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**PROCEDURE TO BE FOLLOWED AT THE MEETING  
OF RENFREWSHIRE COUNCIL  
TO BE HELD ON 4 MARCH 2021  
DURING CONSIDERATION OF ITEM 2 CONCERNING  
REVENUE ESTIMATES AND COUNCIL TAX  
FOR THE FINANCIAL YEAR 2021/22**

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The purpose of this note is to give Members advance notice of the procedure which Provost Cameron has agreed should be followed at the Meeting of the Council on 4 March 2021.

1. The Convener of the Finance, Resources & Customer Services Policy Board (the Convener) will make his budget statement for financial year 2021/22 and move as appropriate. He will then speak to the principal points of his proposals. The motion will require to be seconded.
2. The Leader of the Council will second the motion and may address the meeting then or reserve the right to speak at a later stage of the debate.
3. For the purposes of the subsequent discussion and voting, the Convener's proposals will be taken as one motion.
4. An opportunity will then be given to the Leaders of the opposition groups and any other Members to move, and to have duly seconded, comprehensive amendments to the motion (i.e. taking together proposals for resource allocations, budget proposals, revenue estimates and the level of the council tax for the financial year 2021/22).
5. The motion and any amendments will require to be produced in writing and a copy given to each of the Members present prior to being spoken to at the meeting. Provost Cameron may then adjourn the meeting to allow Members to consider the terms of the motion by the administration and any amendments by the opposition groups.
6. There shall be no formal restriction upon the length of time given to the Convener and the Leaders of the opposition groups to move their respective budget statements and speak in support of the principal points of their proposals. However, Provost Cameron shall have the power to require any person speaking to limit their speech in order to facilitate the conduct of the meeting.
7. Provost Cameron will then invite other Members to take part in the debate including Conveners of the Policy Boards who may wish to take the opportunity to respond concerning the services for which they have responsibility.
8. The debate will conclude with Provost Cameron giving the Convener the opportunity to reply.
9. A vote or votes will then be taken in accordance with the provisions of standing orders.
10. Due to the Council meeting taking place remotely on Microsoft Teams, there will be separate guidance issued ahead of the meeting regarding the conduct of the meeting and including details of how members may submit and circulate motions and amendments and how they may hold confidential discussions with other members.



**To: Council**

**On: 4 March 2021**

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**Report by: Director of Finance & Resources**

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**Heading: Revenue Budget and Council Tax 2021/22**

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**1. SUMMARY**

- 1.1 This report provides members with an overview of the Council's anticipated financial position on the General Fund revenue budget and sets out the information required for the Council to set its budget and council tax for 2021/22. Members are expected to bring forward proposals to secure a balanced budget, and to assist in this, Directors have been providing details of the financial, service and equality implications of any changes to current service levels, as requested by members.
- 1.2 Members will be aware that as a direct consequence of the COVID19 pandemic, 2020/21 has represented the most challenging, complex and unique financial year in the history of the Council. Additionally, it is recognised that moving into 2021/22 and beyond the financial impact on the Council from COVID19 will continue through the ongoing direct impact from the pandemic and the public health response on Renfrewshire, an anticipation of longer lasting legacy impacts on both service costs, service demands and income streams, the lasting impact of the significant disruption to transformation plans as well as the need for the Council to support the social and economic recovery and renewal process which is likely to be a substantial challenge both nationally and locally.
- 1.3 Members will be required to take these very significant and unique ongoing circumstances into account when setting the 2021/22 budget recognising that the Council's immediate and medium term context and challenges have shifted significantly in the last 12 months. As outlined in more detail in the report, the Council's medium term outlook remains uncertain. Additionally, as reported to members throughout the year and subject to decisions taken by Council, there will be a need for the budget position in 2021/22 to rely on the application of temporary financial flexibilities to address the reported budget deficit, with the need for the application of temporary financial flexibilities in this manner being potentially a recurring requirement to support the Council's annual budget over the medium term.
- 1.4 Furthermore, and as is always the case, the medium term prospects for local government finance in Scotland in the context of the Scottish Government budget will continue to be

important context that members will wish to carefully consider when setting the 2021/22 budget.

- 1.5 In this regard, the Scottish Government has not provided detailed spending plans beyond their draft budget for 2021/22 but has through the third iteration of its annual Medium Term Financial Strategy (MTFS) outlined where it expects to position the local government budget relative to other main areas of their overall budget, most notably spending on the NHS. Within this MTFP, local government has been overtly positioned more positively than in previous years relative to other major areas of the public sector in Scotland. This would imply a greater potential for a more positive relative financial outlook than previously forecast.
- 1.6 However, the Scottish Government's own high level forecast of overall future revenue spending in Scotland over the medium term is highly uncertain following the unprecedented fall in economic output at both a Scottish and UK level, as well as the uncertainty over the future scale and pace of economic recovery at both a Scottish and UK level. Additionally, the strategy and approach to the medium to longer term economic and fiscal recovery plan that is instigated by the UK Government will play a significant role in framing the medium to longer term financial impact on public sector spending across the UK. This ultimately may prove to be the most significant influencing factor in the prospects for the local government financial settlement over the medium term, despite its relative position to the NHS being more positive.
- 1.7 Members will be aware of the significant disruption to the normal budget setting cycle at both a UK level and consequently Scottish Government level following the unprecedented economic impact that has emerged from the COVID19 pandemic. Consequently, the UK budget which would normally have been announced in the autumn of last year, has been delayed and was announced on the 3 March by the Chancellor of the Exchequer. This resulted in the draft Scottish Government budget being published prior to the UK Government budget for the second year in a row, on the 28<sup>th</sup> January, something which prior to 2020/21 was unprecedented.
- 1.8 Following the publication of the Scottish Government's draft budget for 2021/22, the key headlines confirmed are outlined below to provide context for the local government settlement and Council's individual financial settlement outlined later in this report:
  - (i) The Scottish Government total budget has increased by around 5.4% excluding £1.8bn of non-recurring consequential funding in 2021/22 specifically aligned to COVID19 purposes.
  - (ii) In terms of revenue spending on public services, these have increased by 5.9% (again excluding the £1.8bn of COVID specific funding).
  - (iii) This uplift is nearly all due to Barnett consequential funding flowing from spending increases by the UK Government and additionally an unexpected reduction in the tax related block grant adjustment (BGA) which may yet be adjusted when the UK budget is considered on 3<sup>rd</sup> March.
  - (iv) The fiscal framework in 2021/22 has provided additional borrowing and Scotland Reserve powers for the Government linked to the triggering of a "Scotland-specific economic shock" event under the framework which is an unexpected quirk of timing due to timing differences in the Scottish Fiscal Commission (SFC) updating its economic forecasts earlier than the Office for Budget Responsibility (OBR) doing likewise for the UK.
  - (v) Consequently, the resource borrowing limit (which can only be used to offset the impact of tax forecast errors) increases from £300 million to £600 million for the next three financial years and in setting the draft 2021/22 budget the Scottish Government plans to borrow £319 million in 2021-22, to offset the negative income tax reconciliation from 2018-19 of £319m.

