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<b>Report To:</b>	<b>The Inverclyde Council</b>	<b>Date:</b>	<b>3 December 2020</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/109/20/AP</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>01475 712223</b>
<b>Subject:</b>	<b>2021/23 Revenue Budget</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to update the Council on the latest position of the 2021/23 Revenue Budget and to then consider further proposals which would provide greater certainty of the impact of the 2021/23 Budget on the local community and Council workforce.

## 2.0 SUMMARY

- 2.1 The November Policy & Resources Committee agreed that officers should continue to develop proposals for a 2021/23 Revenue Budget to be considered by the Council at the next scheduled meeting on 3 December 2020. The proposals were to incorporate the Inverclyde Jobs Recovery Plan and the use of a significant level of Reserves to minimise the impact on delivery of services to the community.
- 2.2 The Cabinet Secretary for Finance has advised that the 2021/22 Draft Budget will not be presented to the Scottish Parliament until the 28 January, 2021. In addition it is not clear what restrictions there could be regarding Council Tax increases in 2021/22. In light of this it would not be appropriate for the Council to agree a final 2021/22 Revenue Budget or formally approve the level of Council Tax at today's meeting.
- 2.3 The Members' Budget Working Group (MBWG) has however been considering each of the main building blocks of the Budget and has developed proposals for consideration by the Council which could provide clarity on the key issues of service delivery and job security for the next financial year (2021/22) and provide a clear direction of travel for 2022/23.
- 2.4 The Finance Strategy reported earlier in this agenda shows a 2021/23 funding gap of £10.25million before the consideration of any further savings or increases in Council Tax. The MBWG recognise it is not sustainable to meet a funding gap of this level from Reserves and that it would also pass an unrealistic financial burden onto the new Council elected in May, 2022. In light of this, specific proposals are made in the report and appendices which if agreed could see the funding gap reduce to £3.4 million in 2021/22 and £7.032million over 2021/23.
- 2.5 A funding gap of this order remains too large for the new Council to be able to address in a single year and with a significant element of the available Reserves being proposed to be used as part of this report then there would be limited options for the new Council to consider other than unprecedented reductions in service or increases in Council Tax/charging levels. In light of this the Chief Financial Officer would recommend an upper limit of no more than £4million (2% of net Budget) should remain unfunded by March, 2022.
- 2.6 There are a large number of unknowns at this point in time in both 2021/22 and 2022/23. This includes the Revenue Grant levels, pay awards, general inflation, restrictions on Council Tax increases and the detailed application of the Fiscal Flexibilities. Therefore whilst the report makes assumptions around these, greater clarity will be forthcoming around these matters over coming months. This however does not mean the Council cannot make decisions around the use of Reserves or indicative levels of Council Tax today, however Council Tax and the final 2021/22 Budget should be confirmed in the normal timescales in February/March, 2021.

- 2.7 Appendix 2 provides details of further savings and adjustments for consideration. These are all supported by the MBWG. The appendix also includes a recommended 3.0% increase in Council Tax for both 2021/22 and 2022/23. Appendix 3 shows the annual and weekly impact of a 3% increase in Council Tax for those not in receipt of Council Tax Reduction support. In the event that Members decide not to increase Council Tax in 2021/22 then a further £950,000 one off funding from Reserves will be required in 2021/22 and recurring savings of the same value would need to be identified from 2022/23 onwards.
- 2.8 Appendix 4 shows the overall 2021/23 Revenue Budget position on the basis that the proposals in Appendix 1 and Appendix 2 are approved. It can be seen that this leaves a minimum estimated funding gap of £3.032million to be addressed between now and March, 2022 in order not to pass an unrealistic funding burden onto the new Council in May, 2022.
- 2.9 Appendix 5 provides a statement of the level of Reserves required to fund the 2021/23 estimated funding gap, the Inverclyde Jobs Recovery Fund and current one-off funding pressures including an allowance for Covid costs in 2021/22. The appendix thereafter provides details of the proposals to meet the £16.2million funding requirement. The proposed write-back of some of the Town Centre funding was not unanimously supported by the MBWG.
- 2.10 Officers will continue to review all estimates and allowances in light of updated information and report updated figures to the next Policy & Resources Committee and the next meeting of the Council in February once the detail of the Local Government Budget settlement is clearer.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Council notes the latest position of the 2021/23 Revenue Budget and the advice from the Chief Financial Officer regarding the impact on the new Council were an excessive Revenue Budget funding gap to remain in May, 2022
- 3.2 It is recommended that the Council approves the unavoidable Pressures in Appendix 1 and proposals to reduce the funding gap set out in Appendix 2.
- 3.3 It is recommended that the Council approves the proposals in Appendix 5 for the use and source of Reserves noting that there may be the opportunity to allocate resources to Town Centres as part of the approval of the 2021/24 Capital Programme in early 2021.
- 3.4 It is recommended that the Council notes the ongoing work to reduce the 2021/23 funding gap, the number of significant matters yet to be clarified and that updates will be reported to Policy & Resources Committee and the Council in February, 2021.
- 3.5 It is recommended that the Council notes the intention to set the level of Council Tax for 2021/22 at the next scheduled Council Meeting on 18 February.

