

# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>27 February 2019</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Overall Position of Budget 2019/2020 and Savings Proposals</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update Committee in relation to the grant funding allocated to the Council for 2019/2020, and
- ◆ present savings proposals for noting in preparation of the 2019/2020 budget.

## 2. Recommendation(s)

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

- (1) that the original grant settlement for 2019/2020, the additional costs facing the Council, and impact on the Council's Revenue Budget Strategy (sections 4 to 6), be noted;
- (2) that the inclusion within the Budget Strategy of an anticipated increase to Council Tax of 3% (section 7.8), be noted;
- (3) that the additional funding allocated as part of the Stage 1 Budget Bill (section 7), be noted;
- (4) that additional budget identified as part of the 2018/2019 probable outturn is included as part of the budget solutions for 2019/2020 (section 8.1) be noted;
- (5) that the reduction in savings of £1.836 million (section 16.1: Appendix 2a (Council savings) and Appendix 2b (SLLC savings)) be noted;
- (6) that the remaining savings totalling £11.345 million (Appendix 1a (Council savings) and Appendix 1b (SLLC savings)), be noted;
- (7) that the £1.500 million allocation to Children and Families (section 16.1), be noted;
- (8) that the £1.766 million allocation to extending Free School Meals to Primaries 4 and 5 (section 16.1), be noted;
- (9) that the £0.360 million allocation to increase School Clothing Grants by £30 to £130 (section 16.1), be noted;
- (10) that Free at Three be introduced in 2020/2021 and that provision be made in the 2020/2021 Revenue Budget Strategy, be noted; and
- (11) that the additional General Capital Grant of £8.942 million (section 17.3) be noted, and that this Grant be used to contribute towards projects identified in the Council's Capital Strategy (namely Early Learning and Childcare : 1140 Hours Requirements (section 17.6), be noted.

### **3. Background**

- 3.1. At its meeting on 21 November 2018, the Council's Executive Committee was advised of the updated Revenue Budget Strategy for 2019/2020. This Budget Strategy stated a savings requirement of £18.283 million. In arriving at this level of savings, the strategy took account of a number of assumptions including Grant Reductions, Pay and Pension Increases, Price Increases, Funding for Priorities and Revenue Consequences of Capital. Following the utilisation of Corporate Funding Solutions, the savings requirement was £13.004 million.
- 3.2. Savings proposals of £13.181 million were presented to Members. The Strategy report showed that there was a balance of funds available of £3.969 million after taking account of a Council Tax increase of 3%. This effectively left an element of choice in decision making in relation to the budget proposals around savings and council tax.
- 3.3. As noted in section 3.1 above, the strategy was based on assumptions on the level of Grant Funding that would be received from the Scottish Government. This report:
  - provides an update on the current Grant position and an update on additional costs that will be incurred in 2019/2020 (Sections 4 and 5),
  - summarises the impact of the Grant settlement and the resultant impact on the Council's Budget Strategy (Sections 6 to 9),
  - advises how current year funding solutions affects the budget going forward (Section 10),
  - summarises options for the councils budget including the savings position, and savings that could be removed (Section 11),
  - makes proposals to address pressures in Children and Families (Section 12),
  - details the Free at 3 proposal (Section 13),
  - details a proposal to extend Free School Meals to Primaries 4 and 5 (Section 14),
  - details a proposal to increase the School Clothing Grant allocation by £30 to £130 (Section 15),
  - provides a summary of Revenue Budget Proposals (Section 16), and
  - details the level of capital grant received through the settlement (Section 17).

### **4. 2019/2020 Grant Income – Initial Settlement Position at December 2018**

- 4.1. At the time of setting the Revenue Budget Strategy, the Council had not been advised of the level of grant to be received for 2019/2020. On 18 December 2018, the Scottish Government issued Finance Circular 8/2018 which detailed individual grant settlement figures to all councils.
- 4.2. This report will consider the movement in grant year on year on a like for like basis, the assumed level of grant cut within the Council's Financial Strategy and how these issues affect the Budget Strategy.

