

# Erratum Notice



## West Dunbartonshire Council

**Date:** Monday, 22 March 2021

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**Time:** 10:00

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**Venue:** Video Conference

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**Contact:** Craig Stewart, Committee Officer  
email – [craig.stewart@west-dunbarton.gov.uk](mailto:craig.stewart@west-dunbarton.gov.uk)

Dear Member

I refer to the supplementary agenda issued on 17 March and now enclose an updated copy of **Item 5 – General Services Budget Preparation 2021/22 to 2023/24 – Budget Update: Budget Setting 2021/22** (pages 17 to 31).

The attached version of the report has an updated **Paragraph 2.1(g)**. Please substitute this version for the one previously issued.

Apologies for any inconvenience caused.

Yours faithfully

**JOYCE WHITE**

Chief Executive

Distribution:-

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Bailie Denis Agnew  
Councillor Jim Bollan  
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Councillor Gail Casey  
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Councillor Martin Rooney  
Councillor Brian Walker

Date of issue: 18 March 2021

**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Officer - Resources****Council: 22 March 2021**

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**Subject: General Services Budget Preparation 2021/22 to 2023/24 –  
Budget Update: Budget Setting 2021/22****1. Purpose**

- 1.1** To provide Members with an update in relation to both the revenue and capital budget process for 2021/22 to 2023/24.
- 1.2** To provide Members with an update on specific issues and seek approval as appropriate.
- 1.3** To seek Members approval to set the General Services revenue and capital budgets for 2021/22 through approval of options to close the 2021/22 budget gap.

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

- (a) Note the updated position regarding projections for the revenue budget in 2020/21 as identified at 4.2 in this report;
- (b) Note the updated projected provisions and reserves position of the Council as identified at 4.4 in the report;
- (c) Note the projected outturn position for capital for 2020/21 as detailed in Appendix 1 including information in relation to the re-profiling of a number of projects and resources into future years;
- (d) Agree that officers should apply available capital receipts to fund transformational spend in financial years 2020/21 to 2021/22 once the position is clear at each financial year-end as detailed at 4.12 in relation to the spend identified in Appendix 6;
- (e) Agree the proposed updated capital plan from 2021/22 as detailed in 4.5 of the report and Appendices 2 and 3 including approval of the recurring projects for 2021/22 to 2023/24 and new projects within the capital plan as detailed at 4.5.3;
- (f) Agree the growth bids as identified at 4.8 of the report;
- (g) Note the updated projected cumulative funding gaps of £3.345m for 2021/22; £6.545m for 2022/23; and £12.054m for 2023/24 (para 4.9);

- (h) Consider and agree the options to be used to set the General Services revenue budget for 2021/22 and assist with future projected budget gaps;
- (i) Agree to provide the West Dunbartonshire Leisure Trust with a Letter of Comfort for financial year 2021/22; and
- (j) Agree to delay the implementation of Non-Domestic Rates Civil penalties until a future financial year.

### 3. Background

3.1 The following funding gaps were reported to the February 2021 Council:

- 2021/22 £2.881m;
- 2022/23 £5.288m; and
- 2023/24 £10.267m.

3.2 At Council in February 2021 officers advised of management adjustments that were being implemented in 2021/22 and provided a range of options for Member consideration to close budget gaps for 2021/22 and reduce the gaps from 2022/23 onwards.

3.4 At Council in February 2021 it was noted that the position was subject to amendment as the settlement became clearer and as the Scottish Government (SG) budget progressed through Parliament and as the UK Government budget was announced on 3 March 2021.

3.5 The report to Council on the Long-term Finance Strategy in November 2020 identified the following funds available to the Council as at 31 March 2020:

	£m
<b>Reserves</b>	<b>9.395</b>
<u>Of which:</u>	
Earmarked	6.643
Unearmarked	2.752
<b>Prudential Target</b>	<b><u>3.015</u></b>
<b>Projected Free Reserves</b>	<b><u>-0.263</u></b>
 <b>Provision – for Equal Pay settlements</b>	 <b>0.232</b>

3.6 The budget update to Council in February 2021 advised that the Scottish Government fiscal flexibilities linked to the financial impact of COVID-19 were still being finalised, in particular the flexibility linked to PPP-type contracts.

