

Report

Report to:	Executive Committee
Date of Meeting:	26 June 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2020/2021 Strategy and Savings Requirement
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1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ Advise on the Budget Strategy and Savings Requirement for 2020/2021.

2. Recommendation(s)

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

- (1) that the Revenue Budget Strategy for 2020/2021, as detailed in the report, be approved;
- (2) that officers be authorised to seek savings to the value of £11.651 million and bring these back to members (section 7.4), be approved;
- (3) that the summary and next steps (section 8), be noted; and
- (4) that the impact of the reinstatement of Temporary Solutions / Future Year Saving Requirement (section 9), be noted.

3. Background

3.1. This paper will look at the Revenue Budget Strategy for 2020/2021, and will include estimates of Government Grant levels, requirements for additional expenditure budget, corporate solutions for consideration and ultimately, the level of savings required in that year.

3.2. This paper will focus on 2020/2021, and will cover the following:

- Government Grant Estimates (section 4)
- Other Budget Movements (section 5),
- Corporate Solutions for Consideration (section 6),
- Savings Requirement (section 7),
- Summary and Next Steps (section 8).
- Re-instatement of Temporary Solutions (section 9).

4. Government Grant

4.1. Local Government budgets are affected by both changes in the UK Government Budget and the subsequent Scottish Government Budget. The uncertainty around budget changes is heightened by the use of taxation powers and the medium to long term impacts of that, which are currently unknown.

4.2. A number of Government Grant scenarios were considered as part of the Council's approved Medium Term Financial Strategy (Executive Committee, August 2018). The scenarios looked at the potential level of funding for the Scottish Government and how that could be passed onwards to the Council. Based on these

scenarios/estimations, it was anticipated that we could see our grant move within a range of a £5.000 million cut (Scenario 1) to an increase of £13.000 million (Scenario 2) in each of the next 3 years. On the basis that the economic advisers deem an increase in the settlement is unlikely, the Strategy assumes a reduction of £5.000 million in 2020/2021.

- 4.3. In addition to planning for reductions to the level of the local government grant covered above, there may also be changes as a result of how grant is distributed to councils using population numbers.
- 4.4. In previous years, the Council has experienced reductions in grant as a result of how the funding is distributed. It is anticipated that the Council will experience similar reductions in grant in future years. The Strategy assumes a reduction of £2.500 million in grant for 2020/2021 relating to population based distribution.
- 4.5. **Floor Assumption:** As part of the grant allocation process, the Scottish Government applies the Floor Mechanism which limits the range of annual changes in individual local authority allocations of grant. The Scottish Government sets the level of the Floor. If the Floor is set at the overall level of the national cut in grant, then the Council should receive funding from the Floor. This has been the case in recent years. For 2020/21, it is assumed that this will be around the same level as received in 2018/19.
- 4.6. **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.
- 4.7. The impact on grant of additional properties is incurred 2 years after the new properties arise. In relation to 2020/2021, the consequent reduction in Government Grant (80% reduction after 2 years) reflects the new properties added in 2018/19, and totals an estimated reduction in Grant Income of £0.800 million for 2020/2021.
- 4.8. **Summary of Grant Assumptions**
Table 1 summarises the reduction in grant including a general reduction in funding, the impact of population changes and the consequences of previous Council Tax property increases.

Table 1 – Grant Assumptions

	2020/21 £m
Assumed Reduction (Section 4.2)	(5.000)
Distribution – Population changes (Section 4.4)	(2.500)
Consequence of Council Tax Increase (Properties) (Section 4.7)	(0.800)
Total Grant Reduction	(8.300)

5. Other Budget Movements for 2020/2021

- 5.1. There are a number of other budget movements, in addition to Government Grant, that affect the budget for 2020/2021. These include Council Tax Income from additional properties and additional expenditure items. Each of these is taken in turn below.

- 5.2. **Council Tax Properties:** Based on Band D properties and net of Council Tax Reduction Scheme (CTRS), the increase in Council Tax Income for 2020/2021 has been assumed at £1.130 million (Council Tax of £1.300 million less CTRS of £0.170 million). This is detailed further in Appendix 1, section 1.
- 5.3. **Additional Expenditure Items:** There are a number of financial pressures that will require additional funding in 2020/2021. This will increase the level of savings required. The details of this are included in Appendix 1 to the report, and are summarised across the main headings in Table 2.