**Alan Puckrin**  
**Chief Financial Officer**

## **4.0 BACKGROUND**

- 4.1 The November Policy & Resources Committee agreed that officers should continue to develop proposals for a 2021/23 Revenue Budget to be considered by the Council at the next scheduled meeting on 3 December, 2020. The aim of taking key budget decisions before Christmas is to provide clarity to the local community on service levels, clarity to employees on job security and clarity to partners on funding levels, as a minimum, for the next financial year.
- 4.2 At the same meeting the Committee agreed that the £6million Jobs Recovery Plan be factored into the proposals for 2021/23 Revenue Budget.
- 4.3 The Cabinet Secretary for Finance has advised that the 2021/22 Draft Budget will not be presented to the Scottish Parliament until 28 January 2021 and as such, uncertainty exists regarding the level of Revenue Grant funding the Council will receive during 2021/22. Additionally, it is not clear what, if any, restrictions will be in place for the increase in Council Tax.
- 4.4 In addition, whilst the Cabinet Secretary wrote to Councils on 8 October regarding £600million of Fiscal Flexibilities, detailed work is ongoing to see how this level of funding can be freed up.
- 4.5 The MBWG has continued to meet on a regular basis to develop the proposals submitted today whilst the CMT has met on a regular basis with the Trades Unions at the Joint Budget Group.

## **5.0 LATEST POSITION**

- 5.1 Following the November Policy & Resources Committee, the estimated 2021/23 funding gap was £10.25million prior to the consideration of any further adjustments/savings or increase in Council Tax. This includes the unavoidable Budget Pressures listed in Appendix 1.
- 5.2 The November Policy & Resources Committee highlighted 2 specific risks associated with passing over an excessive funding gap to the new Council due to be elected in May 2022:
  - The level of reserves required based on the current funding gap and the Inverclyde Jobs Recovery Plan is significant and as such Members will need to review existing earmarked Reserves and the Capital Programme and identify projects which are dropped or deferred until after the 2021/23 Budget period.
  - Members will need to understand that the use of Reserves at a material level to balance the Budget is a time limited solution which will mean that the financial challenge facing the new Council post the May 2022 election are likely to be amplified to a level which has not been experienced before.

In order to provide some guidance to Members, the Chief Financial Officer would not recommend that unfunded budget gap of any more than £4.0million remains at March, 2022. This represents approximately 2% of the net recurring budget.

- 5.3 In light of this advice, the MBWG has continued to consider ways by which the funding gap could be reduced. Appendix 2 provides details of further savings and adjustments for consideration. These are supported by a large majority of the MBWG and includes a recommended 3.0% increase in Council Tax for both 2021/22 and 2022/23.
- 5.4 Appendix 3 shows the annual and weekly impact of a 3% increases in Council Tax for those not in receipt of Council Tax Reduction support. Members are asked to note that around 25% of households are in receipt of Council Tax Reduction and will not be impacted by any increase in Council Tax.

- 5.5 Appendix 4 shows the overall 2021/23 Revenue Budget position on the basis that the proposals in Appendices 1 and 2 are approved. It can be seen that this leaves a minimum estimated funding gap of £3.032million to be addressed between now and March 2022 in order not to pass an unrealistic funding burden onto the new Council in May 2022.
- 5.6 Appendix 5 provides a statement of the level of Reserves required to fund the 2021/23 estimated funding gap, the Inverclyde Jobs Recovery Fund and current one-off funding pressures including an allowance for Covid costs in 2021/22. The appendix thereafter provides details of the proposals to meet the funding requirement. The proposed write-back of some of the Town Centre funding was not unanimously supported by the MBWG.
- 5.7 Included in the proposals is the proposal to utilise the Fiscal Flexibility for the 4 PPP schools within Inverclyde which would allow the schools to be accounted for on the basis of a 45 year life rather than 30 years at present. By combining this with the Loans Charges earmarked reserve projections, it may be possible to generate net £5.3million reserves and a £400,000 annual saving from 2022/23. Members need to be aware that until the detailed Regulations are made available then these figures are caveated.
- 5.8 Whilst figures will undoubtedly continue to move as further clarity is received, by the Council agreeing maximum funding gap for 2022/23 and taking decisions around Reserves, savings and indicative Council Tax increases then it allows clarity to be given to the local community and employees at least until 31 March 2022. In addition, there is also a clear direction of travel for the Budget to be set by this Council in March 2022.

