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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>31 January 2023</b>
<b>Report By:</b>	<b>Interim Director, Finance &amp; Corporate Governance</b>	<b>Report No:</b>	<b>FIN/03/23/AP/LA</b>
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<b>Subject:</b>	<b>2023/25 Budget Update</b>		

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## 1.0 PURPOSE AND SUMMARY

- 1.1  For Decision  For Information/Noting
- 1.2 The purpose of this report is to provide Committee with an update of the latest position of the 2023/25 Revenue Budget post the Scottish Government's Draft Budget announcement and to seek decisions on a number of matters.
- 1.3 Appendix 1 provides an analysis of the Revenue Grant settlement for Inverclyde Council and from this it can be seen that Inverclyde received a £0.96million (0.5%) net increase in grant once specifically directed sums/ new burdens are accounted for. This is partly offset by an expected reduction in previously received funding for the 2021/22 Teachers Pay Award.
- 1.4 The impact of the recent 2023 Non-Domestic Rates revaluation is explained in more detail within the report along with changes to the current appeals process. As things stand the NDR liability for Council owned properties is estimated to have increased by up to £1.2million.
- 1.5 Elsewhere on the agenda the potential one-off and recurring savings arising from the Service Concession Accounting Review are detailed. This report has been prepared on the basis that officer proposals on this matter are approved. This and other adjustments are detailed in Appendix 2 and the latest estimated remaining funding gap is shown in Appendix 3.
- 1.6 The Members Budget Working Group (MBWG) have commenced consideration of the use of any unallocated reserves and make up the 2023/26 Capital Programme. Updates on both these matters are included in the report and will be considered by the Council no later than the 2 March 2023.

## 2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee note the impact of the Draft Scottish Government Budget Settlement on the figures previously advised to Members as set out in Appendices 1 and 3.
- 2.2 It is recommended that the Committee approve the adjustments/savings shown in Appendix 2, subject to the Council approving the Service Concession proposal at the 16 February 2023 meeting.

- 2.3 It is recommended that the Committee approves the inclusion of £1.2million for increased Non-Domestic Rates as a new Budget pressure within the 2023/25 Budget and note that officers are engaging with the Assessor in order attempt to reduce this significant increase in liability.
- 2.4 It is recommended that the Committee agrees to cancel plans for a £235,000 loan to Inverclyde Leisure and to fully fund the Moveable Pool Floor from the Capital Programme.
- 2.5 It is recommended that the Committee notes the recommendation to the Education & Communities Committee not to proceed with the Indoor Tennis facility at Rankin Park and agree that, in the event this recommendation is approved by the Education & Communities Committee, the unallocated Council contribution of £740,000 is removed from the Communities Capital Programme.
- 2.6 It is recommended that the Committee otherwise notes the on going work taking place within the MBWG on a number of aspects of the Budget which will be drawn together as part of the overall Budget proposal to be presented to the 2 March 2023 Council.

**Alan Puckrin**  
**Interim Director Finance & Corporate Governance**

### **3.0 BACKGROUND AND CONTEXT**

- 3.1 On the 15 December the Council approved £2.559million of service specific savings plus a further £1.14million of savings/adjustments. This reduced the pre-Scottish Government Budget announcement/Council Tax decision funding gaps to £6.73million (2023/24) and £6.02million (2024/25) respectively.

#### **Draft Scottish Government Budget**

- 3.2 The Deputy First Minister presented the Draft 2023/24 Budget to the Scottish Parliament on 15 December and Elected members received a briefing from the Interim Director, Finance & Corporate Government on the main factors impacting on Local Government and specifically the Inverclyde Council Grant Settlement on 22 December. The main matters highlighted were:
- The Inverclyde Grant settlement represented an approximate £0.96million increase in core grant after adjusting for ring fenced/directed funding or funding which is already funding 2022/23 commitments such as the 2022/23 pay award,
  - Empty Property Relief for non-domestic rates has, as expected, been devolved to Councils who will now be able to determine local policies and hence either give increased levels of relief or reduce/amend the level of reliefs with the consequent financial implications;
  - Councils need to increase their contributions to their IJBs by at least their share of £95million increased Social Care funding, £100 million of which remains to be distributed,
  - Councils have full flexibility when setting the level of Band D Council Tax for 2023/24
  - After adjusting for extra Capital Grant to fund the 2022/23 pay award and the expansion of P6/7 universal free school meals, capital funding at a Scotland wide level is effectively “flat cash”
- 3.3 A specific issue in relation to £32.8 million allocated in 2021/22 & 2022/23 to part fund the 2021/22 Teachers Pay Award. The report has been prepared on the basis that this funding (£488,000) will not be received in 2023/24.
- 3.4 Committee should note that the Scottish Budget is currently in draft form and is undergoing parliamentary scrutiny prior to the Parliament approving the Local Government Finance Order which is expected later in February. As a result, the figures included in this report may change.

