
Report To:	Policy & Resources Committee	Date:	4 February 2020
Report By:	Chief Financial Officer	Report No:	FIN/12/20/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	2020/23 Revenue Budget Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to provide the Committee with an update in respect of the 2020/23 Revenue Budget and to seek Committee approval for a number of matters.

2.0 SUMMARY

- 2.1 The November meeting of the Policy & Resources Committee approved an updated report from the Chief Financial Officer regarding the 2020/23 Revenue Budget. Following the decisions made by the Committee the estimated funding gap for the period 2020/21 reduced to £2.417million prior to any increase in Council Tax. In addition the Committee agreed to separate the Council Tax setting decision from the finalisation of the 2020/21 Revenue Budget decision in line with the approach taken previously by the Council.
- 2.2 It has been announced that the Chancellor of the Exchequer will present his Budget on 11 March, 2020 which is the day Councils in Scotland are required by law to set their Council Tax. Previous practice has been that there is a gap of around 6 weeks between the UK Budget and the Scottish Budget however the Cabinet Secretary has advised that he intends to publish the draft Budget, including individual Council grant figures, on 6 February with the intention that the Stage 3 approval of the budget takes place the week commencing 2 March. This will be of great assistance to Councils and allows the previously approved timescale of setting Council Tax on 20 February and the 2020/21 Budget on 12 March to be achieved.
- 2.3 Officers have continued to identify adjustments/savings with minimal impact on service delivery and these are presented in Appendix 1 and if agreed will deliver a further reduction in the funding gap in 2020/21 of £418,000.
- 2.4 Appendix 2 summarises the current 3 year Revenue Budget position based on the estimated Scottish Government Grant Settlements and decisions taken to date by the Policy & Resources Committee and those proposed at this meeting.
- 2.5 COSLA launched its Invest in Essential Services campaign on 13 January and the accompanying document is attached in Appendix 3 for the Committee to consider. The paper highlights the important role Councils play within their communities and the impact of the reductions in real terms funding. The paper ends with 5 “asks” which if granted would lead to Inverclyde Council receiving approximately £7.5million more grant in 2020/21. Based on the figures in Appendix 2 this would result in a £5.5million surplus in 2020/21 prior to any increase in Council Tax and balance the 2021/22 budget.
- 2.6 The Corporate Management Team continues to meet with the Trades Unions via the Joint Budget Group. As a result of these ongoing discussions some changes are proposed to the savings options previously issued to all Members and these are detailed in the report.

- 2.7 In addition the Members' Budget Working Group continues to meet on a fortnightly basis and is currently carrying out a detailed review of the savings proposals, considering potential uses for Free Reserves and reviewing the 2020/23 Capital Programme proposals for the Council to consider in March 2020.
- 2.8 A further Budget update will be presented to the Inverclyde Council on 20 February as part of the Council Tax setting report.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the latest position regarding the UK and Scottish Budget announcements and that there is not expected to be any impact on the timescales previously agreed by the Council.
- 3.2 It is recommended that the Committee approves the proposals in Appendix 1 which will further reduce the 2020/21 Revenue Funding Gap by £418,000.
- 3.3 It is recommended that the Committee notes the latest estimated funding gap position of the 2020/23 Budget outlined in Appendix 2.
- 3.4 It is recommended that the Committee agrees that 2 savings in respect of terms and conditions and classroom assistants be added to the Council's Delivering Differently programme and be progressed through that process with reports being presented to the relevant Committees as appropriate.
- 3.5 It is recommended that the Committee considers the COSLA, Invest in Essential Services document and notes the contents and requests.
- 3.6 It is recommended that the Committee notes that a further update on the 2020/23 Revenue Budget will be presented to the Council on 20 February 2020 as part of the consideration of the Council Tax level for 2020/21.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Policy & Resources Executive Sub-Committee on 3 October agreed to amend the previously approved 3 year budget strategy to one where the intention is to set a firm 1 year Budget for 2020/21 whilst preparing indicative Budgets for the 2 years 2021/23.
- 4.2 The Council has agreed to separate the Council Tax setting decision from the approval of the 2020/21 Revenue Budget as has been the case on 2 previous occasions. It has been agreed that Council Tax will be set on 20 February 2020 in order to allow Council Tax bills to be printed and issued in sufficient time for the first collection date in early April. Thereafter the Council will approve the 2020/21 Revenue Budget on 12 March which will allow all budget holders, including the IJB, to be aware of their budget settlement prior to the start of the next financial year.

