesses. This economic shock will affect both demand and supply in the economy.’*

It is also difficult to estimate, with any great accuracy, the impact that emergency funding made available by the UK and Scottish Government to support businesses, communities and the general public will have on funding levels available to support public services. This level of uncertainty increases the risk that assumptions forming the basis of a revised Medium to Long Term Financial Strategy are not sufficiently robust.

- 3.3 The second consideration relates to the resources available to complete the review of the Financial Strategy by May 2020. Resources within Financial Services are already being redeployed within the team to help alleviate pressures caused by the COVID-19 outbreak and there is an expectation that this will be exacerbated by the need for resources to be further redeployed to help maintain service delivery in other areas of the Council.
- 3.4 For these two reasons it is not considered a productive use of scarce officer resource, at the current time, to complete the review of the Medium to Long Term Financial Strategy. The BCC is asked to approve a request to delay the review until the impact of COVID-19 has been managed and the Council returns to a position of ‘business as usual’.
- 3.5 When considering this request the BCC should note that the Council’s Budget Outlook report, a standard agenda item at Policy and Resources Committee, will continue to be reported to the BCC. Historically the Budget Outlook has extended to a three year window however, in 2020-21 this has been extended to a five year window which will provide a longer term view of the Council’s estimated budget gap. This has been discussed with the Council’s external auditors who consider that it would be best practice to have this longer term view. The Budget Outlook, and the assumptions contained within it, are kept under review and updated and refined as the year progresses. This will enable officers to reflect on the updated economic position and report back to the BCC on any significant changes.

#### **4. CONCLUSION**

- 4.1 This report provides the BCC with an explanation for the reasons to delay the revision of the Council’s Medium to Long Term Financial Strategy and provides assurance that the officers will revise any budget outlook assumptions as the impact of COVID-19 becomes clearer.

#### **5. IMPLICATIONS**

- 5.1 Policy – None.

- 5.2 Financial – None
- 5.3 Legal – None.
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – See below
  - 5.5.1 Equalities – None
  - 5.5.2 Socio Economic Duty – None
  - 5.5.3 Islands Duty - None
- 5.6 Risk – None
- 5.7 Customer Service – None

**Kirsty Flanagan**  
**S95 Officer**  
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**Policy Lead for Financial Services and Major Projects: Councillor Gary Mulvaney**