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**PROCEDURE TO BE FOLLOWED AT THE MEETING  
OF RENFREWSHIRE COUNCIL  
TO BE HELD ON 3 MARCH 2022  
DURING CONSIDERATION OF ITEM 2 CONCERNING  
REVENUE ESTIMATES AND COUNCIL TAX  
FOR THE FINANCIAL YEAR 2022/23**

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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 3 March 2022.

1. The Convener of the Finance, Resources & Customer Services Policy Board (the Convener) will make his budget statement for financial year 2022/23 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 2022/23).
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.



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**To: Council**

**On: 3 March 2022**

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

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**Heading: Revenue Budget and Council Tax 2022/23**

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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 2022/23. 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 over the past two years, the Council has experienced a hugely challenging and complex set of circumstances. Additionally, it is recognised that moving into 2022/23 and beyond, the financial impact on the Council from COVID19 will continue through ongoing direct impact from the pandemic and the public health response in Renfrewshire. Longer lasting legacy impacts on service costs, service demands and income streams are anticipated; as well as a lasting impact on transformation plans. Further, the Council will continue to support the social and economic recovery and renewal process and this is now likely to be a feature within the Council's financial outlook over the medium term.
- 1.3 Members will be required to take these circumstances into account when setting the 2022/23 budget, recognising that the Council's immediate and medium-term context and challenges have shifted significantly in the last two years. As outlined in more detail in the report, the Council's medium-term outlook remains subject to considerable risk. 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 2022/23 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 a 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. In this regard, the Scottish

Government has not provided detailed spending plans beyond their budget for 2022/23 but has, through the publication of its annual Medium Term Financial Strategy (MTFS), outlined significant challenges in terms of the national budget, if agreed priorities are going to be funded. The planned publication in May 2022 of the Scottish Resource Spending Review will hopefully provide increased certainty for the Council in terms of potential levels of grant.

- 1.5 Following the publication of the Scottish Government's draft budget for 2022/23, the key headlines confirmed are outlined below to provide context for the local government settlement and the Council's individual financial settlement, outlined later in this report:

#### Economic outlook

- The outlook for the Scottish economy has improved since the previous forecast in January 2021, with GDP set to return to pre-pandemic levels by the Summer of 2022 as opposed to Winter 2023. More rapid recovery is attributable to the success of the vaccine programme, which allowed restrictions to be lifted more quickly than anticipated; however, there may be some moderation of forecasts as the impact of the Omicron variant is fully understood (Scottish Fiscal Commission (SFC) forecasts were finalised prior to recent Omicron-related issues). GDP growth over the medium term is expected to average at 1.3% - slightly lagging behind growth in the rest of the UK. However, it is recognized that GDP forecasts in the current environment are highly volatile.
- Inflation is expected to remain higher than the 2% target until 2024/25, peaking in 2022/23 at an average of 3.7%. Inflationary pressures are driven by high energy prices and supply chain disruption. Higher inflation for longer, coupled with increased taxes, will potentially see household income eroded. It will also extend the current inflationary pressure being experienced on local government expenditure. Since the Budget was published in December this forecast potentially requires revision given the high levels of inflation currently being experienced and forecast to continue linked to increased energy prices.
- Income tax revenues are expected to grow more slowly than the block grant adjustments related to previous years' reconciliations, meaning that there will be a net funding shortfall of £190m in 2022/23, and shortfalls expected to continue in future years rising to £417m in 2026/27. This is despite income tax forecast receipts expected to be nearly £0.8bn higher in 2022/23 than previous forecasts. The Scottish Government has outlined that it intends to use resource borrowing to manage income tax reconciliations.
- The SFC expects the total Scottish Budget to increase by 10% between 2022/23 and 2026/27, equivalent to a 1% increase in real terms. Resource funding is expected to increase, while capital funding is expected to fall.

#### Expenditure commitments

- Above real terms increases in funding for the NHS aim to address both pandemic-related response costs and to improve outcomes for patients. Territorial NHS Boards will receive an increase in funding of 5.6% in 2022/23 compared to 2021/22, including specific funding related to increased employer national insurance costs. This is a reflection of the Programme for Government commitment to increase front-line NHS spending by 20% over the term of the current Parliament.
- The Draft Budget also sets aside £165m in 2022/23 towards the ongoing redesign and support for the social care sector, in line with current work programmes and new recommendations as set out in the Independent Review of Adult Social Care and in preparation for the implementation of the National Care Service. A further £200m is identified for an increase in commissioned adult care workers pay to £10.50 per hour.

- Social security costs are expected to total £4bn in 2022/23, increasing to £5.5bn in 2026/27. This increase is predominantly related to the introduction of the Adult Disability payment and Child Disability payment; and the costs of the Scottish Child Payment are expected to increase from £56m in 2021/22 to £362m in 2023/24, related to the doubling of the payment to £20 per week but more significantly to the extension of the payment to under-16s. The SFC forecasts that by 2024/25, spending on social security will be £750m more than the corresponding amount received from the UK Government.

#### Local government settlement

- The core local government revenue settlement reflects a flat cash position, and therefore a real terms reduction. There is additional funding transferred to the local government settlement from other portfolios, which increases the overall settlement; however, the majority of these transfers relate to Scottish Government priorities in relation to teacher numbers, adult social care and delivery of an increase in the minimum wage for adult social care staff and will therefore not be available to address core cost pressures within councils. No funding has been included in relation to the introduction of the Health and Social Care Levy by the UK Government from April 2022.
- The previous cap on increases in Council Tax has been removed, with councils having full flexibility to set a rate that is appropriate to their area.
- The Scottish Government has indicated a number of flexibilities that will be discussed with local government in order to address the recognised pressures the sector is facing. Officers will examine these options; however they are expected to be of marginal benefit to the budget position in 2022/23.

1.6 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 Revenue Grant Settlement is £13.935 million (4.0%)
- (ii) Critically however, the Council's settlement includes approximately £4.006 million of resources for Scottish Government priorities and commitments, which drives a corresponding growth in Council spending (most notably in relation to funding for teachers). These resources are not therefore available to support existing council service levels.
- (iii) In addition, the Council will also be required to pass through circa £11.655 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.
- (iv) After adjusting for these areas of growing responsibility and other conditional aspects of the settlement, this provides a like for like comparison to 2021/22 where the Council's underlying core grant has decreased by £1.359 million (0.4%).