5.0 LATEST POSITION

- 5.1 It has been announced that the Chancellor of the Exchequer will present his Budget on 11 March, 2020 which is the day Councils in Scotland are required by law to set their Council Tax. Previous practice has been that there is a gap of around 6 weeks between the UK Budget and the Scottish Budget however the Cabinet Secretary has advised that he intends to publish the draft Budget, including individual Council grant figures, on 6 February with the intention that the Stage 3 approval of the budget takes place the week commencing 2 March.
- 5.2 These timescales fit well with the approach previously approved by the Council and set out in 4.2.
- 5.3 Appendix 1 contains further adjustments/savings proposals with minimal impact on service delivery. It can be seen from the Appendix that these total £418,000 in 2020/21 and Officers will continue to identify further opportunities where available in the final weeks prior to Members considering the 2020/21 Revenue Budget.
- 5.4 Appendix 2 shows the estimated 3 year budget position based on decisions already taken, the proposals in this report and the estimated Government Grant Settlement for the next 3 years. Based on these assumptions then the 2020/21 funding gap is currently estimated to be £1.999million prior to any increase in Council Tax whilst the 3 year estimated funding gap is now £13.068million prior to any increase in Council Tax over the 3 year period.
- 5.5 No information has been received in recent weeks which would cause any of the assumptions made within the Financial Strategy and previous reports to Committee to be amended.

6.0 INVEST IN ESSENTIAL SERVICES CAMPAIGN

- 6.1 COSLA launched its Invest in Essential Services campaign on 13 January and the accompanying document is attached in Appendix 3 for the Committee to consider. The paper highlights the important role Councils play within their communities and the impact of the reductions in real terms funding. The paper ends with 5 “asks” which if granted would lead to Inverclyde Council receiving approximately £7.5million more grant in 2020/21. Based on the figures in Appendix 2 this would result in a £5.5million surplus in 2020/21 prior to any increase in Council Tax and balance the 2021/22 budget.

7.0 OTHER ISSUES

- 7.1 The Corporate Management Team continues to liaise with the Trades Unions via the Joint Budget Group on a regular basis in order to minimise concerns from the Trades Unions regarding the savings options. As a result of this it is proposed that 2 current savings proposals be removed from the savings options and addressed via the Council’s Delivering

Differently programme. This allows the proposals to be discussed in detail with the Trades Unions and thereafter reported to the relevant Committee in line with current Delivery Differently process. The savings to be moved to Delivering Differently are a change in Terms and Conditions and the Classroom Assistants saving proposal.

- 7.2 In addition the Members' Budget Working Group continues to meet on a fortnightly basis and is considering a number of matters in relation to the Budget including the detailed review of the Savings Proposals, consideration for the utilisation of any Free Reserves and the finalisation of the 2020/23 Capital Programme. It is planned that in line with previous years the Members Budget Working Group will agreed a Budget Proposal for the Inverclyde Council to consider on 12 March 2020.
- 7.3 The Council has a requirement to intimate its proposed contribution to the Integration Joint Board prior to 31 March in order that the IJB can thereafter consider the 2020/21 Revenue Budget. The delays at a UK and Scottish Level in terms of the Budget will make this more challenging than usual, however Officers have agreed a timescale with Officers from the IJB which will still deliver this requirement.
- 7.4 The Public Consultation closed on 30 November and the results of the consultation were reported to Members via a briefing in December.

8.0 IMPLICATIONS

8.1 Finance

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Various	Various	1.4.20	(£418,000)		Savings set out in Appendix 1

8.2 Legal

At this point in time there are no legal implications however Officers continue to liaise with COSLA and the Scottish Government to ensure that the statutory requirements regarding Council Tax and Budget setting are met.

8.3 Human Resources

There are no proposals in this report which will have any HR implications however regular discussions with the Trades Unions via the Joint Budget Group on the wider savings proposals are ongoing.

8.4 Equalities

Equalities

- (a) Has an Equality Impact Assessment been carried out?

	YES
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

- (b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

- (c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO

8.5 Repopulation

There are no proposals in this report which will impact on the repopulation agenda.