#### **Non-Domestic Rates Revaluation**

- 3.5 The draft Rateable Values (RVs) relating to the April 2023 Revaluation have been issued by the Assessor. There has been a considerable increase in the RVs for many of the main Council properties especially schools as well as the addition of many properties within parks which were previously excluded from the Valuation Roll. This latter issue relates to a recommendation arising from the Barclay review of NDR. Initial analysis estimates a £1.2million increase in the Council and the Inverclyde Leisure NDR liability. Officers are currently looking at potential reliefs to reduce the increase in relation to those properties within parks.
- 3.6 Previously the Council would have appealed increases which they believed were unreasonable and this appeal would have been considered by the Valuation Appeals Committee over 2023/25. The Scottish Government have written to councils advising that this past practice does not represent best value for the public purse and as such Councils need to resolve any issues with RVs prior to 31 March 2023. If after that date a council has a successful appeal, then the Scottish Government Grant funding will be reduced commensurately. This clearly greatly reduces any incentive for the Council to appeal and leaves the Council heavily reliant on the Assessor having arrived at fair and robust valuations at the first time of asking.

3.7 It is expected that this change in the appeals process and the above inflation RV increases being experienced will be part of the on- going discussions between Cosla and the Scottish Government over coming weeks/months but as things stand, represents a major new 2023/24 Budget pressure.

**Members Budget Working Group**

3.8 The MBWG have continued to meet weekly and in addition to reviewing officer savings options have been considering the potential uses for the significant level of unallocated reserves, the 2023/26 Capital Programme, the Councils potential contribution to the IJB and options in respect of Council Tax.

3.9 Specifically, as part of an initial review of the Capital Programme, and after taking into account the major increase in Council funding towards Inverclyde Leisure (IL), the MBWG agreed that it was no longer practical for IL to pay £235,000, funded by a loan from the Council, towards the planned Moveable Pool Floor within the Waterfront Leisure Complex. On the basis that the project remains in the 2023/26 Capital Programme then this will increase the over provision of projects by £235,000.

3.10 At the Education & Communities Committee on 24 January, a report was presented with a recommendation from the MBWG that, due to the Council’s considerable financial pressures and the shortfall in funding of between £0.6-£1.6million, the planned Indoor Tennis facility at Rankin Park no longer proceeds.

**4.0 PROPOSALS**

4.1 Appendix 1 details the calculation of the unallocated sum of £960,000 in the draft 2023/24 Inverclyde Council Revenue Grant settlement.

4.2 Officers continue to develop proposals to reduce the funding gap and two such proposals relating to Service Concession Accounting and NDR Empty Property Relief are included elsewhere in the agenda and summarised in Appendix 2.

4.3 It is proposed that the new budget pressure of £1.2million arising from the 2023 NDR revaluation is included within the 2023/25 Budget and that the non-inclusion of £488,000 in relation to the 2021/22 Teachers Pay Award is noted.

4.4 It is proposed to no longer give a £235,000 loan to IL to part fund the Moveable Pool Floor in the Waterfront Leisure Complex and that the project forms part of the 2023/26 Capital Programme funded from Council resources.

4.5 Subject to the decision of the Education & Communities Committee, it is proposed that the Indoor Tennis facility at Rankin Park is removed from the 2022/25 Capital Programme along with the remaining £740,000 funding.

**5.0 IMPLICATIONS**

5.1 The table below shows whether risks and implications apply if the recommendations are agreed:

<b>SUBJECT</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
Financial	x		
Legal/Risk	x		

Human Resources		x	
Strategic (LOIP/Corporate Plan)	x		
Equalities & Fairer Scotland Duty			x
Children & Young People's Rights & Wellbeing			x
Environmental & Sustainability			x
Data Protection			x

## 5.2 Finance

Appendix 3 shows the 2023/25 updated Revenue funding gap on the basis of the draft Scottish Government settlement and that the proposals in this report are approved. From this it can be seen that the estimated remaining funding gap in 2023/24 is £4.32million with an estimated funding gap for 2024/25 of a further £6.12million.

### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Indoor Tennis Facility	Communities Capital	22/24	(£740)k		Funding removed from the Capital Programme (Subject to confirmation)
Waterfront Moveable Pool Floor		23/24	£235k		Replacement of loan with direct capital funding

### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Various	NDR	23/24	£1.2million		Estimated impact of 23/24 Revaluation. Phased £1.0m (23/24), £0.1m (24/25) £0.1m (25/26)
Various	Various	23/24	(£1.940) million		Savings in Appendix 2

## 5.3 Legal/Risk

It can be seen from Appendix 3 that there are sufficient savings options for the Council to set a legally balanced budget in 2023/24 irrespective of the level of Council Tax agreed.

## 5.4 Human Resources

There are no HR issues arising from this report, but regular meetings of the Joint Budget Group are continuing in relation to the remaining savings options.