- (vi) By borrowing, this in effect pushes out meeting the costs of the tax reconciliation, which along with the circa £200m borrowed for similar purposes last year, means that the next Scottish Government after the election will have to repay this money at a future point.
  - (vii) Similar to the economic outlook produced by the OBR in November for the UK, the SFC economic outlook for Scotland follows a comparable path with a significant 11% drop in economic output in 2020 having been experienced as a result of COVID19 imposed restrictions and disruption across the economy. The economy is not expected to recover to pre-COVID levels until the start of 2024 and for there to be permanent economic scarring, with GDP forecast to be 4% lower in 2025 than that forecast for 2025 prior to the COVID19 pandemic unfolding.
  - (viii) Consequently, the outlook for earnings is weak and given this underpins the forecasts for income tax the forecast tax take has suffered downward revisions, reflecting increasing unemployment and reducing earnings. Forecast income tax revenues for 2021/22 have fallen by £634m from the previous forecasts made in February 2020.
  - (ix) As referred to above, the SFC 2021/22 income tax forecast is however £475 million higher than the BGA deducted from the Scottish Budget – a significant £300m change from the SFC latest forecast for 2020/21 where Scottish income tax revenues are only £173 million higher than the BGA. The SFC have acknowledged that this swing cannot be explained by differential performance of the respective economies or policy differences. At this stage, the SFC have indicated a belief that the difference has largely arisen because of the significant uncertainty around COVID-19, the impact of the furlough scheme creating a disconnect between falling economic growth and earnings in the short term and its effects on the data and judgements used in the SFC's and the OBR's income tax modelling. Once the OBR forecast are updated for the UK budget on 3<sup>rd</sup> March, a revised BGA will be established which may remove this unexplained variance.
  - (x) Although the Scottish Government are not obliged to use this updated BGA, the SFC have recommended that careful consideration be given to reviewing, as part of the overall reassessment of the Budget position, which income tax BGA is used.
  - (xi) A further budget announcement on 16<sup>th</sup> February in the Scottish Parliament confirmed the use of an additional £1.1bn of Barnett consequential funding which the Scottish Government will receive in 2020/21; with the fundamental assumption being that this funding will be carried forward to 2021/22. This funding will be non-recurring; with most of the funding (circa £0.6bn) being utilised to extend the temporary NDR relief for retail, hospitality, leisure and aviation for the full 2021/22 financial year as well as funding some specific allocations to both the NHS and local government, which are outlined later in this report.
- 1.9 It is recognised that similar to previous years, there remains the possibility that the Scottish Budget and indeed local government grant settlement may change from that confirmed to date in the draft budget at or following any of the three parliamentary stages. Should there be any change following the stage 1 debate on the 25<sup>th</sup> February that impacts on what is outlined in this report, an addendum will be issued to update members prior to the scheduled Council meeting on 4<sup>th</sup> March.
- 1.10 As outlined in the main body of the report, despite the improvements in overall spending emerging at a Scottish Government level for 2021/22, this has resulted in only a marginal improvement in the like for like change in the existing core revenue grant for local government from 2021/22, with a 0.8% increase as set against a flat cash position in 2020/21.

- 1.11 The key elements of the Council's revenue settlement are set out as follows: -
- (i) On the face of it the headline increase (in cash terms) in the Council's Government Revenue Grant Settlement is £9.335 million (2.7%)
  - (ii) However, critically the Council's settlement includes approximately £2.210 million of resources for Scottish Government priorities and commitments which drives a corresponding growth in Council spending (most notably the final tranche of early learning funding). These resources are not therefore available to support existing council service levels.
  - (iii) In addition, £3.019 million is conditional grant funding linked to the Council committing to a council tax freeze – and is therefore classed as a compensatory grant offer rather than core grant.
  - (iv) Finally, the Council will also be required to pass through circa £2.323 million of funding for Social Care to the IJB. Similar to previous years, as Children's Social Care and Criminal Justice Services are not delegated to the IJB in Renfrewshire, the Council is not able to direct any of this resource to offset pressures in Children's Services.
  - (v) After adjusting for these areas of growing responsibility and conditional aspects of the settlement, this provides a like for like comparison to 2020/21 where the Council's underlying core grant has been increased by £1.783 million (0.5%).
- 1.12 In addition to the normal revenue settlement, the Scottish Government have also confirmed non-recurring COVID specific funding for local government as part of their 2021/22 budget settlement as summarised below:
- (i) As part of the initial draft budget on 28<sup>th</sup> January, £259m of flexible non-recurring COVID19 funding was announced for local government for which the distribution of resources to individual council level has yet to be confirmed.
  - (ii) The announcement on 16<sup>th</sup> February confirmed a further £60m for local government for the safe reopening of schools and education catch up as well as £100m to support low income households and again the distributions of these are subject to confirmation.
- 1.13 These funding streams are intended to provide additional non-recurring resources to assist in offsetting ongoing demands, additional costs, income loss and financial disruption linked to COVID19 which are expected will continue for some considerable months yet and potentially to some degree over the course of the full 2021/22 financial year. Additionally, they are available to fund responses from the Council specifically targeting support to the social and economic recovery across Renfrewshire. They are not therefore resources considered to be appropriate to fund core service delivery and have not been included in the overall budget analysis and budget overview outlined in the main body of the report.
- 1.14 The Scottish Government also announced a Public Sector Pay Policy for 2021/22. Although not directly setting local government pay (which is negotiated by local government separately) the policy nevertheless provides important context for the ongoing negotiations with trade unions. Notwithstanding, COSLA in terms of their ongoing engagement with the Scottish Government have raised the issue that the underlying limited growth in the core local government settlement, is not sufficient to fund a pay settlement at this level. The policy set a flat rate increase of £750 for those earning a salary up to £25k and a 1% increase thereafter subject to a cap of £800. At this juncture, pay negotiations across the local government employee groups are ongoing and therefore no agreement has been reached at this stage.

- 1.15 Over the medium term, significant uncertainty remains, and the Council will be required to continue to plan for a wide range of potential scenarios. Despite the more positive positioning of future local government budgets by the Scottish Government, there remains a significant risk that the core grant for local government may yet still experience a continuation of limited if any growth over the medium term even if the local government budget enjoys healthy headline growth.
- 1.16 This risk is highlighted by both the 2020/21 settlement – where a headline grant increase of around 6% translated into a broadly flat cash core grant position – and the current 2021/22 settlement where headline 2.7% growth has translated into underlying growth on core grant 0.5%. In both years, growth in resources have been invested in new policy areas, responsibilities and commitments made by the Scottish Government. Therefore, headline growth in future local government settlement does not guarantee healthy growth in the core grant which funds existing services. As outlined in the main body of the report, this risk coupled with the relationship with future pay increases, will remain the two most significant influencing factors on the scale of the future financial challenge for all councils in Scotland.
- 1.17 The Council has consistently taken a medium term view of its financial position, agreeing transformation and savings measures which has ensured the Council maintained positive and steady momentum in addressing the forecast medium term budget deficit whilst supporting temporary investment in priority areas. However, given the significant disruption to the Council's Right for Renfrewshire (R4R) programme arising from COVID19 there are no further transformation savings arising in 2021/22 outwith the full year impact of those R4R changes approved prior to the emergence of COVID19. Additionally, there remains significant uncertainty as to when the R4R programme will be capable of being remobilised at scale due to capacity being directed towards the ongoing COVID19 response and the subsequent requirement that will emerge to support the organisational, social and economic recovery and renewal process. Consequently, and as reported in previous financial updates to members, the Council's pipeline of transformation savings has now fallen behind the pace at which the Council's budget deficit is expected to emerge.
- 1.18 For 2021/22, budget assumptions have been updated as appropriate, including most notably the confirmed grant available to the Council in 2021/22 and the associated conditions, the impact of new statutory obligations, the likely impact of increasing demographic and demand pressures and expected council tax yield levels for 2021/22. After taking account of the cumulative impact of each of these issues there is, as has been anticipated over the course of previous forecast updates, an outstanding budget deficit for 2021/22 of £4.711 million, subject to any further decisions taken by members. Should members elect to freeze council tax at existing 2021 levels, this will trigger the release of the conditional grant offer of £3.019 million, reducing this budget deficit to £1.692 million.
- 1.19 The medium term outlook for the Council continues to remain highly uncertain. On the assumption that the direct financial impact of COVID19 does not extend beyond 2021/22 and no material pressures on the Council's cost base emerges from the post Brexit environment, pay and grant will continue to be the two biggest determinants of the Council's financial outlook. Applying a scenario-based approach varying only these two elements of the projections under a lower, medium and upper scenario for the three year period beyond 2021/22, derives a forecast budget deficit of broadly £5 million - £20 million over this period, on the assumption of a 3% increase each year in Council Tax levels.
- 1.20 There is a reasonable expectation that as part of the wider economic recovery plans, there will be a multi-year UK government comprehensive spending review in the autumn that would be the anticipated catalyst to trigger multi-year Scottish Government budgets and local government settlements. If this sequence of events were to emerge, this will provide materially greater certainty over whether sustained future growth in the core local government grant was planned and if so at what scale. In such a scenario, the increased

funding certainty would provide conditions which would be more likely to support the potential for multi-year pay agreements to be secured. If outcomes of this nature emerge on both grant and pay, it would lock in significantly greater financial planning certainty for local government over the medium term.