9.0 CONSULTATIONS

- 9.1 The contents of this report have been discussed with the Trades Unions via the Joint Budget Group and have been approved by the Members' Budget Working Group.

10.0 BACKGROUND PAPERS

- 10.1 None

2020/23 Budget
Savings & Adjustments for February 2020 P&R

	Savings 2020/21 £000	Savings 2021/22 £000	Savings 2022/23 £000	Comments	FTE
ERR					
1/					
2/					
ECOD					
1/ NDR Revaluation Appeals	87	87	87	Reduction in the RV for all schools following a national appeal. Saving is net of the current £59k budget shortfall.	0
2/ Recruit Sponsorship	7	7	7	Increased external funding for The Recruit	0
HSCP					
1/					
2/					
Corporate					
1/ Reduction in annual contributions to the Insurance Fund	100	100	100	Action based on recent triennial Actuarial Review of the Insurance Fund	0
2/ Net reduction in Loans Charges	109	109	109	Savings in AMP Loans Charges approved at the December Council	0
3/ Increase target Council Tax rate to 97.0%	65	65	65	Increase of 0.2% based on recent performance	0
4/ Increase prior year's Council Tax collection budget	50	50	50	Relates to debt over 8 years old and based on current performance	0
5/					
6/					
Total	418	418	418		0

AP/LA
9 January 2020

3 Year Budget Position
10 January 2020

	<u>2020/21</u> £000	<u>2021/22</u> £000	<u>2022/23</u> £000	
Cumulative Gap per Financial Strategy	6700	12,900	19100	
Proposals agreed Sept P&R	(2388)	(2837)	(3277)	
School Transport Pressure	52	70	70	
Proposals Agreed Nov P&R	(1947)	(2258)	(2407)	
Savings Proposed Feb P&R	(418)	(418)	(418)	
Cumulative Funding Gap	<u>1999</u>	<u>7457</u>	<u>13,068</u>	Note 1
<u>CMT Saving Proposals</u>				<u>FTE</u>
Corporate (0)	-	-	-	-
ECOD (25)	(1374)	(2118)	(2185)	39.4
ERR (15)	(1397)	(1851)	(1851)	42.4
HSCP (12)	(868)	(1066)	(1088)	21.5
Total	<u>(3639)</u>	<u>(5035)</u>	<u>(5124)</u>	<u>103.3</u>

Notes

- 1/ Funding gap is before any increase in Council Tax. A 3% increase would raise an extra £0.95 million per year.
- 2/ Savings Summary reflects updated position and assumes report recommendations are approved.

AP/LA
9/1/2020

INVEST IN ESSENTIAL SERVICES

LOCAL GOVERNMENT IS THE HEART OF SUSTAINABLE COMMUNITIES



Our vision: Scotland's communities are sustainable, vibrant places to live, work and visit.



COSLA

#essentialservices

Every day of every year, Local Government creates sustainable communities – this needs fair funding



EDUCATING

Over **£5bn** invested each year educating almost **700k** pupils



PROTECTING

vulnerable adults and children, as well as ensuring the wellbeing of **c17k** looked after children & young people



CARING

for a growing elderly population, set to increase by **10.5% by 2023**



SUPPORTING

adults to direct their own care through Self Directed Support, improving wellbeing



DEVELOPING

premises and sites for business start-ups and growth, for example ensuring **3,185ha** of land was immediately available in 18/19



MAINTAINING

paths, parks and open spaces across local areas, allowing people to be more active



BUYING

£7bn worth of goods and services annually to improve lives and communities, and support local economies



REGULATING

so work and public places are safe, trade is fair and legal, and environments promote good health



EMPLOYING

250k people (202k FTE), all spending money with local businesses - the **anchor employer** in many communities



BUILDING

new schools and energy efficient homes that improve quality of life



CONNECTING

£400m spent maintaining **56,250km** of roads, and investment in digital infrastructure



LEADING

game-changing regeneration projects and climate change initiatives locally

Investment in Local Government + decisions made locally = SUSTAINABLE COMMUNITIES

Fair funding for Local Government must be a Scottish Government priority




Fig: Scotland's National Performance Framework, 2018

 The outcomes in the **NATIONAL PERFORMANCE FRAMEWORK** will not be achieved without **sustainable** investment in Local Government.

