

Report

Report to:	Executive Committee
Date of Meeting:	21 June 2023
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2024/2025 Revenue Budget
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1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ advise the Council on the Budget position for 2024/2025

2. Recommendation(s)

2.1. The Council is asked to approve the following recommendation(s):

- (1) that the Revenue Budget position for 2024/2025 (detailed in sections 4 and 5) resulting in a Budget Gap of £29.207 million, be noted;
- (2) that the use of service concession funds as detailed at section 5.9 be approved; and
- (3) that options to meet the budget gap be developed for members' consideration and brought back to a future meeting (as detailed in section 6.3), be agreed.

3. Background

3.1. The latest iteration of the 2024/2025 budget was included in an Appendix to the 2023/2024 Revenue Budget (Council, February 2023) which reported an expected budget gap for 2024/2025 of £16.8 million. This gap was at a point in time and it was noted that position would require to be revisited as part of the 2024/25 budget exercise.

3.2. This report will consider the Revenue Budget position for 2024/2025. The purpose of this report is to present to Members the current estimate for the budget gap for 2024/2025 at the earliest opportunity. In line with the usual approach, this paper will include estimates of Government Grant levels, identify requirements for revenue expenditure items, including the impact of previous budget decisions and, ultimately, identify the Budget Gap that has to be met to balance the budget for that year.

3.3. This report will focus on 2024/2025, and will cover the following:

- ◆ Revenue Budget Expenditure Items (section 4)
- ◆ Corporate Solutions (section 5)
- ◆ Summary and Next Steps (section 6)

4. Revenue Budget Expenditure Items

4.1. There are a number of expenditure items that affect the Budget Strategy for 2024/2025. These include provision for increases in expenditure items which the Council would typically face as well as anticipated movements in Government Grant

and the impact of previously adding new properties.

- 4.2. These expenditure items form the normal items that we would expect to cover as budget pressures and, also, include 'one off' solutions from previous years that require to be reinstated. These are included in Appendix 1 and summarised in Table 1.

Table 1 – Summary of Budget Strategy Expenditure Items

	2024/2025 £m
Pay and Pension Items (<i>Appendix 1, para 2.1 – 2.7</i>) Includes assumed pay award for teachers and non-teachers.	16.120
Grant Movement (<i>Appendix 1, para 3.1 – 3.7</i>) Reflects the assumed 'flat cash' advised as part of the Spending Review in 2022 and the delayed impact of new properties on grant received because we are collecting more Council Tax from more properties (£0.880 million).	0.880
Reinstatement / Impact of Prior Year Budget Decisions (<i>Appendix 1, para 4.1 – 4.10</i>) This includes the need to reinstate budget to cover one-off savings from previous years and also to take the benefit of residual impact of previous year decisions. This includes: <ul style="list-style-type: none"> £9.5 million re the Loans Fund Review impact of using one-off Reserves in 2023/2024 (£23.500 million) offset by a further use in 2024/2025 (£14.000 million) (2021/2022 Budget Report to Council, 24 June 2020), £0.500 million additional Loan Charges Budget as a result of the Loans Fund Review, 2021/2022 underspend (£6.109 million) used in 2023/2024 on a one-off basis (Executive Committee, June 2022), £5.450 million of one-off monies used in 2023/2024 (Council, June 2022 and Executive Committee, November 2022), £5.7 million of Reserves / Service concessions used on a one-off basis in 2023/2024 to fund the impact of the 2022/2023 Pay Award (Council, February 2023) and £1.8m use of 2022/23 Underspend (Council meeting, February 2023). 	30.675
Contract Impacts / Other Inflation (<i>Appendix 1, para 5.1 – 5.10</i>) Includes typical inflationary increases on non-domestic rates, the secondary schools' modernisation contract (PPP), utilities, social care for children and families and waste.	11.616
Revenue Consequences of Capital (<i>Appendix 1, para 6.1 – 6.2</i>) This includes the revenue impact of approved capital projects.	0.811
Total Expenditure Items	60.102

- 4.3. Table 1 shows the core Budget Strategy expenditure items and gives an initial Budget Gap of **£60.102 million**. This is the position before Corporate Solutions which will be considered in section 5.
- 4.4. The grant assumption into 2024/2025 is Flat Cash. This is following the outcome of the Scottish Government's Spending Review which was published on 31 May 2022, and which maintains the level of General Revenue Grant, Non-Domestic Rates Income and Specific Resource Grants between 2023/2024 and 2025/2026, with an amount of £100m added nationally in 2026/2027.