- 4.3. **Movement in Grant:** The grant allocation for the year 2019/2020 was advised to the Council on 18 December 2018 as £564.744 million (Finance Circular 8/2018). Also included in the Finance Circular is the restated/updated grant allocation for 2018/2019, £559.688 million, which when added to the £2.053 million of Government Grant paid in 2017/2018 for 2018/2019, gives a total 2018/2019 grant of £561.741 million. Comparing the two years' allocations indicated an increase in grant of **£3.003 million**.
- 4.4. Comparing the two years allocations does not present a like-for-like comparison. Further information provided on the grant allocations has shown that some of the movement in grant is in relation to funds that have still to be distributed for 2019/2020. This is in relation to Discretionary Housing Payments (£2.897 million), 1+2 Languages (£0.190 million) and Sanitary Products in Schools (£0.124 million).
- 4.5. These total £3.211 million and need to be removed from the 2018/2019 Grant allocation to show the like for like movement in Grant. In addition, there was one-off funding received in 2018/2019 for Rapid Rehousing Transition Planning (£0.105 million), which requires to be adjusted as it will not be received in 2019/2020.
- 4.6. In addition, there are new monies with specific purposes which have been allocated in 2019/2020, mainly Social Care monies for Carers Act (£0.596 million), expansion of Early Learning and Childcare (£13.660 million), Health and Social Care Integration (£6.441 million), Sanitary Products in Public Buildings (£0.110 million) and Child Burials and Cremations (£0.005 million). These total £20.812 million and again, they need to be adjusted for in 2019/2020, to show the comparable movement in Grant across years.
- 4.7. As part of the Settlement, councils were informed that recurrent funding for Health and Social Care Integration Authorities should increase by the level provided in the settlement (for the Council, the budget contribution to the Integration Joint Board (IJB) requires to increase by £9.557 million). This is covered in detail at sections 5.9 to 5.11.
- 4.8. Table 1 shows how the Grant levels provided in the Settlement move across years (section 4.3). It also shows the adjustments required to show a like for like comparison as detailed in sections 4.4 to 4.6 above. When the increase in Grant of £3.003 million (section 4.3) is adjusted by these amounts, the result is a year on year / like for like **reduction in grant of £14.493 million**.

**Table 1: Like for Like Movement in Grant – 2018/2019 to 2019/2020**

	£m	£m	£m
2019/2020 Original Grant Allocation			564.744
2018/2019 Grant Allocation			561.741
Year on Year Increase in Grant (section 4.3)			3.003
<b>Adjustment for Amounts not Yet Distributed in 2019/2020</b> (included in 2018/19) (section 4.4)			
Discretionary Housing Payments	2.897		
1+2 Languages	0.190		
Sanitary Products in Schools	0.124	3.211	
<b>Adjustments for one-off funding in 2018/2019</b> (section 4.5)			
Rapid Rehousing Transition Planning	0.105	0.105	
<b>Adjustment for New Monies with specific purposes in 2019/2020</b> (not in 2018/19) (section 4.6)			
Carers Act	(0.596)		
Early Learning and Childcare	(13.660)		
Health and Social Care Integration	(6.441)		
Sanitary Products in Public Buildings	(0.110)		
Child Burials and Cremations	(0.005)	(20.812)	(17.496)
<b>Year on Year / Like for Like Reduction in Grant</b>			<b>(14.493)</b>
<b>Anticipated Reduction in Grant</b>			<b>8.700</b>
<b>Greater Reduction in Grant</b>			<b>(5.793)</b>

- 4.9. The Budget Strategy (Executive Committee 27 June 2018 – Section 4) anticipated an £8.700 million reduction in grant (excluding funding for teachers pensions). **Therefore, there was a £5.793 million greater reduction in grant than had been assumed.**
- 4.10. **Additional Grant Not Yet Distributed (2019/2020):** Nationally there are monies not yet distributed to councils. This includes allocations for Free Personal Care, School Counselling Services and the Barclay Review. These monies will have spend commitments attached. When the money is received, it will be added to the Council's budget with no benefit to the Budget Strategy.
- 5. Other Costs**
- 5.1. Since the Council's Strategy was presented to the Executive Committee in November 2018, information has been received which means a requirement to update the expenditure and funding assumptions. These are detailed in sections 5.2 to 5.13 below.
- 5.2. **Pay Policy:** In light of ongoing pay negotiations for 2018/2019 indications are that additional costs may be incurred in addition to the figure included in the Strategy. Strategy pay award assumptions are therefore being revised. Additional costs are estimated at £1.305 million for 2018/2019 and £2.740 million for 2019/2020. The total impact is an increase in expenditure of £4.045 million in 2019/2020.