- 1.21 There is therefore the potential that greater certainty as to the scale of the of the Council's underlying budget deficit over the medium term may emerge as the Council moves towards 2022/23. Notwithstanding the eventual scale of budget deficit to be addressed beyond 2021/22, it is likely that the R4R programme will provide only part year savings in 2022/23 due to the ongoing COVID19 disruption and the time that will ultimately be taken to fully remobilise the programme.
- 1.22 In this context there remains a strong possibility that financial flexibilities available to the Council may be required to provide temporary support to balance the annual revenue budget position each year over the medium-term basis. Should the budget deficit for the Council be at the £20 million upper end of the above projections, this would present an emerging saving requirement which the disrupted R4R programme is likely to lag in terms of releasing savings. In such circumstances, the reliance on financial flexibilities to temporarily support the annual budget setting process may persist for up to the three financial years beyond 2021/22.
- 1.23 In setting the 2021/22 budget, members should remain aware that any commitments to additional recurring expenditure will increase the projected medium term deficit in future years unless they are offset by sustainable savings or increased resources arising from an increase in Council Tax. Finally, members are encouraged to take a holistic view of the Council's total resources, covering both capital and revenue. In coming to final budget decisions, members' attention is drawn to unallocated capital resources available to the Council of £2.500 million, as detailed at Item 3 of this agenda.

## **2. RECOMMENDATIONS**

Members are asked to:-

- 2.1 Submit for approval proposals for any savings, investments, service changes and use of financial flexibilities as part of delivering a balanced budget for 2021/22, and in doing so: -
  - to consider the equality impact of any proposed service changes as referred to at paragraph 7.9,
  - to assess whether adequate provision is being made in the 2021/22 budget to deliver against the specified commitments linked to the Council's grant settlement for 2021/22, as detailed at paragraph 3.2.
- 2.2 Approve the provisions for inflationary pressures as recommended at Section 5.
- 2.3 Approve the revenue estimates for all services for 2021/22 subject to adjustment for the allocation of specific grants, inflationary allowances and any proposals for service changes approved by Council.
- 2.4 Approve the release of additional resources being made available in 2021/22 to Renfrewshire Health and Social Care Partnership as set out in paragraph 4.5.
- 2.5 Note that in order to protect the immediate financial resilience of the Council in the context of the increased financial risk profile now faced, and in line with previous Council approval in this regard, unallocated general fund balances will be lifted to £10 million moving into 2021/22



through the appropriate utilisation of financial flexibilities permitted by the Scottish Government.

- 2.6 Submit for approval the council tax banding levels A to H inclusive to apply for 2021/22.

### **3. GRANT SETTLEMENT**

- 3.1 On the 28<sup>th</sup> January 2021 the Scottish Government published their draft budget for 2021/22 which is subject to parliamentary approval over the course of February and March 2021 (stage 1 debate scheduled for 25 February). On 1st February, the draft local government finance settlement was published as set out in the Local Government Finance Circular 1/2021, which provided details of the provisional revenue and capital funding allocations for 2021/22 for local government across Scotland.

- 3.2 Circular 1/2021 confirmed Scottish Government revenue grant funding in 2021/22 for the Council of £351.219 million. The Cabinet Secretary outlined associated conditions in a letter to all Council Leaders that set out specific commitments that should be read in conjunction with the detail of the financial settlement that make up the provisional funding allocation and which constitute: -

a) Maintaining at a national level the overall pupil teacher ratio (PTR) and providing places for all probationers who require one.

b) The continued prioritisation of financial support for social care. Included within the local government settlement, the Government has provided an additional £72.6m nationally to support health and social care as delegated to Integration Joint Boards broken down as follows:

- £34m to support continued delivery of the real Living Wage
- £28.5m to support the ongoing implementation of the Carers Act
- £10.1m to support free personal and nursing care

The government confirmed that taken together, the total additional funding of £72.6 million is to be additional to each Council's 2020/21 recurrent spending delegated to Integration Authorities and not be substitutional. The Government confirmed this means that Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must nationally be £72.6 million greater than the 2020/21 recurrent budget.

c) Funding of £90m nationally to compensate councils who choose to freeze their council tax at 2020/21 levels. The total revenue grant funding above includes £3.019 million in this regard, equivalent to an increase in council tax of approximately 3.7% on a cash basis for Renfrewshire Council, which will be deducted by the Scottish Government from the settlement should the council choose to increase council tax from 2020/21 levels as part of setting the 2021/22 budget.

- 3.3 The grant floor (which doesn't include all revenue funding but the majority) was set by the Scottish Government at a minimum increase of 1.73%. Ten councils are immediately on the floor, with a further eleven pulled down onto the floor once the floor calculation mechanism is applied. There are therefore twenty one, of the thirty two councils, on the grant floor with the grant change ranging from a grant increase of 3.20% to an increase of 1.73%. Renfrewshire is 14<sup>th</sup> on the floor calculation table, one of eleven councils not on the floor, with an initial grant increase of 2.77%, which converts to a grant increase of 1.73% after the

application of the floor mechanism. This results in Renfrewshire surrendering £3.013 million of grant to support the floor compensation measures for the ten councils immediately on the floor.

- 3.4 The Council's settlement figure includes a number of adjustments for new spending burdens, responsibilities and conditional funding, totalling £7.552m million linked primarily to the ongoing implementation of the expansion in free Early Years Learning and Childcare; direct pass through of funding to Integration Joint Boards, and the discretionary housing payment quantum. There is also a range of differences in the planned timing of distribution of resources linked to discretionary housing payments.
- 3.5 After adjusting for these areas of new burdens funding, new responsibilities, conditional funding and timing differences in the distribution of funding, the Council's 2021/22 core grant figure as set out in the provisional local government finance settlement has, on a like for like basis, increased by 0.5% from 2020/21, slightly below the 0.8% like for like increase nationally. The Council's share of the overall local government revenue funding settlement has decreased marginally from 3.22% to 3.21%.
- 3.6 The publication of the Scottish draft budget in advance of the UK Budget for 21/22 being announced on 3 March 2021 inherently creates a degree of uncertainty with regards the spending commitments outlined within the Scottish draft budget. The timing of both the UK Budget and Scottish Draft Budget also truncates the period available for Parliamentary scrutiny of the draft Scottish Government budget; with the Budget Bill Stage 1 debate in the Scottish Parliament having taken place on 25<sup>th</sup> February 2021 with stages 2 and 3 taking place on the 8<sup>th</sup> and 9<sup>th</sup> March. Should there be any change confirmed to the Council's financial settlement emerging from the Stage 1 debate, an addendum to this report will be issued if appropriate prior to the Council meeting on the 4<sup>th</sup> March.
- 3.7 As referred to above, the UK Government's budget is not due to be announced until 3<sup>rd</sup> March. Should this differ materially from the range of assumptions made by the Scottish Government in setting their own budget, there remains the potential that the Scottish Government may revisit and adjust funding and spending commitments as currently set out in their own budget, which could impact on the local government settlement. In the event that the level of funding available to the Council changes from that allocated at stages 2 or 3 a further report to Council may be required to consider the implications of such a change.
- 3.8 In addition to the core financial settlement announced by the Scottish Government, non-recurring Covid19 specific funding for local government in 2021/22 was also confirmed on both the 28<sup>th</sup> January and subsequently on the 16<sup>th</sup> February by the Scottish Government. These resources are non-recurring in nature, not intended to support core service provision and are not therefore incorporated into the core grant settlement. At this stage distribution allocations to individual council level has yet to be confirmed, although indicative expectations are outlined below. Similar to 2020/21, this funding is available to support the ongoing management of the impact of COVID19 on the Council's finances, helping to financially protect core service provision and in terms of funding the wider response arrangements supporting communities and business across Renfrewshire. It should be noted however for context, that although this represents significant COVID19 specific funding in 2021/22, it represents only around one third of the funding that has been distributed similarly to the Council over the course of 2020/21 for similar purposes.
  - £259 million of funding nationally to provide general support to address the ongoing impact of COVID19 on costs, lost income and wider service demands and impacts (it is estimated that the Council will be allocated approximately £8 million from this fund)

