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<b>Report To:</b>	<b>Inverclyde Council</b>	<b>Date:</b>	<b>18 February 2021</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/13/21/AP/LA</b>
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<b>Subject:</b>	<b>Budget Update and Approval of the 2021/22 Band D Council Tax</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to provide the Council with an update regarding the 2021/22 Scottish Government Draft Budget Settlement, the latest position of the Council's 2021/23 Budget and to thereafter seek approval of the Band D Council Tax for the year 2021/22.

## 2.0 SUMMARY

- 2.1 On a number of occasions in the last 5 years the Council has approved the level of Council Tax for the forthcoming year prior to finalising the details of the Budget. Such an approach complies with statutory requirements, allows the Council to issue Council Tax bills timeously whilst giving Members the ability to be in possession of the latest information prior to formal approval of the Budget.
- 2.2 The Cabinet Secretary for Finance presented the Draft 2021/22 Budget to the Scottish Parliament on 28 January. From a Local Government perspective the Draft Budget showed a £335million increase in Revenue funding (3.1%). After adjusting for "ring fenced" sums the funding increase is around £95million (0.9%).
- 2.3 The Draft Revenue settlement included £90million which would be allocated to Councils were they to agree to freeze their 2021/22 Council Tax at 2020/21 levels. It is unclear at the time of writing the report whether this £90million is recurring or a one-off allocation. Cosla are clarifying this issue with the Scottish Government. Until it is confirmed otherwise it would be prudent to assume the Council Tax Freeze grant relates to 2021/22 only.
- 2.4 The Draft 2021/22 Budget will be subject to consideration by Parliament as follows:
- Stage 1 – 25 February
  - Stage 2 – 8 March
  - Stage 3- 9 March
  - Approval – 10 March

Throughout this period there is the likelihood that changes may be made to both the overall Budget but also the Local Government element.

- 2.5 Appendix 2 shows the latest 2021/23 Revenue Budget position assuming the approval of the proposals in Appendix 1, that the Council agrees to freeze Council Tax in 2021/22 and that the £90million Council Tax Freeze grant is for 2021/22 only. From this it can be seen that, on the basis of the assumptions around pay and non-pay inflation remaining unchanged then the estimated 2021/22 funding gap is £0.859million and the 2022/23 funding gap is estimated to be £5.679million.
- 2.6 In previous years the Council has received reassurance from both the Chief Legal Officer and Chief Financial Officer regarding the statutory ability of the Council to approve the level of Council Tax for the forthcoming year prior to finalising the detail of the Budget. This advice is repeated in 7.2.

- 2.7 The Council's share of the Council Tax Freeze grant is £1.198million which equates to around a 3.7% increase in Council Tax. At present there is no indication from the Scottish Government of an upper limit to any increase in Council Tax increase in 2021/22 but from a financial perspective any increase would need to be in excess of 3.7% to be of any financial benefit in 2021/22.
- 2.8 Having considered the matters raised in this report the Members' Budget Working Group would support freezing the level of Council tax in 2021/22 and accessing the Council Tax Freeze grant.
- 2.9 Subject to the Council approving the level of Band D Council Tax for 2021/22 today, it is expected that Council Tax notices will be issued early in March.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Council notes the Draft Scottish Budget Settlement and in particular the update provided regarding the draft Local Government funding position.
- 3.2 It is recommended that the Council notes the timescales for finalising the Scottish Budget and the potential for the detail of the Budget to change in coming weeks.
- 3.3 It is recommended that the Council approves the proposals in Appendix 1 and notes the 2021/23 Revenue Budget position in Appendix 2 in light of the draft Local Government grant figures.
- 3.4 It is recommended that the Council decides whether to increase Council Tax in 2021/22 or to freeze Council Tax and access the £1.198million Council Tax Freeze grant.
- 3.5 It is recommended that after considering the advice from the Monitoring Officer and Chief Financial Officer regarding separating the Council Tax approval and Budget setting dates, the Council agrees the level of Band D Council Tax for Inverclyde in 2021/22.