***Additional Cost: £4.045 million***

- 5.3. **Teachers Pensions:** The Council's Budget Strategy (Executive Committee – 21 November 2018) included assumptions for two anticipated changes in relation to Teachers' pensions: changes to the employer's contribution due to a change to the Discount Rate (£7.2 million), and also from changes to contributions due to the impact of the Revaluation of the Teachers' Pension Fund (£3.1 million). The assumptions for both elements was that these were additional costs to be incurred by the Council, but that they would be funded by the Scottish Government. This was noted as a potential risk to the Budget Strategy.
- 5.4. Confirmation has now been received that there will be no change to the Employer Contribution Rate as a result of the Revaluation, therefore the expenditure and grant assumptions included in the Strategy (£3.1 million) can now be removed. This means there is no impact on the Council's Budget Strategy.
- 5.5. The Budget Strategy had also assumed that funding would be provided in relation to the Discount Rate changes, as this is the approach taken by the Government previously. Discussions are still ongoing between COSLA and the Scottish Government, however, the approach proposed by COSLA in December was that councils should assume potential funding for only 2/3 of the costs anticipated. This would mean that the Council would have further costs of £7.2 million, but potential funding of only £4.8 million, a potential shortfall in funding of £2.4 million.
- 5.6. All funding for Teachers' pensions is currently excluded from the grant settlement from the Government. The Scottish Government expects that funding from the Treasury in relation to Teachers' pensions will be included in the Spring Budget announcement. The Council would anticipate that we will be notified of funding that will be passed to the Council at that time.
- 5.7. There remains a risk that any funding provided is different to the £4.8 million funding assumed (section 5.5.). If this is the case, the shortfall would require to be met from reserves in the short term, and the pressure built into future budget strategies.

***Additional Cost: £2.400 million***

- 5.8. **Budget Adjustments to Resources:** There are elements of the settlement where funding for specific areas has changed, and where the Council may require to adjust budget allocations to Resources to reflect these changes. The key movements represent a total increase of £0.908 million:
- Reduction in Pupil Equity Fund (PEF) allocation - (£0.242 million)
  - Reduction in Community Justice Grant - (£0.030 million)
  - Reduction in Animal Feedstuff (removed from settlement) - (£0.011 million)
  - Reduction in British Sign Language allocation - (£0.006 million)
  - Reduction in Temporary Accommodation allocation - (£0.058 million)
  - Increase in School Clothing Grant allocation - £0.024 million
  - Early Learning and Childcare allocation - £1.231 million

***Additional Cost: £0.908 million***

- 5.9. **Health and Social Care IJB Allocation:** As detailed in Section 4.7, as part of the Settlement the Government advised that councils should ensure that the 2019/2020 funding provided to IJBs is higher than the recurrent 2018/2019 IJB contributions. The amount the funding had to increase was detailed in the settlement (for SLC this figure was £9.557 million. After taking account of funds that will remain with the

Council to meet expenditure on the Carers Act for Children and Families and for Counselling in Schools, the balance expected to be passed to the IJB is £8.780 million). This figure reflects grant funding that the Council will receive.

- 5.10. Whilst some of this funding has still to be received by the Council (we have only been allocated £6.441 million to date), the overall IJB funding requirement can now be factored into the budget position. £4.369 million has already been included in the current budget strategy for an increase to the IJB contribution.
- 5.11. As the increase in the IJB contribution will now be £8.780 million, the settlement will result in the IJB receiving £4.411 million more funds from the Council than originally anticipated in the Budget Strategy. An adjustment requires to be made to the Council's Strategy to reflect the allocation that was already assumed in the budget.

**Strategy Benefit: £4.369 million**

- 5.12. **Scottish Legal Aid Board (SLAB) Project Funding (£0.110 million):** In 2013, the Council was awarded funding from the Scottish Legal Aid Board for the Making Advice Work Programme which was designed to help people facing problems associated with welfare reform and associated debt problems. The funding was initially for an 18 month period, however, the Council has received a number of funding extensions. The Council has now been notified that this funding will finally come to an end on 31 March 2019.
  - 5.13. The funding has been used primarily to fund 4 posts. Currently, 3 of these posts are vacant and the remaining post can be accommodated into existing posts. There is no impact on the Strategy as both the expenditure budget for the posts and the equivalent funding will both be removed from the budget.
6. **Overall Impact on the Revenue Budget Strategy:**
    - 6.1. Table 2 illustrates the impact on the Council's Revenue Budget Strategy as a result of the Grant Settlement (section 4) and the Other Costs (section 5). Table 2 details the movement in grant on a like for like basis (section 4.3 to 4.8), and compares this to the cut in grant assumed in the Budget Strategy (section 4.9).
    - 6.2. Table 2 also highlights the resultant overall impact on the Revenue Budget Strategy for the Other Cost commitments for Pay, Budget Adjustments to Resources and to the IJB (section 5). This result is an £8.777 million shortfall to the Council's Revenue Budget Strategy.

**Resultant Shortfall to the Council's Revenue Budget Strategy: £8.777 million**

**Table 2: Impact on the Council's Revenue Budget Strategy**

		<b>Movement £m</b>
Increase in Grant in Settlement (section 4.3)	3.003	
Reduce to allow Like for Like Comparisons (section 4.8)	(17.496)	
<b>Like for Like Movement</b> (section 4.8)	<b>(14.493)</b>	
Movement Assumed in Strategy (section 4.9)	8.700	
<b>= Additional Movement in Grant (section 4.9)</b>		<b>(5.793)</b>
Less : Pay Award Commitments (section 5.2)	(4.045)	
Less : Additional Teachers' Pension Costs (section 5.3-5.7)	(2.400)	
Less : Budget Adjustments to Resources (section 5.8)	(0.908)	
Add: Health and Social Care IJB adjustment (sections 5.9-5.11)	4.369	
<b>= Total Other Costs</b>		<b>(2.984)</b>
<b>= Shortfall in Revenue Budget Strategy (section 6.2)</b>		<b>(8.777)</b>

6.3. At the Executive Committee in November 2018, a savings package of £13.181 million was reported, and it was advised that if Council Tax was increased by 3%, this would leave £3.969 million balance of funds available and give scope to make changes to the package of savings presented to this value.