1.7 In addition to the normal revenue settlement, the Scottish Government has also confirmed non-recurring funding for local government as part of its 2022/23 budget settlement of £120 million. Renfrewshire's share of this funding is £3.982 million. There are no specific directions with regards this non-recurring funding, and Councils may allocate it as they wish. This funding is possible as a result of unanticipated consequential from the UK Government in 2021/22, which the Scottish Government will carry forward to 2022/23 through the Scotland Reserve. Given the resource is clearly non-recurring, it is not considered appropriate to direct this funding to any recurring investments.

- 1.8 The Scottish Government also announced a Public Sector Pay Policy for 2022/23. 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 has raised the issue that the underlying movement in the core local government settlement will be insufficient to fund a pay settlement at this level. The policy sets a flat rate increase of £775 for those earning a salary up to £25k, £700 for those earning £25,000 to £40,000 and £500 for those earning above £40,000. At this juncture, pay negotiations across the local government employee groups are ongoing and therefore no agreement has yet been reached. Given the high levels of inflation currently being experienced, and which are forecast to remain high for some time, this is going to present a challenging environment in which to reach agreement on pay levels.
- 1.9 The medium-term outlook for the Council continues to remain highly uncertain, and is likely now to be even more challenging than previous financial outlook reports to Council have reflected. There are now expected to be permanent cost impacts from the pandemic; however, pay and grant will continue to be the two biggest determinants of the Council's financial outlook. Members have previously been advised that the Scottish Government block grant increased substantially in 2022/23, with only very moderate increases over the remainder of the spending review period. In this context, the fact that the local government settlement reflects a like-for-like cut in 2022/23 does not provide confidence that the settlement in future years will reflect a sufficient degree of increase to address core budget pressures.
- 1.10 This risk has been clearly illustrated by settlements in each of the past three years. In 2020/21 a headline grant increase of circa 6% translated into a broadly flat cash core grant position. In 2021/22 the settlement headline 2.7% growth translated into underlying growth on core grant of 0.5%; and in the 2022/23 settlement, where claimed growth in the local government settlement of 7.5% translates into a like-for-like core grant reduction of 0.4%. As outlined in the main body of the report, this risk coupled 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.
- 1.11 The Council has consistently and correctly taken a medium-term view of its financial position, agreeing transformation and savings measures that have ensured the Council positively addressed 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 (RFR) programme arising from COVID19, there are no further transformation savings arising in 2022/23 outwith the full year impact of those RFR changes approved prior to the emergence of COVID19 and those reviews agreed by the Leadership Board in June 2021. There remains significant uncertainty as to when a refreshed transformation 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. What is now apparent however, is that transformation activity alone is unlikely to fully address the financial pressures the Council is facing over the medium term.
- 1.12 As mentioned above there are expected now to be permanent cost impacts from the pandemic, however pay and grant will continue to be the two biggest determinants of the Council's financial outlook. Applying a scenario-based approach varying the major influencing elements of the projections under optimistic, central and pessimistic scenarios for the three-year period beyond 2022/23 derives a forecast budget deficit range of broadly £25

million - £58 million over this period (before any decisions on the level of Council Tax or any other mitigating action), with a central forecast of £41 million of a cumulative deficit. This forecast scenario outlook is based on relatively tight grant and pay assumptions informed by the current financial settlement and the Governments MTFs, as well as likely affordability constraints in relation to future pay awards. Factoring in an assumption of 3% increase each year in Council Tax levels would reduce this range to £18 - £50 million.

- 1.13 For 2022/23, budget assumptions have been updated as appropriate, including most notably the confirmed grant available to the Council and associated conditions, the impact of new statutory obligations, the likely impact of increasing demographic and demand pressures and expected Council Tax yield levels for 2022/23. After taking account of the cumulative impact of each of these issues, there is a recurring budget deficit for 2022/23 of £2.881 million, before the addition of the £3.982 million non-recurring resource allocated at Stage 2 of the Budget Bill process, and subject to any further decisions taken by Members. Adding this non-recurring resource results in a temporary budget surplus of £1.101 million.
- 1.14 Members should note that the budget position for 2022/23 outlined above is only possible through the deployment of financial flexibilities at significant scale. Members have previously approved the use of these flexibilities to provide temporary support to balance the annual revenue budget position each year over the medium term. However, these are not a permanent solution to the core budget pressures faced by the Council. It is hoped that the publication of the Scottish Government Resource Spending Review in May 2022 will provide materially greater certainty over potential movement in the core local government grant. In such a scenario, the increased funding certainty would provide conditions that may 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.
- 1.15 In setting the 2022/23 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 £1.800 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, and service changes as part of delivering a balanced budget for 2022/23, and in doing so: -
  - to consider the equality impact of any proposed service changes as referred to at paragraph 7.11
  - to assess whether adequate provision is being made in the 2022/23 budget to deliver against the specified commitments linked to the Council's grant settlement for 2022/23, as detailed at paragraph 3.2
- 2.2 Approve the provisions for inflationary pressures, as recommended at section 5.
- 2.3 Approve the use of financial flexibilities to support the Council's budget position in 2022/23, as outlined in section 6.

- 2.4 Approve the revenue estimates for all services for 2022/23 subject to adjustment for the allocation of specific grants, inflationary allowances and any proposals for service changes approved by Council.
- 2.5 Approve the release of additional resources being made available in 2022/23 to Renfrewshire Health and Social Care Partnership as set out in paragraph 4.5
- 2.6 Submit for approval the Council Tax banding levels A to H inclusive to apply for 2022/23.

### **3. GRANT SETTLEMENT**

3.1 On 9 December 2021 the Scottish Government published its draft budget for 2022/23, which was subject to parliamentary approval over the course of January and February 2022 (the Stage 3 debate occurred on 10 February). On 20 December, the draft local government finance settlement was published, as set out in the Local Government Finance Circular 9/2021, which provided details of the provisional revenue and capital funding allocations for 2022/23 for local government across Scotland.

3.2 Circular 9/2021 confirmed Scottish Government revenue grant funding in 2022/23 for the Council of £365.154 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 £353.9 million nationally to support health and social care as delegated to Integration Joint Boards broken down as follows:

- £174.5m to support ongoing adult social care pay
- £124.0m for recurring care at home investment
- £20.0m for interim care
- £20.4m to support the improved rights and supports for carers
- £15.0m to uplift free personal nursing care rates

In addition, to ensure the social care workforce is supported and sustained, an additional £200m has also been allocated to deliver a £10.50 per hour minimum pay settlement for adult social care workers in commissioned services.

