

**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Officer - Resources****Council: 9 February 2022**

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**Subject: General Services Budget 2022/23 Update****1. Purpose**

1.1 To provide Members with an update on the 2022/23 budget process.

**2. Recommendations**

2.1 Members are asked to:

- (a) Note the updated projected budget gap for 2022/23 as £5.514m.
- (b) Note the appended list of savings options and additional potential measures to help deliver a balanced 2022/23 budget when Council convenes to agree the budget on 9 March 2022.

**3. Background**

3.1 At Council in October 2021 the Long Term Finance Strategy (LTFS) was approved which identified a 2022/23 revenue gap of £5.612m. 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) published their draft 2022/23 budget on 9 December 2021 with a subsequent publication of the financial settlement via a Finance Circular on 20 December 2021.

3.3 Following the issuing of the settlement the SG has progressed/will progress its budget through the parliamentary process, on the following dates:

- Stage 1            27 January 2022
- Stage 2            1 February 2022
- Stage 3            10 February 2022

3.4 The Local Government Finance Order will then be published on 24 February 2022.

**4. Main Issues**

4.1 Settlement and Scottish Government Budget Progress

**4.1.1** The settlement is advised by the SG to be a cash increase of £791.4m, however included within this is funding for SG commitments of £802.4m, and underlying unfunded pressures of £89m. Therefore the underlying position for Scotland is a £100m decrease.

The settlement includes £553.9m for Health and Social Care which has associated conditions which Councils must comply with its use. These were advised in a letter from the Cabinet Secretary for Finance to the COSLA Leader (copied to all Council Leaders) on 9 December 2021. This letter is appended to this report for information as Appendix 1.

**4.1.2** The new commitments and funding included in the £802.4m are as follows:

<b>Funding Commitment</b>	<b>Value (£m)</b>
Children and Young People	180.5
Health and Social Care (social care living wage £174.5m; Free Personal and Nursing Care £15m; Carers Act implementation 20.4m; Care at Home investment £124m; and Interim Care provision £20m)	353.9
Investment in Health & Social Care (to support pay and sustainability of social care services)	200
Scottish Child Bridging payments	68
<b>Total</b>	<b>802.4</b>

**4.1.3** The two unfunded policy pressures are as follows:

<b>Funding Commitment</b>	<b>Value (£m)</b>
Council Tax Reduction Regulation Changes	19
Employer's National Insurance Contribution Levy for Health and Social Care	70
<b>Total</b>	<b>89</b>

The Scottish Government have also announced an additional £22m of funding specifically to assist efforts in the adult social care sector, in particular £4.8m for Care Home and Care at Home Oversight Funding and £17.2m for additional workforce capacity within Adult Social Work. This will be fully distributed to the HSCP.

**4.1.4** The Cabinet Secretary for Finance's 9 December letter also confirms that there will be no cap imposed on Council Tax increases in 2022/23 and that the Scottish Government is committed to reviewing all ring-fenced funding as part of the forthcoming Resource Spending Review.

**4.1.5** An Elected Members Briefing was issued on 22 December 2021 which confirmed that, based on a preliminary review, the settlement would increase the Council's budget gap by £1.423m as set out in the table below:

	<b>£000</b>
2022/23 Estimated Budget Gap as per LTFS (Oct 2021)	5,612
No funding impact of NI Contributions Uplift	1,227
No funding impact of changes to Council Tax Reduction rules	340
Settlement position compared to LTFS	(144)
<b>Revised Estimated 2022/23 Budget Gap</b>	<b>7,035</b>

#### Further Changes to the Estimated 2022/23 Budget Gap

- 4.1.6** After the December 2021 Elected Members Briefing was issued there has been a need to further adjust the estimated 2022/23 budget gap. These changes are summarised below.