Local Government works across all of the national outcomes in the NPF and directly delivers over 60% – this unique role should be recognised and invested in.

To achieve the outcomes in the NPF, there are **4 priorities** for Local Government:

 **INCLUSIVE ECONOMIC GROWTH**
We must ensure that the economy provides accessible, fair work opportunities for everyone.

 **TACKLING CHILD POVERTY**
To support families and address persistent, intergenerational issues, Councils have a unique role at all life stages.

 **WELLBEING**
This is not just about the NHS and being healthy; it's about being happy, comfortable, included and supported.

 **ADDRESSING CLIMATE CHANGE**
Strong local leadership is required if ambitious targets are to be met by 2045.

Fair funding for these shared priorities will create sustainable communities

What Councils deliver with communities is key to creating sustainable communities

INCLUSIVE ECONOMIC GROWTH

Regenerating places, supporting businesses, and leading economic development

Spending significant money in every local area in Scotland

Planning, regulating, enforcing, building, connecting, educating, training and employing

WELLBEING

Protecting the most vulnerable and supporting those in crisis

Leading projects focused on early intervention and prevention

Building strong community networks and spaces

Helping people when leaving prison

Maintaining paths, parks and open spaces for all to enjoy

Enabling healthy environs through licensing decisions

TACKLING CHILD POVERTY

Making life enhancing links between education, social work and employability services

Funding holiday lunch clubs to address poverty and provide family support

Supporting and engaging with families who need help

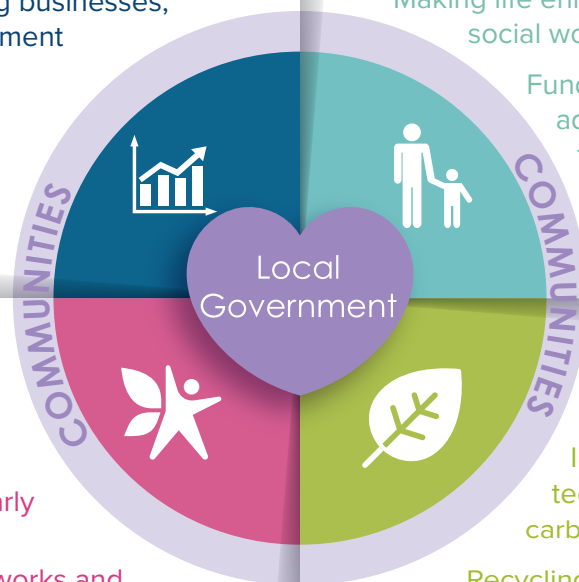
ADDRESSING CLIMATE CHANGE

Investing in renewable technologies and supporting low carbon sectors

Recycling and collecting waste

Educating children and communities on waste reduction

Building energy efficient homes



BUT WITHOUT INVESTMENT, CRACKS ARE STARTING TO SHOW...



- Vacant shops and empty high streets
- Communities losing their sense of pride
- Cuts to public transport
- More roads requiring maintenance



- 240k children still live in low income households.
- Of these, 60% live in a household where someone is in work
- 18% of people earn less than the living wage



- Increasing drug deaths
- Highest prison population in Europe
- Social isolation as community projects and initiatives are cut
- Closures of public buildings, toilets and other local services



- Climate change targets are at risk
- Continued landfill tax diverting money from essential services
- Ongoing payment of landfill tax
- Under-developed renewable sectors and supply chains

Without fair funding, these cracks will get worse

RISK: Our core REVENUE budget is under threat

Local Government has been passed a disproportionate share of cuts.



Local Government's revenue funding from Scottish Government has reduced. Its share of the Scottish Government's revenue budget has declined from 34.7% in 2013/14 to just 33% in 2019/20.

"Between 2013-14 and 2018-19, the Local Government revenue settlement decreased at a much faster rate than the Scottish Government revenue budget."

(SPICe : Facts and Figures, July 2019)



At the same time, Scottish Government priorities which Councils must deliver continue to grow year on year at the expense of the core budget.

Already for 2020-21, we know there are **£497m** of new Scottish Government commitments which Councils will have to deliver in addition to 2019-20 responsibilities' including:

- Expansion of Early Learning and Childcare (£201m)
- Scottish Government commitment to Teachers' Policy Intervention (£156m)
- Teachers' Pensions (£104m)
- Additional Support for Learning (£15m)
- Carers Act 2016 (£13m)
- Counselling in Schools (£4m)
- Other (£4m)



Local Government supports these policies but they must be fully funded in addition to the core.