3.7 On 24 February 2021 Council agreed a 0% uplift for Council Tax for financial year 2021/22.

### 4. Main Issues

#### **4.1 Scottish Government Settlement to Councils 2021/22**

**4.1.1** Since the settlement announcement on 28 January 2021, the SG budget has progressed through the three parliamentary stages by 9 March 2021 via deals being done with the Green Party and the Scottish Liberal Democrats. Through this process the SNP agreed a range of additional revenue funding to local government as follows:

- £100m to provide a Pandemic Support Payment to support people, in particular families, on low incomes;
- £17m to extend the concessionary travel scheme to under-22 year olds;
- £49.75m in 2021/22 to support the phased the roll-out of free school meals for all primary pupils, starting with P4;
- £120m for mental health services – as yet, it is unclear how much, if any, of this will relate to Local Government;
- £60m for Education support (learning loss/catch up); and
- £20m additional funding for in-class support for children, provided as a top up to Pupil Equity Fund (PEF).

In addition, the SG announced the baselining of the £90m that was made available in 2021/22 for councils who are freezing council tax.

The Government also announced additional capital funding for:

- Green Recovery (£40m in 2021/22);
- Town Centres (£50m between 2021/22 and 2022/23); and
- Local Bridge Maintenance (£32m between 2021/22 and 2022/23).

**4.1.2** The key outcome from the process described above is that there was no additional core grant funding for local government.

**4.1.3** A further key issue at Stage 2 the SG announced a revised public sector pay policy to provide:

- A flat rate uplift of £800 for those earning up to £25,000;
- A 2% uplift for those earning between £25,000 and £40,000;
- A 1% uplift for those earning between £40,000 and £80,000; and
- A flat increase of £800 for those above £80,000.

The previously reported funding gap was based on an expectation of a 2% pay award. At the 12 March 2021 COSLA Leaders meeting it was agreed to make a pay offer that aligns with the Scottish Government Public Sector Pay Policy as a basis for negotiations with the trade unions. The effect of applying the uplifts as described in the Public Sector Pay Policy to the WDC budget adds an additional cost of £0.525m to the funding gap for 2021/22 and this basis has also been applied into the period to 2023/24. COSLA Leaders also

agreed to continue discussion with SG regarding the affordability of the public sector pay policy for Local Government.

- 4.1.4** The settlement included revenue funding to support the implementation of the Barclay Review by Valuation Boards, in order to do this the funding needs to be passed through from local authorities to the Valuation Boards. The Council's share of this is £0.051m and the figures used in this report assume that this funding will be passed to the Valuation Joint Board.

#### **4.2** Budgetary Control Projection for 2020/21

- 4.2.1** At the last Council meeting in February 2021 officers provided a report to period 10 which showing a projected year-end adverse position of £2.450m. Of this it was estimated that the projected impact of COVID-19 was £2.402m. This leaves an underlying adverse variance of £0.048m, for the purposes of this budget-setting report this is assumed to be the year-end position.

#### **4.3** COVID-19 Financial Impact and SG COVID-19 Funding

- 4.3.1** As advised to Council in COVID-19 update reports the SG has announced further COVID-19 funding for 2020/21:

- A further £110m loss of income funding – of which the WDC share was £0.968m of which Council in February 2021 agreed to pass £0.238m to the West Dunbartonshire Council Leisure Trust (WDLT), leaving £0.730m for WDC; and
- £275m additional general funding for COVID-19. This hasn't yet been distributed, but is to be distributed in line with a combination of each Council's share of GAE for £175m of the funding and the remaining £100m based on shares of lost income funding. On that basis it is estimated that WDC will be allocated around £3.9m.

- 4.3.2** Based on the above then it would appear that for 2020/21 that the financial impact of COVID-19 has been more than funded by SG funding by an excess of £2.228m. However there is a risk that as the year-end process is finalised and actual costs become clearer that the in-year financial impact could vary (either higher or lower than the £2.402m projected at period 10, particularly as the Building Services provision has been impacted by the ongoing current lockdown).