- £100 million nationally to help low income households in the year ahead (it is estimated that the Council will be allocated approximately £3 million from this fund).
- £60m nationally to support a longer-term programme to support children to catch-up on missed education (it is estimated that the Council will be allocated approximately £1.8 million from this fund)

**Table 1 – Grant Settlement 2021/22**

	<b>2021/2022 £000</b>
<b>Provisionally allocated Government Grant Funding</b>	
Specific Grants	28,742
Non Domestic Rate Income	102,801
Revenue Support Grant (excluding conditional council tax freeze grant)	216,657
<b>Sub-total</b>	<b>348,200</b>
<b>Grant Conditional on a Council Tax Freeze</b>	<b>3,019</b>
<b>TOTAL CONFIRMED GOVERNMENT GRANT AVAILABILITY</b>	<b>351,219</b>

- 3.9 There are sufficient resources included within the proposed budget, along with the planned option to utilise financial flexibilities set out in this report to meet the conditions set out as part of the offer to local government with the condition in relation to Council Tax being subject to elected member's decisions in setting the budget for 2021/22. If the Council elects not to take up this package on offer from the Scottish Government, it has not at this stage been confirmed what action the Scottish Government may take in response, however should the Council chooses to increase council tax then the income outlined at paragraph 3.2(c) above would be foregone and the government grant availability restricted to £348.200 million as outlined in table 1 above.
- 3.10 As detailed above, significant medium-term uncertainty remains for the Council in relation to future government grant prospects and the Council will be required to continue to plan for a wide range of potential scenarios. The Scottish Government's published Medium-Term Financial Strategy that accompanied the draft budget announcement, presents some positive indications for future local government settlements by outlining a change in where the Local Government budget may be positioned relative to the NHS in particular and other areas of the public sector over the medium term by the current Scottish Government.
- 3.11 The MTFP sets out a range of potential scenarios for future growth in spending across the public sector based on the following scenarios:
- the upper scenario assumes 5.5% annual growth in health spending, local authority funding and 5.5% annual growth in the remainder of the budget (in line with the 5.5% forecast annual growth in overall spending in the upper funding scenario)
  - the central scenario assumes 4% growth in health spending, local authority funding and 4% for the remainder of the budget (in line with the 4% forecast annual growth in overall spending)
  - the lower scenario assumes 3% growth in health spending (above the forecast 2.2% average annual growth in spending in the lower scenario), 2% growth local authority funding and 1% growth for the remainder of the budget

The key message in this forward looking scenario forecast is the greater priority position given to the local government budget where in all but the lower growth scenario, local government is aligned similarly to the NHS to share proportionately in the overall growth in spending. Even in the lower scenario, it is proposed that local government would be partly protected in comparison to other areas outwith Health which would continue to receive the greatest level of protection and growth in funding above that anticipated overall.

- 3.12 While this appears to be relatively reassuring figures for future local government financial settlements, the actual out-turn may be something different. As the MTFS points out, “taken together, Health, Local Government and Social Security represent almost three-quarters of the available (resource) budget in 2021-22”. Future demands may lead to a greater level of protection being provided to the NHS than assumed in these scenario forecasts and should unemployment rise at a higher rate than assumed and recover less slowly fulfilling the commitment to fully fund demand-led Social Security benefits may cost more than forecast. Such impacts may lead to an inevitable squeeze on other areas of the budget, including local government.
- 3.13 Additionally, and potentially more significantly, is that such overall medium term spending forecasts are themselves subject to material uncertainty. National governments are continuing to manage their way through both the pandemic for which the longer term outcome and impact on how we will live is not yet certain, as well as the consequential and unprecedented contraction in the economy and how the recovery may be impacted by what the new normal resembles. Therefore, the path to both social and economic recovery is far from certain.
- 3.14 The actual position that emerges for the future growth in public sector spending in Scotland is therefore uncertain and will be heavily dependent upon both the economic and fiscal recovery strategy and spending decisions adopted by the UK Government as well as the pace and scale of economic recovery in Scotland and critically, how this compares relative to the UK given the importance of this relationship under the fiscal framework. In the current immediate circumstances, none of this can be predicted with a high degree of certainty and therefore the forecast scenarios outlined in the MTFS are far from certain.
- 3.15 Further, even assuming that sustained growth and investment in local government spending by the Scottish Government does emerge over the medium term, what future demands, new burdens or asks of local government that accompany such growth may have a significant impact and limit any growth in the underlying core grant. This risk has been clearly illustrated by both the 2020/21 settlement, where a headline grant increase of circa 6% translated into a broadly flat cash core grant position and the current 2021/22 settlement where headline 2.7% growth translates into underlying growth on core grant of 0.5%. Therefore, sustained headline growth in resources does not automatically provide sustained growth in the core grant which along with the relationship with pay increases are at the heart of the scale of the underlying financial challenge for all councils in Scotland.
- 3.16 The Scottish Government’s future budget is therefore subject to significant uncertainty at this immediate stage. The prospect of a UK Government comprehensive multi-year spending review in the autumn of this year, would represent a significant event which would be expected to be the catalyst that would trigger the Scottish Government to set out similar multi-year spending plans and local government finance settlement. Should this sequence of events emerge, this will represent a major step forward in providing greater financial planning certainty for local government in Scotland. Moving forward, members will be kept appropriately briefed and informed as announcements are made by the Scottish and UK Governments during the course of 2021 and in addition, of any significant developments in the wider UK economy which are likely to materially change the future financial outlook for the Council.

#### **4. SPENDING PRESSURES, MANAGING DEMAND, AND AGREED SAVINGS**

- 4.1 An analysis has been enclosed with this report detailing, for each service, the proposed budget changes between 2020/21 and 2021/22. The budget has been adjusted to reflect: -
- (i) the continuing costs of the current level of service, excluding any additional exceptional costs which may be incurred during 2021/22 in the continuing response to the Covid19 pandemic;
  - (ii) the financial impact of any decisions already taken by the Council or its Policy Boards as well as required adjustments to budgets to reflect specific aspects included within the financial settlement; and
- 4.2 Demographic and socio-economic factors continue to play a major role in driving core spending pressures for the Council, specifically in relation to both Adult and Children's Services. Over the course of 2020/21 the impact of the Covid19 pandemic has also introduced unprecedented additional pressures.
- 4.3 In relation to Adult Services the HSCP over the course of 2020/21 has been almost exclusively focused on responding to the unprecedented demands of the pandemic and has consequently incurred exceptional costs. Significant resources have been provided by the Scottish Government to assist offset such costs to date; with the remainder expected to be fully reimbursed through the local mobilisation plan reporting arrangements in place with the Scottish Government. Conversely, in terms of core Adult Service budget, the HSCP has reported an underspend throughout the course of 2020/21; with a year end forecast underspend in excess of £2m being reported. This year end core underspend will be added to existing unallocated balances which the HSCP will carry forward and will be available to support future change and transformation as well as addressing pressures in future years.
- 4.4 Over the course of 2021/22 Adult Services will again be exposed to expected cost pressures arising from the renewal of contractual arrangements, the financial impact of the negotiated application of the increased living wage across the sector, and the potential significant increase in National Care Home contract costs.
- 4.5 It is recommended that £2.323 million of a provision is made by the Council to uplift the recurring resources made available to the HSCP in line with the conditions set out in the financial settlement for the Council. This represents funding which the Scottish Government have indicated it continues to pass through from the Health portfolio to support Social Care via the local government budget. This funding uplift is above the forecast flat cash position that has been incorporated into both the Council's and HSCP's financial planning arrangements and it is expected that on this basis along with additional protection provided through accumulated balances a balanced budget position will be presented to the Integrated Joint Board for consideration later in March by the HSCP Chief Financial Officer. This position is exclusive of Covid-related costs anticipated in 2021/22, which are anticipated to be fully funded by the Scottish Government through the local mobilisation plans as they were in 2020/21.
- 4.6 In relation to Children's Services, sufficient resources are available to manage core demographic and socio-economic pressures after the impact of ongoing demand and cost mitigation strategies are taken into account. Recurring funding provision has been provided for the additional costs that will arise from the opening of the new Dargavel School. Similar to 2020/21, it is anticipated that exceptional costs will continue to be incurred in relation to the delivery of education and early learning provision across Renfrewshire linked to the

impact of COVID19 restrictions, school operating requirements and the wider impact on learning. The scale, shape and extent of the cost pressure in this regard is likely to continue to develop over the coming weeks and months and will require careful monitoring. Similar to 2020/21, the non-recurring resources flexibly made available across 2020/21 - 2021/22 by the Scottish Government will continue to be deployed to address such costs and therefore no provision in this respect has been made within the core service budgets. Notwithstanding, there remains a reasonable prospect that there may in the longer term be operational and demand impacts on the wide range of services delivered by Children's Services that may yet result in recurring and longer term financial consequences emerging.