Local Government has made over £2.1b in cash efficiencies since 2012, but it's getting more challenging every year – the cracks are starting to show, and communities are feeling the impact

Councils can only make savings from unprotected areas of the budget

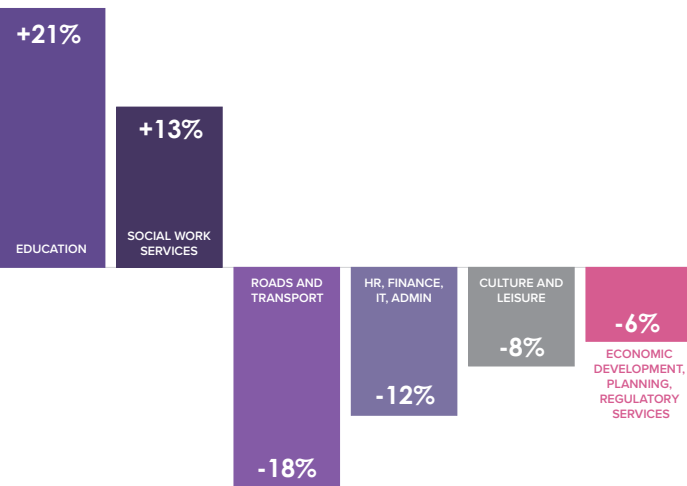
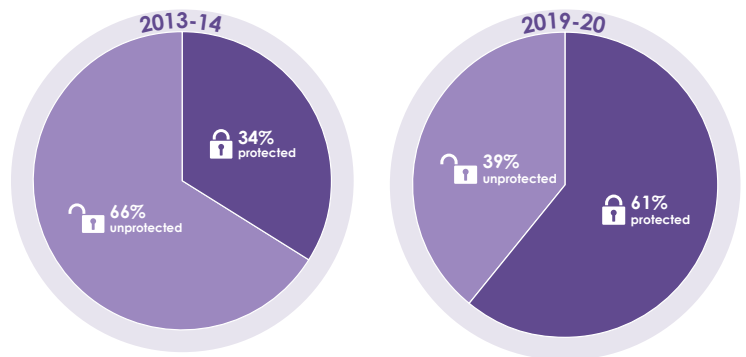
“Scottish Government revenue funding to Councils has reduced in real terms between 2013/14 and 2019/20, while national policy initiatives continue to make up an increasing proportion of Council budgets. This reduces the flexibility Councils have for deciding how they plan to use funding.”

(Audit Scotland)

Ring-fencing, national policy initiatives and protections in education, health and social care continue to grow creating increasing protection.

As a result, more and more has to be delivered from an ever decreasing portion of the budget.

This has a real impact meaning a 4% cut = at least a 10% saving that has to be made from non-protected areas. Continuing to invest in core education and social care is vital but the **whole, inter-related system** is important if we are to create truly sustainable communities.



Source: POBE 19-20

The reality is that service such as roads, buses, paths, planning, community learning, events, sports facilities, libraries, tourism, business support, environmental health, and trading standards all sit within the unprotected portion of the budget and have taken the largest hit since 2013/14.

We cannot achieve the ambitions we all have for Scotland if these building blocks are being eroded.



WARNING: This cannot continue.

Local Government needs a sustainable funding solution.

“Salami-slicing of services avoids headlines but the long years of austerity are having a severe impact on our services and the staff trying to deliver them with limited resources”

(UNISON Pre-budget Scrutiny submission)

RISK: Our core CAPITAL budget is under threat

Every year, Councils invest their capital funding in a huge range of projects that are a key driver for economic growth and make communities sustainable.