6.4. Taking into account the changes in the Strategy in Table 2 above, the savings position would worsen by **£4.808 million** (being the £3.969 million previous surplus balance of funds (Section 6.3) less the £8.777 million shortfall in strategy as shown in Table 2). The current savings package of £13.181 million would require to increase by £4.808 million to £17.989 million.

## **7. Stage 1 Scottish Budget Bill**

7.1. Stage 1 of the Scottish Budget Bill was presented to the Scottish Parliament for approval on 31 January 2019. The Stage 1 Bill laid out a number of proposals, as detailed below:

- An additional £90 million was added to the Local Government Core Budget (section 7.2);
- Changes to assumption around the funding of the increase in Teachers' pension Employer Contribution Rate (section 7.3);
- Review of legislation on treatment of loans fund advance payments (section 7.4-7.6);
- Flexibility for councils to increase Council Tax by up to 4.79% rather than 3% (section 7.7-7.8)
- Transient Visitors Tax (TVT) – The Government will take forward consultation on TVT in 2019 prior to introducing legislation on this, to permit councils to introduce a transient visitor levy, if it is appropriate for local circumstances. It is not considered that this is at a stage where we could reflect any impact of this in the budget.
- The budget announcement also gave permission for a level of efficiency savings that could be taken from councils contributions to Health and Social Care Integrated Joint Boards (IJB's). This would require further savings to be

identified from the IJB. Having reviewed the IJB requirement for funding in 2019/2020 and its capacity to deliver further savings, it is not proposed to make any further change to the financial strategy in respect of this.

- **Workplace Parking Levy (WPL)** – In the budget announcement, the Government agreed to support an amendment to the Transport (Scotland) Bill that would enable those councils, if they choose to, to introduce a workplace parking levy (with the exception of hospitals and NHS properties). A similar model operates in Nottingham where employers who provide more than 10 free parking spaces to their employees, incur a tax, payable to the council, which they can choose to pass on to their employees. It is not considered that this is at a stage where we could reflect any impact of this in the budget.

- 7.2. **Share of £90 million Local Government Core Budget:** The Stage 1 Bill included an extra £90 million of funding being added to the Local Government Core budget. The Council's share of this is £5.388 million.

***Strategy Benefit: £5.388 million***

- 7.3. **Increase in Teachers' Pension Employer Contribution Rate:** Councils have assumed a shortfall in the funding for the increase in the employer contribution rate of 33% (section 5.7). However, the Scottish Government now think that this shortfall is likely to be lower at 21%. This provides a benefit to the Strategy of £0.882 million. The actual funding that we will receive will not be known until the New Year.

***Strategy Benefit: £0.882 million***

- 7.4. **Loans Fund Advances Repayments:** As part of the Stage 1 Budget Bill, the Finance Minister agreed to review the legislation to allow councils to vary loans fund repayments for advances made before 1 April 2016.

- 7.5. To properly identify the potential benefit to the Council of this change in approach requires a detailed analysis of records against individual assets including roads. The majority of the Council's debt which can be reappraised in this way relates to schools and the exercise for schools has been completed. For the Council's debt in relation to schools, this could mean a reduction in loans fund repayments of £3.000 million per annum.

- 7.6. Further work will be carried out on the remainder of the Council's assets over the coming months and can be used to benefit future years' financial strategies. At this point in time, it is viewed as being prudent to restrict the benefit from this change to be recognised in the 2019/2020 budget to £3.000 million.

***Strategy Benefit: £3.000 million***

- 7.7. **Council Tax Increase:** The Finance Minister confirmed that he will allow councils the flexibility to increase Council Tax by 4.79% (3% in real terms). The Strategy currently assumes an increase in Council Tax of 3% but the Council could choose to increase Council Tax by up to 4.79%. This would generate an additional increase in Council Tax income of £2.263 million, over and above the £3.792 million (3%) currently included in the Strategy.

- 7.8. This additional income (from 3% to 4.79%) is not factored into the revised Budget Strategy. The proposed increase in Council Tax included in the current 2019/2020 Strategy remains at 3%. This would set the Council Tax for Band D properties at £1,168.