- 4.5. The Loans Fund Review noted in the Reinstatement / Prior Year Decisions Core Item reflects the timing of the use of Reserves that were generated from the reprofiling of the Council's Loan Debt. These have been used to support the Budget Strategy over recent years and, as in previous years, any use of Reserves has to be reinstated in the new year. A final tranche of these monies has been assumed in Table 1 to show the net impact on the 2024/2025 Budget Strategy (a net cost of £9.500 million being £23.500 million reinstated offset by the further planned use of £14.000 million). This £14.000 million will require to be reinstated in the 2025/2026 Revenue Budget Strategy (refer Table 3).
- 4.6. The Expenditure Items include the main areas for inflation being utilities, PPP, Waste and Licences. However, it is difficult to estimate the extent of inflation on other Council budgets. Consideration will have to be given to the timing of spend and the choices being made in terms of how services are delivered.

5. Corporate Solutions

- 5.1. In considering the Budget Gap there are some offsetting solutions that can be taken into account. These are detailed in Appendix 2 and summarised in Table 2.

Table 2 – Summary of Corporate Solutions

	2024/2025 £m
Council Tax – Property Numbers (<i>Appendix 2, para 2.1 to 2.2</i>) Reflects the increase in property numbers being experienced so far in 2023/2024 and a projection of a further increase during the year and into 2024/2025.	2.219
Reduction in Bridging Solution Required (following implementation of Oracle Fusion) (<i>Appendix 2, para 2.3</i>) The bridging solution in place in advance of the implementation of the new Fusion system across the Council is no longer required in 2024/2025.	1.176
Service Concessions (<i>Appendix 2, para 2.4</i>) This is the one-off use of Reserves resulting from the implementation of Service Concessions. This requires to be reinstated into 2025/2026. ref section 5.6-5.9	27.500
Total Corporate Solutions	30.895

- 5.2. The total Corporate Solutions figure, as detailed in Table 2 is **£30.895 million**.
- 5.3. Taking these into account would reduce the Budget Gap to **£29.207 million** in 2024/2025.
- 5.4. The main movement from last reported position of £16.8 million reflects the impact of potential further pay (£7.400 million) and continued higher levels of inflation (£2.650 million), and utilities costs (£4.700 million) offset by additional income expected from council tax due to additional properties (£1.200 million).
- 5.5. At a level of £29.207 million, the savings requirement for 2024/2025 is substantial. To address this Budget Gap, consideration will be required regarding what the Council does for its communities, and difficult decisions will need to be made to balance the Council's budget.
- 5.6. **Service Concessions / Loans Fund Review:** Table 2 and the resultant Budget Gap of £29.207 million includes a recommended use of £27.500 million of Service

Concession Reserves and £14.000 million from the Loans Fund Review (referenced in Table 1) to support the Budget in 2024/2025. These are temporary funding solutions and will require to be reinstated into 2025/2026.