Alan Puckrin  
Chief Financial Officer

## **4.0 BACKGROUND**

- 4.1 On 3 December, 2020 the Council took a number of decisions around the 2021/23 Revenue Budget and agreed that the Council Tax for 2021/22 would be set at the 18 February Council meeting.
- 4.2 At the same meeting Members were advised that the estimated funding gap after implementing the recommendations in the report, and on the basis of a 3% Council Tax increase in both 2021/22 and 2022/23, was £3.4million (2021/22) increasing to £7.03million (2022/23).
- 4.3 On a number of occasions in the last 5 years the Council has approved the level of Council Tax for the forthcoming year prior to finalising the details of the Budget. Such an approach complies with statutory requirements, allows the Council to issue Council Tax bills timeously whilst giving Members the ability to be in possession of the latest information prior to formal approval of the Budget.
- 4.4 The current level of Band D Council Tax is £1,331.84.

## **5.0 SCOTTISH DRAFT BUDGET SETTLEMENT -2021/22**

- 5.1 The Cabinet Secretary for Finance presented the Draft 2021/22 Budget to the Scottish Parliament on 28 January. From a Local Government perspective the Draft Budget showed a £335million increase in Revenue funding (3.1%). After adjusting for “ring fenced” sums the funding increase is around £95million (0.9%).
- 5.2 The resources allocated to Councils for Capital remained the same at £617 million which continued the reduced level of General Capital Grant allocated in 2020/21.
- 5.3 The Draft Revenue settlement included £90million which would be allocated to Councils were they to agree to freeze their 2021/22 Council Tax at 2020/21 levels. It is unclear at the time of writing the report whether this £90million is recurring or a one off allocation. Cosla are clarifying this issue with the Scottish Government and until confirmed otherwise it would be prudent to assume the £90million grant is for 2021/22 only.
- 5.4 In addition the draft Budget includes a one-off sum of £259 million to meet Covid related costs/income losses in 2021/22 which is in addition to a further £110million for 2020/21 to recompense Councils for the loss of income experienced during lockdown.
- 5.5 At present the commitment has been given to continue the 100% rates relief for Retail, Hospitality and Leisure sectors to 30 June 2021 with a commitment to extend this in the event that further Consequentials are received from the UK Government in the March Budget. In addition the rate poundage will be held at 2019/20 levels (49p) for 2021/22. An extra £209million has been added to the General Grant settlement to compensate Councils for this income loss
- 5.6 The Draft 2021/22 Budget will be subject to consideration by Parliament as follows:
  - Stage 1 – 25 February
  - Stage 2 – 8 March
  - Stage 3- 9 March
  - Approval – 10 March

Throughout this period there is the likelihood that changes may be made to both the overall Budget but also the Local Government settlement due to the UK Budget on 3 March and ongoing political discussions and lobbying.

5.7 The significant issue of the re-profiling of PPP service contracts as part of the Fiscal Flexibilities remains to be resolved. Colsa Leaders have raised strong concerns on this matter and the need for the situation to be clarified as a matter of urgency.

## **6.0 UPDATED POSITION- INVERCLYDE COUNCIL 2021/23 BUDGET**

6.1 The Draft 2021/22 Grant allocation to Inverclyde Council is £180.674million compared to £177.600 million in 2020/21, an increase of £3.074million or 1.7%. In addition the Council could access a Council Tax Freeze grant of £1.198million were it to agree not to increase Council Tax in 2021/22.

6.2 Of the £3.074million increase, £1.875million (net) is allocated to specific ring fenced priorities eg; Early Years, IJB, Environmental Health Officers and Discretionary Housing Payments. This leaves a £1.199million increase in the cash grant (0.75%). This increase in cash grant needs to be seen in the context in the estimated £4.5million increase in inflationary pressures (pay and non-pay) plus £835,000 of 2021/22 Budget pressures approved by the Council on 3 December, 2020.

6.3 Appendix 1 contains a small number of savings/adjustments proposed by the CMT and supported by the MBWG. None of these proposals will impact on service delivery.

6.4 Appendix 2 shows the latest 2021/23 Revenue Budget position assuming the approval of the proposals in Appendix 1, that the Council agrees to freeze Council Tax in 2021/22 and that the £90million Council Tax Freeze monies is a one-off grant for 2021/22. From this it can be seen that, on the basis of the assumptions around pay and non-pay inflation remaining unchanged then the 2021/22 funding gap is £0.859million and the 2022/23 funding gap now £5.679million

6.5 Members are asked to note that the current figures assume the use of £5.1million of reserves and a recurring saving of £0.4million from 2022/23 arising from the PPP Fiscal Flexibility. This matter remains unresolved at the time of writing the report and in the worst case scenario that there is no financial benefit then this will have a significant impact on Reserves and as such the Capital Programme and the Revenue Budget funding gap. However, in the event the matter is resolved in the way being recommended by Cosla then there could be further benefits over and above those already included.