- 4.3.3** In addition to the above variability, Members will recall that current policy is to utilise capital receipts to fund Loans Fund principle charges to revenue. For 2020/21 the required value of capital receipts for this purpose is £2.644m. Income received to date is £0.817m with an expectation of a further £4.781m by before the financial year-end. However there is clearly a risk that the full expected income will not be achieved in the current financial year as progress to settlement of these sales has been impacted over the lockdown periods. At present therefore there is a risk of £1.827m of the required income not being

achieved. If this was the case then the remaining excess SG COVID-19 funds for 2020/21 would reduce to £0.401m.

**4.3.4** The SG position regarding any excess COVID-19 funds for 2020/21 is that Councils should earmark to assist with any COVID-19 financial impact on 2021/22.

**4.3.5** As reported to November 2020 Council in the Long Term Finance Strategy and the budget report to February 2021 Council the current financial gap projections do not include any costs for the financial impact of COVID-19 in the expectation of further financial assistance of fiscal flexibilities from the SG. The SG has announced £259m of general COVID-19 funding for 2021/22 to be distributed based on GAE. To date the Council's share of this has not been allocated, however based on the settlement share based on GAE at 1.8% WDC should receive around £4.662m.

**4.3.6** The UK Government budget on 3 March 2021 provided further Barnett Consequentials linked to COVID-19 though it is not yet clear whether any will follow through to local government.

**4.3.7** As reported to previous Councils the SG has announced three fiscal flexibilities linked to COVID-19 in relation to:

- use of capital receipts;
- loans fund principle payment holiday; and
- flexibility around treatment of PPP-style contract debt scheduling.

**4.3.8** Flexibility on use of capital receipts – based on existing Council policy on the use of capital receipts this flexibility is not helpful, as even if the capital receipts identified at 4.3.3 above were received in 2020/21 then the excess receipts will be held in reserve to assist the funding of the payment of Loans Fund charges in future financial years and/or aligned to transformational costs as agreed at Council on 4 March 2020.

**4.3.9** Flexibility around loans fund principle holiday – the potential to use this flexibility is dependant on the position regarding capital receipts, as indicated above current policy is that principle payments are funded by capital receipts so implementing this approach can only work if there are capital receipts available and the loans fund principle holiday could free-up those capital receipts for COVID-19 purposes. In theory this is currently possible for the £0.817m of capital receipts currently received in 2020/21. However as indicated above there is expected to be an excess of COVID-19 SG funding in 2020/21, so this flexibility is currently not required for 2020/21.

**4.3.10** PPP-style contract debt scheduling flexibility – this option remains under discussion between SG and COSLA. On 25 February 2021 SG issued a letter advising of an approach on this flexibility which would allow Councils to implement a rescheduling on the annuity basis for two financial years to

cover the anticipated cost of COVID-19. Officers are reviewing this option with the Council's Treasury Advisors to assess the potential of this option.

**4.3.11** The above flexibilities are available to use within either 2020/21 and 2021/22 and officers will report to a future Council meeting on the recommended approach given that we know the impact of COVID-19 on the Council and it's community are likely to remain during 2021/22 and financial years beyond this and Council will wish to consider how best to utilise these COVID-19 flexibilities in mitigating the future impacts of COVID-19.

#### **4.4 Review of Reserves and Provisions**

**4.4.1** Based on the draft budget for 2021/22 the Prudential Reserve level has been calculated as £3.000m for 2021/22.

**4.4.2** Officers have revised the reserves and provisions since the Long-term Finance Strategy was reported to Council in November 2020 and the updated position is as follows:

- Officers have reviewed the required Equal Pay provision and the current provision of £0.232m remains appropriate; and
- Earmarked funds have been reviewed and all remaining earmarked funds have either been spent or continue to be required for the purposes originally identified, however the Change Fund has not been fully committed at this point.