- 4.7 Table 2 below summarises the recommended base budget adjustments to reflect the pressures facing the Council in 2021/22.

**Table 2 - Summary of Recommended Base Budget Adjustments 2021/22**

	2021/22	
	£000	£000
<b>Impact of previous Council and Board Decisions</b>		
Reversal of 2020/21 single year investments	(4,424)	
Right for Renfrewshire programme	(1,712)	
<b>Total Reductions</b>	<b>(6,136)</b>	
<b>Add Unavoidable Pressures:</b>		
Early Learning Expansion	2,328	
Financial Settlement adjustments	2,205	
Pay/staff related	1,220	
Contract Payment Adjustments	1,418	
CTR contribution	750	
Covid19 and Brexit contingency	2,500	
Other Unavoidable Pressures	1,832	
<b>Total Unavoidable Pressures</b>	<b>12,253</b>	
<b>Net Base Budget (Reduction)/Increase</b>		<b>6,117</b>
<b>Net Increase in Provision for inflationary pressures</b>		<b>3,629</b>
<b>Net Base Budget (Reduction)/Increase</b>		<b>9,746</b>

## 5. PAY AND PRICE PRESSURES

- 5.1 The 2021/22 budget position detailed in Table 3 at paragraph 7.1, includes a provision for pay inflation which broadly reflects the public sector pay policy announced by the Cabinet Secretary on 28 January. At present pay negotiations across all employee groups within local government are ongoing with no agreements yet secured. As outlined above and as agreed with the HSCP Chief Financial Officer, no provision has been made for the pay settlement increase for HSCP staff with this provision being accommodated within the recommended resources being transferred to the HSCP in line with the financial settlement conditions set out by the Scottish Government. Should the actual pay award agreements that are secured vary from the provision outlined above, this will be reported as part of the financial monitoring

arrangements along with any required action during 2021/22 as well as the recurring financial adjustment required moving into 2022/23.

- 5.2 In setting previous budgets, the Council decided not to apply any general inflationary uplift to non-pay budgets. Given the financial challenges facing the Council, in particular over the medium term and in line with historic practice, general non pay inflation is not provided for in the 2021/22 budget.
- 5.3 The Financial Regulations require charges for services to be reviewed at least annually. The overview of the Council's spending in Table 3 makes provision of £0.101 million for an inflation adjustment to charges at 2%.

## **6. FINANCING COSTS AND FINANCIAL FLEXIBILITIES**

- 6.1 The provision for financing costs includes both debt charges payable as a result of the Council's capital investment programme and the interest gained on temporary investment of cash. In assessing financing cost requirements, an assumed average interest rate of 4.14% has been applied.
- 6.2 Members will recall that as part of the financial planning update to the September Council meeting the Council agreed to a number of corporate financing adjustment, which along with negotiations being progressed between COSLA and the Scottish Government would provide a some financial flexibility capacity to support the Council both manage the impact of COVID19 as well as provide temporary support to the Council's medium term financial strategy where this was required, in particular in recognition of the consequential slowdown in the delivery of savings that is now anticipated due to the disruption and delay to the R4R programme.
- 6.3 To date, temporary changes to allow more flexible use of capital receipts for revenue purposes and a degree of flexibility in the management of loan charge principle repayments has been agreed nationally. These will provide welcome additional flexibility to compliment the corporate financing adjustment made to the Council's financial strategy arrangements. These flexibilities will be deployed in line with previous expectations to firstly lift the Council's unallocated balances to £10 million moving into 2021/22 as approved by the Council and secondly to provide temporary support to assist the Council in achieving a balanced budget in 2021/22. Following the provision of late funding from the Scottish Government the outturn for 2020/21 has improved and is no longer expected to require any draw on unallocated balances. Consequently, the required support from financial flexibilities to fund the adjustment to unallocated balances has reduced from previous expectations and is now expected to be around £3.4 million. As outlined below, based on the position presented in this report and subject to any decisions taken by members, a statutory breakeven position will require a draw of £1.692 million from the financial flexibilities, on the assumption the grant conditional on a council tax freeze is drawn down.

## **7. SPENDING OVERVIEW**

- 7.1 The Council approved spending for 2020/21 of £440.076 million. It is estimated that £449.822 million (as detailed in Table 3) is needed to fund the costs of maintaining present service levels, provide for new responsibilities and conditional funding commitments provided as part of the financial settlement, new cost burdens and addressing known pressures and demands in 2021/22.

**Table 3 – Estimated Spending Need 2021/22**

	<b>2021/22 £000</b>
<b>Spending approved 2020/21 budget</b>	<b>440,076</b>
<b>Add:</b>	
Recommended Budget Adjustments (per Table 2)	12,253
Net reductions Applied (per Table 2)	(6,136)
<b>Revised Budget per Appendix 1</b>	<b>446,193</b>
Net Increase in Provision for inflationary pressures	3,629
<b>Estimated spending need for 2021/22</b>	<b>449,822</b>

- 7.2 Cost pressures are anticipated to persist beyond 2021/22 for the Council. Some cost pressures, such as those related to some contractual commitments are easier to predict for future years. Uncertainty will once again emerge in relation to future pay pressures with only a single year agreement anticipated in 2021/22. Additionally, although the current triennial valuation of pension commitments will not result in any change to employer pension contributions in 2021/22, there is less certainty about the costs moving forward particularly in the context of the impact of an agreed remedy to address the “McCloud case”, which was a successful equality challenge that affects all public sector pensions across the UK, as well as the operation of the cost cap mechanism across public sector schemes for the first time – which in itself was delayed pending the outcome and subsequently agreed remedy for the McCloud case being resolved. Both issues have the potential over the medium term to result in increases in employer contributions. Other cost pressures, such as the impact of legislative and national policy changes, movement on key commodity prices and increasing demand led pressures are more difficult to estimate and are not necessarily within the direct control of the Council. In recent years, the overall scale of cost pressures has been as high as 5% per annum growth. Moving forward it is expected that it may not be at this scale with up to 3% growth per annum being more probable, but by no means certain. At this stage, only limited financial provision has been made for potential recurring legacy impacts of COVID19 on costs and income streams as well as costs pressures and service demands arising from the post Brexit environment. These are both significant events and there is a risk that moving forward more significant pressures may begin to surface that are not currently provided for in the forward financial plans and which if not offset by growth in resources from the Scottish Government, will add to the scale of medium term financial challenge that is to be addressed.
- 7.3 The medium term outlook for the Council continues to remain highly uncertain. On the assumption that the direct financial impact of COVID19 does not extend beyond 2021/22 and there is no material impact from the post Brexit environment on the Council’s cost base, pay and grant will continue to be the two biggest determinants of the Council’s financial outlook. Applying a scenario-based approach varying only these two elements of the projections under a lower, medium and upper scenario for the three year period beyond 2021/22, derives a forecast budget deficit of broadly £5 million - £20 million over this period. This forecast scenario outlook is based on relatively tight grant and pay assumptions informed by the current financial settlement and the Governments MTFP, as well as likely affordability constraints in relation to future pay awards, as well as an assumption of 3% increase each year in Council Tax levels.
- 7.4 There is a reasonable expectation that as part of the wider economic recovery plans, there will be a multi-year UK government comprehensive spending review in the autumn that would



be the anticipated catalyst to trigger multi-year Scottish Government budgets and local government settlements. If this sequence of events were to emerge, this will provide materially greater certainty over whether sustained future growth in the core local government grant was planned and if so at what scale. In such a scenario, the increased funding certainty would provide conditions which would be more likely to support the potential for multi-year pay agreements to be secured. If outcomes of this nature emerge on both grant and pay, it would lock in significantly greater and welcome financial planning certainty for local government over the medium term, something which has not existed for a very considerable period of time.