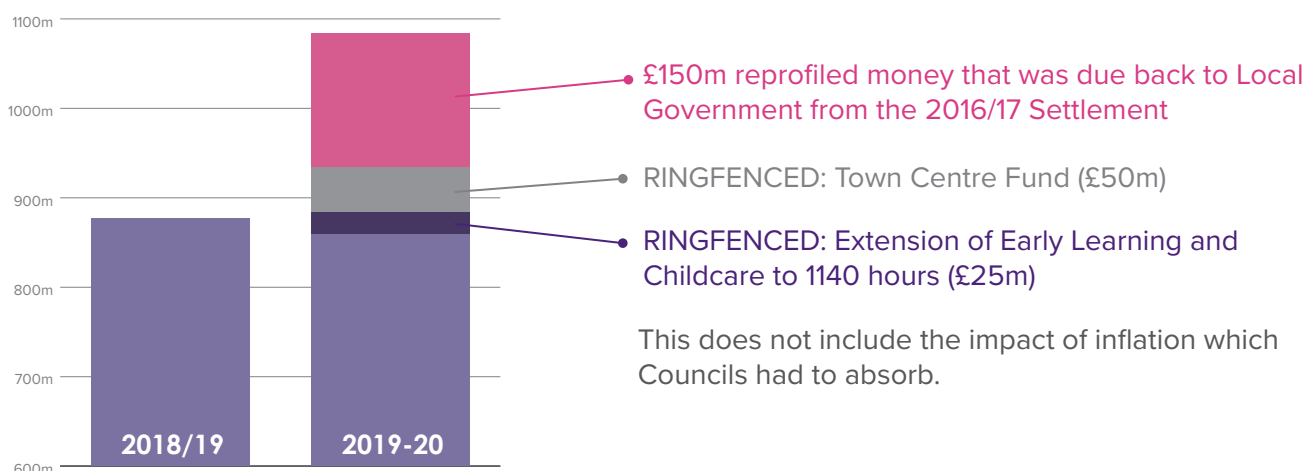


These projects:

- **inject money** directly into local economies, providing **fair work and apprenticeships**
- **create attractive, safe environments** in which to learn, work and live
- **enhance the vibrancy** of communities, which, in turn, enhances wellbeing
- **connect people and places** socially and physically, reducing isolation and opening up employment and training opportunities
- **attract tourists**, who spend money locally in restaurants, shops, and accommodation

Between 2018-19 and 2019-20, Local Government's Core Capital Grant reduced by £17 million.

Presented as a £207m cash increase by the Scottish Government but this included:

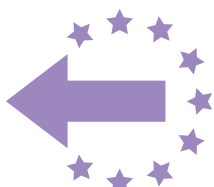


Core capital budgets contribute to sustainable communities so must also be protected

Local Government is facing other unprecedented threats and challenges

IMPACTS OF BREXIT

- Reduced inward migration, impacting on population growth, service delivery and cultural diversity
- Increased workload on Environmental Health and Trading Standards Services to keep goods moving and services and consumers safe
- Future of EU funded projects supporting the vulnerable e.g. around employability
- Staffing issues in relation to EU citizens e.g. in care
- Maintenance of food, medicine and other critical supplies
- Increased reliance on social work, homelessness and welfare benefits services, and the Scottish Welfare Fund



This also impacts on population and, as a result, on recruitment. All population growth in Scotland is due to migration, and especially in the working age group. Since 2016 we have already seen a drop in net migration and population growth.

INFLATION, PAY AND PENSIONS

- When inflation is not built into the Local Government Settlement, there is an impact on front line services. **In 2018/19, Councils absorbed inflation of £198.9m.** This cannot continue
- Employing around 250,000 people (202,000 FTE) comes with a significant pay bill and associated pensions bill
- During 19/20, employer contributions to teachers' pensions have risen by 5.2% - an impact of £110m across Scotland. A third of this will have to be found by Councils
- Key areas such as Social Care, Teaching and Regulatory Services are facing recruitment pressure and need longer term investment



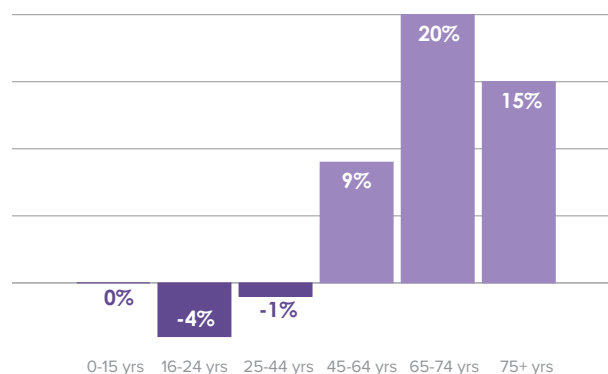
DIGITAL

- Online services need to develop at pace, in line with citizen expectations
- Capacity for digital transformation will require ongoing investment, if we are to attract and retain leaders and innovators