- 5.7. At a meeting on 18 January 2023, the Council approved the implementation of the guidance on accounting for Service Concessions. This resulted in a retrospective gain of £64 million. In previous reports (*2022/2023 Probable Outturn report - Executive Committee - 1 February 2023, Revenue Budget - Council 22 February 2023*), Members agreed to use £11.4 million of the retrospective gain from service concessions to pay for the increased 2022/2023 pay award in 2022/2023 and 2023/2024.
- 5.8. The Service Concessions paper (Council - January 2023) reported that, after taking into account the costs of the additional pay award, consideration could then be given to using £42.6 million of the retrospective benefit to support the Council's medium term Budget Strategies (across 2024/2025 and 2025/2026) leaving £10 million of the £64 million retrospective benefit unallocated. £6.565 million of this was used as part of the Budget motion agreed at Council 22 February.
- 5.9. This paper proposes using £27.500 million of the Service concession retrospective gain in 2024/2025. This would leave £18.535 million of service concession funding unallocated.
- 5.10. The requirement to reinstate temporary funding solutions is covered in section 5.19.
- 5.11. **Council Tax:** Members will be aware that a lever available to the Council in managing its overall budget position and any Budget Gap is the ability to increase Council Tax. Each 1% increase in Band D would generate successive amounts of £1.550 million. It should be noted that in arriving at the budget gap of £29.207 million, no account has been taken of any potential increase in council tax.
- 5.12. It should be noted that South Lanarkshire continues to have the lowest level of Band D council tax in mainland Scotland at £1300.81. The average for mainland Scotland is £1409.69.
- 5.13. **Level of Support Provided to the Integration Joint Board (IJB) and South Lanarkshire Leisure and Culture Limited (SLLCT):** The Council's Budget Strategy for 2024/2025 at this stage assumes no additional allocation of monies from the Council to the IJB or SLLCT. This reflects the approach taken in 2023/2024 where the base Budget Strategy assumed that the Council did not allocate any additional monies to the IJB or SLLCT and, as part of that year's budget strategy, SLC did not request a contribution to a savings exercise from these bodies.
- 5.14. **Home Carers Job Evaluation:** The outcome of the Job Evaluation exercise for Home Carers will result in significant recurring costs for the Care at Home service that is delegated to the IJB in 2023/2024 and beyond. The costs of grade changes will be approximately £7 million. The IJB have set a budget for 2023/2024, however, these costs are not included in that budget. The IJB's Financial Regulations and Integration Scheme set out the process for such an eventuality.
- 5.15. The Financial Regulations state that if the Integration Joint Board's Chief Financial Officer is advised that a significant change is likely to the Integration Joint Board's overall financial position and the deviation involves a change of policy of the Integration

Joint Board or results in revenue implications for future years, a report will be provided for the Integration Joint Board in good time detailing the financial consequences to enable appropriate action to be taken timeously.

- 5.16. The regulations state that, if an overspend is forecast on either Party's in scope budget, the Chief Officer and the Integration Joint Board's Chief Financial Officer will aim to agree a recovery plan with the relevant Party to balance the overspending budget and to determine the actions required to be taken by the IJB to deliver the recovery plan.
- 5.17. Ordinarily, any such event would require to be met within the envelope of funding provided to the IJB. The intense budget and service pressures on local government, the Health Board and our health and social care partners has been noted previously and is ongoing, both nationally and locally. It should be noted that the financial position for both the IJB and the Council partner both indicate significant budget gaps moving forwards and, therefore, it is likely that any recovery plan identified will require changes to be made to the services currently commissioned by the IJB.
- 5.18. In relation to other IJB costs generally, any other increasing costs experienced by the IJB would require to be funded by Government monies or by efficiencies identified within the operations of the IJB. Any efficiency savings identified would require to be approved by the IJB. Any additional monies allocated to the Council specifically for Social Care, as part of the Government Grant award, would continue to be passed directly to the IJB.
- 5.19. **Reinstatement of Temporary Funding:** The Budget Strategy for 2024/2025 includes a number of solutions which are temporary in nature and will require to be re-instated in 2025/2026. The impact into next year is shown in Table 3.

Table 3: Temporary Solutions

	Year of Adjustment	
	2025/ 2026 £m	2026/ 2027 £m
2024/2025 Corporate Solutions		
Loans Fund Review One-off use of Reserves (2024/2025) <i>(June 2021 Executive Committee paper, section 7.2)</i>	14.000	-
Service Concessions One-off use of Reserves (2024/2025) Reinstated into 2025/2026 <i>(Executive Committee, November 2022)</i>	27.500	-
Total Temporary Solutions	41.500	

- 5.20. Table 3 shows the requirement to reinstate budget of £14.000 million in 2025/2026 following the use of the remaining reserves from the Loans Fund Review. Table 3 also shows that there is a requirement to reinstate budget of £27.500 million in 2025/2026 following the use of Service Concession Reserves in 2024/2025. We will continue to work to identify any corporate solutions to help the overall budget position and the need to reinstate budget in 2025/2026 as a result of temporary solutions, however, these are unlikely to generate recurring solutions.