7.9. The total benefit to the Strategy of the Stage 1 Bill is **£9.270 million**.

## 8. Funding Solutions

8.1. Since the last report on the Budget Strategy (Executive Committee, November 2018), the 2018/2019 Probable Outturn is now complete and an improved position is forecast. It is therefore proposed that a further £1.000 million be used to support the 2019/2020 Budget.

***Strategy Benefit: £1.000 million***

## 9. Summary of Revised Strategy Position

9.1. Table 3 shows the revised balance of funds after taking into account the changes in sections 6 to 8.

**Table 3: Revised Strategy Position**

	£m
Balance of Funds (section 6.3)	3.969
Shortfall to Budget Strategy (section 6.2)	(8.777)
<b>Increase in Savings Requirement (section 6.4)</b>	<b>(4.808)</b>
Stage 1 Bill (section 7.9)	9.270
Funding Solutions: 2018/19 Underspend (section 8.1)	1.000
<b>Revised Balance of Funds</b>	<b>5.462</b>

9.2. In comparison to the position presented in November, taking the package of savings totalling £13.181 million and taking account of the actual grant position, other costs, Stage 1 Bill and funding solutions, and if Council tax increased by 3%, this would leave a **£5.462 million balance of funds** and would give scope to make changes to the savings pack or enable additional investment in services to this value.

## 10. Temporary Funding Solutions

10.1. Of the proposals for 2019/2020 Savings and Corporate Solutions, a number are of a temporary nature. These will require to be re-instated in future years, from 2020/2021. Table 4 shows the temporary solutions and the budget re-instatements required in future years. This includes use of 2018/2019 underspends which was approved at the Executive Committee on 13 February 2019, as part of the Probable Outturn Transfers To Reserves (Revenue Budget Monitoring and Probable Outturn 2018/19).

**Table 4: Temporary Solutions and Year of Re-instatement**

	Year of Reinstatement	
	2020/ 2021	2021/ 2022
	£m	£m
<i>2018/2019 Savings</i>		
Staffing Secondment (2018/2019 saving - CER17)	0.025	-
<i>Corporate Solutions</i>		
Loan Charges / Early Repayment of Debt	-	6.100
Capital Receipts	4.000	-
Government Grant – Impact of Additional Properties Council Tax	0.800	-
<b>Total Temporary Solutions (2018/2019 Budget)</b>	<b>4.825</b>	<b>6.100</b>
<i>2019/2020 Savings</i>		
Early Years Realignment of Early Learning and Childcare Income (EDR04)	0.105	0.045
Personal Liquor License (FCR14)	0.032	-
Homelessness Service (HTR07)	0.060	-
<i>Corporate Solutions</i>		
Government Grant – Impact of Additional Properties Council Tax included in Budget	-	0.960
Government Grant – Impact of new Additional Properties Council Tax	-	0.422
Use of 2018/2019 Underspends	1.000	2.000
<b>Total Temporary Solutions (2019/2020 Budget)</b>	<b>1.197</b>	<b>3.427</b>
<b>Total Temporary Solutions</b>	<b>6.022</b>	<b>9.527</b>

- 10.2. The re-instatement of the temporary solutions identified above contributes to the pressure on the Council's financial strategy in the coming years. If there is opportunity to ease this pressure offered within the 2019/2020 financial settlement and budget, then this should be considered as an option.

# **11. Savings Proposals 2019/2020**

- 11.1. Based on a savings package of £13.181 million, which includes savings in relation to South Lanarkshire Leisure and Culture, there is a balance of funding of £5.462 million.
- 11.2. **Proposed Changes to Savings Package:** As part of discussions that have taken place with Trade Unions and Elected Members, suggestions have been made which recommend the removal of some of the savings and the reduction of a number of savings from the savings package. In addition, as part of the consideration of the Housing Revenue and Capital Account Budget 2019/2020 (as presented to the Housing and Technical Resources Committee - 6 February 2019) the saving in relation to Anti-Social Behaviour Team was removed. The corresponding saving in the Council's savings package also requires to be removed (HTR08, £0.035 million).

- 11.3. It is recommended that the previous savings package is reduced by **£1.836 million** and **50.08 FTE**. This is detailed in Table 5.

