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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>10 August 2021</b>
<b>Report By:</b>	<b>Interim Service Director, Corporate Services &amp; Organisational Recovery</b>	<b>Report No:</b>	<b>FIN/41/21/AP/LA</b>
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<b>Subject:</b>	<b>Proposed Budget Strategy 2022/23</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to seek Committee approval for the proposed Budget Strategy for 2022/23. The proposals are supported by the Members Budget Working Group.

## 2.0 SUMMARY

- 2.1 As part of the budget agreed in March 2021 Members agreed in principle to allocate up to £4million from Reserves towards reducing the budget gap in 2022/23 based on an understandable reluctance to implement significant savings whilst in the Covid Recovery period. The implications of this approach for the new Council Administration post May 2022 have been highlighted to Members most recently in the Financial Strategy report considered by the Council on the 10<sup>th</sup> June.
- 2.2 The June Financial Strategy estimated that even after the one off use of £4 million from the Reserves, there is an estimated funding gap of approximately £1.4 million in 2022/23 before consideration of any increase in Council Tax. This position is based on a 2.5% pay award which has been rejected by the Trades Unions who are seeking parity with the Health award of approximately 4%.
- 2.3 There is therefore the need for a savings exercise to be progressed by Officers in order that Members have the flexibility beyond increasing Council Tax to address any adverse changes from the assumptions made in the Financial Strategy. Subject to Committee accepting the need for a savings exercise then a report would be brought to the MBWG for consideration.
- 2.4 Any savings exercise needs to be viewed in the context of the tens of millions of pounds of extra funding distributed by the Council during 2020/21 and 2021/22 arising from time limited Covid grants and the use of the Councils own reserves. As the bulk of this funding is time limited it creates a cliff edge which, even without a savings exercise, will have a noticeable impact the local community and businesses.
- 2.5 One potential change to the Budget approach for consideration is in how the Council engages with the IJB in terms of calculating both how the contribution to the IJB is calculated and how savings proposals are developed. The approach adopted in many other Council's is that the development of savings is led by the IJB with the Council taking a less hands on approach.
- 2.6 There is an outstanding remit to look at ways by which the Capital Programme could be enhanced and a report will be prepared later in the Autumn with the intention that these proposals do not add further pressure onto the Revenue Budget.

- 2.7 Whilst the Council continues to hold a healthy level of reserves which now includes significant sums allocated towards mitigating the impacts of Covid, the reality is that there is very little which is not allocated to specific projects and policy priorities. Looking beyond the 2022/23 Revenue Budget and the clear challenges ahead it would be appropriate to take opportunities to increase the Free Reserves to support the Budget Strategy for the new Council Administration post May 2022.
- 2.8 Finally, thought will need to be given regarding the level of public consultation to take place during this budget round including the impact via EIA's, Fairer Scotland and most recently the UNCRC requirements. Proposals in respect of public consultation need to be developed and approved at the next meeting of the Committee.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee considers the contents of this report and approve the following:
- a) That the next budget consist of a single revenue year i.e. 2022/23
  - b) That the Capital Programme be rolled forward for a further year to cover 2022/25.
  - c) That the Chief Financial Officer engage with the IJB CFO and IJB Chief Officer and develop proposals for the approach in agreeing the Council's contribution to the IJB in 2022/23.
  - d) That proposals for a savings exercise are developed based on the latest financial projections.
  - e) That it is recognised that there is a need to generate free reserves for use as part of the budgets post 2022/23.
  - f) That a report be brought back by the Corporate Director, Education, Communities & Organisational Development on proposals for public consultation in relation to the budget including the process for progressing Equality Impact Assessments, Fairer Scotland Assessments and meeting the requirements of the UNCRC legislation.

**Alan Puckrin**  
**Interim Service Director, Corporate Services & Organisational Recovery**

## **4.0 BACKGROUND**

- 4.1 The Council approved the 2021/22 Revenue Budget and 2021/24 Capital Programme on 18 March, 2021. At the same meeting an indicative funding gap for 2022/23 of £5.431million was reported prior to any increase in Council Tax.
- 4.2 Members agreed in principle to allocate up to £4million from Reserves towards reducing the budget gap in 2022/23 based on an understandable reluctance to implement significant savings whilst in the Covid Recovery period.
- 4.3 The implications of this approach for the new Council Administration post May 2022 have been highlighted to Members most recently in the Financial Strategy report considered by the Council on the 10<sup>th</sup> June.

