
Report To:	Policy & Resources Committee	Date:	21 June 2022
Report By:	Interim Director, Finance & Corporate Governance	Report No:	FIN/33/23/AP/AE
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Subject:	2022/23 Budget – Current Position		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise Committee of the initial position of the 2022/23 revenue Budget and to provide an update on the position of the General Fund Reserves.

2.0 SUMMARY

- 2.1 The Council agreed the Revenue Budget for 2022/23 on 24 February 2022. After agreed savings, pressures and £4 million use of General Fund Reserves there was a remaining funding gap of £623,000, this was filled through a 1.95% increase in Council Tax.
- 2.2 The approved pressures and savings have now been allocated against the relevant Council Services and Appendix 1 shows the initial position of the 2022/23 Revenue Budget. Updates on the overall Revenue Budget position will be reported in the usual manner to the Policy & Resources Committee during 2022/23.
- 2.3 At the time of approving the 2022/23 Revenue Budget it was estimated that the Council would have £4.002million of Free Reserves at 31 March, 2022. There are a number of potential changes to this figure which are explained in greater detail in section 6 of the report. The net impact of these changes/proposals is that the Free Reserves are currently projected to be £4.376million. Appendix 2 illustrates the detailed position.
- 2.4 Members will be aware of the significant increase in inflation over the last 6-9 months and the impact this is having on household budgets and the finances of public and private sector bodies. Based on the latest information it is highly likely that the general inflation allowance for 2022/23 will be exceeded. Officers are continuing to quantify the extent of the budget shortfall and will update Committee in August. In addition it is probable that the current non-pay inflation allowance of £1.0million for 2023/24 requires to be increased. All this adding to what is already expected to be an unprecedented budget gap over 2023/26.
- 2.5 The Scottish Government published its Resource Spending Review covering the period 2022/27 on 1 June, 2022. Whilst the additional clarity this gives Local Government in terms of core funding levels over the 5 year period, the figures show the extent of the financial challenges that all councils including Inverclyde Council will face. The estimated impact in the medium term will be factored into the updated Finance Strategy which is due to be reported to the full Council on 30 June, 2022.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the initial position of the 2022/23 Revenue Budget, the current position of the Free Reserves and the expected shortfall in the 2022/24 Non-Pay Inflation allowance.

- 3.2 It is recommended that the Committee notes the initial officer assessment of the impact on the Council of the Scottish Government Resource Spending Review and that the impact will be factored into the June, 2022 Finance Strategy update.
- 3.3 It is recommended that the Committee approves the write back of the unallocated balance within the General Covid Reserve as part of the 2021/22 accounts.

Alan Puckrin
Interim Director, Finance & Corporate Governance

4.0 BACKGROUND

- 4.1 The Council approved the 2022/23 Revenue Budget at its meeting on 24 February 2023 which included the one off use of £4 million of Free Reserves.
- 4.2 The detailed budgets have been issued to all budget holders and the first formal budget monitoring will be reporting to Committee in August/September covering Period3 (30 June) or Period 4 (31 July).
- 4.3 The 2021/22 Annual Accounts are in the final stages of preparation and part of this exercise is to review all earmarked reserves and Provisions/Contingencies.

5.0 CURRENT POSITION

- 5.1 Appendix 1 shows the initial position of the 2022/23 Revenue Budget after the application of savings and pressures approved by the Council on 24 February 2022. It can be seen that the budgeted spend of £220.3million is funded£185.3million (84%) from Scottish Government Grants/NDR and £35.0million (16%) from Council Tax and net use of Reserves.
- 5.2 Regular reports will be presented to the Relevant Committees throughout the year as usual regarding performance against budget. The Committee is asked to note any under or overspend in relation to the Health & Social Care Committee will be addressed by the IJB.

6.0 RESERVES POSITION

- 6.1 At the time of approving the 2022/23 Revenue Budget it was estimated that the Council would have £4.002million of Free Reserves at 31 March, 2022. There are a number of potential changes to this figure which are explained in greater detail below.
 1. **Improved 2021/22 Projected Revenue Budget Position** - The Period 10 Revenue Budget position reported to the March Committee showed an increase in underspends/increased Government grant of net £879,000
 2. **Error in the 2020/21 Accounts** – During the preparation of the 2021/22 accounts a significant error in the calculation of available useable reserves as part of the 2020/21 accounts has been found. This error was not picked up during any of the internal review of the 2020/21 accounts or during the Audit of the accounts. The net impact of this error meant that the useable reserves were overstated by £1.165million. The error has been highlighted to the External Auditors and further checks and balances have been implemented to avoid a recurrence.
 3. **Local Election Earmarked Reserve** – An earmarked reserve should have been set aside to fund the local elections, which are not funded by the UK/Scottish Governments. Approval to allocate £140,000 was granted by Councillors McCabe, Clocherty and Robertson via Emergency Powers prior to the elections.
 4. **Covid Earmarked Reserve, Proposed Write Back** - The Council has two Covid related earmarked reserves. A Recovery Earmarked reserves for specific projects approved by Members in which there is just over £0.7million unallocated and a General Covid Reserve which has funded a wide range of largely operational pressures since March, 2020. In the latter reserve there remains approximately £800,000 unallocated and as part of the 2021/22 accounts it is proposed to write the unallocated balance back to the Free Reserves
- 6.2 Appendix 2 shows the position of the General Fund Reserves after taking all the above into account and it can be seen the current balance would be £4.376million which is £0.376million above the recommended minimum.

