

**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Officer - Resources****Council: 24 February 2021**

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**Subject: General Services Budget 2021/22 Update****1. Purpose**

- 1.1** To provide Members with an update in relation to the budget process for 2021/22 to 2023/24.

**2. Recommendations****2.1** Members are asked to:

- (a) Note the updated position regarding the settlement announced by the Scottish Government on 28 January 2021;
- (b) Note the updated projected funding gap for 2021/22 as £2.881m;
- (c) Note that this projected position is subject to amendment as the settlement implications for the Council and as all other assumptions are clarified and revised between now and setting the budget;
- (d) Agree, due to the key dates for the process of the Scottish Government's budget through Parliament and the current position regarding fiscal flexibilities, to delay the setting of the Council's General Services revenue and capital budgets until a future date in March 2021, agree that Council will fix a balanced General Fund budget on that date and agree that date at this Council meeting;
- (e) Note the Council requires to set the Council Tax by 3 March 2021 and as a result of the Scottish Government's additional grant funding linked to a Council Tax freeze that Council agrees a Council Tax freeze for 2021/22, i.e. Council tax levels to be maintained at 2020/21 levels;
- (f) Note the advice regarding setting the Council Tax in advance of the 2021/22 revenue budget; and
- (g) Note the appended list of savings options and the range of other methods identified in the report that have been developed by Officers for Members consideration.

**3. Background**

- 3.1** At Council in November 2020 the Long Term Finance Strategy (LTFS) was approved which identified revenue gaps for 2021/22 of £4.068m. This projection included a range of assumptions on key aspects of the Council's

costs and funding, including assumptions on the finance settlement, Council Tax increases, etc.

- 3.2** The Scottish Government (SG) announced its draft budget for 2021/22 on 28 January 2021 including the proposed financial settlement for local government.
- 3.3** Following the issuing of the settlement the SG will progress its budget through the parliamentary process, on the following dates:
- Stage 1            25 February 2021;
  - Stage 2            8 March 2021; and
  - Stage 3            9 March 2021.
- 3.4** In addition to the above process the UK Government is scheduled to announce a budget for 2021/22 on 3 March 2021, which may have some bearing on the SG funding position through any Barnett consequentials from that announcement.

## **4. Main Issues**

### **4.1 Settlement and Scottish Government Budget Progress**

- 4.1.1** The settlement is advised by the Scottish Government to be a cash increase of £335m, however included within this is funding for SG commitments of £241m, so the underlying position for Scotland is a £94m increase.

The settlement includes £72.6m for Health and Social Care which has rules around which Councils must comply in its use which were advised in a letter from the Cabinet Secretary for Finance to the COSLA Leader (copied to all Council Leaders) on 28 January 2021 which is appended to this report for information as Appendix 1.

The settlement provides £90m to allow Councils to freeze Council Tax.

The new commitments and funding included in the £241m are as follows:

<b>Funding Commitment</b>	<b>Value</b>
Early Learning and Childcare (1,140 hours expansion)	£59m
Social Care - Carers Act 2016	£28.5m
Social Care - Living Wage in Social Care uplift	£34m
Social Care - Uprating of free personal and nursing care	£10.1m
Specific grant support for Inter-Island Ferries	£7.7m
Additional funding for Discretionary Housing	£11.3m
Compensation for councils choosing to freeze council tax at 2020-21 levels should they wish to do so	£90m
<b>Total of Scottish Government commitments</b>	<b>£241m</b>

**4.1.2** For WDC the year-on-year underlying position (after removing the effect of additional funding linked to SG commitments) is that funding has increased by £1.061m. This equates to an increase of 0.56%.

**4.1.3** For West Dunbartonshire Council the position is affected by population decline and some of the changes in distributions of elements of the Grant Aided Expenditure formulae.

In terms of the LTFS assumptions the settlement has the following impact (note there have been a number of queries on the settlement from a number of Councils which may change the settlement should any errors be identified) and the following was advised to Members via an Elected Member briefing on 5 February 2021:

- SG funding is better than anticipated within the LTFS by £1.423m;
- Council Tax increase at 3% plus inflation –the LTFS assumed an increase of 4.8%, therefore if WDC was to implement a Council Tax freeze in line with the additional funding provided in the settlement then this reduces the value of Council Tax increase by an additional £0.354m (net position including the WDC share of the £90m for the Council Tax freeze of £1.423m);
- The funding gap was shared pro-rata across all Council services including HSCP and it was assumed within the LTFS that £2.346m of the funding gap would be allocated to HSCP. However a letter from the Cabinet Secretary for Finance on 28 January advises that funding to IJBs for adult social care should be additional and not substitutonal and that taken together council funding to IJBs for these services should not be less than the 2020/21 funding levels plus the additional £72.6m. The impact of this is that the full expected share of the funding gap to HSCP cannot be undertaken as planned, and the effect is estimated as an increase of £2.066m to the WDC non-IJB services budget gap (note this value is not the same as the £2.346m due other variations in budgets since LTFS); and
- Pay award at 2% - the Scottish Government set out a Scottish Public Pay Policy with £750 flat increase for those earning up to £25,000 (minimum of 3%) and 1% for staff above this level subject to a cap of £800 for those earning £80,000 and above. This is not binding on the pay negotiations for local government employees. The assumption on pay award for 2021/22 will be considered further as budget updates are provided in setting the budget for 2021/22.