#### Assumed HSCP Allocation

- 4.1.7** There is an assumption built into the LTFS that any funding gap would be shared across all Council services including the HSCP. As such it was assumed within the LTFS that there would be a reduction in HSCP funding of £0.530m. The letter from the Cabinet Secretary for Finance on 9 December 2021 advises that '*The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2021-22 recurring budgets for adult social care services that are delegated.*' This is consistent with the narrative in the equivalent letter from the Cabinet Secretary for Finance which was issued in relation to the 2021/22 settlement and, at that point, the Council interpreted that to mean that no share of any funding gap could be passed to the HSCP. Applying this same interpretation would mean the allocation to the HSCP would be, at least, flat cash plus the appropriate share of the £553.9m of Health & Social Care funding commitments detailed in the table at paragraph 4.1.2 and the additional £22m referenced at paragraph 4.1.3.

#### Impact of the National Insurance Contribution Uplift

- 4.1.8** The £1.227m NI Uplift impact detailed in the table at paragraph 4.1.5 incorporated both the cost to the Council and the HSCP. Therefore this figure needs to be revised to remove £0.443m which is the HSCP element of the cost pressure previously included in the budget gap.

#### Review of Gas and Electricity Inflation

- 4.1.9** The LTFS included an assumption of 2022/23 inflation in gas and electricity prices of 5% and 11% respectively. It has become apparent that gas and electricity prices are likely to increase at a level far in excess of that with predictions ranging widely from 15% to 40% with gas prices, in particular, predicted to increase materially. As such I have deemed it prudent to increase our inflationary assumptions to 21% for electricity and 30% for gas. This creates a cost pressure of £0.375m in addition to the assumption already built into the LTFS.

#### PPI Unitary Payment

**4.1.10** There is an unavoidable £0.259m increase in the Council's PPI Unitary Payment as it is contractually linked to the retail price index which has increased materially over the past 12 months. This adjustment is the additional cost beyond what the increase was previously expected to be

#### Clydebank Town Hall

**4.1.11** In December 2021 the Cultural Committee agreed to a six month pilot to close Clydebank Town Hall to members of the public on Mondays and Tuesdays but have it opened on Sundays, inclusive of the museum and coffee shop. The Committee also decided to limit the number of weddings to be hosted in the Town Hall during 2022/23 to ensure the Hall was largely open for public use over the course of the year. The reduction in weddings has created a cost burden due predominantly to an estimated loss of income of £0.080m and the six month pilot has been estimated to cost £0.035m, therefore a total increased cost of £0.115m. If the six month pilot is extended, or a decision is taken to make weekend opening hours a permanent arrangement, there would be further revenue costs that would need funded.

#### 2022 Community Council Elections

**4.1.12** There is a paper going to a special meeting of the Council on 23 February 2022 outlining a proposed revised scheme of establishment for West Dunbartonshire Community Councils. The statutory basis for reviewing community council schemes is set out in the Local Government (Scotland) Act 1973 s.53 and supplemented the Local Government etc. (Scotland) Act 1994 s22. In the event that the proposed scheme is accepted this would require elections to be held for all West Dunbartonshire Community Council elections with these estimated to take place late in 2022. These would be 100% postal votes. In recent years there have been very few, if any, contested elections and it is anticipated that this year will be no different. However it may be prudent to assume that a maximum 3 of the 12 active community councils (25%) would require an election. If it transpires there are more than 3 then these would need to be funded from Council reserves. It has been estimated that each election will cost £0.015m thus creating a total cost pressure of £0.045m.

#### Service Efficiencies

**4.1.13** Services have identified budget efficiencies which can be implemented through the normal course of business. In total these reduce the pressure on the 2022/23 revenue budget by £0.247m.

