
Report To:	Policy & Resources Committee	Date:	16 November 2021
Report By:	Interim Director, Finance & Corporate Governance	Report No:	FIN/63/21/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	2022/23 Budget Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to update the Committee on the current position of the 2022/23 Revenue Budget, the work being under taken via the Members Budget Working Group (MBWG) and planned timescales for further reports.

2.0 SUMMARY

- 2.1 On the 10 August, 2021 the Committee took a number of decisions regarding the 2022/23 Budget process as follows:
- 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 Councils 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.
- 2.2 Based on there being a UK Spending Review on 27 October, the Cabinet Secretary for Finance & the Economy has confirmed that the Scottish Budget 2022/23 will be announced on 9 December, 2021 with the detail being available a week later. It has been confirmed that the announcement will be for one year only and any announcements regarding future years will not be expected until spring 2022.
- 2.3 The pay award negotiations are not yet concluded with the current offer currently exceeding the 2021/22 Budget allowance by approximately £0.2 million. In addition the Committee will be aware of the announced National Insurance increase plus various inflationary pressures including energy, fuel and food costs. Finally, the latest advice from the Council's Treasury advisors is that interest rates may rise sooner and faster than previously thought. All these matters are putting pressure on the Council's Revenue Budget.
- 2.4 The CMT have identified unavoidable pressures in 2022/23 totalling £1.21 million which is £0.93 million more than the available allowance and are shown in Appendix 1. It can be seen that a number specifically relate to the on-going impacted by Covid. These pressures are in addition to the £798,000 extra funding provisionally allocated to Inverclyde Leisure in 2022/23 funded on a one off basis from the Covid Reserve.
- 2.5 Appendix 2 contains a list of adjustments and savings which have no or limited impact on current levels of service. It can be seen that these proposals come to £380,000 and will result in the deletion of 5.4fte vacant posts. The CMT have drafted savings options for discussion with the JBG and consideration by the MBWG. Work is being finalised on the detail of the options

and it is intended that the MBWG will begin detailed consideration immediately after the Christmas break with all Members being issued the usual detail in that time frame.

- 2.6 Having considered the matter the MBWG recognise that there is merit in the Council commencing a targeted voluntary severance trawl prior to Christmas. The details of this and the areas involved are being developed via the MBWG and JBG and it is intended will be addressed in a report to the Council on 2 December, 2021.
- 2.7 Section 6 provides an update in respect of the proposed approach to determine the Council contribution to the IJB. Having considered the matter and after discussion with the IJB Chief Officer and Chief Financial Officer it is recommended that:
- The start point for the 2022/23 Council contribution to the IJB is the 2021/22 current approved contribution.
 - No new pressures aside from funding for the 2022/23 Pay Award/NI increase are added to the Council's contribution to the IJB in 2022/23.
 - The Social Care savings proposals continue to be included in the overall savings review with the MBWG and JBG.
 - Any new 2022/23 Scottish Government funding for Social Care be pass-ported to the IJB
 - The IJB CO and IJB CFO have advised that, subject to IJB approval, they will progress a full review of all IJB reserves to significantly increase available reserves to support a Spend to Save programme over 2022/23
 - A review of the proposed process is carried out in the spring of 2022 before agreeing with the IJB the approach to be used from 2023/24.
- 2.8 Overall the 2022/23 Budget process is proceeding as planned with the main building blocks in progress and key dates confirmed. Based on the expectations from the December Scottish Government Budget Announcement, it would be expected that a clearer understanding of the remaining funding gap will be known prior to the Christmas break.
- 2.9 Appendix 3 provides a summary of the latest estimated funding gap prior to the Pay Award for 2021/22 being concluded and the Council 2022/23 Grant settlement being known. Based on these figures and even after allowing for a Council Tax increase it can be seen that it is likely that savings will be required in 2022/23 even after the use of £4.0million Reserves. The illustrative 2023/24 position is also shown for information and shows the potential scale of the funding gap to be addressed by the new Council post May 2022.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the current position of the 2022/23 Budget and that the Scottish Government Budget announcement is due to be announced by the Scottish Government on 9 December 2021.
- 3.2 It is recommended that the Committee approve the unavoidable Budget pressures summarised in Appendix 1.
- 3.3 It is recommended that the Committee approve the adjustments/savings summarised in Appendix 2.
- 3.4 It is recommended that the Committee approve the proposed approach to determining the Council contribution to the IJB for 2022/23 as set out in section 6 of the report.
- 3.5 It is recommended that the Committee note the latest estimated 2022/23 Budget funding gap based on the assumption that 3.2-3.4 are approved.
- 3.6 It is recommended that the Committee note the proposed next steps and timescales for reporting back to Committee and the Full Council.