6. Summary and Next Steps

- 6.1. Taking account of the Corporate Solutions including the efficiencies from the ongoing Reviews, the Budget Gap for 2024/2025 is **£29.207 million** (section 5.3). This Budget Gap is based on the assumptions and estimates included in sections 4 and 5. Officers will continue to refine these budget estimates over the coming months, and we will provide updates to members in future reports.
- 6.2. The magnitude of the Budget Gap is very different to those managed in recent years and will require reconsideration of what the Council does for its communities, as well as potentially difficult decisions.
- 6.3. It is proposed that options to meet the budget gap will be developed for members consideration and brought back to a future meeting. Officers are presenting information to the Budget Sounding Board that have identified areas of budget that could be developed into savings options. To reiterate the point made earlier in the paper, the extent of the budget gap will mean that options will have to go significantly beyond the level of efficiencies made in previous years.

7. Employee Implications

- 7.1. There are no direct employee implications from this report.

8. Financial Implications

- 8.1. The financial implications are summarised within the report.

9. Climate Change, Sustainability and Environmental Implications

- 9.1. As part of the budget process, an environmental impact assessment of any decisions taken in relation to the budget will be carried out. This assessment will be updated as the budget process continues and, at this stage, members are not being asked to approve the budget. Elements feeding into this current budget strategy reflect increases in cost of current activity, rather than any change to existing practices and, therefore, should have no direct environmental impact change as a result.
- 9.2. Climate Change targets will have an impact on the Council's future financial strategies. This will be included in future Budget Strategy papers.

10. Other Implications

- 10.1. The financial strategy is a way of managing a number of key risks which directly impact on the money available to deliver Council objectives. As detailed in the report, there is no certainty on the level of funding that will be received over the life of this Strategy. This Strategy is based on economic information and advice we have to date. However, it is accepted that these are assumptions.
- 10.2. The main risk area, where the Council has made assumptions which have a significant impact on the budget estimates going forwards, are on the level of grant which we will receive, as well as any general pay, demand or price increases / inflation assumptions currently unknown. These have been estimated, as far as possible. Also, the level of new build properties and, therefore, Council Tax Income generation is based on best information at the time of writing. Any movement in these assumptions would be a risk to the Strategy.
- 10.3. The Budget strategy does not, at this stage, include any additional funding in relation to the following areas:

- ◆ **Children and Families:** Pressures associated mainly with external placements have been reported. The current estimated pressure that will be managed on a temporary basis in 2023/2024 is £10 million. Work is ongoing with the Improvement services to provide intelligence on our position compared to others, and consideration will be made to any options and opportunities to manage some of the budget pressure arising from that study.
- ◆ **School Transport:** Costs associated with mainstream and ASN transport have increased significantly in the last 2 years. Current estimates show spend of over £4m in excess of budget. Education Resources are considering options to help reduce the costs of school transport and any options requiring approval by members will be brought back at a later date.
- ◆ **Waste Contract:** The contract for residual waste is due for renewal into 2024/2025. At this stage, it is not possible to estimate any financial implications of the outcome of this significant contract. Members will be informed of the outcome of the contract award and any impact on the budget as it is known.
- ◆ **Teachers' Pension:** The 2020 valuation review was to determine the contribution rate to be applied for 2023/2024 onwards. The Scottish Public Pension Authority previously advised that any change in contribution rate will now be delayed until 2024/2025. We have not yet been notified formally of any change in contribution, however there is a risk that contribution rates could increase, with increase in costs currently estimated at **£2.000 million**.

10.4. **Job Evaluations:** As part of normal Council processes, Job Evaluation exercises continue across a number of services, and at the time of writing this paper there are currently 4 reviews at appeal stage which, if successful, may have financial implications on recurring costs for the Council. Any back pay implications would be dependent on the outcome of these appeals. If all appeals were successful, the costs of back pay could be significant, however, at this point in time, no funding has been included for these costs given the outcome of the appeals are not known and that the original outcome of the Job Evaluations concluded that there was no change to grade. These outcomes from these current appeals are expected to be known by December 2023.

11. Equality Impact Assessment and Consultation Arrangements

- 11.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 11.2. There is no requirement to undertake any consultation in terms of the information contained in this report.
- 11.3. However, as the process to identify savings continues, and with proposals to be presented to members later in the year, stakeholder consultation and equality impact assessments will be carried out. The results will be provided to members to inform their decision-making process.