The government confirmed that taken together, the total additional funding of £553.9 million is to be additional to each Council's 2021/22 recurrent spending delegated to Integration Authorities and not be substitutional i.e. these allocations must be passed to the HSCP for these delegated services.

c) Within the grant settlement there is also £145m in relation to additional teachers and support staff, in effect baselining within the settlement additional funding received on a non-recurring basis to increase teacher and support staff numbers as a result of the pandemic. £68.2m was also allocated in relation to child bridging payments. These allocations will fund the additional costs associated with the implementation of these priorities and are not available to support core budget pressures.

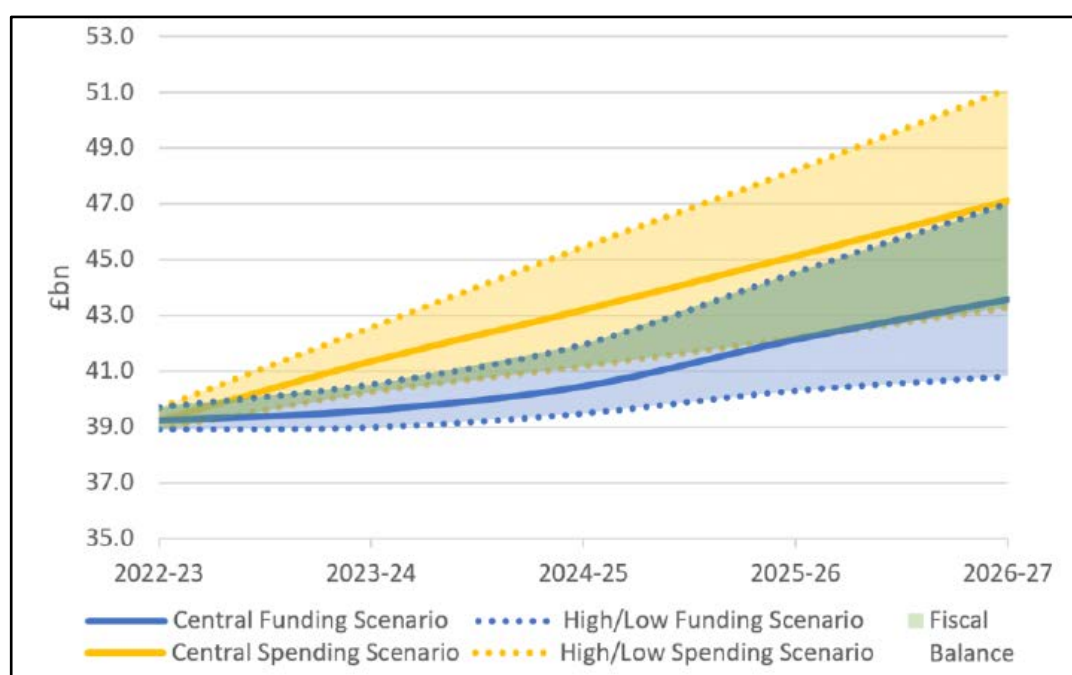


- d) The Cabinet Secretary has also agreed or committed to further discussion on a number of issues:
- Councils will have full flexibility to set a Council Tax rate that is appropriate to their area
  - Councils are encouraged to consider the use of general fund reserve balances
  - A commitment to reviewing all ring-fenced funding as part of the forthcoming resource spending review
  - A refreshed approach to employability funding, including the carry-forward of unused funds between financial years
  - A commitment to work with COSLA to develop a rules-based fiscal framework to support future funding settlements
  - Agreement to allow the utilisation of capital receipts to fund the financial impact of COVID and transformational projects
  - Agreement to extend the period for the loans fund principal repayment holiday for one further year in 2022/23
  - A commitment to continue working with local government Directors of Finance on a change in policy on capital accounting for service concessions
- 3.3 The grant floor (which doesn't include all revenue funding but the majority) was set by the Scottish Government at a maximum decrease of 0.42%. Nine councils are immediately on the floor, with a further seven pulled down onto the floor once the floor calculation mechanism is applied. There are therefore sixteen of the thirty two councils on the grant floor with the grant change ranging from a grant increase of 0.66% to a decrease of 0.42%. Renfrewshire is 15<sup>th</sup> on the floor calculation table, one of the sixteen councils not on the floor, with an initial grant increase of 2.03%, which converts to a grant decrease of 0.16% after the application of the floor mechanism. This results in Renfrewshire surrendering £6.131 million of grant to support the floor compensation measures for the nine 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 £13.473 million, linked primarily to the move to a formula distribution of funding supporting Early Years Learning and Childcare; a direct pass-through of funding to Integration Joint Boards; and the baselining of funding for additional teachers. 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 2022/23 core grant figure as set out in the provisional local government finance settlement has, on a like-for-like basis, decreased by 0.4% from 2021/22, broadly in line with the like-for-like decrease nationally. The Council's share of the overall local government revenue funding settlement has remained constant at 3.21%.
- 3.6 At Stage 1 of the Parliamentary process to approve the Budget Bill on 27 January, the Cabinet Secretary announced that a further £120 million would be allocated to local government on a non-recurring basis. This increased allocation is related to the unexpected consequential from the UK Government in 2021/22, which the Cabinet Secretary is proposing is carried forward through the Scotland Reserve mechanism and then allocated to the local government settlement in 2022/23. This additional funding is not ringfenced; however, the Cabinet Secretary is clear that the funding is one-off and the Resource Spending Review will need to address the long-term sustainability of local government alongside the rest of the public sector. Renfrewshire's share of this funding is £3.982 million.
- 3.7 The total revenue grant funding therefore available to the Council is set out in Table 1 below:

**Table 1 – Grant Settlement 2022/23**

<b>Provisionally allocated Government Grant Funding</b>	<b>2022/23 £000</b>
Specific Grants	25,589
Non Domestic Rate Income	108,076
Revenue Support Grant	231,489
<b>Total Recurring Government Grant</b>	<b>365,154</b>
One-off Revenue allocation	3,982
<b>Total Government Grant</b>	<b>369,136</b>

- 3.8 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.
- 3.9 As previously reported to Members, 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, which accompanied the draft budget announcement, outlines that spending decisions over the period of the strategy will be informed by the Scottish Government's stated aims of meeting child poverty and climate change targets, and securing a stronger, greener, fairer economy.
- 3.10 The MTFS sets out a range of potential scenarios for future funding and spending. Rather than being based on assumed percentage increases, the funding scenarios are based on known information from the UK Comprehensive Spending Review; while spending scenarios reflect the Scottish Government's understanding of spending pressures in the medium term, including new commitments. Comparing the central funding scenario with the mid spending projection suggests a growing gap, which reaches approximately £3.5bn in 2026/27:



Source – Scottish Government MTFS

- 3.11 The key message in this scenario forecast is the increasing spending pressure within a relatively fixed block grant position. Members have been previously advised that the Scottish Government block grant increased substantially in 2022/23, with only very moderate increases over the remainder of the spending review period. In this context, the fact that the local government settlement reflects a like-for-like cut in 2022/23 does not provide confidence that the settlement in future years will reflect any degree of increase to address core budget pressures. On this basis and as outlined in further detail below, the Council's medium-term outlook has been revised to reflect a central planning assumption of 1% like-for-like revenue grant cuts over the period to 2024/25.
- 3.12 The Scottish Budget and the associated SFC publications outline significantly increasing spending on social security as benefits transfer from the UK to Scottish Governments to administer; and also from more generous levels of support through the benefits system, e.g. increasing the Scottish child payment. Increasingly, the Scottish Budget will need to support demand-led social security spending within a relatively fixed financial envelope. The Scottish Budget will also potentially experience increasing levels of volatility as a result of forecast error on devolved tax receipts or from block grant adjustments. Future demands may also 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. As the MTFS states: "With limited resources, increased investment in the Scottish Government's priorities will require efficiencies and reductions in spending elsewhere: we need to review long-standing decisions and encourage reform to ensure that our available funding is delivering effectively for the people of Scotland."
- 3.13 Additionally, and potentially more significantly, both UK and Scottish 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 fully understood, as well as the consequential impact on 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. Critically, how the Scottish economy fares relative to the UK, given the importance of this relationship under the fiscal framework, will be a key determinant of public spending.
- 3.14 Further, even assuming that marginal 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 settlements in each of the past three years. In 2020/21 a headline grant increase of circa 6% translated into a broadly flat cash core grant position. In 2021/22 the settlement headline 2.7% growth translated into underlying growth on core grant of 0.5%; and in the 2022/23 settlement, where headline growth in the local government settlement of 7.5% translates into a like for like core grant reduction of 0.4%. 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.
- 3.15 The publication of the Scottish Government Resource Spending Review in May 2022 will provide 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 2022 and in addition, of any significant developments in the wider economy that are likely to materially change the future financial outlook for the Council.

- 3.16 The Scottish Government also published its Public Sector Pay Policy for 2022/23 alongside the 2022/23 Budget. 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 movement in the core local government settlement will be insufficient to fund a pay settlement at this level. The policy set a flat rate increase of £775 for those earning a salary up to £25k, £700 for those earning £25,000 to £40,000 and £500 for those earning above £40,000. At this juncture, pay negotiations across the local government employee groups are ongoing and therefore no agreement has been reached at this stage.

#### **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 2021/22 and 2022/23. 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 2022/23 in the continuing response to and recovery from 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.
- 4.2 Demographic, socio-economic and inflationary factors continue to play a major role in driving core spending pressures for the Council, with practically all areas of the Council affected either in terms of income loss or increased cost pressures. Over the course of 2021/22 the impact of the COVID19 pandemic has continued to generate unprecedented additional pressures, many of which are anticipated to continue into 2022/23.
- 4.3 In relation to Adult Services, the HSCP over the course of 2021/22 has, as in 2020/21, 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 help offset such costs to date; with the remainder expected to be fully reimbursed through the continuation of the local mobilisation plan reporting arrangements in place with the Scottish Government. Conversely, in terms of core Adult Services budget, the HSCP has reported an underspend throughout the course of 2021/22; with a year-end forecast underspend of £0.7m being reported. This year-end core underspend will be added to existing unallocated balances, which the HSCP will carry forward and have available to support future change and transformation, as well as addressing pressures in future years.
- 4.4 Over the course of 2022/23 Adult Services will again be exposed to expected cost pressures arising from the renewal of contractual arrangements, the financial impact of increases in the Living Wage and the minimum £10.50 minimum pay settlement for adult social care workers.
- 4.5 It is recommended that £11.655 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 that the Scottish Government continues to pass through from the Health portfolio to support Social Care via the local government budget, and is exclusive of the Renfrewshire share of the £200 million, which is currently unallocated within the local government settlement linked to the improvement of adult social care pay and improved retention. 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 expected in 2022/23, which are anticipated to be fully funded by the Scottish Government.

- 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. Increased funding in relation to teacher numbers has been included within the grant allocation from the Scottish Government and this resource, along with education-specific reserve balances, will be utilised flexibly to address both additionality and roll related increases over the medium term. Similar to 2020/21 and 2021/22, 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 COVID 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 longer term with potentially permanent changes in the costs of education delivery being possible, but at this stage being very difficult to estimate. Similar to 2020/21 and 2021/22 therefore, non-recurring resources will continue to be deployed to address such costs and therefore no provision in this respect has been made within the core service budgets, with the exception of those relating to contractual inflation.

- 4.7 Table 2 below summarises the recommended base budget adjustments to reflect the pressures facing the Council in 2022/23.

**Table 2 - Summary of Recommended Base Budget Adjustments 2022/23**

	2022/23	
	£000	£000
<b>Impact of previous Council and Board Decisions</b>		
Reversal of 2021/22 single year investments	(250)	
Debt Smoothing Saving against Financing Costs	(7,500)	
Right for Renfrewshire programme	(2,286)	
<b>Total Reductions</b>	<b>(10,036)</b>	
<b>Add Unavoidable Pressures:</b>		
Financial Settlement adjustments Health and Social Care	11,655	
Financial Settlement adjustments Other	4,006	
Pay/staff related	1,151	
Contract Payment Adjustments	1,580	
One-off investment: Local Government Election	500	
Requisition Adjustments	498	
Other Unavoidable Pressures	379	
<b>Total Unavoidable Pressures</b>	<b>19,769</b>	
<b>Net Base Budget (Reduction)/Increase</b>		<b>9,733</b>
<b>Net Increase in Provision for inflationary pressures</b>		<b>8,920</b>
<b>Net Base Budget (Reduction)/Increase</b>		<b>18,653</b>

## **5. PAY AND PRICE PRESSURES**

- 5.1 The 2022/23 budget position detailed in Table 3 at paragraph 7.1 includes a provision for pay inflation that broadly reflects the public sector pay policy announced by the Cabinet Secretary on 9 December 2021. At present, pay negotiations across all employee groups within local government are ongoing with no agreements yet secured, indeed the teachers settlement for 2021/22 still remains to be agreed as at the time of writing. 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 2022/23 as well as the recurring financial adjustment required moving into 2023/24.
- 5.2 In setting previous budgets, the Council decided not to apply any general inflationary uplift to non-pay budgets. Given the increasing 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 2022/23 budget. The high levels of inflation currently being experienced are, however, an increasing cause for concern, and economic forecasts now reflect a “higher for longer” outlook for inflation as opposed to previous forecasts, which suggested a spike late in 2021 would be followed by a relatively sharp decline back to target levels. This revised outlook has the consequence of not just increased prices for goods and services, but will feed in to pay negotiations, potentially putting pressure on provisions that have been made.
- 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 £0.155 million for an inflation adjustment to charges at 3%.