6.6 The poorer than expected Capital Grant has left a funding gap in the Draft 2021/24 Capital programme of around £1.8million. Closing this gap could be achieved by the allocation of Reserves or by reducing the size of the programme. The MBWG will consider this matter over the few next weeks and recommendations will be brought before the Council in March.

## **7.0 SETTING THE 2021/22 BAND D COUNCIL TAX**

7.1 In previous years the Council has received reassurance from both the Monitoring Officer and Chief Financial Officer regarding the statutory ability of the Council to approve the level of Council Tax for the forthcoming year prior to finalising the detail of the Budget. This advice is repeated in 7.2 below.

7.2 There is a legal requirement of the Council arising from the Local Government Finance Act 1992 Paragraph 93 for the Council to determine its level of Council Tax for the following financial year no later than 11 March. Approval of this report will fulfil that legal requirement. Council Tax must be set in relation to the total estimated expenses to be incurred by the Council for the relevant year and Appendix 2 specifies the key financial information for 2021/22 in terms of the 1992 Act. The report specifies the relevant current issues affecting the timescales for the Council's financial planning and the information which is awaited and reasonable provision has been made to deal with these circumstances via the use of Reserves approved by the Council in December 2020.

- 7.3 The Council's share of the Council Tax Freeze Grant is £1.198million which equates to around a 3.7% increase in Council Tax. At present there is no indication from the Scottish Government of an upper limit to any increase in Council Tax increase in 2021/22 but from a financial perspective any increase would need to be in excess of 3.7% to be of any financial benefit in 2021/22.
- 7.4 At present just under 10,000 households are in receipt of Council Tax reduction and would not be impacted by any increase in Council Tax and as such do not benefit from the Council Tax freeze.
- 7.5 A change in Water & Sewerage Charges is being brought in from 2021/22 whereby the maximum Water Charges Reduction (WCR) is increasing from 25% to 35%. Changes to the billing software, paid for by Scottish Water, are being finalised.

## 8.0 NEXT STEPS

- 8.1 Subject to the Council approving the level of Band D Council Tax for 2021/22 today, it is expected that Council Tax notices will be issued early in March.
- 8.2 Based on the Scottish Parliament timetable outlined in 5.6 then the Council will be in the position to approve the 2021/22 Revenue Budget, the indicative 2022/23 Revenue Budget and the 2021/24 Capital Programme on 18 March as previously agreed.

## 9.0 IMPLICATIONS

### 9.1 Finance

#### 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	2021/22	(134)		Savings per Appendix 1
Council tax	Income	2021/22	Tbc		3% increase would raise £950k whilst the Council Tax Freeze grant = £1.198million

### 9.2 Legal

Any legal implications are as detailed in the report.

### 9.3 Human Resources

In the event Appendix 1 is approved then the Council will fund the IL early releases from the VER earmarked reserve.

## 9.4 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

## 9.5 Repopulation

Impacts on the Council repopulation policy objective are considered throughout the development of the Budget proposals.

## 10.0 CONSULTATIONS

- 10.1 The proposals in this report are supported by the Members' Budget Working Group and the Trades Unions via the Joint Budget Group.

## 11.0 BACKGROUND PAPERS

- 11.1 Scottish Government Finance Circular 1/2021

**2021/23 Budget  
Savings & Adjustments for February Council**

<b>ERR</b>	<b>Savings 2021/22 £000</b>	<b>Savings 2022/23 £000</b>	<b>Comments</b>	<b>FTE</b>
1/ New mobile phone contract	15	15	New contract from 1.1.21.Savings spread across all services of the Council	0
2/				
<b>ECOD</b>				
1/ Inverclyde Leisure- Management Restructure	75	100	Saving achieved via Voluntary Severance. IL advise there will be no impact on service delivery	3
2/ Reduced Maintenance Costs- Replacement Performance System	0	4	Based on estimated recurring costs of a replacement for Inverclyde Performs	0
3/				
<b>HSCP</b>				
1/ Debt Advice Fees	7	15	Fee income will increase over time	0
2/				
<b>Corporate</b>				
1/				
2/				
<b>Total</b>	97	134		3

AP/CM  
31 January,2021