Paul Manning
Executive Director (Finance and Corporate Resources)

8 June 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Executive Committee, 15 August 2018

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:

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2024/2025 Budget Strategy:

Budget Strategy Expenditure Items

This Appendix details the Budget Strategy Expenditure Items included in the 2024/2025 Budget Strategy (Table 1 of main report).

1. Budget Strategy Expenditure Assumptions

- 1.1. In arriving at the expenditure assumptions, a number of factors are taken into account including the reinstatement of previous year solutions, demographics, economic conditions and ongoing commitments of the capital programme. These are each taken in turn.

2. Pay Items (£16.120 million)

- 2.1. **Pay Award (inc. Apprenticeship Levy):** An assumption had been made regarding the potential increase for 2024/2025 for both teaching and non-teaching staff, which results in an increase in costs of **£7.220 million** into **2024/2025**.
- 2.2. The pay deal for Non-Teachers is set for 2022/2023 only. There has been no agreement of what the pay award will be beyond financial year 2022/2023. A quantum of funding has been agreed between Local Government and Scottish Government for 2023/2024 pay award, however the last offer made in negotiations (that was rejected) included an uplift in January 2024 that would result in full year impact in 2024/2025 beyond the funding agreed. This is estimated at this stage at **£7.400 million** and the full year impact of a further uplift to be implemented in January 2024. For teaching staff, there is no pay deal beyond 2023/2024.
- 2.3. This will be updated as more information becomes available. This excludes pay award for the Integrated Joint Board and the South Lanarkshire Leisure and Culture Trust.
- 2.4. As noted above, the pay award for 2023/2024 is not yet settled for non-teaching staff. While the 2023/2024 budget includes an estimate for these awards, depending on the award agreed, there is a risk that there could be an impact into 2024/2025.
- 2.5. **Local Government Pension Scheme:** The current employers' rate of 19.3% was set after the previous actuarial review carried out on the Strathclyde Pension Fund (March 2020) and this rate has been confirmed until at least March 2024. The most recent actuarial review was in March 2023 with any impact on contribution rates falling into the following financial year (2024/2025). At the time of writing, there is no information available regarding any impact of the 2023 valuation on the Council's employer contribution rate into 2024/2025, therefore there is no assumption made in the 2024/2025 Budget Strategy.
- 2.6. **Early years staff:** Due to phasing in of budget required to cover the additional costs incurred after regrading of Early Learning and Childcare Staff in 2019, an amount of **£1.5 million** is required into 2024/2025.
- 2.7. The total impact of the **Pay Items** on the 2024/2025 Strategy is **£16.120 million**.

3. Government Grant (£0.880 million)

- 3.1. Local Government budgets are affected by both changes in the UK Government Budget and the subsequent Scottish Government Budget.
- 3.2. The **Scottish Governments 5th Medium Term Financial Strategy (MTFS)** which was published in May 2022, maintained the level of funding for Local Government at flat cash levels between 2023/2024 and 2025/2026, with an amount of £100m added nationally in 2026/2027. The 6th MTFS was published in late May 23. That Strategy pointed towards significant budget gaps within the Scottish budget with solutions still to be found. Therefore, despite suggestions within the MTFS of inflationary increases for Local Government, at this stage, given the budget gap faced by the Scottish Government, it would be premature to assume the actual Settlement for South Lanarkshire would increase. **A Flat Cash Government Grant** position has therefore been assumed into 2024/2025.
- 3.3. **Consequence of Council Tax Increases (Properties):** As noted in previous Budget Strategies, increases in Council Tax due to increased property numbers, does not give a permanent benefit to the Council as there will be a reduction in grant in future years – an estimated 80% Grant Reduction for every additional £1 of Council Tax.
- 3.4. The impact on grant of additional properties is incurred 2 years after the new properties are built. In relation to 2024/2025, the consequent reduction in Government Grant (80% reduction after 2 years) reflects the new properties added in 2022/2023 and totals an **estimated reduction in Grant Income of £0.880 million** for 2024/2025.
- 3.5. In addition to planning for this 1% general reduction in grant, there may also be changes in how grant is distributed to councils, based on their share of population numbers.
- 3.6. In previous years, the Council has experienced both increases and decreases in grant as a result of the funding quantum and the way in which the funding is distributed. Movement in grant is wholly dependent on the distribution methodology used. It is proposed that the prudent approach is to not assume any grant increase due to population changes, and that if there is new money, it is likely this will have a policy intent attached and therefore no impact to the Council's Budget Gap.
- 3.7. The total impact of Government Grant changes on the 2024/2025 Strategy is **£0.880 million**.