## **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 3.75% has been applied. This is a reduction is the rate applied in previous years which is possible as a result of the proactive debt smoothing strategy which has been employed by the Council over the past decade.
- 6.2 Members will recall that Council agreed to a number of corporate financing adjustments in order to both address the anticipated costs of the pandemic and the longer term financial outlook for the Council. Agreement on these flexibilities has been progressed between COSLA and the Scottish Government as outlined at 3.2 above. The flexibilities agreed have been examined and they will provide only marginal support to the Council to both manage the impact of COVID19, as well as provide temporary support to the Council's medium-term financial strategy where this is required. However the utilisation of these flexibilities will continue to be examined in the event that they may provide additional capacity to compliment the corporate financing adjustment made to the Council's financial strategy arrangements. In particular, the ongoing discussion with regards modified accounting arrangements for service concessions may provide welcome flexibility should this proposal be agreed by the Cabinet Secretary.
- 6.3 As previously reported to Council, the pausing of the Right for Renfrewshire programme during the pandemic has impacted on the level of planned savings over recent years, with the result that the Council has required to use longer term capital financing flexibilities to bridge the savings gap over the medium term. This approach will result in higher borrowing

costs in the longer term, and this will require to be met through appropriate base budget adjustments in the coming years and the release of long-term flexibility resources. The required support to the Council's 2022/23 budget from this approach is significant at £7.5 million, and Members should be aware that this position will require to be unwound over the medium to longer term. Despite the deployment of these flexibilities on this scale, the position outlined below reflects a core deficit in 2022/23 budget, with a temporary surplus only being achieved through the allocation of non-recurring grant from the Scottish Government.

- 6.4 In addition to the capital financing flexibilities outlined above, it is also proposed that the Council agrees to utilise COVID-specific reserve balances of up to £2.188 million in order to support the budget position in 2022/23. As outlined in section 9 below, the Council anticipates that as at the 2021/22 financial year-end there will remain £12.939 million in COVID specific reserves, which will be deployed over the medium term to assist with the ongoing increased costs of the pandemic response by a range of services; and utilising these reserve balances will enable a full assessment of the potential longer term financial impact of permanent changes in service provision as a result of the pandemic; and for a sustainable solution to these costs to be developed within the medium-term financial plan.

## 7. **SPENDING OVERVIEW**

- 7.1 The Council approved spending for 2021/22 of £449.822 million. This included a one-off use of reserve balances of £1.692 million. It is estimated that £466.287 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 2022/23.

***Table 3 – Estimated Spending Need 2022/23***

	<b>2022/23 £000</b>
Spending approved 2021/22 budget	448,130
Approved use of reserve balances (non-recurring)	1,692
<b>Spending approved 2021/22 budget</b>	<b>449,822</b>
<b>Add:</b>	
Recommended Budget Adjustments (per Table 2)	19,769
Net reductions Applied (per Table 2)	(10,036)
Temporary application of COVID Reserve	(2,188)
<b>Revised Budget per Appendix 1</b>	<b>457,367</b>
Net Increase in Provision for inflationary pressures	8,920
<b>Estimated spending need for 2022/23</b>	<b>466,287</b>

- 7.2 As is well recognised by Members, significant cost pressures are anticipated to persist beyond 2022/23 for the Council. Some cost pressures, such as those related to some contractual commitments are easier to predict for future years; however, these are also becoming more of a risk as inflationary concerns abound. Uncertainty will once again emerge in relation to future pay pressures with potentially only a single-year agreement being possible; however, the publication of the Scottish Government Resource Spending Review in May 2022 may provide the conditions for a multi-year agreement to be reached. There remains less certainty about pension 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.

- 7.3 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, which Directors have been actively mitigating through a range of cost containment measures. Moving forward, it is expected that increasing inflationary pressures will make this more difficult to maintain and increasing levels of financial provision will need to be made for core cost pressures.
- 7.4 Members will recall that some limited provision was made in 2021/22 for the potential recurring legacy impacts of COVID19 on costs and income streams, as well as cost pressures and service demands arising from the post-Brexit environment. The intention in making this provision had been that this would be required on a non-recurring basis, however it is becoming increasingly apparent that there will be longer term and potentially permanent increased costs from both of these issues, and therefore the budget proposed baselines the provisions made in 2021/22 in order to address these costs over the longer term. Household waste collection and disposal costs in particular would appear to be permanently increased as many individuals move to home or hybrid working; and there are likely to be permanent habit changes in terms of leisure services which may impact on the commercial income available to OneRen which the Council may need to support. In addition, there is likely to be income pressure in relation to parking; and potentially increased costs in children's' social care as the impact of the pandemic on households and individuals is reflected in increasing demand for family social care and mental health support.
- 7.5 The medium-term outlook for the Council continues to remain highly uncertain, and is likely now to be even more challenging than previous financial outlooks reports to Council have reflected. As mentioned above, there are now expected to be permanent cost impacts from the pandemic, however pay and grant will continue to be the two biggest determinants of the Council's financial outlook. Applying a scenario-based approach varying the major influencing elements of the projections under an optimistic, central and pessimistic scenario for the three year period beyond 2022/23, derives a forecast budget deficit range of broadly £25 million - £58 million over this period (before any decisions on the level of Council Tax or any other mitigating action), with a central forecast of £41 million of a cumulative deficit. This forecast scenario outlook is based on relatively tight grant and pay assumptions informed by the current financial settlement and the Governments MTFS, as well as likely affordability constraints in relation to future pay awards. Factoring in an assumption of 3% increase each year in Council Tax levels would reduce this range to £18 - £50 million.
- 7.6 The Scottish Government is currently consulting stakeholders with regards the planned Resource Spending Review which should be published in May 2022. This Review should provide local government with more certainty as to the grant settlement over the period from 2023/24 to 2026/27, however there may be risks in the final years of the Review as this extends beyond the current UK Comprehensive Spending Review which ends in 2024/25. This improved certainty over the Scottish Government spending plans may unlock 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.