## **6.0 NEXT STEPS**

- 6.1 There are a large number of unknowns at this point in time in both 2021/22 and 2022/23. This includes the Revenue Grant levels, pay awards, inflation and restrictions on Council Tax increases as well as the Fiscal Flexibilities detailed. Therefore whilst the proposals in this report makes assumptions around these, greater clarity will be forthcoming around these matters over the short and medium-term. This uncertainty however does not mean the Council cannot make decisions around the use of Reserves or indicative levels of Council Tax today although these cannot be confirmed until February/March, 2021.
- 6.2 Officers will continue to review all estimates and allowances in light of updated information and report updated figures to the next Policy & Resources Committee and the next meeting of the Council in February once the detail of the Local Government Budget settlement is clearer.

## **7.0 IMPLICATIONS**

### **7.1 Finance**

The proposals in this report if agreed will significantly reduce Council reserves and leave an estimated £2.68million funding gap to be closed by March 2022 in order to leave an unfunded £4million deficit for the new Council to address.

## Financial Implications:

### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Various	Various	21/22	£3.2 million		Pressures as per Appendix 1 plus £1 million Covid contingency and funding shown in Appendix 5
Regeneration	Various	21/23	£5.6 million		Net cost of Jobs Recovery Plan
General Fund	Deficit	21/23	£7.4 million		21/22 deficit per Appendix 4 plus £4million maximum deficit as a March,2022
Various	Various	21/23	(£16.2 million)		Proposals in Appendix 5

### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if Applicable)	Other Comments
Various	Various	21/22	£0.95million		Recurring pressures per Appendix 1
Various	Various	21/23	(£1.288 million)		Savings/Adjustments per Appendix 2
Council Tax	Income	21/23	(£1.93million)		Proposed 3% Council Tax increases 2021/23

## 7.2 Legal

The Council has a legal requirement to approve the level of Band D Council Tax for the forthcoming Financial Year and it is proposed that this be agreed in February, 2021 once the Local Government Budget has been announced.

## 7.3 Human Resources

The pressures and savings proposals in this report will have a neutral impact on Council jobs whilst the Jobs Recovery proposal is projected to create over 200 job opportunities in the community of which over 100 will be created in the Council.

## 7.4 Equalities

### Equalities

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

YES (available on request for the Jobs Recovery Plan and relevant savings proposals)

	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
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(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?

X	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
	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**

The Jobs Recovery Plan will create opportunities for local jobs and help the Council retain working age families in the area whilst the greater certainty created in progressing a 2 year budget will reassure Council employees and service users and help generate certainty and stability.

**8.0 CONSULTATIONS**

8.1 This proposals in this report has been endorsed by a large majority of the MBWG and discussed with the Trades Unions at the JBG.

**9.0 BACKGROUND PAPERS**

9.1 None

**2021/23 Budget - Unavoidable Pressures**

Pressure Area	Recurring		One Off
	21/22 £000	22/23 £000	£000
<u>HSCP (Note 1)</u>			
Children Residential Placements	300	300	600
Learning Disability Client Commitments	350	350	350
Homelessness	150	150	-
<u>ECOD</u>			
IL Management Fee (Note 2)	-	-	700
Covid Cleaning and PPE (Note 2)	-	-	220
<u>ERR</u>			
ICT Resources (Note 3)	35	120	-
<u>Corporate</u>			
2021/22 Council Tax collection (Note 2)	-	-	330
	<b>835</b>	<b>920</b>	<b>2200</b>

Notes

- 1/ In the event the IJB receives increased funding for demographic pressures or has a better reserves position than projected, then the sums allocated by the Council will be reviewed/reduced.
- 2/ These costs will be included in the Covid allowance budget.
- 3/ A further £30,000 will be required in 2023/24.
- 4/ Excludes all inflationary pressures which will be contained in the Inflation Contingency.