#### Additional Scottish Government Funding

**4.1.14** On 27 January 2022 the Cabinet Secretary for Finance announced an intention to amend the Budget Bill at Stage 2 to allocate £120m of one-off funding to Local Government with these monies available to councils as general revenue funding with no restrictions on their use. At the time of writing this paper the distribution of the £120m has not been confirmed however an

assumption has been made that it will be distributed on the basis of GAE (1.8% for WDC) which would mean the Council should receive around £2.160m

**4.1.15** The table below sets out the revised estimated 2022/23 budget gap which will require to be bridged as part of the budget to be agreed on 9 March 2021.

<b>Para Ref</b>		<b>£000</b>
4.1.5	2022/23 Estimated Budget Gap (December 2021)	7,035
4.1.7	Remove reduction in HSCP assumption	530
4.1.8	Adjust for HSCP Element of NI Contribution Impact	(443)
4.1.9	Adjust for Gas and Electricity Inflation	375
4.1.10	PPI Unitary Payment	259
4.1.11	Clydebank Town Hall	115
4.1.12	Community Council Elections	45
4.1.13	Service Efficiencies	(247)
4.1.14	Estimate of £120m additional funding	(2,160)
	<b>Revised Estimated 2022/23 Budget Gap</b>	<b>5,509</b>

## **4.2** Financial Flexibilities

In addition to the 2022/23 finance settlement, the 9 December 2021 letter from the Cabinet Secretary for Finance also made announcements in relation to the financial flexibilities made available by the UK and Scottish Governments to provide for funding to help Councils respond to, and recover from, COVID. In particular she announced:

- An agreement to extend the flexibility to allow capital receipts to be used to fund the financial impact of COVID and to fund transformational projects in 2022/23. This had previously been limited to 2020/21 and 2021/22 although it should be noted that this extension is dependant on confirmation from the UK Government.
- An agreement to extend the period of the loans fund principal repayment holiday into 2022/23. This had previously been limited to being activated in 2020/21 or 2021/22.

## **4.3** Measures to Balance the Budget

Officers have developed a range of options to assist Members to balance the 2022/23 budget. These options are set out in the following paragraphs with further details provided in appendices 2 and 3 but can be categorised as either:

- Application of COVID Funding
- Application of Financial Flexibilities
- Setting of Council Tax
- Saving Options
- Use of Reserves
- Setting of Fees and Charges

#### 4.4 Application of COVID Funding

Officers have completed a review to identify costs within the 2022/23 revenue budget estimates which are directly attributable to COVID. These estimates are subject to change prior to the end of the 2021/22 year and, further during 2022/23 as the impact of COVID changes over time. However current estimates have confirmed that £1.802m of 2022/23 costs can be attributed to COVID. This can be funded from the £2.999m of general COVID funding that it is projected will be carried forward into 2022/23. The £1.802m is summarised in the table below

<b>Cost</b>	<b>Justification for Using COVID Funds</b>	<b>£000</b>
2022/23 Impact of NI Uplift	<p>When announcing the 1.25% uplift the UK Government stated in the policy objective that <i>it would be irresponsible to meet the increase in spending on Health and Social Care through higher borrowing, particularly in the context of record borrowing and debt to fund the economic response to COVID.</i></p> <p>Therefore it is deemed a reasonable assumption that the 2022/23 uplift is attributable to COVID. However it should be noted that the uplift will become a permanent levy beyond 2022/23 so use of any carried forward COVID funding may not be appropriate in future years.</p>	784
Taxi costs for Education service	<p>COVID is continuing to create a pressure on taxi costs due to:</p> <ul style="list-style-type: none"> <li>• additional taxi hire being required due to social distancing</li> <li>• increased cost of taxi hire due to a reduction in availability of taxis.</li> </ul> <p>It has been assumed these burdens will continue into 2022/23.</p>	247
Vehicles	<p>Additional vehicle hire continues to be required due to social distancing. It has been assumed these burdens will continue into 2022/23.</p>	77
Additional Support Needs	<p>During COVID the number of placements for children requiring specialist support has increased with limited alternatives available. Increased demand with limited spaces available has caused an increased in costs. It has been assumed these burdens will continue into 2022/23.</p>	552
Reduction in Waste Income	<p>Due to a number of businesses and premises closing throughout COVID, commercial waste income has reduced. It will take time for the service to build income back up to pre-COVID levels.</p>	102