- 7.7 The Resource Spending Review consultation document outlines three priorities, which will inform funding decisions:
- To support progress towards meeting child poverty targets
  - To address climate change
  - To secure a stronger, fairer, greener economy
- 7.8 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 2023/24. Notwithstanding the eventual scale of budget deficit to be addressed beyond 2022/23, it is likely that service transformation activity, while key to financial sustainability, in itself will not be sufficient to fully address the projected deficit, and a range of other measures are likely to be required. These may include, for example, a reassessment of income and the associated levels of fees and charges, a review of Council property assets and increasing the Council's digital capacity to further improve service efficiency. All of these measures will need to be considered in the context of not just financial sustainability, but the priorities agreed by the Council as it considers refreshing and updating its Community and Council Plans. In this context and as mentioned above, it is expected 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.
- 7.9 The Council will therefore continue to operate with a medium-term financial outlook that is currently inherently uncertain, both in scale and potential for variability at least in the short term, with hope that greater certainty may emerge in over the course of 2022/23. Re-establishing and remobilising a transformation 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.
- 7.10 Members will continue to be updated on developments for future years, but should be aware that in setting the 2022/23 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 decision 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.
- 7.11 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.
- 7.12 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 2021/22, BALANCES AND RESERVES**

- 9.1 Appendix 1 to this report details an overview of the Probable Outturn for 2021/22.
- 9.2 The Council's general fund balances as at 1 April 2021 were £88.458 million and, as outlined in Table 4 below, the significant majority of this was earmarked for specific purposes. This balance also reflects the previously agreed increase in unallocated balances to a minimum of £10 million, reflecting the heightened financial risks over the course of the pandemic. As reported to Members during the course of 2021/22, a year-end overspend position is projected for the Council, with an expectation that COVID-specific balances would require to be utilised to offset the residual impact of COVID19 disruption on the Council's finances. The anticipated draw on 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 OneRen as a consequence of leisure facilities being used as vaccination centres and the general impact of mitigation measures employed with Directors to redirect existing budgets to offset COVID19 specific costs.
- 9.3 Members will recall that significant one-off funding was allocated to councils by the Scottish Government in closing the 2020/21 financial year, resulting in an increase in ringfenced reserve balances. It is anticipated that the Council will incur COVID related costs in 2021/22 of approximately £8-9 million, which will be addressed through the use of these COVID specific reserve balances. This anticipated draw excludes the use of education-specific COVID funds, which will also be deployed to mitigate additional costs being incurred in schools estimated at £4-5 million. The use of these balances should therefore negate any requirement to draw on unallocated balances as at the 2021/22 financial year-end. It is expected that the year-end outturn will report an underspend on the core budget, with a level of general and specific COVID-related funding streams planned to be carried forward to assist in supporting COVID-related costs still being incurred in 2022/23.
- 9.4 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 24 months and in this context the Council previously approved, as part of the updated financial strategy, to refresh unallocated balances to £10 million moving into 2021/22. The actual outturn on unallocated balances in 2020/21 of £10.887 million represents 2.5% of the Council's budgeted net expenditure, a level that remains both prudent and appropriate for the Council's individual circumstances and still below the average 3.5% across Scotland as a whole for 2020/21. As always, Audit Scotland will continue to closely monitor the Council's position in respect to unallocated reserves as part of its wider assessment of the Council's financial stability and resilience.
- 9.6 Table 4 below summarises the forecast movement and year-end position of General Fund balances, including those earmarked for agreed purposes and estimated future liabilities.

**Table 4 – General Fund Balances 2022/23**

	Balances at 1/4/2021	Forecast In-Year Movement	Forecast Closing Position at 31/03/2022
General Fund Balances	£000	£000	£000
Alcohol and Drugs Commission	2,000	(225)	1,775
British Sign Language	81	(81)	-
City Deal	659	(659)	-
Climate Change Fund	742	(264)	478
Community Empowerment Fund	375	(36)	339
COVID-19 Education Recovery Fund	6,149	(1,100)	5,049
COVID-19 General Recovery Fund	11,390	(3,500)	7,890
Culture Bid Legacy	3,532	(650)	2,882
Development Contribution - Paisley Town Centre	1,057	(90)	967
Digital Infrastructure	375	(66)	309
Discretionary Business Grants	2,303	(1,906)	397
Early Years Strategy	1,900	-	1,900
Employability	8,095	-	8,095
Environment and Place	2,487	(850)	1,637
Invest in Renfrewshire	576	-	576
Leisure: Inclusive Play Facility	50	(50)	-
Paisley Town Centre Heritage Strategy	2,995	(2,227)	768
PPP Reserve	12,670	-	12,670
Private Sector Housing Grant	2,632	(692)	1,940
Public Wi Fi Project	93	(93)	-
Pupil Equity Funding	1,225	-	1,225
School Music Participation	375	(125)	250
Service Modernisation and Reform Fund	6,981	(2,470)	4,511
Children's Services Year-End Flexibility	2,798	(220)	2,578
Social Renewal Plan	2,706	(245)	2,461
Tackling Poverty	2,421	(1,035)	1,386
Villages Improvement Fund	292	(206)	86
Welfare Reform	612	(424)	188
Unallocated General Fund Balances	10,887	-	10,887
<b>Total General Fund Balances</b>	<b>88,458</b>	<b>(17,214)</b>	<b>71,244</b>

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

**Table 5 – Specific Reserves 2021/22**

	Balances at 1/4/2021	Forecast In-Year Movement	Forecast Closing Position at 31/03/2022
	£000	£000	£000
Insurance Fund	2,543	-	2,543
Reservoir Repair Fund	321	-	321
Education Capital Items Fund	1,400	-	1,400
Investment Programme Capital Fund	86,236	(1,091)	85,145
<b>Total Specific Reserves</b>	<b>90,500</b>	<b>(1,091)</b>	<b>89,409</b>
<b>Total Usable Reserves</b>	<b>178,958</b>	<b>(18,305)</b>	<b>160,653</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 that 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 level of Council Tax (Band D) for 2021/22 is £1,315.42 and is £7.42 (0.5%) above the Scottish average. It is estimated that in 2022/23 each £1 of Council Tax will yield £74,389 gross (£62,238 net of adjustment for Council Tax Reduction), higher than 2021/22. The increase in the yield reflects anticipated growth in the Council Tax base in the context of some recovery from the pandemic being experienced in housing construction, and an assumed decreased level of bad debt based on the steady level of cash collection being experienced in 2021/22.