AP/LA  
10.11.20

**2021/23 Budget  
Savings & Adjustments for December Council**

<b>ERR</b>	<b>Savings 2021/22 £000</b>	<b>Savings 2022/23 £000</b>	<b>Comments</b>	<b>FTE</b>
1/ Do not re-open cashier function in the CSC based on Covid period experience	12	12	Public have moved to other payment channels. Saving is net of SLA income reduction with RCH. Saving achieved via VER	1
2/ AMP Funding model closure	78	78	The AMP Depot and Office models were created in 2010 and are now delivered. The residual recurring balance can now be written back.	0
3/ New cremators- operating cost savings	0	27	Annual savings will be £54k from 2023/24	0
4/ CCTV- Continue an element of single shift working implemented during Covid period	14	14	Service has been delivered effectively during Covid. Employee signed up to VER in previous Budget round	0.8
5/ Public Protection - Restructure	76	76	Employee reduction can be addressed via vacant posts and VER.	2
<b>ECOD</b>				
1/ Reduce Free Swimming for U16 Subsidy	100	100	Report to Education & Communities Committee detailing proposals for use of the remaining £80,000.	0
2/ Post No. 1 (See private appendix for description of post)	18	24	Recent restructure minimises the impact of the loss of this post.	1
3/ SEMP Funding Model Review	200	200	Recurring saving following review of loans charges and other costs as part of the Finance Strategy	0
<b>HSCP</b>				
1/ Post No. 2 (See private appendix for description of post)	0	57	Saving would be achieved by VER/Retiral	1
<b>Corporate</b>				
1/ Reprofile PPP principal payments in line with Fiscal Flexibilities	0	400	Based on £3.3million Prudential Borrowing to supplement Reserves and balance of recurring saving being applied to the funding gap. This saving is provisional until the detailed Regulations are signed off	0
2/ Unallocated Inflation Contingency	0	300	Balance of 2022/23 Non-Pay Inflation Contingency assessed as not being required	0
3/ Council Tax increase 2021/22 & 2022/23	950	1930	Based on 3% increase and 97% collection rate	0
<b>Total</b>	<b>1448</b>	<b>3218</b>		<b>5.8</b>

AP/CM  
16 November, 2020



**Council Tax Impact of a 3% Increase in 2021/22**

Band	Chargeable Properties*	Band Value	Multiplier	Annual Increase	Weekly Increase	2021/22 Council Tax
A*			200/360	£22.20	£0.43	£762.11
A	18,917 (48.36%)	£0 - £27,000	240/360	£26.64	£0.51	£914.53
B	5,999 (15.34%)	£27,001 - £35,000	280/360	£31.08	£0.60	£1,066.96
C	3,573 (9.14%)	£35,001 - £45,000	320/360	£35.52	£0.68	£1,219.38
D	3,402 (8.70%)	£45,001 - £58,000	360/360	£39.96	£0.77	£1,371.80
E	3,639 (9.30%)	£58,001 - £80,000	473/360	£52.50	£1.01	£1,802.39
F	1,930 (4.93%)	£80,001 - £106,000	585/360	£64.93	£1.25	£2,229.18
G	1,438 (3.68%)	£106,001 - £212,000	705/360	£78.25	£1.50	£2,686.44
H	217 (0.55%)	£212,0001 +	882/360	£97.89	£1.88	£3,360.90

**Note** - Estimated to be 39,115 Chargeable Properties

AP/LA



Notes:

a) Anticipated Grant Cut - Per Finance Strategy	1,000,000
Pay Inflation Allowance - Per Finance Strategy & Additional Funding Approved	3,000,000
Non Pay Inflation Allowance - Per Finance Strategy	1,500,000
General Pressures Allowance - Per Finance Strategy	800,000
Savings Approved P&R September 2017 - Loans Charges	(300,000)
Savings Approved P&R September 2019	(49,000)
Savings Approved P&R November 2019	(311,000)
Savings Approved Full Council March 2020	(124,000)
School Transport Pressure - Approved November 2019 (£70k FYE)	18,000
<b>Budget 2021/22</b>	<b>5,534,000</b>
Proposed Savings P&R November 2020	(683,000)
Proposed Savings P&R December 2020	(1,448,000)
<b>Revised Budget 2021/22</b>	<b>3,403,000</b>
Anticipated Grant Cut - Per Finance Strategy	1,000,000
Pay Inflation Allowance - Per Finance Strategy	3,000,000
Non Pay Inflation Allowance - Per Finance Strategy	1,500,000
General Pressures Allowance - Per Finance Strategy	400,000
Savings Approved P&R September 2017 - Loans Charges	(300,000)
Savings Approved P&R September 2019	(40,000)
Savings Approved P&R November 2019	(149,000)
Proposed Savings P&R November 2020	(12,000)
Proposed Savings P&R December 2020	(1,770,000)
<b>Budget 2022/23</b>	<b>7,032,000</b>