- 7.5 There is therefore the potential that greater certainty as to the scale of the of the Council's underlying budget deficit over the medium term may emerge as the Council moves towards 2022/23. Notwithstanding the eventual scale of budget deficit to be addressed beyond 2021/22, it is likely that the R4R programme will provide only part year savings in 2022/23 due to the ongoing COVID19 disruption and the time that will ultimately be taken to fully remobilise the programme.
- 7.6 In this context it is expected there remains a strong possibility that financial flexibilities available to the Council may be required to provide temporary support to balance the annual revenue budget position each year over the medium-term basis. Should the budget deficit for the Council be at the £20 million upper end of the updated projections, this would present an emerging saving requirement which the disrupted R4R programme is unlikely to match in terms of releasing savings. In such circumstances, the reliance on financial flexibilities to temporarily support the annual budget setting process may persist for up to the three financial years beyond 2021/22.
- 7.7 The Council will therefore continue to operate with a medium term financial outlook that remains inherently uncertain, both in scale and potential for variability, at least in the short term, with hope that greater may emerge in the next 12 month period. Re-establishing and remobilising the R4R programme will become a major priority for the Council once the demands of COVID on organisational capacity have subsided in order to prepare for what is anticipated to be a continuation of a highly challenging and uncertain financial period for the Council.
- 7.8 Members will continue to be updated on developments for future years, but should be aware that in setting the 2021/22 budget any commitments to additional recurring expenditure will increase the projected deficit in future years unless they are offset by recurring savings or increases in Council Tax. Similarly, any decisions taken now to address the future year budget deficits provides greater certainty for service planning and the workforce, and also supports the future financial stability of the Council.
- 7.9 Where the Council is making decisions in relation to its spending priorities, it is obliged to comply with the public sector equality duty set out in the Equalities Act 2010. This means that the Council must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct
  - Advance equality of opportunity between people who share a relevant characteristic and those who do not; and
  - Foster good relations between people who share a protected characteristic and those who do not.
- 7.10 To meet this requirement, where necessary the Council must assess the impact of applying a new policy or decision against these three "needs" and at the point where a decision is

made elected members must have sufficient information available to them to assess that impact. Members in considering their budget proposals prior to presentation at the Council meeting are therefore encouraged to seek advice from Directors on the equality implications of each proposal.

## **8. RESOURCE ALLOCATIONS**

- 8.1 Appendix 1 attached summarises the provisional resource allocation for each service. The resource allocations will be subject to amendment to reflect the Council's views on budget proposals, inflationary pressures and the allocation of central support costs, specific grants and capital charges.

## **9. PROBABLE OUTTURN 2020/21, BALANCES AND RESERVES**

- 9.1 Appendix 1 to this report details an overview of the Probable Outturn for 2020/21.
- 9.2 The Council's general fund balances as at 1<sup>st</sup> April 2020 were £54.811 million, and as outlined in Table 4 below, the significant majority of this was earmarked for specific purposes. Since the onset of the COVID19 pandemic and as reported to members during the course of 2020/21, a year-end overspend position was being projected for the Council and an expectation that unallocated balances would require to be utilised, potentially fully, to offset the residual impact of COVID19 disruption on the Council's finances. The anticipated draw on unallocated balances has been diminishing as the year has progressed, due to a wide range of factors including additional funding announced by the Scottish Government, reducing support required for Renfrewshire Leisure as a consequence of the furlough scheme being extended for much longer than originally anticipated and the general impact of mitigation measures employed with Directors to redirect existing budgets to offset COVID19 specific costs.
- 9.3 However and significantly, on the 28<sup>th</sup> January as part of the draft budget announcement and subsequently on the 16<sup>th</sup> February the Scottish Government announced further tranches of funding for local government for 2020/21, which included a further £110 million funding to specifically offset income loss along with £275 million of general revenue grant to offset wider COVID19 costs, as well as further targeted funding encompassing £40 million to fund additional measures supporting school arrangements and £20 million of further funding to support tackling financial insecurity. It is anticipated that the Council will be allocated approximately £10 million from the income loss and general COVID19 revenue grant streams which will now ensure the net COVID19 related financial impact in 2020/21 after all appropriate mitigations will be fully addressed by additional funding provided by the Scottish Government. This will therefore negate any requirement to draw on unallocated balances as the Council's financial accounts are closed for 2020/21. It is therefore expected that the year-end outturn will report an underspend on the core budget, linked to Adult Services as reported throughout the year, with a level of general and specific COVID related funding streams now being carried forward to assist in supporting 2021/22. The landscape in relation to both the additional costs arising from COVID19 and the very significant range of funding streams released throughout the year by the Scottish Government is exceptionally complex and fluid, and it will be a number of weeks as the close down period is progressed moving into April before certainty can be provided as to the scale of COVID19 funding streams that are expected to be carried forward into 2021/22.
- 9.4 Despite the improved position that has emerged for the 2020/21 outturn, due to the very late and significant additional funding announcements from the Scottish government at the end of January and the middle of February, it remains important that the Council maintains sufficient unallocated reserves to provide an appropriate degree of financial protection and

immediate financial resilience moving forward, and that the level of unallocated reserves held is guided by the risk profile faced by the Council.

- 9.5 It is recognised that the financial risk profile for the Council has shifted and increased significantly over the past 12 months and in this context the Council in September approved as part of the updated financial strategy to plan to refresh unallocated balances to £10 million moving into 2021/22. At this level, this represents 2.2% of the Council's planned net expenditure in 2021/22 which remains both prudent and appropriate for the Council's individual circumstances and well below the average 3.8% across Scotland as a whole as reported on the closure of the 2019/20 accounts. As always, Audit Scotland will continue to closely monitor the Council's position in respect to unallocated reserves as part of their wider assessment of the Council's financial stability and resilience.
- 9.6 Table 4 below summarises the forecast movement and year end position of the General Fund balances, including those earmarked for agreed purposes and estimated future liabilities.

**Table 4 – General Fund Balances 2020/21**

	Balances at 1/4/2020	Forecast In-Year Movement	Forecast Closing Position at 31/03/2021
General Fund Balances 2019/20	£000	£000	£000
Service Modernisation and Reform Fund	6,828	(4,000)	2,828
PPP Reserve	12,670	-	12,670
Alcohol and Drugs Commission	1,000	1,000	2,000
Leisure: Inclusive Play Facility	50	-	50
School Music Participation	375	(125)	250
Development Contribution - Paisley Town Centre	1,057	-	1,057
Early Years Strategy	1,900	-	1,900
Welfare Reform	198	(109)	89
Community Safety	31	(31)	-
Private Sector Housing Grant	2,573	(750)	1,823
Invest in Renfrewshire	1,829	(1,150)	679
Paisley Town Centre Heritage Strategy	1,895	1,650	3,545
City Deal	1,181	(638)	543
Tackling Poverty	3,004	(600)	2,404
Service Year End Flexibility	1,018	-	1,018
Public Wi Fi Project	202	(129)	73
Pupil Equity Funding	1,470	-	1,470
Culture Bid Legacy	2,920	-	2,920
Villages Improvement Fund	370	(26)	344
Community Empowerment Fund	432	(67)	365
Digital Infrastructure	410	-	410
Employability	4,704	1,021	5,725
Environment and Place	2,000	(500)	1,500
British Sign Language	95	(5)	90
Climate Change Fund	-	750	750
Unallocated General Fund Balances	6,599	-	6,599
<b>Total General Fund Balances</b>	<b>54,811</b>	<b>(3,709)</b>	<b>51,102</b>

- 9.7 As previously reported to Council in its consideration of the 2019/20 accounts, and as detailed in Table 5 below, other specific reserves continue to be maintained.