**Table 5: Proposed Savings to be Removed / Reduced**

Ref	Description	FTE	Value £
<b>Savings Removed / Reduced</b>			
CER12	Rationalisation of Grass Cutting Machinery	2.00	0.140
CER15	Planning and Economic Development Structure - <b>Saving reduced</b> (reduce by 1 FTE)	1.00	0.050
CER17	Flood Prevention	-	0.090
CER21	Trading Standards Inspections	2.00	0.090
CER23	Grounds Maintenance	2.50	0.075
EDR02	Realignment of Property Costs, Supplies and Services and Administration Costs Budgets – <b>Saving reduced</b>	-	0.186
EDR10	Secondary School Staffing	7.00	0.300
EDR11	Targeted Class Size Support – Primary 1	10.00	0.280
HTR08	Provision of Anti-Social Behaviour Service	3.00	0.035
SWR03	Administration Staffing Support	8.00	0.175
SWR09	Redesign of Day Opportunities and Older People Weekend Services	-	0.060
SLL01	Halls Staffing Structure	3.80	0.069
SLL02	Community Managed Halls	1.40	0.027
SLL03	Staffing Requirements (Hamilton Town House)	0.40	0.012
SLL09	Libraries - Opening Hours	1.43	0.031
SLL10	Library Staffing Structure	2.41	0.070
SLL12	Leisure Centres - Opening Hours	4.48	0.109
SLL14	Duncanrig and Uddingston Dual Use Facilities - Open in Term Time Only	0.66	0.020
SLL15	Activage membership - <b>Saving reduced</b> . Increase by 3% only to £57.95	-	0.017
<b>Total Savings Removed / Reduced</b>		<b>50.08</b>	<b>1.836</b>

- 11.4. The level of savings, taking into account the reduction of £1.836 million in Table 5 is **£11.345 million**. The savings proposals are attached in the Appendices to this report. Appendices 1a and 1b show the proposed savings (for Council and SLLC) and Appendices 2a and 2b details the same information for the savings that are proposed to be removed.

## **12. Proposals to Address Pressures in Children and Families Services**

- 12.1. Throughout the year, in financial monitoring reports, Committees have been advised of financial pressures in relation to the Children and Families Service, with an overspend of £1.700 million currently being reported. This has been primarily due to increased demand for the services provided, partly due to changes in legislation around kinship care, and Continuing Care.
- 12.2. The Service continues to strive to improve service delivery whilst looking to manage costs as far as possible. It is however expected that if demand continues in this area and taking account of funding solutions, budget pressure in this area to the value of £1.500 million may arise in 2019/2020.

12.3. It is recommended that £1.500 million be allocated to the Children and Families budget to manage this pressure. Should the work detailed at section 12.2 result in less funding being required, then a budget reduction can take place during the year.

### **13. Free at 3**

13.1. At a meeting on 19 December 2018, the Council agreed that the Scottish Government would be lobbied in relation to funding to allow children to access Early Learning and Childcare from their third birthday, rather than from the start of the following term. If this funding bid was not successful, officers were asked to find options to fund and facilitate this initiative, and to allow its consideration as part of the 2019/2020 budget process. This would be on the basis that it is implemented in time for the 2019/2020 school session.

13.2. Implementation from August 2019 would cost the Council £1.300 million, with the full year cost being £2.000 million. These costs are not included in the Council's current budget estimates presented in this report.

13.3. Funding options considered are therefore:

- Utilisation of the available balance of funds (section 9.2) to meet the costs required to fund the Free at 3 initiative.
- The proposal could be implemented in 2020/2021: This would align the delivery with the full implementation of 1140 hours. The funding requirement could therefore be added to the 2020/2021 Budget Strategy.

13.4. The current budget position reflects the option to continue to deliver early learning and childcare to children from the term following their third birthday. There are no additional costs associated with this option reflected in this Budget Strategy.

### **14. Free School Meals**

14.1. In line with the Scottish Government's policy, the Council currently provides Free School Meals for all children in Primaries 1 to 3. It is proposed that the current provision of Free School Meals be expanded to include Primaries 4 and 5. This would mean free school meals would be available to an additional 6,000 children, and assuming a 75% uptake, would be at a cost to the Council of £1.766 million.

14.2. It is recommended that £1.766 million be allocated to the budget to fund the expansion of this policy.

### **15. Footwear and Clothing Grant**

15.1. Clothing Grants are currently awarded at £100 per year. To mitigate the impact of poverty on children and young people, it is proposed that the annual award be increased by £30 to £130 per annum.

15.2. Based on the expected number of grants to be issued in the current year, this would be an additional annual cost to the Council of £0.360 million. This would benefit an estimated 12,100 children.

15.3. It is recommended that £0.360 million be allocated to the budget to fund the expansion of this policy.

## **16. Summary of Revenue Budget Proposals**

- 16.1. The remaining available balance of funds is **£5.462 million** (section 9.2). The recommendations in respect of these funds are detailed below and approval will be sought on these recommendations at the meeting of the Council following this meeting.
- Reduce the level of savings by £1.836 million (see section 11.3),
  - Implement the remaining savings package of £11.345 million (as noted in section 11.4),
  - Allocate £1.500 million to fund the Children and Families pressures (section 12.3),
  - Allocate £1.766 million to extend the current Free School Meals Policy to include those primary school pupils in Primary 4 and 5 (section 14.2),
  - Allocate £0.360 million to increase the value of school clothing grants by £30 to £130 (section 15.3), and
  - That Free at 3 be implemented in 2020/2021, and that provision be made in the 2020/2021 Revenue Budget Strategy.
- 16.2. The above revisions and savings requirement assume no further changes in the level of Government Grant anticipated. The Finance Order is not anticipated to be debated in the Scottish Parliament until 7 March 2019. Any further changes to grant will be notified to Committee.