The above is summarised in the following which shows the projected levels of reserves and provisions held by the end of 2020/21:

<b><u>Unearmarked Reserves</u></b>	<b>£m</b>
<b>Position at 31/3/20</b>	<b>2.752</b>
<b><u>Changes</u></b>	
Budgetary control projection 2020/21	-0.048
<b>Projected Un-earmarked Reserves at 31/03/21</b>	<b>2.704</b>
Prudential Target for 2021/22	3.000
<b>Projected Free Unearmarked Reserves</b>	<b>-0.296</b>

**4.4.3** Our external auditors in their annual report following the audit of the Council's Financial Statements for 2019/20, identified that the Council has low levels of reserves compared to other councils in Scotland, and suggested that Members may wish to consider this position. It would be possible to increase the level of reserve in the Council's prudential policy to be higher than 2% or to agree a budget that aims to increase the free reserves to a level higher than the prudential target.

**4.4.4** In terms of the adequacy of reserves – the prudential level of reserves is viewed as being an adequate level to deal with any financial shocks to the budget, based on previous experience and future expectations specifically in relation to income streams. Should Members identify efficiencies or growth options to be funded from reserves, then the Prudential Reserve level should be considered. This level of free reserves is considered to be the free reserve level which the Council should not plan to be below.

**4.4.5** At Council on 3 March 2021 a planning decision was made regarding Sheephill Quarry, at this stage the potential compensation claim from the planning applicants is potential and it is anticipated that this will result in a contingent liability note within the annual accounts for 2020/21, this will be subject to review as required.

#### **4.5** Capital Plan Update

**4.5.1** At Council on 4 March 2020 an update of the 10 year capital plan was approved. Officers have reviewed the plan to update it recognising progress made and any re-phasing of projects and anticipated funding that have been necessary, as detailed in Appendix 1. In addition a small number of new projects are proposed for inclusion in the plan from 2021/22. The result of this update is shown as Appendix 2 (spend) and Appendix 3 (resources) to this report. The loan charges linked to the capital plan reflect the values within the draft budget book and the effect of new projects are shown below in 4.5.3. Appendix 4 provides information linking the capital plan to the Council's Asset Management Plans.

**4.5.2** The updated Capital Plan has a small number of changes of projects from the previous plan, the main ones being in relation to determining more accurate phasings for significant projects such as Gruggies Burn, Schools Estate works, Depot Rationalisation and a number of new projects have been added and are recommended for approval at this meeting.

**4.5.3** Included in Appendix 2, are a number of new projects identified during the budget preparation process which have been agreed by the Corporate Management Team (CMT) to be recommended for approval by Council, as summarised in the table below. If approved these projects will generate a charge to the revenue budget of £0.049m from 2022/23.

The project life value generates a charge to the revenue budget of £0.179m by 2024/25.

It is anticipated that the development of the Waste Transfer Station will allow better value for money in future waste disposal contracts, however the value of this is not yet know and will depend on the markets at the time of future tendering processes.

Ref	Project Name	Value 21/22 (£m)	Net Project Life Value (£m)
1	Enhancements to Cash Receipting System	40	40
2	Antonine Wall Heritage Lottery Fund	10	10
3	Workforce Management System Development	42	423
4	Dennystoun Forge Site Improvements	25	225
5	Waste Transfer Station	60	1,980
6	Integrated Housing Management System	10	90
7	Replacement of compactors at Dalmoak civic amenity site	80	160
8	Depot Improvement Works	90	90
9	Half Solicitor post for major projects	20	53
<b>Totals</b>		<b>377</b>	<b>3,071</b>

**4.5.4** As a result of the above the capital funding requirement has been adjusted for re-phasing and the anticipated approval of the new bids listed at 4.5.3. This is reflected in the Treasury Management Strategy which is subject of another report to this meeting.

**4.5.5** In considering capital investment Council requires to consider how affordable the planned capital investment is to the Council both in the shorter/medium term and in the longer term. The Council's external auditors have raised concerns around the level of borrowing which the Council currently holds, however analysis (which indicates that the Council is amongst the highest levels of borrowing in Scotland) includes the significant HRA investment in achieving Scottish Housing Quality Standard and ongoing costs of PPP investment.

