
Report To:	Policy & Resources Committee	Date:	15 September 2020
Report By:	Chief Financial Officer	Report No:	FIN/72/20/AP/LA
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Subject:	2021/23 Budget – Current Position and Proposed Approach		

1.0 PURPOSE

- 1.1 The purpose of this report is to update the Committee on the current position of the 2021/23 Revenue Budget, highlight the high degree of uncertainty around several matters and thereafter to seek approval to the approach to be taken when developing the 2021/23 Budget proposals.

2.0 SUMMARY

- 2.1 The Council agreed a balanced budget for 2020/21 in March 2020. The budget was developed via regular meetings of the Members' Budget Working Group. As part of the Budget Strategy it was agreed that the intention would be to aim for setting a 2021/23 Revenue Budget in March 2021 as this would cover the remaining budget years for the current Council.
- 2.2 Within days of the Council approving the 2020/21 Budget the country entered lockdown as a result of the Covid pandemic. The pandemic has presented Inverclyde Council with financial challenges which are without precedent. Regular updates to the Policy & Resources Executive Sub-Committee have outlined the significant financial stimulus which has been provided via the UK and Scottish Governments. In spite of this support an estimated funding gap of £5.8million in 2020/21 remains and the Policy & Resources Committee at its meeting on 11 August identified funding from Reserves to meet these net estimated costs.
- 2.3 In June 2020 the Policy & Resources Executive Sub-Committee approved the updated medium term Financial Strategy. The mid-range estimated funding gap for the period 2021/23 prior to any increase in Council Tax, but after the use of the £3 million smoothing reserve over the 2 year period, was £10.7 million. In line with previous practice an optimistic and pessimistic funding gap estimate was also provided which over the period 2021/23 ranged between £2 million and £18.6 million.
- 2.4 The Chief Financial Officer would however advise the Committee that at this point in time there is more uncertainty around future financial settlements than at any other point in recent years. This arises from uncertainty regarding the UK Government Fiscal Strategy due to the huge levels of Covid related borrowing already undertaken, ongoing budget pressures at a UK, Scottish and local level arising from Covid and the impact arising from any future further waves of the pandemic. In addition there is another layer of uncertainty arising from any impact of Brexit which is still scheduled to take place on 31 December 2020. Therefore within this context the figures set out in the June Financial Strategy have the downside risk of being closer to the pessimistic scenario.
- 2.5 It is important that the Council commences the Budget process even amidst all the uncertainty. The following approach is therefore proposed:
- The Members' Budget Working Group will continue to meet on a regular basis to consider updates in respect of short and medium term Covid costs as well as to consider the emerging 2021/23 Budget position.

- b) The Corporate Management Team will review all savings proposals developed as part of the 2020/21 Revenue Budget and carry out this review in the context of service delivery changes made during Covid and likely future pressures and opportunities.
- c) Engagement with the Trades Unions via the Joint Budget Group will continue and the Chief Executive will continue to issue communications to employees.
- d) There will be an update to each standing meeting of the Policy & Resources Committee until the budget is agreed.

2.6 At this point in time it would still be the intention that Officers work with the Members' Budget Working Group to develop a 2 year budget covering 2021/23. It is however accepted that much of this will be dependent on the level of detail contained within the UK Government Autumn statement and the subsequent Scottish Government budget announcement.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the current range of budget scenarios identified in the June Financial Strategy and the high level of uncertainty included within the range of projections.
- 3.2 It is recommended that the Committee agrees the approach to be taken in respect of developing the 2021/23 Budget as set out in paragraph 2.5.
- 3.3 It is recommended that the Committee agrees that the Corporate Management Team progress the development of a 2 year budget period covering 2021/23.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council agreed a balanced budget for 2020/21 in March 2020. The budget was developed via regular meetings of the Members' Budget Working Group. As part of the Budget Strategy it was agreed that the intention would be to aim for setting a 2021/23 Revenue Budget in March 2021 as this would cover the remaining budget years for the current Council.
- 4.2 As part of the 2020/21 Budget the CMT developed a large number of savings options for Members to consider. A relatively small proportion of these options were approved as part of the Budget.
- 4.3 The Scottish Government only announced a single year Budget covering 2020/21 whilst the UK Government has indicated that the results of a post-Covid Spending Review will be announced in the late autumn.

5.0 CURRENT POSITION 2021/23 REVENUE BUDGET

- 5.1 Regular updates to the Policy & Resources Executive Sub-Committee have outlined the significant financial stimulus which has been provided via the UK and Scottish Governments. In spite of this support an estimated funding gap of £5.8million in 2020/21 remains and the Policy & Resources Committee at its meeting on 11 August identified funding from Reserves to meet these net estimated costs.
- 5.2 It is inevitable that there will be an on-going impact of Covid beyond 31 March, 2021 and an allowance of £3million over 2021/23 was factored into the recent Finance Strategy.
- 5.3 The Finance Strategy contained a mid-range estimated funding gap of £10.7million for the period 2021/23 prior to any increase in Council Tax. In line with previous practice an optimistic and pessimistic funding gap estimate was also provided which over the period 2021/23 ranged between £2 million and £18.6 million.
- 5.4 The Committee should note however that at this point in time there is more uncertainty around future financial settlements than at any other point in recent years. This arises from uncertainty regarding the UK Government Fiscal Strategy due to the huge levels of borrowing already undertaken to combat Covid, ongoing budget pressures at a UK, Scottish and local level arising from Covid and the impact from any future further waves of the pandemic. In addition there is another layer of uncertainty arising from any impact of Brexit which is still scheduled to take place on 31 December 2020. Therefore within this context the funding gap figures set out in the June Financial Strategy have the downside risk of being closer to the pessimistic scenario.

6.0 PROPOSALS

- 6.1 It is proposed that officers continue to proceed on the basis of developing a 2 year Budget covering 2021/23. This however will be influenced by the level of detail announced by both the UK and Scottish Governments later this calendar year.
- 6.2 Given the uncertainty it is important that the Council commences the Budget process. The following approach is therefore proposed:
 - a) The Members' Budget Working Group will continue to meet on a regular basis to consider updates in respect of short and medium term Covid costs as well as to consider the emerging 2021/23 Budget position.
 - b) The Corporate Management Team will review all savings proposals developed as part of the 2020/21 Revenue Budget and carry out this review in the context of service delivery changes made during Covid and likely future pressures and opportunities.

- c) Engagement with the Trades Unions via the Joint Budget Group will continue and the Chief Executive will continue to issue communications to employees.
- d) There will be an update to each standing meeting of the Policy & Resources Committee until the budget is agreed.

7.0 IMPLICATIONS

7.1 Finance

At this point in time there are no financial implications for the Committee to consider however it would be the intention to identify any opportunities to reduce the funding gap via the regular reports to the Committee over coming months.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

7.2 Legal

There are no legal implications arising from this report.

7.3 Human Resources

At this point in time there are no HR matters arising from the 2021/23 Budget.

7.4 Equalities

Equalities

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

	YES (see attached appendix)
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

7.5 Repopulation

There are no repopulation issues arising from this report.

8.0 CONSULTATIONS

8.1 The Corporate Management Team support the proposals included in this report.

9.0 BACKGROUND PAPERS

9.1 None