7.0 INFLATIONARY PRESSURES

- 7.1 It was agreed at the March Council meeting that an update in respect of the various inflationary pressures be presented to the June meeting of this Committee.
- 7.2 Members will be aware of the significant increase in inflation over the last 6-9 months and the impact this is having on household budgets and the finances of public and private sector bodies. At the time of setting the budget the Council had allocated £700,000 towards a specific anticipated waste disposal pressure plus a general 2022/23 inflation allocation of £1.05million.
- 7.3 Setting aside the waste disposal allowance which is still expected to be required, all of the general allowance has been allocated with further significant pressures expected during 2022/23. Officers are assessing the extent of the budget shortfall and this will be reflected in future reports to Committee. In addition there is a concern that the current non-pay inflation allowance of £1.0million for 2023/24 requires to be increased as part of the 2023/24 Budget. This will further increase what is already expected to be an unprecedented funding gap.
- 7.4 In addition there are proposals within the Capital Programme report elsewhere on the agenda to allocate funding from the Covid Capital Contingency to the RAMP/AMP general allowances to help offset the increases in the cost of materials within the Programme.

8.0 SCOTTISH GOVERNMENT RESOURCE SPENDING REVIEW

- 8.1 The Scottish Government published its Resource Spending Review covering the period 2022/27 on 1 June, 2022. Whilst the additional clarity this gives Local Government in terms of core funding levels over the 5 year period, the figures show the extent of the financial challenges that all councils including Inverclyde Council will face.
- 8.2 The core Local Government Grant is shown to be “Flat Cash” for the period 2022/26 which effectively means the Council will require to absorb all inflationary and demand pressures via either increases in Council Tax or reductions in net budgets. Given the level of inflation this will present a major challenge.
- 8.3 The estimated impact in the medium term will be factored into the updated Finance Strategy which is due to be reported to the full Council on 30 June, 2022 with an All Member Briefing scheduled to take place on this matter earlier in the day.

9.0 IMPLICATIONS

9.1 Finance

The appendices illustrate the impact on the Council's reserves of the matters raised in this report.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
General Fund Reserves	Free Reserves	2022/23	(£800)		Write back the unallocated General Covid Reserve

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect	Annual Net Impact	Virement From (If	Other Comments
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		from	£000	Applicable)	
N/A					

9.2 Legal

There are no specific legal implications arising from this report.

9.3 Human Resources

There are no specific human resources implications arising from this report.

9.4 Equalities

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

YES (see attached appendix)

NO -This report does not introduce a new policy, function or strategy or recommend a 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.

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.

NO

9.5 Repopulation

There are no repopulation issues arising from this report.

10.0 CONSULTATIONS

10.1 No consultations were undertaken as part of this report.

11.0 BACKGROUND PAPERS

11.1 2022/23 Budget - Inverclyde Council 24 February 2022.

Investing in Scotland's Future - Resource Spending Review

Policy & Resources Committee
Revenue Budget Monitoring Report
Position as at 1st April 2022

Committee	Approved Budget 2022/2023	Revised Budget 2022/2023	Projected Out-turn 2022/2023	Projected Over/(Under) Spend	Percentage Variance
	£,000's	£,000's	£,000's	£,000's	
Policy & Resources	20,993	20,993	20,993	0	0.00%
Environment & Regeneration	22,123	22,123	22,123	0	0.00%
Education & Communities (Note 1)	99,748	95,118	95,118	0	0.00%
Health & Social Care	65,522	65,522	65,522	0	0.00%
Committee Sub-Total	208,386	203,756	203,756	0	0.00%
Loan Charges (Including SEMP) (Note 1)	11,977	16,607	16,607	0	0.00%
Identified Savings (Note 2)	39	39	39	0	0.00%
Saving Approved yet to be Allocated (Note 3)	(30)	(30)	(30)	0	0.00%
Total Expenditure	220,372	220,372	220,372	0	0.00%
Financed By:					
General Revenue Grant/Non Domestic Rates	(185,285)	(185,285)	(185,285)	0	0.00%
Contribution from General Reserves	(4,000)	(4,000)	(4,000)	0	100.00%
Contribution to Reserves	1,858	1,858	1,858	0	100.00%
Council Tax	(32,945)	(32,945)	(32,945)	0	0.00%
Net Expenditure	0	0	0	0	

Note 1 - Reduction reflects SEMP loans charges

Note 2 - Identified savings to be allocated

Note 3 - Approved savings yet to be allocated (New Ways of Working)