**4.5.6** As has been previously reported to Council, in the years leading up to the development of the longer term approach to capital planning the Council's level of investment in its General Fund assets was low as evidenced, for example, in the spend required to bring the schools estate to an acceptable standard. The current capital plan shows a cluster of planned spend concentrated from 2018/19 to 2022/23 and then reducing significantly thereafter. In addition to the required capital investment in "backlog" projects the Council has taken a pro-active approach to regeneration with two significant projects, with expectations of funding streams linked to these in terms of Queens' Quay and the Exxon site.

**4.5.7** As was previously reported to Council, in considering affordability it is suggested that a key measure is not the value of borrowing, but the impact of the borrowing on future revenue streams. This aspect of borrowing is identified in the Council's Treasury Management Strategy and is considered when setting this strategy each year. The Strategy (which is a separate paper to be reported to this council) covers the period 2020/21 to 2030/31 and shows the ratio of cost of borrowing: net revenue stream ranging between 8.53% in 2021/22; 8.98% in 2022/23; and 9.48% in 2023/24.

**4.5.8** The above reflects the current to medium-term picture and we must consider the impact of new borrowing into future years. Projections of this indicator for the Council show that at its peak (based on the attached draft refreshed capital plan, as appended) the Prudential Indicator will be 14.98% in 2035/36. Clearly there are numerous variables between now and that future date, such as future levels of investment; future levels of SG funding support; rates of interest at which borrowing is secured; and whether councils will have the ability to vary their own revenue streams (i.e. removal of restrictions on Council Tax increases or any successor). The current model assumes funding from SG revenue reducing by 0.75% per year.

**4.5.9** In terms of affordability of the proposed plan it is the view of the CMT that the plan is affordable, though clearly will have revenue implications for future years, these will require to be planned for in the normal manner through long term financial strategies and budget planning processes.

**4.6** Corporate Services Committee February 2021 and West Dunbartonshire Leisure Trust

At the Corporate Services Committee in February 2021 a report was approved in relation to the West Dunbartonshire Leisure Trust delivery plan for 2021/22. This plan was approved with a budget gap of £0.229m with the expectation that the SG would provide further Loss of Income funding in 2020/21 which would allow WDC to pass further funding to the Trust in 2020/21 thereby reducing/removing this gap. Committee did not agree to all aspects of the WDLT financial plan rejecting a saving of £0.048m which resulted in the gap increasing to £0.277m before any further Loss of Income being applied. However since that meeting the SG provided the additional £110m and £0.238m has been agreed by February 2021 Council to be passed to the Trust, this reduces the gap to £0.039m and it is recommended that Council increases the management fee by this sum.

During 2020 Council provided WDLT with a Letter of Comfort due to the COVID-19 situation and it is likely that their external auditors will expect to see this in place for financial year 2021/22 and it is recommended that this is provided confirming the Council's ongoing financial support and it is recommended that this letter is provided.

**4.7** West Dunbartonshire Health and Social Care Partnership Funding

The most recent report on the 2021/22 budget to the HSCP Board on 25 February 2021 identified a budget gap of £1.008m for social care, which includes an assumption that WDC will apply the £0.260m reduction reported to February 2021 Council as an option. This figure also includes an estimate of the impact of the Public Sector Pay Policy – as was originally announced on 28 January 2021 of £0.180m. This element is included in the Council's whole estimate for the impact of the updated Public Sector Pay Policy (£0.525m as reported above) and therefore will be funded by the Council reducing the HSCP gap to £0.828m.

The SG settlement for 2021/22 requires that IJB funding from Councils for adult social care is at least £72.6m (across Scotland) more than the 2020/21 funding. The additional £72.6m SG funding is intended to support SG policies in relation to: Scottish Living Wage in care sector; Carers; and Free Personal Care. The 2020/21 funding to the HSCP for adult social care was £50.513m and the new funding based on allocating the £1.177m from the additional funding is £51.690m, thereby satisfying the SG settlement rule.