10.2 A maximum net gross yield of £97.852 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 £0.400 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 2022/23.

## 11. **BUDGET OVERVIEW – 2022/23**

- 11.1 The overview budget position for the Council for 2022/23, prior to any changes in service levels or Council Tax levels, is outlined in Table 6 below. This overview position confirms a recurring budget deficit position, but due to the allocation of non-recurring funds by the Scottish Government, a temporary in-year revenue surplus for 2022/23 is outlined, subject to decisions by Members in setting the final budget for 2022/23.

**Table 6 – Budget Overview 2022/23**

	<b>2022/23 £000</b>
Confirmed Government Grant (per Table 1)	365,154
Council Tax Income	97,852
Council Tax / Community Charge Arrears Recovery	400
<b>Total Income</b>	<b>463,406</b>
Less: Estimated Spending need (Table 3)	(466,287)
<b>Recurring Budget (Deficit)/Surplus</b>	<b>(2,881)</b>
One-off Revenue allocation	3,982
<b>In-Year Budget (Deficit)/Surplus</b>	<b>1,101</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 2022/23 budget, identifying a temporary in-year surplus position, with a significant budget deficit of up to £18-50 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 2022/23 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 2022/23 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 maintained 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.

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

<b>Net Expenditure</b>	<b>2021/22</b>			<b>2022/23</b>
	<b>Approved Estimates* £000</b>	<b>Revised Estimates £000</b>	<b>Probable Outturn £000</b>	<b>Estimates** £000</b>
Children's Services	222,092	219,621	219,859	222,413
Adult Services	74,358	74,356	73,412	86,011
Environment and Infrastructure	42,781	44,462	48,647	44,864
Miscellaneous Services	25,091	29,988	29,988	28,369
Finance and Resources	34,391	33,869	33,728	34,620
Communities and Housing Services	10,935	10,046	10,122	10,041
Chief Executive Services	9,575	10,529	10,292	10,783
Leisure Services	11,332	11,392	11,885	11,734
Loans Fund	10,907	10,827	10,827	3,627
Strathclyde Passenger Transport	3,168	3,168	3,168	3,248
Renfrewshire Valuation Joint Board	1,564	1,564	1,564	1,657
<b>Net Expenditure</b>	<b>446,194</b>	<b>449,822</b>	<b>453,492</b>	<b>457,367</b>





**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**ADULT SERVICES**

**Analysis of Change between 2021/22 and 2022/23**

<b>2021/22 Estimates</b>		<b>74,356,535</b>
<b>Adjustment to Current Year Estimates</b>		
Unavoidable Increase (Decrease) ( PAPER 2)	11,655,000	
Transfers (PAPER 3)	-	
		<b>11,655,000</b>
<b>2022/23 Estimates</b>		<b>86,011,535</b>
<b>(Before budget decisions)</b>		

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**ADULT SERVICES**

AS		£
1	Settlement adjustments Health and Social Care	11,655,000
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>11,655,000</b>

**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**ADULT SERVICES**

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

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**CHIEF EXECUTIVE SERVICES**

**Analysis of Change between 2021/22 and 2022/23**

2021/22 Estimates 10,529,178

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2) 253,700  
 Transfers (PAPER 3) -  
 253,700

2022/23 Estimates 10,782,878  
 (Before budget decisions)

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**CHIEF EXECUTIVE SERVICES**

CE		£
1	Economic Development budget realignment	250,000
2	Inflationary increase in Scotland Excel requisition	3,700
3		
4		
5		
	<b>Total Increase (Decrease) to Budget</b>	<b>253,700</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**CHIEF EXECUTIVE SERVICES**

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

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**LEISURE SERVICES**

**Analysis of Change between 2021/22 and 2022/23**

	£	£
2021/22 Estimates		11,391,800
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) ( PAPER 2)	342,000	
Transfers (PAPER 3)	-	
		342,000
2022/23 Estimates		11,733,800
(Before budget decisions)		

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**LEISURE SERVICES**

LS		£
1	Inflationary increase - OneRen requisition	342,000
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>342,000</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**LEISURE SERVICES**

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

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**CHILDREN'S SERVICES**

**Analysis of Change between 2021/22 and 2022/23**

2021/22 Estimates

£

£

219,620,777

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)

2,675,710

Transfers (PAPER 3)

117,000

2,792,710

2022/23 Estimates

222,413,487

(Before budget decisions)

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**CHILDREN'S SERVICES**

ED		£
1	Settlement adjustment: Funding for teachers	2,695,000
2	Settlement adjustment: Early Learning Childcare expansion	(1,026,000)
3	Settlement adjustment: 1+2 Languages	(41,000)
4	Settlement adjustment: Mental Health Recovery and Renewal	115,000
5	Annual Contractual PPP Contract Indexation Adjustment	830,000
6	Loomwalk Respite Contract Price Increase	50,000
7	Dargavel PS support staff	38,710
8	SEEMIS development costs	14,000
	<b>Total Increase (Decrease) to Budget</b>	<b>2,675,710</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**CHILDREN'S SERVICES**

CS		£
1	Dargavel PS - Non Domestic rates	117,000
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>117,000</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**COMMUNITIES AND HOUSING SERVICES**

**Analysis of Change between 2021/22 and 2022/23**

<b>2021/22 Estimates</b>		<b>10,045,934</b>
<b>Adjustment to Current Year Estimates</b>		
Unavoidable Increase (Decrease) ( PAPER 2)	(61,181)	
Transfers (PAPER 3)	56,560	
		(4,621)
<b>2022/23 Estimates</b>		<b>10,041,313</b>
<b>(Before budget decisions)</b>		

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**COMMUNITIES AND HOUSING SERVICES**

CHAPS		£
1	Inflationary increase in payment to Glasgow Scientific Services	2,876
2	Water Safety Officer	36,943
3	Settlement adjustment: Rapid Rehousing Planning	(38,000)
4	Settlement adjustment: Environmental Health Officers	(63,000)
5		
	<b>Total Increase (Decrease) to Budget</b>	<b>(61,181)</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**COMMUNITIES AND HOUSING SERVICES**

OH		£
1	Licensing Enforcement staff from Corporate Governance	56,560
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>56,560</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**ENVIRONMENT AND INFRASTRUCTURE**

**Analysis of Change between 2021/22 and 2022/23**

<b>2021/22 Estimates</b>	<b>44,461,897</b>
<b>Adjustment to Current Year Estimates</b>	
Unavoidable Increase (Decrease) ( PAPER 2)	702,000
Transfers (PAPER 3)	(300,000)
	<u>402,000</u>
<b>2022/23 Estimates</b>	<b>44,863,897</b>
<b>(Before budget decisions)</b>	