Alan Puckrin
Interim Director, Finance & Corporate Governance

4.0 BACKGROUND

- 4.1 On the 10 August, 2021 the Committee took a number of decisions regarding the 2022/23 Budget process as follows:
- 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 Councils 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.
- 4.2 As part of the Budget 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 on a number of occasions.
- 4.3 The June Financial Strategy estimated that even after the one off use of £4 million from the Reserves, there was an estimated funding gap of approximately £1.4 million in 2022/23 before consideration of any increase in Council Tax. Officers have highlighted pressures around pay, increases in National Insurance and reductions in income/increases in demand caused by Covid and other factors.
- 4.4 The Capital Programme is coming under increasing pressure with Government Grant estimated to be £2.5 million less than the basic annual investment requirements for the Council's core assets. Increasing Prudential Borrowing by around £1.5million per year has been agreed but this adds £100,000 every year to the revenue funding gap.

5.0 CURRENT POSITION

- 5.1 Based on there being a UK Spending Review on 27 October, the Cabinet Secretary for Finance & the Economy has confirmed that the Scottish Budget 2022/23 will be announced on 9 December, 2021 with the detail being available a week later. It has been confirmed that the announcement will be for one year only and any announcements regarding future years will not be expected until spring 2022.
- 5.2 It is also expected that following the new co-operation agreement between the Scottish Government and the Greens that it is likely that there will be much less scope for late changes to the Local Government Grant settlement. This does have the advantage of giving Members greater certainty regarding the funding gap to be closed but also has truncated the lobbying period by Cosla.
- 5.3 The pay award negotiations are not yet concluded and the current offer currently exceeding the 2021/22 Budget allowance by £0.2 million. In addition the Committee will be aware of the announced National Insurance increase plus various inflationary pressures including energy, fuel and food costs. Finally, the latest advice from the Council's Treasury advisors is that interest rates may rise sooner and faster than previously thought. All these matters are putting pressure on the Council's Revenue Budget.
- 5.4 A key part of the annual Budget process is to identify unavoidable Budget Pressures. As a result of decisions relating to the 2021/23 Budget last year there is an unallocated Pressures allowance of £280,000 in 2022/23. The CMT have identified unavoidable pressures in 2022/23 totalling £1.21 million which is £0.93 million more than the available allowance and are shown in Appendix 1. It can be seen that a number specifically relate to the impact of Covid. These Pressures are in addition to the £798,000 extra funding provisionally allocated to Inverclyde Leisure in 2022/23 funded on a one off basis from the Covid Reserve.

- 5.5 Appendix 2 contains a further list of adjustments and savings which have no impact on current levels of service. It can be seen that these proposals come to £380,000 and will result in the deletion of 5.4fte vacant posts.
- 5.6 The CMT have drafted savings options for discussion with the JBG and consideration by the MBWG. Work is being finalised on the detail of the options and it is intended that the MBWG will begin detailed consideration immediately after the Christmas break with all Members being issued the usual detail in that time frame.
- 5.7 The September Policy & Resources Committee agreed the addition of £1million to the Clune Park Estate Purchase Plan allowance with the source of funding to be agreed as part of the 2022/23 Budget process. This remit is being rolled up into the wider review of the use of Reserves and development of the 2022/25 Capital Programme and will be reported back to Committee in early 2022.