4. Reinstatement / Impact of Prior Year Budget Decisions (£30.675 million)

- 4.1. A number of budget strategy solutions approved for the previous year budgets were temporary in nature. These must be re-instated in 2024/2025 and are detailed below.
- 4.2. **Leased Vehicles:** In June 2020, the 2021/2022 Budget Strategy included the temporary use of Government Grant to pay for the lease costs of electric vehicles. This allowed a temporary reduction of **£0.230 million** in the Council's budget which requires to be reinstated into 2024/2025.
- 4.3. **Loans Fund Review:** The Budget Strategy for 2024/2025 included the impact of

Reserves generated from the Loans Fund Review. The £23.500 million used temporarily in 2023/2024 requires to be re-instated into 2024/2025 but will be offset by the remaining planned use of Loans Fund Review Reserves in that year (£14.000 million). This adds a net **£9.500 million** to the budget strategy in 2024/2025.

- 4.4. **Interest on Loan Charges:** As detailed to members in June 2020, implementation of the Loans Fund Review (and its significant up-front benefits) means that additional interest costs will be incurred as a result of paying back the debt over a longer period of time. It was noted that future budget strategies would need to include incremental increases to meet these costs and that the requirement of £1.746 million would be added incrementally to the Loans Fund budget from 2022/2023. As a result, **£0.500 million** requires to be added to the **2024/2025 Strategy**.
- 4.5. **Underspends from 2021/2022:** In the 2023/2024 Budget Strategy (Executive, June 2022), an underspend of £6.109 million in the Council's Outturn for 2021/2022 was transferred to Reserves and approved to support the 2023/2024 budget on a one-off basis. This **£6.109 million** requires to be reinstated in 2024/2025.
- 4.6. **Underspends 22/23 and one off solutions:** The 2023/2024 Budget Strategy also included the use of corporate solutions of one £4.8m identified in 2022/2023 (Executive Committee, November 2022) and £0.650m one off underspend from 2022/23 (Council, June 2022) These amounts totalling **£5.450 million** require to be reinstated into 2024/2025.
- 4.7. Similarly, the use of **£1.800 million** of reserves was also used to support the 2023/2024 budget (Council, February 2023) and this requires to be reinstated in 2024/2025.
- 4.8. **2022/2023 Pay Award:** In order to fund the impact of the 2022/2023 Pay Award into 2023/2024, **£5.700 million** of Reserves (resulting from the implementation of Service Concessions) was used on a one-off basis in 2023/2024 (Council, February 2023). This needs to be reinstated into 2024/2025.
- 4.9. **Loan Charges:** The 2023/2024 Budget Strategy (June 2022) assumed a one-off underspend on Loan Charges of **£0.513 million**. This requires to be reinstated into the Loan Charges budget in 2024/2025. In addition, a previous year underspend of **£0.873 million** in Loan Charges was transferred to Reserves and used to support the Budget Strategy on a one-off basis in 2023/2024. Again, this needs to be reinstated into the 2024/2025 Budget Strategy.
- 4.10. The total impact of Reinstatements / Prior Year Budgets on the 2024/2025 Strategy is **£30.675 million**.
5. **Contract Impacts / Other Inflation (£11.616 million)**
 - 5.1. **Secondary Schools' Modernisation Contract:** An allocation of **£2.952 million** has been added to the Budget Strategy for anticipated inflationary increases on the contract.
 - 5.2. **Non-Domestic Rates:** The 2023/024 Budget Strategy included an allocation for rates poundage into 2023/2024 as well as an allowance to accommodate the impact of property revaluation. Current projections into 2024/2025 show that the Rates budget could be reduced by (**£0.103 million**) so this can be removed from the 2024/2025 Budget.