## 2021/23 Budget Strategy - Reserves Position - 11 November 2020

<u>Demands</u>	<u>21/22</u> <u>£000</u>	<u>22/23</u> <u>£000</u>	<u>Total</u> <u>£000</u>	<u>Notes</u>
Covid Costs Post 1.4.21- Time Limited	1750	500	2250	Per Pressures Summary Sheet plus £1million allowance for new costs
One off Budget Pressures	600	350	950	Per Appendix 1
Inverclyde Jobs Recovery Plan	3600	2000	5600	Per report to 17.11.20 P&R Committee, net of £400k funded from exiting Regeneration EMR, including the Town Centre Business Development post from the T&VC EMR (£100k)
2021/23 Funding Gap post Council Tax increase	3400	4000	7400	Per Appendix 4 and with 2022/23 Funding Gap limited to £4.0million.
<b>Total Demands</b>	<b>9350</b>	<b>6850</b>	<b>16200</b>	
<u>Funding</u>	<u>21/22</u> <u>£000</u>	<u>22/23</u> <u>£000</u>	<u>Total</u> <u>£000</u>	<u>Notes</u>
Projected Free Reserves 31.3.21	469	0	469	Per P6 Monitoring
Unallocated Covid Allowance	2000	0	2000	Assumes further funding from unallocated consequential and the Income Scheme
Revenue Reserves to be written back	5392	0	5392	See over
Reduction in Capital Programme	3239	0	3239	See over
Fiscal Flexibilities - PPP One Off	2000	0	2000	Accumulated saving to 31.3.21 based on 45 year depreciation period. Subject to confirmation
- PPP Borrowing	3100	0	3100	Balance needed to generate Reserves required. £3.3million available. Subject to confirmation
<b>Total Funding</b>	<b>16200</b>	<b>0</b>	<b>16200</b>	

**2021/23 Budget - Proposed Reductions to Earmarked Reserves**

Earmarked Reserve	Reduction £000	Rationale/Impact
Community Fund	7	Unallocated amount from the former Participatory Budget reserve
Major Events 19/21	60	Remaining balance from the sum set aside in 2019. £80k written back in August 2020 to meet unfunded Covid costs
Year of Young People	40	Leaves £20k for events from 2021.
Asset Management Plan	60	Remaining balance now project effectively completed
Repopulating/Promoting Inverclyde	125	Propose to write back uncommitted funding
City Deal	500	One off reduction in the accumulated reserve which has arisen over the last 5 years. Leaves sufficient to help meet unfunded costs should these arise.
Safer Streets/ Active Travel	300	Funding allocated over the 2019 and 2020 Budgets. Council now has access to ring fenced Scottish Government funding which would achieve similar aims.
Early Retirement Fund	1000	Proposed contribution to the VER costs which forms part of the Inverclyde Jobs Recovery Fund
Cloud Technology	300	Project progressing and costs becoming clearer. Can be delivered within the remaining £600k.

**2021/23 Budget - Proposed Reductions to Earmarked Reserves**

2020/23 Revenue Budget Smoothing Reserve	3000	Allocated in March 2019, the sum is proposed to be used for the purpose for which it was allocated.
	5392	

AP/LA  
 11/11/2020

**2021/23 - Proposed Reductions to the 2020/23 Capital Programme**

Project	Reduction £000	Rationale/Impact
RAMP_ Covid Allowance	600	No impact expected as prices have not increased and sufficient work for internal team.
Scheme of Assistance	400	Each year a sum of around £500k is slipped into future years as a contingency. Proposal is to give up some of this. Demand being met by recurring annual allowance.
Play Area Strategy	300	Members allocated £400k towards the Play Area Strategy. Proposals have not been developed yet. Could be given up given higher priorities and considered in future Capital Programme.
Feasibility Studies	90	A general allowance was allocated as part of the March 2020 Budget to carry out feasibility studies into a number of projects identified by Members. Given the pressures on the Council finances and officer resources for the next 2-3 years it is proposed to write the majority of this allowance back.
Barrs Brae Steps	40	Project was added to the Capital Programme in March , 2020. Proposed to defer the project until 2023/24.
Town & Village Centres	1009	Members allocated a further £700k for Town & Village Centres in March 2020. Option is to give £600k this up along with £325k for strategic purchases within Greenock Town Centre given receipt of a further £235k Grant from the Scottish Government. Balance relates to residual unallocated sums and leaves £120k for new projects.
2021/23 Headroom	800	Policy is to have up to 5% headroom to allow for extra resources/projects dropping out. Currently have around £800k headroom.
	3239	

AP/LA  
11/11/2020