## **5.0 CURRENT POSITION**

- 5.1 The June Financial Strategy estimated that even after the one off use of £4 million from the Reserves, there is an estimated funding gap of approximately £1.4 million in 2022/23 before consideration of any increase in Council Tax. The estimated funding gap increases to £11.4million by 2023/24 prior to any increase in Council Tax.
- 5.2 The above position is based on a 2.5% pay award which has been rejected by the Trades Unions who are seeking parity with the Health award of approximately 4%. Were this to be agreed then a further £1.7 million would be added to the funding gap unless there is further funding from the Scottish Government.

### **5.3 Savings**

Based on the above then it would be appropriate for a proportionate savings exercise to be progressed by Officers in order that Members have the flexibility beyond increasing Council Tax to address any adverse changes from the assumptions made in the Financial Strategy. The lead in time requires work to commence on this by late summer and as such a report will be prepared for consideration by the MBWG.

- 5.4 In making this proposal it is acknowledged that Elected Members will be keen to minimise savings which impact on service delivery and any savings exercise needs to be viewed in the context of the tens of millions of pounds of extra funding distributed by the Council during 2020/21 and 2021/22 arising from time limited Covid grants and the use of the Councils own reserves.

As the bulk of this funding is time limited it has created a cliff edge which, even without a savings exercise, will have a noticeable impact the local community and businesses.

### **5.5 Integrated Joint Board**

One potential change to the Budget approach is in how the Council engages with the IJB in terms of calculating both how the contribution to the IJB is calculated and how savings proposals are developed. Since the formation of the IJB the Council has affectively treated its allocation to the IJB in the same way as the allocation of resources to the other Directorates within the Council with savings and pressures being considered via the Council governance processes prior to being considered by the IJB.

- 5.6 The approach adopted in many other Council's is that the development of savings/funding of pressures is led by the IJB with the Council taking a less hands on approach. Whilst Elected Members will have understandable anxiety in not being directly involved in the detail of the IJB budget formulation, a more hands off approach is in line with the intention of the IJB legislation and will be easier for the IJB to manage now that there is a dedicated Finance Team reporting to a full time IJB Section 95 Officer.

## 5.7 Capital

The capital programme is coming under increasing pressure with Government Grant being over £2million less than the basic annual investment requirements for the Council's core assets. Some action around increasing Prudential Borrowing has been agreed but this adds to the revenue funding gap.

5.8 As part of the March Budget it was agreed that officers should look at how the Capital Programme could be enhanced and a report will be prepared in the Autumn with the intention that these proposals do not add further pressure onto the Revenue Budget.

## 5.9 Reserves

Whilst the Council continues to hold a healthy level of reserves which now includes significant sums allocated towards mitigating the impacts of Covid, the reality is that there is very little which is not allocated to specific projects and policy priorities. The unaudited accounts have confirmed the position with the "Free Reserves" being under £1million.

5.10 Looking beyond the 2022/23 Revenue Budget, unless there is a significant improvement in the funding of Local Government then the Council is likely to have to undertake a major redundancy trawl in the first years of the new Administration. This will require an increase in the existing remaining VER EMR balance of £1.5million. It would therefore be appropriate to consider that any Free Reserves identified during the Budget process should be ring fenced to support the Budget Strategy post May 2022.

## 5.11 Consultation

Thought will need to be given regarding the level of public consultation to take place during this budget round. Last year there was very limited consultation but with the continued drive for greater community involvement in Council decisions and a need for budgets to consider the impact via EIA's, Fairer Scotland and most recently the UNCRC requirements then proposals in respect of public consultation need to be developed and approved in the next month or two.

5.12 In addition, the usual engagement with the TUs via the JBG will need to recommence along with Council wide communications.

## 6.0 IMPLICATIONS

### 6.1 Finance

None at this time.

#### 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					

## 6.2 Legal

None at this time.

## 6.3 Human Resources

None at this time

## 6.4 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

## 6.5 Repopulation

None at this time.

## 7.0 CONSULTATIONS

7.1 The MBWG support the proposals in this report and the report has been discussed with the TU's at the Joint Budget Group.

## 8.0 BACKGROUND PAPERS

8.1 None