- 5.3. **Social Care:** As in previous years, the Strategy assumes increases in prices reflecting the ongoing commitments for Children and Families Social Care contracts held by the Council (excluding Adults and Older People contracts). Increases similar to those experienced in recent years have been assumed for Children and Families Social Care price increases into 2024/2025 (£0.800 million) as well as making good the shortfall anticipated for inflation into 2023/2024 that will require to be managed in year (£0.600 million). This equates to **£1.400 million** into 2024/2025.
- 5.4. **Utilities:** Based on estimated percentage increases and the level of energy already purchased, an allocation of **£4.733 million** has been added to the Budget Strategy for 2024/2025. This is subject to change as utility prices are subject to movement.
- 5.5. **Waste:** The Council has a number of significant contracts for waste collection and disposal. For 2024/2025, an amount of **£1.334 million** has been included to manage the anticipated inflationary price increases and **£0.150 million** to allow the service to manage the increasing number of properties in the area.
- 5.6. **Strathclyde Passenger Transport:** In previous years, SPT had adjusted their requisitions to reflect the movement in the local government grant to councils. The Strategy for 2024/2025 assumes no change in the requisition payment, reflecting the assumption that there will be no change in grant levels. This will be updated as more information becomes available.
- 5.7. **Licences:** Renewal of the Council's Microsoft Enterprise Licence Agreement (where pricing has been fixed since 2021) will increase costs. The expected increase is **£0.250 million**.
- 5.8. **Estates Issues:** Due to lessees entering administration, the level of income is expected to reduce by **£0.600 million**.
- 5.9. **Insurance Fund:** The Council's Insurance Fund is projecting an annual shortfall from 2024/2025 and a budget increase of **£0.300 million** is required.
- 5.10. The total impact of Contract / Other Inflation on the 2024/2025 Strategy is **£11.616 million**.
- 6. Revenue Consequences of Capital**
- 6.1. The assumptions in this Strategy continue to include provision for the revenue consequences of the opening/extension of new primary schools and other approved capital projects including the new Jackton Primary school, and the expansion at Castlefield Primary School.
- 6.2. An amount of **£0.811 million** has been included in the Strategy for 2024/2025.
- 7. Total Expenditure Items:** The total of these expenditure items is **£60.102 million**.
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2024/2025 Budget Strategy:

Corporate Solutions

1. This Appendix details the Corporate Solutions included in the 2024/2025 Budget Strategy.
 2. **Corporate Solutions**
 - 2.1. **Council Tax Properties:** The South Lanarkshire Housing Land Audit (2022) details new houses anticipated in 2023/2024 and beyond. Based on Band D properties and net of Council Tax Reduction Scheme (CTRS), the increase in Council Tax Income for 2024/2025 has been assumed at **(£2.219 million)** (Council Tax of £2.485 million less CTRS of £0.266 million). This reflects the full year implication of new build houses anticipated in 2023/2024 and an estimate for 2024/2025.

2.2. While there remains a risk that development will not progress as originally anticipated, housebuilding continues to progress apace in sites across the Council area. The position will continue to be monitored during 2023/2024. The impact of new houses assumed in estimates for council tax for 2023/2024 on the Government Grant will be seen in the 2025/2026 Budget Strategy.

Corporate Solution: £2.219 million
 - 2.3. **Reduction in Bridging Solution Required:** In 2023/2024 a bridging solution has been in place in advance of the implementation of the new Fusion system across the Council. This is no longer required in 2024/2025 and therefore the budget can be reduced by £1.176 million.

Corporate Solution: £1.176 million
 - 2.4. **Service Concessions:** Implementation of the Service Concessions accounting arrangements has meant a retrospective benefit in the form of available Reserves to support the budget. This Budget Strategy paper for 2024/2025 proposes the use of £27.500 million on a temporary basis, and this requires to be reinstated into 2025/2026. This proposal reflects the budget position for 2024/2025 included in previous budget papers including the budget paper presented to Council on 22 Feb 2023 (appendix 2)

**Corporate Solution: £27.500 million
temporary for 2024/2025 (reinstate in 2025/2026)**
 3. The total Corporate Solutions for the 2023/2024 Strategy is **£30.895 million**.
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