POPULATION AND DEMOGRAPHIC CHANGE

- Changing demographics—since 2007, significant upwards shift in the age profile of Scottish citizens is placing pressure on health and social care

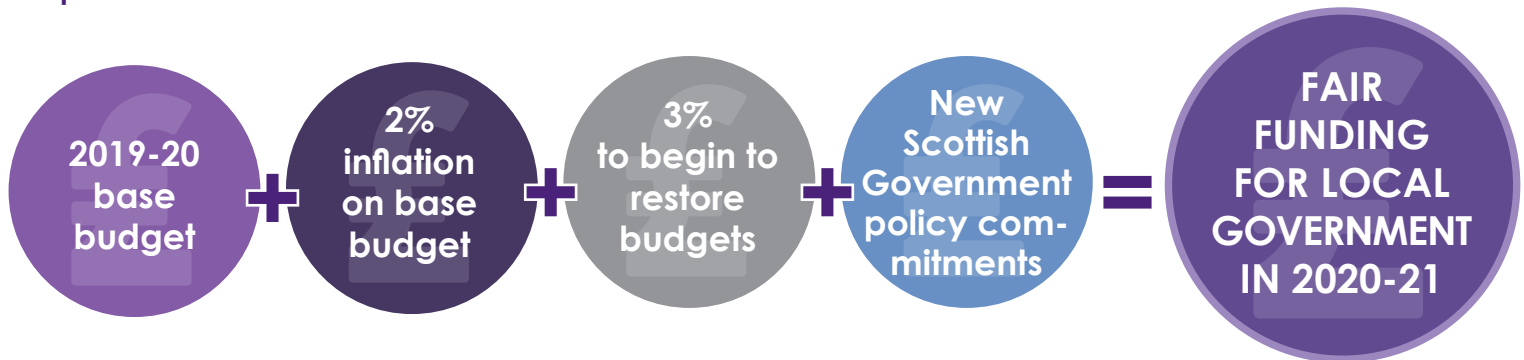


- The Institute for Fiscal Studies estimates that over the next 15 years, social care funding will need to increase by 3.9 per cent in real terms each year to meet the needs of an ageing population and more younger adults living with disabilities unless we can shift our efforts to prevention
- Spend between 2018/19 and 2019/20 alone on social care increased by over £80million, and the rate of change for these older populations is only going to get faster

What Local Government and communities need

We need fair funding for Local Government that looks across the whole system.

All signs are that the Scottish Government will see a cash increase and this must be passed on.



For **Revenue**, this means an additional £1,007m.

For **Capital**, this means an additional £157m.

	19-20 base budget	Inflation @ 2% (on base budget)	3% to restore budgets (on base + inflation)	Scottish Government commitments	FAIR FUNDING FOR 2020-21
Revenue	£10,078m	£202m	£308m	£497m	£11,085m
Capital	£709m*	£14m	£22m	£121m	£866m

* excludes 19-20 Early Learning and Childcare (£175m), reprofiled money from 16/17 (£150m) and town centre fund

In addition, our asks for *fiscal empowerment* include:

1. Removal of any cap on Council Tax – this must be a truly local tax.
2. More powers for discretionary taxation.
3. Longer-term certainty in relation to budgets, allowing a focus on early intervention, prevention and transformation.
4. An end to small pots of money outside the main settlement.
5. Increased pace in relation to Local Government empowerment – fiscal, community and functional.



INVEST IN LOCAL GOVERNMENT

THE HEART OF SUSTAINABLE COMMUNITIES

*“The role of Local Government cannot be underestimated. Communities rely on Councils - as an anchor employer, as a leader for community empowerment, and to provide everyday **essential services**. Budgets must be protected.”*

(Scottish Trades Union Congress (STUC))

For further information, please see COSLA's submission to the Local Government and Communities Committee Pre-Budget Scrutiny 2019 available at: www.cosla.gov.uk/sites/default/files/private/coslaresponsetolocalgovernmentandcommunitiescommitteepre-budgetscrutiny2019.pdf

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