**Table 5 – Specific Reserves 2020/21**

	Balances at 1/4/2020	Forecast In-Year Movement	Forecast Closing Position at 31/03/2021
	£000	£000	£000
Insurance Fund	2,543	-	2,543
Reservoir Repair Fund	315	-	315
Education Capital Items Fund	1,057	-	1,057
Investment Programme Capital Fund	84,635	-	84,635
<b>Total Specific Reserves</b>	<b>88,550</b>	<b>-</b>	<b>88,550</b>

- 9.8 The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes such as the cost of insurance excesses and premiums.
- 9.9 The Reservoir Repairs Fund represents funding received from a developer for repairs in perpetuity in relation to the Thornly Dam.
- 9.10 The Education Capital Items fund is earmarked for specific schools for the planned purchases of a capital nature such as computers and information communication technology equipment.
- 9.11 The Investment Capital Fund is used to hold planned contributions to the delivery of the ongoing capital investment programmes as well as resources which support the long term debt smoothing strategy. These debt smoothing resources are utilised to manage both the debt levels linked with the capital investment programme and the associated debt servicing costs charged to the revenue account each year.

## **10. COUNCIL TAX**

- 10.1 The Council's council tax (Band D) for 2020/21 is £1,315.42 and is £7.19 (0.5%) above the Scottish average. It is estimated that in 2021/22 each £1 of council tax will yield £73,445 gross (£61,794 net of adjustment for Council Tax Reduction) which is lower than 2020/21. The reduction in the yield reflects actual and anticipated growth in the council tax base in the context of the pandemic impact being experienced in housing construction, an increase in the level of discounts being awarded, primarily linked to the Council Tax Reduction Scheme and an assumed increased level of bad debt based on the drop in cash collection being experienced in 2020/21.
- 10.2 A maximum net gross yield of £96.610 million can be anticipated from the forecast Council Tax base and present council tax levels. Within the context of the current service resources, specific collection initiatives continue to be implemented to support the collection of council tax, including the recovery of arrears for prior years. It is anticipated that £0.300 million will be collected next year from prior years.

- 10.3 Members are required to determine the level of council tax for Bands A to H inclusive which should apply for 2021/22, and in doing so, are reminded of the grant conditions detailed at paragraph 3.2; i.e. if a decision is taken to increase Council Tax then the Council will forego £3.019m in grant income (broadly equivalent to a 3.7% increase in Council Tax income).

## **11. BUDGET OVERVIEW – 2021/22**

- 11.1 The overview budget position for the Council for 2021/22, prior to any changes in service levels or council tax levels, is outlined in Table 6 below. This overview position confirms a temporary in year revenue deficit for 2021/22, subject to decisions by members in setting the final budget for 2021/22.

***Table 6 – Budget Overview 2021/22***

	<b>2021/22</b> <b>£000</b>
Confirmed Government Grant (per Table 1)	351,219
Council Tax Income	96,611
Council Tax / Community Charge Arrears Recovery	300
<b>Total Income</b>	<b>448,130</b>
<b>Less: Estimated Spending need (Table 3)</b>	<b>(449,822)</b>
<b>Budget (Deficit)/Surplus</b>	<b>(1,692)</b>

## **12. BUDGETARY CONTROL**

- 12.1 Directors are expected to manage their approved budgets on a bottom line basis in accordance with the Financial Regulations. If an overspend emerges during the year on any approved budget line the Director is expected to take corrective action, seeking Policy Board approval for any policy changes involved in such actions.

## **13. FURTHER ACTION**

- 13.1 Members wishing clarification of the details of this report or the enclosed Revenue Estimates pack should contact the Director of Finance & Resources or the Chief Executive or any Director in relation to their specific service responsibilities.
- 13.2 Members wishing advice on budget proposals should contact the appropriate service Director.

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## Implications of the Report

1. **Financial** - The report and enclosures provide the background information on the 2021/22 budget, identifying an in-year deficit position, with a significant budget deficit of up to £20 million forecast over the following three years. As detailed in the report, if the Council does not comply with the specified set of commitments linked to the financial settlement offer as part of agreeing the 2021/22 budget, it would be anticipated that the grant settlement will be subject to review by the Scottish Government, albeit detail on the specific action that would be taken by the Government has not been confirmed.
2. **HR & Organisational Development** - implications will be subject to any budget proposals agreed.
3. **Community/Council Planning** – implications will be subject to any budget proposal agreed. Members should however keep in mind that over the medium term the Council is anticipated to have to continue to increasingly make key choices to direct resources to support the delivery of those outcomes of greatest priority as defined in the Council Plan.
4. **Legal** – the Council is legally required to set a balanced budget.
5. **Property/Assets** - implications will be subject to any budget proposals agreed.
6. **Information Technology** - implications will be subject to any budget proposals agreed.
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report, however the final implications will be determined by the budget proposals agreed. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** - none
9. **Procurement** – none
10. **Risk** - As outlined in the report, the Council continues to be faced with risk and uncertainty in setting its 2021/22 budget, both in the context of pandemic related costs but also core operations. The financial outlook over the medium term also remains uncertain, principally in relation to factors out with the Council's direct control. In addition, the scope of change required within the Council and scale of ongoing budget reduction necessary to realign Council spending with available resources over the medium term brings with it additional risk for the Council. In recognition of this it is

important that the Council's financial resilience is re-established and that decisions taken by the Council pay due regard to the medium term financial outlook.

11. **Privacy Impact** - implications will be subject to any budget proposals agreed.
12. **Cosla Policy Position** – implications will be subject to any budget proposals agreed.
13. **Climate Risk** – implications will be subject to any budget proposals agreed.

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**Author:** Alan Russell, Director of Finance & Resources

**PROVISIONAL RESOURCE ALLOCATION STATEMENT**  
(subject to amendment for any budget proposals approved by Council)

<b>Net Expenditure</b>	<b>2020/21</b>			<b>2021/22</b>
	<b>Approved Estimates* £000</b>	<b>Revised Estimates £000</b>	<b>Probable Outturn £000</b>	<b>Estimates** £000</b>
Children's Services	200,802	219,073	219,073	222,092
Adult Services	69,598	72,259	70,259	74,358
Environment & Infrastructure	41,142	44,221	48,821	42,781
Miscellaneous	37,983	40,072	32,812	25,091
Finance and Resources	31,691	34,408	35,608	34,391
Communities, Housing and Planning	10,514	11,306	11,706	10,935
Chief Executives	9,306	10,755	9,955	9,575
Leisure Services	11,006	11,040	12,900	11,332
Loans Fund	9,438	10,827	10,827	10,907
SPT	3,168	3,168	3,168	3,168
Valuation Joint Board	1,551	1,551	1,551	1,564
<b>Net Expenditure</b>	<b>426,199</b>	<b>458,680</b>	<b>456,680</b>	<b>446,194</b>

\*As approved at Council meeting 9th March 2020

\*\* Excludes provision for inflation, total differs from Table 3 due to roundings



**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : ADULT SERVICES**

£

£

**Analysis of Change between 2020/21 and 2021/22**

2020/21 Estimates

72,258,647

Adjustment to Current Year Estimates

Unavoidable Increase (Decrease) ( PAPER 2)

2,323,000

Transfers (PAPER 3)

(223,483)

2,099,517

2021/22 Estimates

74,358,164

(Before budget decisions)

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : ADULT SERVICES**

AS		£
1	Settlement adjustment: Health and Social Care	2,323,000
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>2,323,000</b>

**PAPER 3**

**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : ADULT SERVICES**

AS		£
1	Transfer to E&I HSCP Caretakers	(223,483)
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>(223,483)</b>

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : CHIEF EXECUTIVE**

£                      £

**Analysis of Change between 2020/21 and 2021/22**

**2020/21 Estimates** **9,752,963**

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)	(178,200)	
Transfers (PAPER 3)	-	
		(178,200)

2021/22 Estimates		<u><b>9,574,763</b></u>
(Before budget decisions)		

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : CHIEF EXECUTIVE**

CE		£
1	Reversal of One-off Motion 2021/22 investment	(94,000)
2	Reversal of CHEF - one year extension	(150,000)
3	Inflationary increase in Scotland Excel requisition	3,600
4	Inflationary increase in COSLA levy	2,200
5	Service payment adjustment	60,000
	<b>Total Increase (Decrease) to Budget</b>	<b>(178,200)</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : CHIEF EXECUTIVE**

CE		£
1		
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>-</b>

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : LEISURE SERVICES**

£                      £

**Analysis of Change between 2020/21 and 2021/22**

**2020/21 Estimates** **11,040,400**

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)	291,400	
Transfers (PAPER 3)	-	
	291,400	291,400