## **17. 2019/20 Capital Grant Settlement**

- 17.1. As part of Finance Circular 8/2018, the allocation of General Capital Grant for 2019/2020 was confirmed as £27.137 million. The approved Capital Budget for 2019/2020 was based on an estimate of General Capital Grant of £24.000 million, therefore there is an additional £3.137 million of General Capital Grant for use in 2019/2020.
- 17.2. In addition to the core 2019/2020 allocation, monies are also confirmed for the postponed 2016/2017 General Capital Grant. This relates to capital grant that was awarded in 2016/2017, but the Government held back the actual cash until this point. The Council share is £5.805 million.
- 17.3. As such, the amount of £5.805 million is in addition to the 2019/2020 Capital Programme. Therefore, in total there is an additional £8.942 million of General Capital Grant for use in 2019/2020.
- 17.4. In addition, £8.2 million of specific grant for Early Years (£6.9 million), vacant and derelict land (£0.9 million) and Cycling, Walking and Safer Streets (£0.4 million) has also been allocated to the Council.
- 17.5. A report updating the 2019/2020 Capital Programme will be brought to a future Committee. The Council's Capital Strategy approved by the Executive Committee in November indicated that should the Council agree to the level of expenditure in the Strategy report, then the Council could borrow to bridge the gap. The Strategy stated that this borrowing position would be reduced by any external funding or Scottish Government grant in excess of that assumed in the Capital Strategy.

- 17.6. The additional capital grant detailed in section 17.3 can therefore be used to contribute towards the projects identified in the capital strategy. Specifically, a paper presented to the Executive Committee (13 February 2019) on Early Learning and Childcare: 1140 hours Accommodation Requirements confirmed spend requirements to deliver 1140, and recommended the use of the additional capital grant as a contribution towards those projects. Therefore, it is recommended that £8.942 million is used to contribute towards Early Learning and Childcare requirements.

## **18. Consultation Arrangements**

- 18.1. As previously advised, the public consultation took place during December 2018. Face to face consultation involving representatives from the Citizen's Panel and specific interest groups took place. As has been the case in previous years, the public were also asked for their views on the budget proposals through a dedicated e-mail address, or by writing into the Council.
- 18.2. An online and community phase of consultation has taken place and a separate report has been issued to all Members summarising the outcome of the consultation exercises, in advance of this meeting.

## **19. Position Beyond 2019/2020**

- 19.1. This paper and the attached savings proposals focus on financial year 2019/2020, and reflect the Strategy approved by this Committee on 21 November 2018, updated for information received as part of the Grant Settlement received mid-December 2018 and from the outcome of the Government's Stage 1 Budget discussions.
- 19.2. The position beyond 2019/2020 remains uncertain as there has been no further information on grant settlements beyond the one year settlement for 2019/2020.
- 19.3. The Council has an approved long term budget strategy and this will continue to be updated to take account if any new information affecting the Council's finances.

## **20. Employee Implications**

- 20.1. Each saving proposed in Appendices 1a and 1b shows the number of full time equivalent posts that will be affected. The savings options here would require a net reduction in posts in relation to the Council of 103.9 FTE posts in 2019/2020 and 5.86 FTE in relation to South Lanarkshire Leisure and Culture, totalling 109.76 FTE.
- 20.2. A substantial number of these can be managed through anticipated turnover, vacant posts and the removal of temporary posts.
- 20.3. Of the Council's 103.9 FTE posts, 58.4 FTE posts are currently vacant or are temporary posts and of South Lanarkshire Leisure and Culture's 5.86 FTE posts, 2.52 FTE are currently vacant or are temporary posts. The balance of 45.5 FTE posts in the Council and 3.34 FTE posts in South Lanarkshire Leisure will be achieved through a combination of redeployment and voluntary severance/early retirement.

## **21. Financial Implications**

- 21.1. The financial implications are as detailed in the report.