Table 2 – Summary of Additional Expenditure Items

	2020/2021 £m
Reinstate 2018/2019 and 2019/2020 Temporary Solutions Including the need to add in budget to cover one-off savings from 2018/2019 as well as the temporary use of Reserves which are no longer available. (Appendix 1, para 2.5)	4.025
Impact of 2019/2020 Budget Decisions Including the need to add in budget to cover one-off savings from 2019/2020 as well as the temporary use of Reserves which are no longer available. (Appendix 1, para 2.9)	1.412
Pay Items Including pay award for teachers and non-teachers and the anticipated cost of job evaluation. (Appendix 1, Section 2.16)	15.702
Price Increases Including inflationary increases on utilities, non-domestic rates, the secondary schools' modernisation contract and social care. (Appendix 1, para 2.22)	3.923
Funding for Priorities Including the increased cost of kinship care, waste management and community participation as well as making permanent the funding for New Initiatives (inc. Breakfast Clubs, Holiday Lunch Clubs, Employability and Teachers. (Appendix 1, Section 2.33)	6.660
Related Parties and Joint Boards Including increased costs for the Leisure and Culture Trust and the Valuation Board. (Appendix 1, Section 2.36)	0.736
Revenue Consequences of Capital Including the revenue impact of the new primary schools and the City Deal programme. (Appendix 1, Section 2.39)	0.863
Other Adjustments Including the roll out of Free at 3 and additional IT costs. (Appendix 1, Section 2.43)	1.060
Total Expenditure	34.381

- 5.4. Taking into account the assumed reduction in Government Grant (Table 1) along with the impact of Council Tax properties (section 5.2) and Additional Expenditure Items summarised in Table 2, gives a 2020/2021 budget gap of £41.551 million, shown in Table 3.

Table 3 – Budget Gap

	2020/21 £m
Grant Reduction (Table 1)	8.300
Council Tax properties (Section 5.2)	(1.130)
Additional Expenditure Items (Table 2)	34.381
Total Budget Gap	41.551

- 5.5. The Medium Term Financial Strategy for 2019/2020 to 2021/2022 approved by Executive Committee in August 2018, included Budget Assumptions for 2020/2021. The result was a budget gap of £33.010 million. When comparing this to the Budget Gap in section 5.4, the movement is £8.541 million. The main elements of this movement reflect decisions made as part of the 2019/2020 budget (£1.412 million), the increased cost of the approved pay award for both Teachers (£2.721 million) and Non-Teachers (£3.024 million).

6. Corporate Solutions for Consideration

- 6.1. In order to reduce the budget gap and in turn reduce the need for savings, a number of Corporate Solutions have been identified. These are detailed in Appendix 2. The corporate solutions include the use of 2019/2020 underspends and 2020/2021 Budgets that are no longer required (totalling £1.700 million). In addition, Capital Receipts, Loan Charges and the use of Reserves have been considered. These are taken in turn below.
- 6.2. **Capital Receipts:** Capital receipts from asset sales have been used to support the Council's Revenue Budget in the recent past. £4.000 million per annum has been used across financial years 2017/2018 to 2019/2020. Taking into account the potential Capital Receipts for the coming 3 years, the commitment of £4.000 million to fund the 2019/2020 Revenue Budget and the level of commitment for the Council's Capital Strategy, leaves between £10 million to £16 million which could contribute to savings in future years – the range provided reflects the dependency on market conditions and the ability to sell these sites.
- 6.3. Based on this projected position, it is proposed that £5 million of the balance held be used in each of the next 2 years, to support the Revenue Budget. If a higher level of receipts is achievable, then this support could continue for a further year.
- 6.4. The Budget Strategy includes an assumption in relation to the level of receipts generated. Work continues to review assets and the level of income that can be achieved from sales. The outcome of this review will be the subject of a separate report to members.
- 6.5. **Loan Charges:** There are a number of factors influencing the Loan Charges budget requirement into 2020/2021. This includes savings through reduced borrowing and interest rates and the timing of repayment of debt. In addition, it also includes the impact of applying a late change in guidance issued by Audit Scotland, whereby they have now agreed that councils can apply the Scottish Government Regulation regarding re-profiling debt, in 2018/2019. By re-profiling debt, the Council can make repayments over a longer period of time.
- 6.6. The 2020/2021 Budget Strategy takes account of the Loan Charges proposals totalling £14.300 million, detailed in Appendix 2.

- 6.7. **Retrospective Adjustment:** While Section 6.5 looks at the benefits of adjusting the timing of debt repayments going forward, there is also the ability to consider retrospective application of the new guidance, and previous loan charge payments could be reversed. This would allow the Council to take the benefit of a credit for the amount of advances they have paid to date, compared to what should have been paid, based on the new profile. A report showing the potential impact for the Council will be developed and reported to a future meeting of the Executive Committee.
- 6.8. **Use of Reserves:** At the end of financial year 2018/2019, the Council held £50 million of Reserves for future budget strategies. Of this £50 million, £24 million has not yet been allocated to a specific budget year. In order to minimise the requirement for savings in 2020/2021, it is proposed that £5 million of these Reserves are used to support the budget in 2020/2021 for one year only. It is also proposed that if the level of Government Grant notified for 2020/2021 is higher than the current Strategy assumes, then this use of Reserves for 2020/2021 should be reduced.
- 6.9. In total, the Corporate Solutions assumed in the Strategy amount to £26 million, and reduce the Budget Gap of £41.551 million (from Section 5.4) to £15.551 million, shown in Table 4.