As can be seen from the above, the different aspects of the settlement as it currently stands will increase the budget gap from the position previously reported to Council in November 2020 of £4.036m to £5.033m.

- 4.1.4** Since the above clarification on one aspect of funding from the Scottish Government has improved the effect of the settlement by £0.123m reducing the gap post-settlement to £4.910m.
- 4.1.5** It is not yet clear as to what the financial outcome of the remaining budgetary process through Parliament will mean, nor whether there will be any further funding arriving via Barnett consequential from the UK Budget on 3 March 2021.
- 4.1.6** The settlement also provided a reduction to the Non-Domestic Rates poundage from 49.8p in the £ to 49p in the £. This is a cost reduction which is different to the assumed position within the draft budgets produced to generate the LTFS which assumed an increase in costs. It is estimated that this change will reduce Rates costs for WDC by £0.084m.

## **4.2** COVID-19

In addition to the finance settlement for 2021/22 there was also further announcements in relation for COVID-19 funding, as follows:

- Loss of Income Scheme funding for 2020/21 increased from £90m to £200m; and
- New funding for COVID-19 for Councils in 2021/22 of £259m (in addition to the settlement funding and other already announced funding).

## **4.3** Review of WDC Projections for 2021/22 onwards

As is normal through the budget process the budget assumptions and submissions from services have been under review. The LTFS agreed at Council in November 2020 included an assumption of increased costs in 2021/22 of £1.000m. Following the review of budget submissions the draft budget position has been reduced by £1.820m (including the change mentioned above regarding Non-Domestic Rates) as elements of a number of budgets had been overstated on examination.

## **4.4** Development of Further Options

As advised to November 2020 Council, officers have been developing a range of savings options to assist Members to close any funding gap for 2021/22. This process has now been finalised and two appendices are provided for Members information:

- Appendix 2 - Management Adjustments valued at £0.155m; and
- Appendix 3 – Savings options.

- 4.5** Based on the above and applying the Management Adjustments to the gap, the funding gap at present for 2021/22 is £2.881m, as summarised in the following table:

<b>Gap Per November 2020 Report</b>	<b>£4.036m</b>
Effect of Settlement as per Members Briefing (4.1.3)	-£1.423m
Change to Council tax assumption (4.1.3)	£0.354m

Change to assumption on HSCP (4.1.3)	2.066m
Further effect of Settlement per clarification (4.1.4)	-£0.123m
Effect of change to Non-Domestic rates poundage	-£0.084m
Effect of review of budget submissions (4.3)	-£1.820m
Effect of Management Adjustments (4.4)	-£0.125m
<b>Updated Gap</b>	<b>£2.881m</b>

#### **4.6 Council Tax Setting, the SG Budget process and WDC Budget-setting**

- 4.6.1** The Local Government Finance Act (The Act) 1992 Section 93 states that the Council Tax set should be sufficient to meet the total estimated expenses including contingencies for the forthcoming year. Councils are required to set Council tax by 11 March each year to allow statutory notice period to be provided to tax payers. All Councils use external mailing contractors for the distribution of Council Tax notices and dates for slots in the national process are arranged well in advance and the West Dunbartonshire mailing is aligned to the planned date for setting the budget on 3 March 2021 and any change to this at this late stage will be problematic.
- 4.6.2** The funding gap for 2021/22, as reported at 4.5 above, includes the expectation (in line with the settlement) that the Council will freeze the Council Tax charge at 2020/21 levels for 2021/22. This is supported by £1.423m of SG funding for 2021/22. It is possible for the Council to set the Council Tax with an increase however the increase would need to be sufficient to offset the loss of the £1.423m SG funding provided in the settlement to implement a freeze.
- 4.6.3** As described at para 3.3 above, the SG's budget for 2021/22 through the parliamentary process completes after the scheduled date for setting the budget and Council Tax on 3 March 2021. In recent years additional funding has been provided to Councils as part of this process, though there is no guarantee that this will happen for 2021/22. It is recommended therefore that the setting of the Council Tax and the revenue budget for 2021/22 is separated and that Council agrees a future date in March to set a balanced General Services revenue budget for 2021/22 on that date.
- 4.6.4** Due to the SG funding in support of a Council Tax freeze it is recommended that Council agrees a Council Tax freeze in 2021/22, as the alternative would be to increase Council Tax significantly above 3% to have any significant financial benefit in closing the funding gap,
- 4.6.5** Should Members agree to the above recommendation they will require to ensure that there are clearly sufficient options available to close the updated gap whilst the Council Tax level has been set. In order to assist Members consider this option the proposed list of savings options are appended to this report which provides a range of options totalling £2.756m (it is recognised that some options are alternatives to other options). The value of options of taking the lowest value of options is £2.620m.
- 4.6.6** In addition to the list of savings options there are other options open to the Council, as follows:

- Funding to WDHSCP

The letter, referred to at 4.1.1 above, from SG as attached as Appendix 1 states:

*“The funding allocated to Integration Authorities should be additional and not substitutional to each Council’s 2020-21 recurring budgets for adult social care services that are delegated. This means that, when taken together, Local Authority adult social care budgets for allocation to Integration Authorities must be £72.6 million greater than 2020-21 recurring budgets.”*

It is therefore possible for the Council to allocate a savings target to the WDHSCP for childcare social care. If this was to be done in a similar manner to the planned approach in the LTFS, then pro-rata to the updated funding gap advised above Council could agree to allocate a target of up to £0.260m.

- Change Fund – as at 31 March 2020 the fund held £2.038m, and based on commitments made during 2019/20 and potential costs arising from staffing changes linked to management adjustments and savings options, £1.136m remains. This value is subject to change, for example if some of the savings options are not agreed then the estimated potential cost from that would reduce.
- Other earmarked funds – as at 31 March 2020 other funds were earmarked for specific purposes. It is possible for Council to agree to un earmark these funds where no committed spend has yet been set. For example if the saving option to delay the introduction of the expanded Free School Meals provision was agreed this would also free-up £0.300m of reserves currently aligned to this.
- Capital Receipts – Members will recall from the Council meeting in August 2020, having agreed the alignment of capital receipts in 2019/20 to transformational costs, that this option remains available for 2020/21 and 2021/22. The potential to utilise capital receipts for this purpose remains, however is dependent on the value of capital receipts available each year and the potential use as budgeted, whether any excess receipts can be aligned for this purpose, or whether any excess capital receipts are required to be used to meet the costs of COVID-19 per the fiscal flexibility afforded by SG in relation to COVID-19 costs. The fiscal flexibility for COVID-19 in relation to PPP type debt may influence this position and option and this has not yet been finalised by the SG.

**4.6.7** Based on the above there is enough flexibility for the Council to set the Council Tax at this meeting, at the same rate as for 2020/21 as is recommended at 4.6.4 above, and balance the 2021/22 Budget at a future date in March 2021. As such the Council can satisfy the requirements of the Local Government Finance Act 1992.

## **5. People Implications**

- 5.1** The potential staffing implications are shown within the savings options appended to this report and will be subject to consultation processes where appropriate and managed in accordance with the Council's Switch Policy (Organisational Change).

## **6. Financial and Procurement Implications**

- 6.1** The main variables within the current projections will be refined throughout the remainder of the budget process as more information becomes available.
- 6.2** Financial implications arising from the budget process are detailed in the report and appendices. There are no direct procurement implications arising from this report.

## **7. Risk Analysis**

- 7.1** There are a number of assumptions within the gap projections reported. The gaps could vary if the Council identifies further burdens, or mitigates some. Due to the nature of some of the variables at play in setting this year's budget it is likely that some further changes to assumptions will be made between now and setting the 2021/22 budget. That said, in terms of the recommendation to split the setting of the Council Tax from the setting of the revenue budget for 2021/22, it is considered that Council has sufficient value of savings options and other means of closing the 2020/21 gap and setting the revenue budget, as is required by the 1992 Act which would allow the Council Tax to be set ahead of Council finalising and agreeing the budget.

## **8. Equalities Impact Assessment (EIA)**

- 8.1** Equality impact screening or assessment of each savings option are carried out within the relevant services and will be made available to Members as part of the background papers for the Council decision on setting the budget in March 2021.

## **9. Consultation**

- 9.1** The development of the savings options and management adjustments were considered and agreed by the Senior Leadership Group. The views of Legal Services have been requested on this report and feedback incorporated herein. Officers have been in discussion with the Trade Unions on the financial position and will engage further in the coming weeks in relation to the specific savings options and management adjustments.
- 9.2** The Trades Unions were provided with a copy of the report and appendices in advance of publication.

## **10. Strategic Assessment**

- 10.1** Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.
- 10.2** The General Services revenue budget contributes to all categories by providing funding in specific areas to help the Council achieve and develop these priorities.

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**Stephen West**  
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**Date: 11 February 2021**

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**Appendices:**

- 1: Letter from Cabinet Secretary for Finance dated 28 February 2021;
- 2: List of Management Adjustments; and
- 3: List of Savings Options

**Background Papers:**

1. Long Term Finance Strategy and Budget Update Report – 25 November 2020; and
2. Minute of Council meeting – 25 November 2020.

**Wards Affected:** All