Cleaning	Additional 2022/23 building cleaning costs as a consequence of COVID	40
<b>Total</b>		<b>1,802</b>

#### 4.5 Application of Financial Flexibilities

As per paragraph 4.2 the Scottish Government has agreed to extend the flexibility to allow capital receipts to fund transformational projects in 2022/23 (pending confirmation from the UK Government). Officers have reviewed the 2022/23 revenue estimates to identify revenue expenditure that can be appropriately classified as targeted at delivering transformation. This has identified £0.500m which can be funded through capital receipts in 2022/23 and provide a one-off saving option. It is anticipated this would be achievable based upon the estimated capital receipts due in 2022/23, taking account of other commitments within loan charges which have been set against these receipts.

#### 4.6 Setting of Council Tax

There is an assumption built into the Council's LTFS of a 3% increase in Council Tax. When the Scottish Government announced the additional one-off funding of £120m (refer to paragraph 4.1.14) the accompanying letter issued by the Cabinet Secretary for Finance to the COSLA Resources Spokesperson advised that *'This additional funding is equivalent to the revenues that could be raised from an average four per cent rise across Scotland. So whilst councils have full flexibility in setting local council tax rates, I do not believe that there is a requirement for any inflation-busting increases next year.'*

Therefore there is still scope for Council to agree a Council Tax increase at a different level. Consideration of this matter should reflect on the fact the £120m is one-off in nature and has therefore not been baselined into future Council funding and that inflation is currently running at a rate much higher than the current assumption of 3% or the 4% referenced in the Cabinet Secretary's letter. Each 1% increase in Council Tax above the 3% assumption already built into the LTFS would generate approximately £0.370m in income.

Appendix 2 provides an analysis of the impact any increase in Council Tax above the 3% assumption would have on the revenue budget and the Council tax payer. This, of course, is a matter for Members to agree and I have made no assumption about Council Tax increase over and above the 3% already built into the LTFS.

#### 4.7 Saving Options

Officers have also identified a range of saving options for member consideration. These options will require Council consideration and approval as part of setting the 2022/23 budget at the Council meeting on 9 March 2022. The majority of the options can be taken or rejected in isolation of other options however there are a small number which are 'either/or' options which means there is a higher or lower value associated with them. The total value of the

'higher value' options is a recurring saving of £3.113m. These options are set out in Appendix 3 for member consideration.

#### 4.8 Use of Reserves

The Council has a number of reserves and it is possible for Council to use these funds where no committed spend has yet been set. The table below sets out that as much as £1.161m of reserves could be released to help balance the 2022/23 budget. It should be noted that this option is one-off in nature and once these reserves are exhausted they would not be available for the purpose for which they were originally set aside.

<b>Reserve</b>	<b>Consideration</b>	<b>£000</b>
HR/Legal Commitments	This provides for any arising costs in association with equal pay or holiday pay claims.	211
Shared Services	This was established as a £240k reserve in 2019/20. Only £14,000 has been used since then.	226
Resources – Spend to Save	There has been no spend against this reserve since it was established in 2019/20.	150
Brexit	Residual balance in the reserve. It isn't anticipated it will be required.	41
Food Share	This was a contingency balance which was to be kept in place until September 2022 however if Food Share was to require it in 2022/23 this could be made available from general COVID Funds.	49
Community Empowerment Steering Group	Residual balance. 2022/23 anticipated spend on this area can be contained within existing budget.	30
Unearmarked Balance in the Change Fund	Funds which have not been earmarked for any specific purpose. Use of them would mean there are no remaining monies in the change fund for any new initiatives.	138
Free Reserves over and above Prudential Target	This is the amount that Council free reserves would exceed the prudential target if the 2022/23 position is a break even.	237
Projected outturn	Current projected favourable 2021/22 revenue outturn as at Period 9	79
<b>Total</b>		<b>1,161</b>

#### 4.9 Setting of Fees and Charges

The LTFS currently assumes an increase in fees and charges of 4%. As at December 2021 the Retail Price Index is 7.5% and the Consumer Price Index is 5.4% which would indicate there is an option to increase fees and charges by a higher percentage. Each 1% increase in the Council's fees and charges would generate approximately £0.075m in income.