6.0 DETERMINING THE IJB CONTRIBUTION

- 6.1 The Council currently fully integrates the development of the Social Care Budget within the overall Council Budget with the CMT/MBWG/JBG and formal Committees involved in the detailed assessment of pressures, savings and ultimately the proposed contribution from the Council to the IJB.
- 6.2 Over recent years the IJB has developed greater financial independence by generating reserves from either direct Scottish Government funding or from funding streams received from the Health Board or the Council. A number of these Reserves have been earmarked for redesigning services. The Council has no direct influence over the use of these Reserves with all decisions taken by the IJB. This results in a potential difference between how the Social Care Budget is determined compared to the rest of the Council Budget where Members take decisions regarding pressures/ savings and the use of Council Reserves. This difference becomes more acute as increases in ring fenced funding from the Scottish Government for Social Care continues whilst core Council Budget settlements become tighter.
- 6.3 It is in the Council's interest that the IJB has a sustainable funding position as they would call on the Council and NHS to bridge any funding gap, but in recent years the Council has increased its contribution to the IJB at a rate greater than the increase in non-ring fenced Scottish Government grant and this has had a disproportionate impact on cuts to some Council Services. This is not sustainable for the Council and a change in approach is believed to be needed. Prior to Covid the IJB was already sitting with a relatively high level of Reserves and it is proposed that the IJB consider prioritising the use of these reserves in the short term to reduce pressures on an on-going basis.
- 6.4 Officers would recommend that:
- The start point for the 2022/23 Council contribution to the IJB is the 2021/22 current approved contribution.
 - No new pressures aside from funding for the 2022/23 Pay Award/NI increase are added to the Council's contribution to the IJB in 2022/23.
 - The Social Care savings proposals continue to be included in the overall savings review with the MBWG and JBG.
 - Any new 2022/23 Scottish Government funding for Social Care be pass-ported to the IJB.
 - The IJB CO and IJB CFO have advised that, subject to IJB approval, they will progress a full review of all IJB reserves to significantly increase available reserves to support a Spend to Save programme over 2022/23.
 - A review of the proposed process is carried out in the spring of 2022 before agreeing with the IJB the approach to be used from 2023/24.
- 6.5 These proposals also require approval by IJB which was scheduled to consider them on 1 November. An update on the decision of the IJB will be given at the meeting.

7.0 CONCLUSION AND NEXT STEPS

- 7.1 The 2022/23 Budget process is proceeding as planned with the main building blocks in progress and key dates confirmed. Based on the expectations from the December Budget Announcement, it would be expected that a clearer understanding of the remaining funding gap will be known prior to the Christmas break.
- 7.2 Appendix 3 provides a summary of the latest estimated funding gap prior to the Pay Award for 2021/22 being concluded and the Council 2022/23 Grant settlement being known. Based on these figures and even after allowing for a Council Tax increase then it can be seen that it is likely that savings will be required in 2022/23 even after the use of £4.0million Reserves. The illustrative 2023/24 position is also shown for information and shows the potential scale of the funding gap to be addressed by the new Council post May 2022.
- 7.3 Having considered the matter the MBWG recognise that there is merit in the Council commencing a targeted voluntary severance trawl prior to Christmas. The details of this and the areas involved are being developed via the MBWG and JBG and it is intended will be addressed in a report to the Council on 2 December, 2021.
- 7.4 A revised Financial Strategy is due to be presented to the Council in December whilst the MBWG /JBG will continue to meet on a regular basis between now and the next update to the Committee on 1 February, 2022. A decision will be required early in 2022 regarding the proposed date for approving the Budget and Council Tax and whether, as in recent times, these 2 decisions are taken on different days.

8.0 IMPLICATIONS

8.1 Finance

All financial implications are detailed in the body of the report and appendices.

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
Various	Various	2022/23	£1,214,000 (£380,000)		Pressures partly offset by £280,000 unallocated pressures budget. See App1 Proposed adjustments/ savings per Appendix 2

8.2 Legal

There are no legal implications arising.