Table 4 – Budget Gap after Corporate Solutions

	2020/2021 £m
Total Budget Gap (Table 3)	41.551
Less Corporate Solutions:	
- Underspends / Budgets no Longer Required (Section 6.1)	(1.700)
- Capital Receipts (Section 6.3)	(5.000)
- Loan Charges (Section 6.5 / 6.6)	(14.300)
- Use of Reserves Earmarked for Budget Strategies (Section 6.8)	(5.000)
Total Corporate Solutions	(26.000)
Total Budget Gap after Corporate Solutions	15.551

7. Savings Requirement

- 7.1. As detailed in Section 6.9, the Budget Gap after Corporate Solutions is £15.551 million.
- 7.2. The Budget Strategy to date for 2020/2021 does not include any assumption for an increase in Council Tax.
- 7.3. In 2019/2020, the Scottish Government allowed council to increase their Council Tax by up to 4.79% (3% in real terms). Table 5 shows the potential income generated by increasing Council Tax across a range of percentages.

Table 5 – Income from Council Tax Percentage Increases

	1%	2%	3%	4.79%
Net Council Tax	£1.300m	£2.600m	£3.900m	£6.227m

- 7.4. At this stage, it is proposed that savings totalling £11.651 million are identified by officers for members' consideration. This is £3.900 million less than the Budget Gap detailed in Section 6.9.
- 7.5. Following receipt of the Government Grant for 2020/2021, expected later in the calendar year, a decision on Council Tax can be taken.
- 8. Summary and Next Steps**
- 8.1. **As noted in Section 7.4, officers will seek savings to the value of £11.651 million, and bring these back to members for consideration.**
- 8.2. The Budget Gap for 2020/2021, as noted in 6.9, includes the use of Capital receipts (£5.000 million) and Reserves (£5.000 million) as well as a number of other temporary solutions which must be reinstated in the following year. This adds to the savings requirement in that next year. This is detailed in Section 9. Given the impact on 2021/2022, it is proposed that the level of temporary solutions used in 2020/2021, be considered again, once the Government Grant level is known later in 2019.
- 8.3. It is proposed that decisions in relation to the New Initiatives and Council Tax will be taken when the Government Grant allocation for 2020/2021 is known.
- 9. Temporary Solutions and Impact for Future Year Savings Requirements**
- 9.1. A number of the Corporate Solutions noted in Section 6 are one-off benefits. These one-off solutions have to be added to the savings requirement in the following years. In addition, an adjustment is also required for any savings or previous budget solutions that are not permanent.
- 9.2. Details of these temporary solutions across years are shown in Table 6.

Table 6 – Temporary Solutions

	Year of Adjustment	
	2021/ 2022 £m	2022/ 2023 £m
2019/2020 Savings which were temporary		
Early Years Realignment of Early Learning and Childcare Income (EDR04)	0.045	-
Temporary Budget Solutions from Previous Year Budgets		
Use of reserves (£6.1m 2018/19 to 2020/21)	6.100	-
Additional Council Tax from extra properties in 2019/20 – expected future reduction in Government Grant	1.382	-
Use of 2018/2019 Underspend (Used £2m in 2019/20 and 2020/21)	2.000	-
2020/2021 Corporate Solutions (section 6) (2020/2021)		
2018/19 Underspends	0.620	-
2019/20 Underspends	0.540	-
Loan Charges (use of underspends)	12.300	-
Capital Receipts (use in 2020/2021 and 2021/2022)	-	5.000
Use of Reserves (one-off use in 2020/2021)	5.000	-
Total Temporary Solutions	27.987	5.000

- 9.3. The medium term financial strategy estimated that the level of savings required for 2021/2022 was in excess of £20 million. This will be increased by temporary solutions detailed in Table 6 above (£27.987 million) taking the total savings required for 2021/2022 to over £47 million. For 2022/2023, the savings are estimated at a level of around £30 million with the years beyond estimated at £25 million.
- 9.4. Should Government Grant settlements in 2020/2021 be more favourable, then the level of temporary measures employed, including the use of Reserves (Section 6.8), should be reduced in order to minimise the resultant savings required in 2021/2022.
- 9.5. As reported as part of the 2018/19 year end report, there is currently £50 million of Reserves identified for future budget strategies, of which £19 million have not yet been allocated to a specific budget year. It is suggested that the remaining £19.000 million of Reserves would be used as a temporary measure, to contribute to reducing the level of savings from 2021/2022 onward.

10. Employee Implications

- 10.1. There are no direct employee implications from this paper.

11. Financial Implications

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

12. Other Implications

- 12.1. 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, however it is accepted that these are assumptions.
- 12.2. