
Report To:	Policy & Resources Committee	Date:	1 February 2022
Report By:	Interim Director of Finance & Corporate Governance	Report No:	FIN/09/22/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 position of the 2022/23 Revenue Budget and 2022/25 Capital Programme following the Local Government Settlement announcement on 20 December and after taking into account subsequent information and decisions.

2.0 SUMMARY

- 2.1 The Local Government Revenue Settlement shows a 7.2% (£792million) cash increase. However, once the ring fenced funding that requires to be pass-ported to the IJB (£554 million) or used for extra employees/ policy initiatives in Education (£180million) and Child Bridging Payments (£68million) are deducted then it is Flat Cash for core Council Services.
- 2.2 The Settlement contains a number of issues which are highlighted within Section 5 of the report. COSLA Leaders expressed extreme disappointment at the Local Government Finance Settlement and requested a meeting between the First Minister and the COSLA Leadership Team (Appendix 1). The response from the First Minister dated 13 January is attached as Appendix 2.
- 2.3 Appendix 3 Page 1 shows the summary position of the Council's own settlement which was given to the Council on 20 December, 2021. After adjusting for sums not yet distributed then the gross grant reduction is £1.511million. Of this reduction, £1.136 million relates to the reduction in Early Years Specific Grant.
- 2.4 Appendix 3 page 3 shows the recalculated 2022/23 Funding Gap, (after the use of £4.0million in one off Reserves) but before any Council Tax increase. Appendix 4 details further proposed adjustments totalling £397,000 which if agreed reduces the estimated funding gap, after the one-off use of £4.0million Reserves but before any Council Tax increase to £2.028million.
- 2.5 The Capital Grant settlement for 2022/23 was very close to the £6.4million estimate being £6.353 million. The MBWG are finalising the proposed 2022/25 Capital Programme for the Council to consider which includes increased investment and once this and the transfer of £1.4million from the City Deal funding model approved at December's Council meeting is taken into account the current funding shortfall in the 2022/25 Capital Programme is £2.33million.
- 2.6 In order to be able to legally collect Council Tax from the 1st April 2022 the latest date the Council could approve Council Tax is 24 February which is a week after the scheduled Council meeting. This would result in Council Tax bills being delivered by mid-March.
- 2.7 It is the advice of the CMT that the part which Council Tax will play in balancing the 2022/23 Budget cannot be determined in isolation due to the removal of the Freeze/Cap and therefore the advice of the CMT is to approve Council Tax levels and the Budget for 2022/23 at the same meeting of the Council.

2.8 Having considered this matter the MBWG would endorse this approach and support the need for a special Council Meeting to approve Council Tax levels for 2022/23 and the Budget on 24 February, 2022.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes the Council's draft Revenue and Capital Grant settlements for 2022/23 and the correspondence between COSLA and the Scottish Government included in Appendices 1 & 2.

3.2 It is recommended that the Committee approves the Budget adjustments detailed in Appendix 4 and thereafter note the latest estimated 2022/23 net Revenue Budget funding shortfall of £2.028million.

3.3 It is recommended that the Committee notes the current position of the 2022/25 Capital Programme and the proposals for increased investment which will be considered by the Council when approving the Budget.

3.4 It is recommended that the Committee agrees that the Council Tax and Budget should be approved on the same day and agrees that this, subject to the approval of the Provost, should take place on 24 February. 2022.

Alan Puckrin
Interim Director of Finance & Corporate Governance

4.0 BACKGROUND

- 4.1 The Committee and Full Council have received regular reports regarding the development of the 2022/23 Revenue Budget with the last formally reported funding gap, after the one off use of £4.0 million Reserves and prior to any increase in Council Tax, being £2.8million.
- 4.2 The Cabinet Secretary for Finance announced the Draft Scottish Budget for 2022/23 on 9 December. At the same time the Scottish Government published its Budget Document within which the settlement for Local Government was shown at a Scotland wide level. The Council's detailed settlement was shared with Directors of Finance late on 16 December with the formal circular issued on the 20 December. Based on this an All Member Briefing took place on 23 December, 2021.
- 4.3 The Scottish Budget is now proceeding through the formal Parliamentary process and it is expected that the Local Government Finance Order will be approved in March, 2022.

5.0 THE DRAFT LOCAL GOVERNMENT SETTLEMENT

- 5.1 The Local Government Revenue Settlement shows a 7.2% (£792million) cash increase. However, once the ring fenced funding that requires to be pass-ported to the IJB (£554 million) or used for extra employees/ policy initiatives in Education (£180million) and Child Bridging Payments (£68million) are deducted then it is Flat Cash for core Council Services. This position is confirmed in a Scottish Parliament Information Centre (SPICe) Briefing which highlights that "Both the Scottish Government and Cosla agree that "core" revenue budget remains the same in cash-terms between 2021/22 and 2022/23".
- 5.2 As a result, Councils require to fund increases in salary costs, National Insurance increases, non-pay inflation, increased demand costs and shortfalls in income by either increasing Council Tax, using Reserves or finding savings.
- 5.3 The Settlement contains a number of issues which require to be highlighted :
 1. **P6/7 Free School Meals**- The policy intention was that FSM for P6/7 pupils would come in from August 2022. Due to concerns from some Councils regarding the need for major capital investment to deliver this policy, the Settlement only includes £30 million capital and no revenue funding. Councils will not receive any Government support should it implement Universal P6/7 FSM from August 2022. Universal P4/5 FSM are unaffected.
 2. **Council Tax Reduction Pressure**- A seemingly innocuous change to how individuals transitioning from legacy benefits to Universal Credit have their CTR calculated has been approved by the Parliament. The financial impacts of this were not factored into the Settlement on the basis that the Government took the view that there was "headroom" in this specific budget line. The estimate is a cost of £19million and the Council's "share" would be roughly £300,000. This further increases the funding gap.
 3. **Reduced Early Years Funding**- £15million has been taken from the ELC funding budget due to assessed reductions in 3-4 year old children. In addition there is a significant redistribution of ELC funding including the £540million Specific Grant and as previously highlighted the Council was expected to lose funding due to a change in distribution.
- 5.4 Capital showed a year on year increase of £62.6million (9.1%). All bar £1.6million of the increase is allocated to specific projects ie:
 - £30million –Implementation of Free School Meals in Primary Schools
 - £20million- Local Bridge Maintenance
 - £11million – Flood Risk Management

Therefore the core Capital Grant is effectively Flat Cash.

- 5.5 The Scottish Government has confirmed that Councils have a free hand to increase Council Tax in order to balance their budgets in 2022/23. This then makes the setting of Council Tax a more important issue in approving the Council Budget than has been the case over the last 15 years and has implications for the timing of the Budget agreement.
- 5.6 In terms of Non-Domestic Rates (NDR), the Settlement assumes a 0.8pence increase in the rate poundage (1.6%) to 49.8pence. This is the first increase since 2019/20. In addition there is continued support to the Retail, Hospitality and Leisure sectors with 50% relief for the first 3 months of 2022/23, capped at £27,500 per ratepayer.
- 5.7 There is also confirmation that NDR empty property relief will be devolved to Councils with effect from April, 2023. This issue is already incorporated within the Finance Services CDIP actions.
- 5.8 At a meeting of COSLA Leaders on 21 December, 2021 it was unanimously agreed to send a letter from all 32 Councils to the First Minister expressing extreme disappointment at the Local Government Finance Settlement and requesting a meeting between the First Minister and the COSLA Leadership Team (Appendix 1). The response from the First Minister dated 13 January is attached as Appendix 2.

6.0 INVERCLYDE'S DRAFT SETTLEMENT AND LATEST 2022/23 BUDGET POSITION

- 6.1 Appendix 3 shows the summary position of the Council's own settlement which was given to the Council on 20 December, 2021. From this it can be seen that whilst there is a £5.942 million increase in General Revenue Grant/NDR Income between 2021/22 and 2022/23, the ring fenced sums which require to be paid to the IJB or allocated to Council Services for new Scottish Government policy initiatives total £8.279million.
- 6.2 After adjusting for sums not yet distributed then the gross grant reduction is £1.511million. Of this reduction, £1.136 million relates to the reduction in Early Years Specific Grant. If the ELC Budget can be reduced in line with the reduction in specific grant then the net funding reduction is £375,000 which represents the net grant loss due to depopulation and other distributional changes.
- 6.3 Appendix 3 page 3 shows the recalculated 2022/23 Funding Gap, (after the use of £4.0million in one off Reserves) but before any Council Tax increase. This revised estimated funding gap of £2.425million includes an allowance of £300,000 for the change in the calculation of Council Tax Reduction payments.
- 6.4 Appendix 4 details further proposed adjustments totalling £397,000 which if agreed reduces the estimated funding gap, after the one-off use of £4.0million Reserves but before any Council Tax increase to £2.028million.
- 6.5 The Capital Grant settlement for 2022/23 was very close to the £6.4million estimate being £6.353 million. However, within this settlement is approximately £0.350million of extra Strategic Waste Fund capital which is scheduled to be removed from 2023/24 as 2022/23 will be the final year of the current distribution. Factoring this in will reduce Capital Grant allocations from 2023/24 to nearer £6.0million.
- 6.6 The MBWG are finalising the proposed 2022/25 Capital Programme for the Council to consider which includes increased investment for ICT, Net Zero projects and a partial reinstatement of the reduction in RAMP funding approved as part of the 2021/24 Capital Budget. Once this and the transfer of £1.4million from the City Deal funding model approved at December's Council meeting is taken into account the current funding shortfall in the 2022/25 Capital programme is £2.33million.
- 6.7 Proposals to balance the Capital Programme will be included in the Council Budget report.

7.0 TIMESCALES FOR APPROVING THE BUDGET & 2022/23 COUNCIL TAX

- 7.1 On a number of occasions the Council has separated Council Tax setting and Budget approval decisions. This approach has been taken due there being no meaningful decision required due to Council Tax levels being either frozen or capped by the Scottish Government and secondly that, due the lack of a clear majority in the Scottish Government, there have been last minute significant changes to the settlement which were beyond the last date for setting Council Tax.
- 7.2 It remains to be seen whether there will be further resources allocated to Local Government as consideration of the Budget goes through the Scottish Parliament. The expectation is that the Greens will have signed off this Budget so the need for further political support does not exist.
- 7.3 In order to be able to legally collect Council Tax from the 1st April 2022 the latest date the Council could approve Council Tax is 24 February which is a week after the scheduled Council meeting. This would result in Council Tax bills being delivered by mid-March.
- 7.4 It is the advice of the CMT that the part which Council Tax will play in balancing the 2022/23 Budget cannot be determined in isolation due to the removal of the Freeze/Cap and therefore the advice of the CMT is to approve Council Tax levels and the Budget for 2022/23 at the same meeting of the Council.
- 7.5 Having considered this matter the MBWG would endorse this approach and support the need for a special Council Meeting to approve Council Tax levels for 2022/23 and the Budget on 24 February, 2022.

8.0 IMPLICATIONS

8.1 Finance

Any financial implications are set out in 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	(£397,000)		Adjustments detailed in Appendix 4

8.2 Legal

There are no legal implications outwith those included in the body of the report.

8.3 Human Resources

The CMT continue to meet with the Trades Unions via the Joint Budget Group and a Shop Stewards Briefing was held on 11 January.

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 proposals within this report which will have an impact on the Council's repopulation agenda.

9.0 **CONSULTATIONS**

- 9.1 The Members Budget Working Group (MBWG) continue to meet weekly to review savings use of Reserves, the contribution to the IJB and the 2022/25 Capital Programme.
- 9.2 A number of Budget Listening Events took place in January along with the opportunity for the public to input to the Budget process via on line or hard copy forms. The output from these events will be included in the Council Budget report.

10.0 **BACKGROUND PAPERS**

- 10.1 Local Government Finance Circular 9/2021



24 December 2021

Ms Nicola Sturgeon MSP
First Minister of Scotland

Ms Kate Forbes MSP
Cabinet Secretary for Finance and the Economy

The Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

Via email: firstminister@gov.scot ; CabSecFE@gov.scot

Dear First Minister and Cabinet Secretary,

As Council Leaders from the 32 Local Authorities in Scotland, we are writing on behalf of the communities we serve, to say that we are deeply concerned at how the Scottish Government has treated Local Government in this year's Scottish Budget.

At a special meeting of Leaders on 21 December, we expressed our extreme disappointment at the Local Government financial settlement for 22/23 that has now been circulated to Councils. Our view is that this settlement, which is a £371m real terms cut in core funding, is unacceptable. Every penny of the cash increase presented on the 9 December (£791m) is for Scottish Government policy priorities and in real terms, erodes our core funding – funding that is essential for the services that underpin our communities and support our shared ambitions including recovery, economic transformation and eradicating child poverty. Put simply, it does not allow us to enable people to 'live well locally'.

We are unanimous in our view that we have been managing challenging budgets for over a decade now but that there is now no room to make further savings, without a detriment to our communities. Additionally, the settlement does not include any funding for pay, inflation or increased demand for services. The impact of this Settlement will be stark for our services and our staff. It will mean that Local Government must reconsider commitments at a local and national level.

We are also clear that the settlement needs to include:

- Funding for the increased burden of National Insurance Contributions at around **£70m** (which we are aware NHS in Scotland and English Councils have been funded for);
- Funding for the additional costs of the Council Tax Reduction programme and its administration, at around **£20m** (with this quantum established through partnership working at official level, in good faith);
- Full funding for the expansion of Early Learning and Childcare, which has been cut by **£15m** for 22/23 (threatening delivery at a local level of this flagship policy).

Yet again, this settlement demonstrates that Scottish Government is not giving Local Government the respect it deserves and is showing complete disregard for Local Government's role as a key partner in achieving better outcomes for the people of Scotland.

COSLA Leaders believe that the relationship between Local and Scottish Government has been called into question by this Scottish Budget which, for the benefit of our communities, we must work to rectify immediately. We would ask that an urgent meeting is set up with you, First Minister, and the COSLA Leadership Team including Political Group Leaders.

Yours sincerely,

All 32 Local Authority Leaders.

Councillor Jenny Laing
Aberdeen City Council

Councillor Andy Kille
Aberdeenshire Council

Councillor David Fairweather
Angus Council

Councillor Robin Currie
Argyll and Bute Council

Councillor Adam McVey
City of Edinburgh Council

Councillor Ellen Forson
Clackmannanshire Council

Councillor Roddie Mackay
Comhairle nan Eilean Siar

Councillor Elaine Murray
Dumfries and Galloway Council

Rt Hon Nicola Sturgeon MSP
First Minister of Scotland



Scottish Government
Riaghaltas na h-Alba
gov.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
T: 0300 244 4000

Appendix 2

Council Leaders

Copy to:
Cllr Alison Evison, COSLA President
Cllr Graham Houston, COSLA Vice President

13 January 2022

Dear Council Leader

Thank you for your joint letter of the 24 December 2021. I also note the letter from COSLA President Councillor Alison Evison on the same subject, which I received on the 20 December, and therefore am copying her to this letter by way of response. The Cabinet Secretary for Finance and the Economy also responded to your letter earlier this week given her responsibility for the Budget.

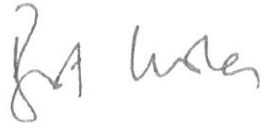
As you are aware, the Budget focused on the key priorities of tackling inequalities, addressing climate change and supporting our economic recovery. The forthcoming resource spending review will continue to focus on key priorities and I understand that the Cabinet Secretary for Finance and the Economy is engaging with COSLA as part of that process.

I know that Scotland's councils share these priorities, and that we deliver best for the communities we serve when we work together in partnership at national and local level. An example of the strength of this partnership is the role Scotland's councils have played at the forefront of the country's response to the pandemic these past two years, whilst continuing to deliver key public services and furthering our shared ambitions for Scotland.

The completion of the expansion to 1,140 hours of funded early learning and childcare in August 2021 further demonstrates how our partnership delivers exceptional and transformational results for those we serve. Councils are also currently at the forefront of addressing the challenges we face in social care, and I am grateful for the efforts being made to ensure that those who are most vulnerable are our highest priority.

As we continue to tackle new phases of the pandemic and progress recovery our partnership must remain strong and deliver for our communities. Accordingly I would be pleased to meet with the COSLA Presidential Team and Political Group leaders to discuss how we ensure that is the case.

I have asked my officials to make arrangements for that meeting through COSLA and in the meantime let me express my continued appreciation for all that you do for your communities.



NICOLA STURGEON

Movement in Core Revenue Grant - 2021/22 - 2022/23

	<u>£million</u>
GRG/NDRI & Specific Grants 2021/22 (Circular 5/21)	181.872
GRG/NDRI & Specific Grants 2022/23 (Circular 9/21)	187.814
Increase from 2021/22	<u>5.942</u>
Less- New sums to be pass-ported to Services/HSCP (Page 2)	-8.279
Add- Items in 21/22 not in 22/23 Grant :	
Discretionary Housing Payments	0.826
Add- Reduction in ELC Specific Grant	1.136
Year on Year Change in GRG/NDRI	<u><u>-0.375</u></u>

Notes

a/ Key is that Education require to reduce 2022/23 Early Years Budget by £1.136million to achieve the above position.

b/ Assumption per Finance Strategy was a reduction of £1.0 million in GRG/NDRI.

AP/LA
20/12/2021

New Funding to be pass-ported to Services
2022/23 Revenue Budget Settlement

<u>HSCP (Note 1)</u>	<u>£000</u>	<u>£000</u>
Care at Home	2041	
Carers Act (Increase)	340	
Free Personal & Nursing Care (Increase)	217	
Interim Care	329	
Living Wage	2930	
Mental Health Recovery & Renewal	51	
National Trauma Training	50	
		<u>5958</u>
<u>Education (Note 2)</u>		
Additional Teachers and Support Staff	2188	
School Clothing Grants (Increase)	79	
1&2 Languages	-16	
		<u>2251</u>
<u>Council Wide</u>		
Child Disability Payment Administration	61	
Barclay Implementation (Increase)	9	
		<u>70</u>
		<u>8279</u>
	<u>Total</u>	<u>8279</u>

Notes

1. Excludes undistributed further £200m for Health & Social Care
2. Excludes £12m for Removal of Music Tuition Charges, £8m Removal of Curriculum Charges, £42m for P4/P5 Universal FSM.
3. Opportunities to make savings via substitution will be progressed

AP/LA
20/12/21

Funding Gap - Post 20 December Circular

<u>Funding</u>	<u>£million</u>
GRG/NDRI	176.499
Council Tax per Fin Strategy	32.622
Use of Reserves per Fin Strategy	4.000
	<u>213.121</u>
Less: New CTR Pressure (Note 1)	-0.300
	<u>212.821</u>
 <u>Budget 2022/23</u>	
Position post December Council	207.793
Add: New Passported Funding	8.279
	<u>216.072</u>
Less: DHP not yet distributed	-0.826
	<u>215.246</u>
 Funding Gap post Settlement	 <u><u>-2.425</u></u>

Notes

- 1 Scottish Government have amended the Council Tax Reduction calculations which is estimated to increase CTR by £19million. SG confirm no funding will be provided.
- 2 Assumes Early Years Budget will be reduced by £1.136million in 2022/23. Failure to do this will increase the funding gap.
- 3 Officers will continue to identify adjustments and substitution opportunities.

AP/LA
14/01/2022

**2022/23 Budget
Adjustments- February 2022 Policy & Resources Committee**

ERR	Savings 2022/23 £000	Savings 2023/24 £000	Comments	FTE
1/				
2/				
3/				
ECOD				
1/ Clothing Grants	9	9	Increased SG funding not needed based on current demand and grant levels	0
2/ Music Tuition- Fund piping instruction post from new Music Tuition Funding	30	30	This is in addition to the removal of the £35k Music Tuition income budget and the £9k adjustment approved September P&R Committee	0
3/ Curriculum Charging	29	29	This is over and above the £56k adjustment approved September P&R Committee	0
4/				
HSCP				
1/				
2/				
3/				
Corporate				
1/ Child Disability Payment Administration	50	50	Leaves £11k to meet software and ancillary administration costs to deliver this new service	0
2/ Council Contribution to the Child Abuse Redress Scheme to be met from the Insurance Fund	77	77	Achieved via a reduced Service Contribution to the Insurance Fund	0
3/ Reduction in NDR Budgets	52	52	Arises from 20/21 NDR Inflation not being implemented due to Covid	0
4/ Non-Pay Inflation Contingency Allowance Reduction	150	150	Further reduction in the 2022/23 Non-Pay Inflation Contingency	0
5/				
Total	397	397		0