8.3 Human Resources

All employee implications arising from the Budget will continue to be discussed with the Trades Unions at the JBG.

8.4 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

8.5 Repopulation

There are no direct repopulation issues arising.

9.0 CONSULTATIONS

9.1 The MBWG support the proposals in this report whilst options for Public Consultation as part of the Budget will be presented to the Council on 2 December, 2021.

10.0 BACKGROUND PAPERS

10.1 Proposed Budget Strategy 2022/23 - 10.8.21 Policy & Resources Committee

Appendix 1

2022/23 Budget - Pressure Summary

Budget	Reason for Pressure	Request 22/23 £000	Request 23/24 £000
Secondary School Meal Income	There has been a marked drop off in income from meals in Secondary Schools. This accelerates a trend which existed before Covid. Whilst provision costs have reduced there is still a net funding gap.	150	150
Hand Hygiene Materials	All offices, Schools and Council buildings have had access to hand sanitiser during Covid and it is recommended this resource continues to be made available but at a reduced level.	60	60
Cremation Income	There has been a shortfall against this budget for several years which requires to be addressed.	50	50
Trade Waste Income	There has been a steady reduction in income over a number of years. The shortfall is such that this now requires to be addressed.	53	53
Planning Income	The budget was increased in 2018/19 by £135,000. Trends since then show a move to smaller but more numerous applications which generate the same workload but less income.	110	110
Environmental Services	The cost of the residual waste contract is expected to increase significantly from November 2021. Details will be reported to the October E&R Committee.	700	700
Environmental Shared Services	Members agreed the use of £91,000 from Reserves to defer the previously approved saving for 2021/22. Currently no saving is being delivered and a review is planned post May 2022 with West Dunbartonshire Council. Officers advice is that the saving is reversed pending clarification that a saving can be delivered.	91	91
Totals		1214	1214

Available allowance in 2022/23 = £280,000

**2022/23 Budget
Adjustments for November Policy & Resources Committee**

	Savings 2022/23 £000	Savings 2023/24 £000	Comments	FTE
ERR				
1/ Asset Management Plans- Remaining Balance	32	32	Project now complete and remaining recurring budget now proposed to be written back.	0
2/				
3/				
ECOD				
1/ Substitute Funding P4 Universal Free School Meals	120	120	The Scottish Government is funding universal free school meals for P4 from 2021.The sum the Council had previously budgeted for can now be removed.	0
2/				
3/				
HSCP				
1/ Learning Disability Transport -Reduction in payments to providers	25	25	Reflects under utilisation of Budget due to changes in service delivery as part of the LD Review	0
2/ Lomond View support staff	21	21	Contribution from new Education ASL funding to contribute to HSCP costs for Lomond View support staff.	0
3/				
Corporate				
1/ Deletion of Long Term vacancies	182	182	Reviewed by JBG & MBWG. No / very limited impact on service delivery .	5.4
Total	380	380		5.4

5/10/21

November 2021 Budget Position

<u>2021/23 Revenue Budget</u>	<u>£million</u>
June 2021 Finance Strategy Funding Gap	5.4
Agreed one off use of Reserves	(4.0)
September P&R Adjustments	(0.2)
Net Pressures per Appendix 1	0.9
Adjustments per Appendix 2	(0.4)
National Insurance Increase	1.1
Shortfall in Pay Award budget	?
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Current estimated funding gap in 2022/23 pre Council Tax	<u>2.8</u>

<u>2023/24 Budget Illustrative Position (Note 1)</u>	<u>£million</u>
New Inflationary Pressures	3.9
Pressure Allowance	0.6
Add back one off use of Reserves in 2022/23	4.0
Estimated Government Grant reduction	1.0
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Estimated 2023/24 funding gap pre Council Tax	<u>9.5</u>

Note 1

- Assumes - 2022/23 Budget balanced using no more than £4.0 million Reserves
- Inverclyde Leisure funding returns to pre-Covid levels.
 - IJB funding approach proposed for 2022/23 continues.

AP/LA
3/11/21