## **22. Other Implications**

- 22.1. The savings target is based on the Financial Strategy for the Council which has been updated as a result of the issue of the Local Government Finance Settlement in December 2018, and the changes proposed in sections 4 to 20 above. The Financial Strategy is a way of managing a number of key risks which directly impact on the funding available to deliver the Council's Objectives.
- 22.2. The Local Government Finance Circular refers to the Grant allocations as being provisional at this stage until the full checking process is completed and the final Finance Circular is published. This takes place following the agreement of the Finance Order through Parliament, which is expected to take place on 7 March 2019 and any update will be advised to Committee.
- 22.3. Requirement to Set a Budget: Under statute and internal governance rules, Council Members have duties around setting budgets. Failure to set a balanced budget would have serious implications, not just for the Council but also potentially for individual members who could incur personal responsibility for failure to comply with their statutory duty.
- 22.4. Any failure to set a balanced budget would almost certainly provoke intervention by Scottish Ministers and the Accounts Commission who have legislative powers to carry out investigations and make recommendations which could result in Scottish Ministers issuing binding directions to the Council. Under the Local Government (Scotland) Act 1973, special reporting processes exist (Section 102) which, if the Controller of Audit is not satisfied with the Council's steps to remedy such an issue, then he/she can make special report to the Accounts Commission on the matter. The Commission can then recommend that Scottish Ministers direct the Council to rectify the issue. Individual members who unreasonably contribute to the failure or delay in setting a budget could be ultimately censured, suspended or disqualified from standing for election for a prescribed period of time by the Standards Commission.
- 22.5. If a new budget is not set, then the Council could not enter into any new unfunded commitments including contracts, and spend would be restricted to meeting existing liabilities. As the Council's current position is that there is a budget shortfall that requires to be met through savings, without Council agreement on a 2019/2020 budget, a gap in our budget would remain.
- 22.6. In relation to individual savings, work has been carried out within Resources to ensure their deliverability. Through this exercise, any risks which may impact on service delivery have been considered.
- 22.7. **Council Tax Increase:** The Council can increase Council Tax by 4.79%, and this budget paper is written on the basis of a Council Tax increase of 3%. Council Tax collected by councils is taken into account within the mechanism for allocating General Revenue Grant from the Government, and the impact of increased Council Tax charged across Scotland will affect the grant that councils receive in future years.
- 22.8. The impact the Council will face will be the average of what Scottish councils increase their Council Tax by (not just the increase that this Council applies). This is just one part of a complex mechanism for allocating government grant, and it sits alongside the increasing Council Tax collected by the Council as additional properties are built. Any impact on the Council's allocation of General Revenue Grant from the Government would be experienced in 2021/2022.

- 22.9. **Health and Social Care Integration Joint Board:** Some of the Social Work Resources' savings proposals relate to services delegated to the Integration Joint Board.
- 22.10. The Council delegated the funding to the Integration Joint Board on 1 April 2016. As part of the ongoing partnership working arrangements to manage pay, inflationary and demographic cost pressures and to meet agreed Social Work service priorities, a financial plan comprising of additional funding and proposed savings is agreed annually with the Integration Joint Board.
- 22.11. As part of these arrangements, the proposed savings which relate to the Council's Social Work Resources are included as part of the Council's overall savings package for approval. In approving these savings, there will be a reduction in the allocation of funds to the Integration Joint Board. The proposed savings are in relation to efficiencies and the re-provisioning of services to reflect reducing demand.
- 23. Equality Impact Assessments and Consultation Arrangements**
- 23.1. Where savings proposals have identified potential negative impact on service users, appropriate consultation and engagement will take place with those who may be affected.
- 23.2. In terms of consultation, the Trade Unions have been consulted. In addition (as detailed at section 18) targeted Public Consultation on the budget has been carried out. Members have received a report covering the consultation.
- 23.3. Equality Impact Assessments have been undertaken for all relevant savings proposals and have been provided to Members. For details of work undertaken, please contact the Employee Development and Diversity Manager, Finance and Corporate Resources.
- 23.4. The Fairer Scotland Duty (Part 1 of Equality Act 2010) came into force in Scotland in April 2018. It places a legal responsibility on the Council to actively consider how it can reduce inequalities of outcome caused by socioeconomic disadvantage when making strategic decisions. It does not override other considerations such as equality or best value.
- 23.5. The Duty is set at a strategic level and is applicable to the key, high-level decisions that the public sector takes. Preparation of the annual budget is considered to be relevant for a Fairer Scotland Duty impact assessment. An assessment in line with the requirements of the Fairer Scotland Duty is available to Members.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

19 February 2019

**Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, Effective, Efficient and Transparent



## **Previous References**

- ◆ None

## **List of Background Papers**

- ◆ Executive Committee, 13 February 2019 – Overall Position of Budget and Savings Proposals 2019/2020
- ◆ Stage 1 Scottish Budget Bill – 31 January 2019
- ◆ Local Government Finance Circular 8/2018
- ◆ Executive Committee, 21 November 2018 – Revenue Budget Strategy - 2019/2020
- ◆ Members Awareness Session, 5 November 2018 – Revenue Budget Strategy 2019/2020 and Savings Proposals

## **Contact for Further Information**

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

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