## 5.5 Strategic

Budget decisions take into account the Council's strategic priorities and the Budget approved on 2 March 2023 will help shape the Council's strategic plans which are currently under review.

## 5.6 Equalities and Fairer Scotland Duty

### (a) Equalities

This report has been considered under the Corporate Equalities Impact Assessment (EqIA) process with the following outcome:

	YES – Assessed as relevant and an EqIA is required.
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, assessed as not relevant and no EqIA is required. Provide any other relevant reasons why an EqIA is not necessary/screening statement.

## 6.0 CONSULTATION

6.1 This report is supported by the CMT and the recommendations are agreed by the MBWG.

## 7.0 BACKGROUND PAPERS

7.1 None.

Appendix 1

2023/26 Settlement Assessment - As at 10.1.23

	<u>£m</u>	<u>£m</u>
2023/24 Grant Settlement 11/22 -Issued 10.1.23		199.165
2022/23 Grant Settlement 1/22 (March 2022)		196.600
Increased Grant Funding		<u>2.565</u>
<u>Directed/Committed new Requirements</u>		
<u>General</u>		
£140m - 2022/23 Pay Award	2.167	
£105m - NDR Empty Property Relief	0.788	
£5.7m - DHP	0.079	
£2.4m - Local Heat and Energy Strategy	0.075	
(£6.0m)- Child Abuse Redress Topslice	(0.087)	
£9.6m - Other Under £50k	0.015	3.037
		<u>3.037</u>
<u>HSCP</u>		
£15m - FPNC Inflation	0.218	
£100m - £10.90/hour Living Wage	tbc	
(£20m) - Interim Care (Removed)	(0.329)	
£1.3m Scottish Disability administration	0.026	
£7m Homelessness	0.031	
£32m - Whole Family Well Being Fund	0.421	0.367
		<u>0.367</u>
<u>Education</u>		
£17.5m - P6/7 Universal FSM	0.301	
£10.0m - Increased PEF specific grant	0.230	
(£9.1m) - Reduced 1140 hours specific grant	(0.320)	
(1.2m) - Stop 1 + 2 Languages Funding	(0.016)	0.195
		<u>0.195</u>
<u>Sums in 1/2022 not in 11/2022</u>		
(£68.2m) - Child Bridging Payments	(0.787)	
(£66.6m) - DHP	(1.207)	(1.994)
		<u>(1.994)</u>
Total Directed Funding changes		<u>1.605</u>
Increase in unallocated Funding	£	<u>0.960</u>

Notes

1. This is compared to a £1.0m cash cut in the Budget Strategy.
2. Assumes 1140 ELC Budget is reduced by £320k in 2023/24.
3. £100m for £10.90/hour Living Wage is currently held back. Distribution to be confirmed.

AP/LA  
11/1/23

**2023/25 Budget**  
**January Policy & Resources Committee- Savings/Adjustments**

	Savings 2023/24 £000	Savings 2024/25 £000	Comments	FTE
<b>ERR</b>				
1/ Charging for street numbering	2	2	New income stream approved January Environment & Regeneration Committee	0
2/				
<b>ECOD</b>				
1/				0
2/				0
<b>HSCP</b>				
1/				
<b>Corporate</b>				
1/ NDR Empty Property Relief	288	288	See report elsewhere on the agenda. Assumes Council will mirror current Scottish Government EPR Policy for 2023/24 pending review for 2024/25	0
2/ Service Concession Accounting Review (Subject to confirmation by 16.2.23 Council)	1650	1650	See report elsewhere on the agenda. Reflects move to a 45 year annuity in accounting for the 4 PPP schools	0
3/				0
4/				0
5/				
<b>Total</b>	<b>1940</b>	<b>1940</b>		<b>0</b>

10/01/23



**2023/25 Estimated Funding Gap post Draft Settlement**

	2023/24 <u>£000</u>	2024/25 <u>£000</u>
Gap per December Financial Strategy	9508	6675
15 December Council Decisions:		
IL Utilities 23/24	270	0
Savings/Adjustments	-1140	0
Member Savings	-1908	-651
<b>Balance Remaining Post 15.12.22</b>	<u>6730</u>	<u>6024</u>
NDR Revaluations/Parks Properties	1000	100 NOTE1
Withdrawal of 21/22 Teachers Pay Support	488	0 NOTE2
Appendix 2 Proposals	-1940	0
Settlement Impact	<u>-1960</u>	<u>0</u>
	4318	6124
Council Tax increase(£330k/1%)	tbc	tbc
Remaining Savings Options	-6026	-2660

## Notes

1. Total estimated cost is £1.2million phased over 2023/26. Further £100k pressure in 2025/26
2. Teachers 2021/22 Pay funding of £488,000 was paid from outwith the Settlement.

AP- 16.01.23