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**ENVIRONMENT AND INFRASTRUCTURE**

EI		£
1	Glyphosate weedkiller cessation - Pilot Programme	250,000
2	Streetlighting - Electricity Price Increase	100,000
3	Dargavel PS - soft FM staff	80,000
4	Road Salt price inflation	70,000
5	Removal of Red Diesel rebate	70,000
6	Festive Lighting	67,000
7	Inflationary increase in food costs	65,000
	<b>Total Increase (Decrease) to Budget</b>	<b>702,000</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**ENVIRONMENT AND INFRASTRUCTURE**

EI		£
1	Roads investment supported borrowing	(300,000)
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>(300,000)</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**STRATHCLYDE PASSENGER TRANSPORT**

**Analysis of Change between 2021/22 and 2022/23**

<b>2021/22 Estimates</b>		<b>£</b>	<b>£</b>
			<b>3,167,700</b>
<b>Adjustment to Current Year Estimates</b>			
Unavoidable Increase (Decrease) ( PAPER 2)		80,000	
Transfers (PAPER 3)		-	
			<b>80,000</b>
<b>2022/23 Estimates</b>			<b>3,247,700</b>
<b>(Before budget decisions)</b>			

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**STRATHCLYDE PASSENGER TRANSPORT**

SPT		£
1	Inflationary increase in SPT requisition	80,000
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>80,000</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**STRATHCLYDE PASSENGER TRANSPORT**

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

**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**FINANCE AND RESOURCES**

**Analysis of Change between 2021/22 and 2022/23**

<b>2021/22 Estimates</b>		<b>£</b>	<b>£</b>
			<b>33,868,861</b>
<b>Adjustment to Current Year Estimates</b>			
Unavoidable Increase (Decrease) ( PAPER 2)	691,061		
Transfers (PAPER 3)	60,139		
			<b>751,200</b>
<b>2022/23 Estimates</b>			<b>34,620,061</b>
<b>(Before budget decisions)</b>			

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**FINANCE AND RESOURCES**

<b>FAR</b>		<b>£</b>
<b>1</b>	Microsoft Enterprise Agreement SCP Schools	169,000
<b>2</b>	Contract management legal support	133,157
<b>3</b>	Settlement adjustment: Scottish Disability Assistance admin	105,000
<b>4</b>	ParentPay admin support	63,886
<b>5</b>	City Deal recurring staffing	77,500
<b>6</b>	Systems optimisation support	78,218
<b>7</b>	Reduction in DWP Benefit Admin Subsidy	57,300
<b>8</b>	Actuarial fees - pension reports (Hymans)	5,000
<b>9</b>	New Dargavel PS telephony	2,000
	<b>Total Increase (Decrease) to Budget</b>	<b>691,061</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**FINANCE AND RESOURCES**

<b>FAR</b>		<b>£</b>
<b>1</b>	Scottish Welfare Fund - staff transfer from WR resource	31,943
<b>2</b>	Apprenticeship Levy in Customer Services	42,300
<b>3</b>	Committee Services staff realignment	39,456
<b>4</b>	Customer Services equipment and uniforms	3,000
<b>5</b>	Licensing Enforcement staff to Trading Standards	(56,560)
	<b>Total Increase (Decrease) to Budget</b>	<b>60,139</b>



**PAPER 1**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**RENFREWSHIRE VALUATION JOINT BOARD**

£                      £

**Analysis of Change between 2021/22 and 2022/23**

2021/22 Estimates 1,564,150

**Adjustment to Current Year Estimates**

Unavoidable Increase (Decrease) ( PAPER 2)

93,000

Transfers (PAPER 3)

-

93,000

2022/23 Estimates

1,657,150

(Before budget decisions)

**PAPER 2**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**RENFREWSHIRE VALUATION JOINT BOARD**

JVB		£
1	Settlement adjustment: Barclay funding pass through	21,000
2	Inflationary increase in RVJB requisition	72,000
		<b>93,000</b>

**PAPER 3**

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**RENFREWSHIRE VALUATION JOINT BOARD**

JVB		£
1		
2		
		-

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**MISCELLANEOUS SERVICES**

**Analysis of Change between 2021/22 and 2022/23**

<b>2021/22 Estimates</b>		<b>29,988,426</b>
<b>Adjustment to Current Year Estimates</b>		
Unavoidable Increase (Decrease) ( PAPER 2)	(1,386,000)	
Transfers (PAPER 3)	(233,699)	
		<b>(1,619,699)</b>
<b>2022/23 Estimates</b>		<b>28,368,727</b>
<b>(Before budget decisions)</b>		

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**MISCELLANEOUS SERVICES**

		£
1	Local Government Elections (one-off)	500,000
2	Utility cost inflation	200,000
3	Human resources staff realignment - Change Fund	400,000
4	Settlement adjustment: National Trauma training	50,000
5	Reduction in CTR support	(250,000)
6	RFR Tranche 1 savings rephased - full year impact	(682,000)
7	RFR Tranche 2 savings - full year impact	(1,604,000)
	<b>Total Increase (Decrease) to Budget</b>	<b>(1,386,000)</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**MISCELLANEOUS SERVICES**

MS	Transfer of centrally held funding to services	£
1	Transfer to Business Services - Scottish Welfare Fund post	(31,943)
2	Transfer to Customer Services - apprenticeship levy and uniforms	(45,300)
3	Transfer to Corporate Governance - Democratic Services post	(39,456)
4	Transfer to Children's Services - New Dargavel PS Rates	(117,000)
	<b>Total Increase (Decrease) to Budget</b>	<b>(233,699)</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**LOANS FUND**

**Analysis of Change between 2021/22 and 2022/23**

2021/22 Estimates	10,826,610
Adjustment to Current Year Estimates	
Unavoidable Increase (Decrease) ( PAPER 2)	(7,500,000)
Transfers (PAPER 3)	300,000
	<u>(7,200,000)</u>
2022/23 Estimates	<u>3,626,610</u>
(Before budget decisions)	

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**UNAVOIDABLE INCREASES (DECREASES)**

**LOANS FUND**

		£
1	Financial flexibilities application - capital and debt management	(7,500,000)
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>(7,500,000)</b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2022/23 REVENUE ESTIMATES**  
**TRANSFERS**

**LOANS FUND**

LF		£
1	Roads investment supported borrowing	300,000
2		
	<b>Total Increase (Decrease) to Budget</b>	<b>300,000</b>