#### 4.8 Growth Bids

During the budget process services have made bids for funding growth. These have been considered by the CMT and the following are recommended for approval:

<b>Description</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Additional permanent resource in the form of 4 FTE Project Workers to support the Council's community empowerment ambitions.	0	0.151	0.154
Continuation of Digital Team on permanent basis from 2022/23 – to drive ongoing efficiencies in service delivery	0	0.168	0.148
	<b>0</b>	<b>0.319</b>	<b>0.299</b>

In relation to these growth items:

- Community empowerment – in the first year is very much aligned to assisting in community to recover from the impact of COVID-19 and generate community recovery. Therefore at this stage the 2021/22 cost will be considered to be a cost of COVID-19; and
- The Digital Team – currently engaged on fixed term contracts and funded to the end of 2021/22 from the Change Fund. Recommended to make the team permanent and fund from core budget from 2022/23 onwards.

#### 4.9 Updated Gap Projections to 2023/24

In the period since the February 2020 Council, officers have continued to review the budget projections for the next three years which, together with the effects of the various changes detailed above, updates the cumulative gap projections as follows, which includes an assumption around the lease of part of Aurora House as advised to Members via a Members Briefing, subject to Committee approval:

UPDATE DETAIL	2021/22 £m	2022/23 £m	2023/24 £m
<b>GAP AT FEBRUARY 2021 COUNCIL</b>	<b>2.881</b>	<b>5.288</b>	<b>10.267</b>
IMPACT OF PUBLIC SECTOR PAY POLICY	0.525	1.050	1.575
DRAFT CAPITAL PLAN (PER 4.5.3)	0.000	0.049	0.074
LEISURE TRUST COST CONTRIBUTION (PER 4.6)	0.039	0.039	0.039
GROWTH BIDS (PER 4.8)	0.000	0.319	0.299
REDUCED COST OF OFFICES – AURORA HOUSE	-0.100	-0.200	-0.200
<b>CUMULATIVE UPDATED GAPS</b>	<b>3.345</b>	<b>6.545</b>	<b>12.054</b>

#### **4.10 Medium Term Consideration**

In order to continue to meet the Council's desire to identify and plan for medium term budgets and issues, indicative budgets for the following two years have been prepared which assume the same level of service as implicit within the 2020/21 budget along with further appropriate burdens. It is clear from the funding gap projections over the next three years that it is expected that significant gaps will be encountered, on this basis Members will wish to consider – when setting the 2020/21 budget – cost reduction options that manage this position over the next three years.

#### **4.11 Non-Domestic Rates Barclay Review – Civil penalties**

The SG introduced a number of legislative changes following the Barclay Review recommendations. The introduction of The Non-Domestic Rates Scotland Act 2020 sets out a number of provisions, one being Section 33 which allows for Local Authorities to issue civil penalties for the failure to comply with information notices, where the Council asks proprietors for information on a property, within 21 days or failure to notify of a change in circumstances, such as vacating a property, within 42 days. Failure to comply with these may result in civil penalties being issued of £95 and £370 respectively. An appeals process will also be made available.

Ensuring WDC has the most up to date information in relation to ratepayers and properties allows accurate billing and the appropriate relief entitlements being applied. However, on checking with a number of other Councils there is, at this juncture, no intention to implement this legislation in financial year 2021/22 as businesses have been interrupted in their operations due to COVID-19. It should be noted the requirements for businesses to ensure information pertaining to ratepayers and property details are up to date on the Assessors running roll to be eligible for a number of SG funded Business Support Grants during COVID restrictions, has assisted with providing WDC with the most up to date information. It should be noted that this new potential charge is not anticipated to generate significant levels of income to Councils but is there to provide a further incentive for businesses to keep their records up to date.

It is therefore recommended that this new charge, which is available under the above legislation from 2021/22, should not be implemented for 2021/22 and the position can be considered further in leading up to 2022/23.