**2021/22 Estimates** **11,331,800**  
**(Before budget decisions)**

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : LEISURE SERVICES**

LS		£
1	Inflationary increase in Renfrewshire Leisure requisition	291,400
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>291,400</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : LEISURE SERVICES**

LS		£
1		
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>-</b>

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : CHILDRENS SERVICES**

**Analysis of Change between 2020/21 and 2021/22**

2020/21 Estimates

£ £

219,618,459

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)

2,474,000

Transfers (PAPER 3)

-

2,474,000

2021/22 Estimates

222,092,459

(Before budget decisions)

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : CHILDRENS SERVICES**

ED		£
1	Reversal of One-off Motion 2021/22 investment	(360,000)
2	Settlement adjustment: School counselling	(3,000)
3	Settlement adjustment: 1+2 Languages	(20,000)
4	Settlement adjustment: Pupil Equity Fund	(55,000)
5	Settlement adjustment: Early Learning Childcare expansion	2,328,000
6	Settlement adjustment: Gaelic Grant	(17,000)
7	Settlement adjustment: Criminal Justice Grant	33,000
8	New Dargavel PS running costs	378,000
9	PPP Contract Indexation Adjustment	165,000
10	SEEMIS development costs	25,000
	<b>Total Increase (Decrease) to Budget</b>	<b>2,474,000</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : CHILDRENS SERVICES**

CS		£
1		
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>-</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : COMMUNITY, HOUSING AND PLANNING SERVICES**

£

£

**Analysis of Change between 2020/21 and 2021/22**

**2020/21 Estimates**

**11,377,581**

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)

(133,180)

Transfers (PAPER 3)

(309,700)

(442,880)

**2021/22 Estimates**

**10,934,701**

**(Before budget decisions)**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : COMMUNITY, HOUSING AND PLANNING SERVICES**

CHAPS	£
1 Reversal of One-off Motion 2021/22 investment	(230,000)
2 Settlement adjustment: Rapid Rehousing Planning	6,000
3 Settlement adjustment: Environmental Health Officers	63,000
4 Inflationary increase in payment to Glasgow Scientific Services	8,820
5 Contractual increase - fibre costs re operation of CCTV	19,000
<b>Total Increase (Decrease) to Budget</b>	<b>(133,180)</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : COMMUNITY, HOUSING AND PLANNING SERVICES**

OH	£
1 Transfer of Clyde Muirshiel Park budget to E&I	(309,700)
2	
<b>Total Increase (Decrease) to Budget</b>	<b>(309,700)</b>

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : ENVIRONMENT & INFRASTRUCTURE**

£                      £

**Analysis of Change between 2020/21 and 2021/22**

**2020/21 Estimates** **42,184,015**

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)	64,000	
Transfers (PAPER 3)	533,183	
		<u>597,183</u>

**2021/22 Estimates** **42,781,198**  
**(Before budget decisions)**

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : ENVIRONMENT & INFRASTRUCTURE**

EI		£
1	Reversal of One-off Motion 2021/22 investment	(250,000)
2	Waste collection - increased costs relating to new housing	114,000
3	Maintenance of Riverbrae School Grounds	15,000
4	Inflationary increase in food costs	65,000
5	New Dargavel PS running costs, soft FM	120,000
	<b>Total Increase (Decrease) to Budget</b>	<b>64,000</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : ENVIRONMENT & INFRASTRUCTURE**

EI		£
1	Transfer of Clyde Muirshiel Park budget from CHAPS	309,700
2	Transfer of HSCP Caretakers	223,483
	<b>Total Increase (Decrease) to Budget</b>	<b>533,183</b>

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT**

£

£

**Analysis of Change between 2020/21 and 2021/22**

2020/21 Estimates

3,167,700

Adjustment to Current Year Estimates

Unavoidable Increase (Decrease) ( PAPER 2)

-

Transfers (PAPER 3)

-

-

2021/22 Estimates

3,167,700

(Before budget decisions)

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT**

SPT		£
1		
2		
	Total Increase (Decrease) to Budget	-

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT**

SPT		£
1		
2		
	Total Increase (Decrease) to Budget	-

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : FINANCE AND RESOURCES**

**Analysis of Change between 2020/21 and 2021/22**

2020/21 Estimates 33,931,672

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)	264,927	
Transfers (PAPER 3)	194,232	
		459,159

2021/22 Estimates 34,390,831  
 (Before budget decisions)

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : FINANCE AND RESOURCES**

FAR		£
1	Reversal of One-off Motion 2021/22 investment	(100,000)
2	Settlement adjustment: Discretionary Housing Payment	(119,000)
3	Telephony as a Service growth - COVID related	102,634
4	Microsoft Enterprise Agreement SCP Schools	142,000
5	Microsoft Advanced Threat Protection Corporate	6,302
6	Microsoft Advanced Threat Protection Schools	12,000
7	New Dargavel PS telephony	1,000
8	Additional staffing including Dargaval PS	61,881
9	HR software costs	17,000
10	MyAccount complaints module (Firmstep)	4,720
11	Public-I webcasting software licence upgrade	2,000
12	SLA income adjustment	43,290
13	Payments to additional Community Councils	2,500
14	Adult Services property costs	75,600
15	Government Actuary's Departments LGPS Costs	13,000
	<b>Total Increase (Decrease) to Budget</b>	<b>264,927</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : FINANCE AND RESOURCES**

FAR		£
1	Empty Property Relief Review Officer (from Miscellaneous)	27,232
2	Microsoft Enterprise Agreement SCP Corporate (from Miscellaneous)	167,000
	<b>Total Increase (Decrease) to Budget</b>	<b>194,232</b>



**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD**

£

£

**Analysis of Change between 2020/21 and 2021/22****2020/21 Estimates****1,551,150****Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)

13,000

Transfers (PAPER 3)

-

13,000

**2021/22 Estimates****1,564,150****(Before budget decisions)****PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD**

JVB		£
1	Settlement adjustment: Barclay funding pass through	(9,000)
2	Inflationary increase in RVJB requisition	22,000
		<b>13,000</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD**

JVB		£
1		
2		
		-

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : MISCELLANEOUS**

£

£

**Analysis of Change between 2020/21 and 2021/22**

2020/21 Estimates

24,287,143

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)

998,455

Transfers (PAPER 3)

(194,232)

804,223

2021/22 Estimates

25,091,366

(Before budget decisions)

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : MISCELLANEOUS**

		£
1	Reversal of One-off Motion 2021/22 investment	(4,389,545)
2	Settlement adjustment: Seat belts in school transport	12,000
3	Settlement adjustment: Educational psychologist training	(18,000)
4	Settlement adjustment: Youth Justice Whole systems approach	12,000
5	Settlement adjustment: Sanitary Products in Public Spaces	2,000
6	Settlement adjustment: British Sign Language	(5,000)
7	Net RFR savings - full year impact	(712,000)
8	New Dargavel PS rates and utilities costs	117,000
9	Provision for additional costs relating to Brexit (one-year)	500,000
10	Provision for additional costs relating to COVID-19 (one-year)	2,000,000
11	Provision for legal claims and insurance premiums	450,000
12	ICT inflation	280,000
13	Financial flexibilities	1,000,000
14	Provision for teacher numbers	1,000,000
15	Council Tax Reduction - council contribution	750,000
	<b>Total Increase (Decrease) to Budget</b>	<b>998,455</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : MISCELLANEOUS**

MS		£
1	Empty Property Relief Review Officer	(27,232)
2	Microsoft Enterprise Agreement SCP Corporate	(167,000)
	<b>Total Increase (Decrease) to Budget</b>	<b>(194,232)</b>

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**DEPARTMENT : LOANS FUND**

£

£

**Analysis of Change between 2020/21 and 2021/22**

2020/21 Estimates

10,906,605

Adjustment to Current Year Estimates

Unavoidable Increase (Decrease) ( PAPER 2)

-

Transfers (PAPER 3)

-

-

2021/22 Estimates

10,906,605

(Before budget decisions)

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**DEPARTMENT : LOANS FUND**

		£
1		
2		
	Total Increase (Decrease) to Budget	-

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2021/22 REVENUE ESTIMATES**  
**TRANSFERS**

**DEPARTMENT : LOANS FUND**

LF		£
1		
2		
	Total Increase (Decrease) to Budget	-