#### 4.10 **Budget Gap After Measures to Balance the Budget**



The budget gap after applying all the measures to balance the budget is summarised within the table below

<b>Para Ref</b>		<b>One Off (£,000)</b>	<b>Recurring (£,000)</b>	
4.1.15	Budget Gap/(Surplus) Prior to Measures to Balance Budget			<b>5,509</b>
4.4	Application of COVID Funding	(1,802)		
4.5	Application of Financial Flexibilities	(500)		
4.6	Council Tax Increase (Based on 3% Assumption)		0	
4.7	Saving Options		(3,113)	
4.8	Use of Earmarked Reserves	(1,161)		
4.9	1% Increase in Fees & Charges		(75)	
	<b>Totals</b>	<b>(3,463)</b>	<b>(3,188)</b>	<b>(6,651)</b>
	<b>Updated Gap/(Surplus)</b>			<b>(1,142)</b>

The table above demonstrates that if Members agreed to all the proposals already noted within this report there will be a balanced 2022/23 budget with a surplus of £1.142m. Whilst there are a number of savings options built into these figures that could be reversed accepting them now will assist with the continued challenging position in future years, especially as a number of the saving options are one-off in nature and, therefore, only delay the need to identify longer term recurring savings.

#### **4.11 Growth Bids**

In addition to the revenue figures provided above there are three growth bids which have been submitted by Chief Officers for member consideration when considering the 2022/23 revenue budget. There would be a recurring revenue impact of all three bids as summarised in the table below.

<b>Service</b>	<b>Description</b>	<b>Recurring Annual Cost (£,000)</b>
Democratic and Registration Services	Additional part time grade 6 officer to help with additional resource requirement for hybrid meetings, audio-casting and additional Council and working groups. There would be scope to use COVID Funds for this in 2022/23.	30
Environmental Health	Additional resource to help the Council meet the expanded Food Law intervention requirements brought about by the introduction of the 'Interventions Food Law Code of	101

	Practice (Scotland) 2019.' Request is for two additional grade 8 officers.	
Modern Apprentices	Funding to extend Modern Apprenticeship Scheme beyond current funding agreement. Proposal is to extend for four years at £250,000 per annum.	250
	<b>Total</b>	<b>381</b>

## **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 report outlines the estimated budget position in 2022/23 based on current assumptions and potential options to deliver a balanced budget.
- 6.2** There are no direct procurement implications arising from this report.

## **7. Risk Analysis**

- 7.1** There are a number of assumptions built into the 2022/23 budget projections. The gap could vary if the Council identifies further burdens, mitigates some, or if the assumptions prove to be materially incorrect including the availability of capital receipts to fund transformational activity.

## **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 2022.

## **9. Consultation**

- 9.1** The development of the savings options 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 will engage with the Trade Unions prior to the 9 March 2022 budget setting meeting in relation to the specific savings options.

## **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 Council's strategic priorities.

**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.

**Laurence Slavin**  
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**Date: 9 February 2022**

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**Appendices:**

- 1: Letter from Cabinet Secretary for Finance - 9 December 2021
- 2: Analysis of Council Tax Increases
- 3: List of Savings Options

**Background Papers:**

1. Long Term Finance Strategy Report – 27 October 2021
2. Elected Members' Bulletin - 22 December 2021

**Wards Affected:** All