#### **4.12 Options to set the revenue budget 2021/22**

**4.12.1** As reported to February 2021 Council officers have identified a number of opportunities to close the 2021/22 budget gap through:

- Savings Options  
As reported to February Council, also attached to this report as Appendix 5.
- 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 2020/21 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 unearmark these funds where no committed spend has yet been set. There are two such funds at present:
  - Free School Meals (FSM) fund £0.300m of reserves currently aligned to the planned expansion of FSM, however should the saving option associated with this be agreed then this earmarked reserve can also be freed-up; and

- Net Zero Carbon Fund of £0.344m created in the budget for 2020/21.
- **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. It is anticipated that capital receipts for 2020/21 will be in excess of the level required to fund loans fund payments and would allow Council to use some of this excess to fund transformational costs in either 2020/21 and/or 2021/22. At this stage officers have identified estimated spend valued at £0.895m between 2020/21 and 2021/22 as detailed at Appendix 6 which can be classified as transformational and therefore qualifying for this treatment. Implementing this in 2020/21 would increase free reserves by this sum and allow this sum to be used to assist in closing the funding gap identified above.

It should be noted that the above excludes the use of prudential reserves and officers recommend that the prudential reserve is retained at the level defined in the Council's current policy (2% of net revenue budget, excluding requisitions) due to ongoing potential variables described elsewhere in this report.

#### **4.13 EU Exit**

As discussed in previous budget reports, there remains ongoing uncertainty around any impact of EU Exit on the UK, the economy and therefore on the Council. The UK left the EU with a deal and so far the impact on the Council appears to be minimal; however risks remain around the future and most likely around possible increases of goods and services. Officers will monitor this and identify issues as they become apparent.

### **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 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** Some of the capital plan projects have an assumption of match-funding and grant funding from SG and other agencies. There is a risk that some or all of these are not received. The business cases for these projects will require to

be updated as funding becomes clearer and Members may require to consider the financial affordability of continuing with the projects.

- 7.2** There remain risks, as described above, around how the UK exits the European Union. As this happened with a deal the risk has diminished from previously considered risks in budget reports. As stated at 4.12 above the position continues to be monitored.
- 7.3** COVID-19 continues to present unknown risks to how the Council and its community operate into 2021/22 and beyond. In relation to financial impacts of COVID-19 the assumption is that any ongoing costs into 2021/22 will be able to be controlled as far as possible and any financial impact will be covered by SG financial support and fiscal flexibilities. The SG has provided £259m for general costs of COVID-19 for 2021/22 and there remain fiscal flexibilities available to implement if required.

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

- 8.1** All individual savings options have been screened and where relevant, impact assessed. Impact Assessments can be found as Appendix 7 to this report

## **9. Consultation**

- 9.1** Council agreed at its meeting in June 2020 that the consultation process for 2020/21 was not on savings options, but on preferred service spend priorities. The outcome of this process was reported to Council in November 2019. The Administration has decided not to implement further budget consultation this financial year as the outcomes of the previous process remain valid for Member consideration in closing the budget gap in 2021/22. The views of all Chief Officers have been requested on this report and feedback incorporated herein. Discussions on the issues herein have been had with the Trades Unions and a copy of this report provided in advance of the 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**  
**Chief Officer - Resources**

**Date:** 17 March 2021

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**Appendices:**

- 1: Capital Plan 2020/21 – Forecast Outturn;
- 2: Capital Plan 2021/22 – Proposed Spend;
- 3: Capital Plan 2021/22 – Proposed Resources;
- 4: Capital Plan 2021/22 – Links to Asset Management Strategy;
5. Savings Options; and
6. Transformational Spend

**Background Papers:**

1. Long Term Finance Strategy and Budget Update Report – Council, 25 November 2020;
2. Budget Prioritisation - Engagement Results – Council, 27 November 2019;
3. Minute of Council meeting – 27 November 2019;
4. Council Draft Budget Book 2021/22 to 2023/24;
5. Budget Update Report – Council, 24 February 2021;
6. Minute of Council meeting – 24 February 2021;and
7. Equalities Impact Screening/Assessments

**Wards Affected:** All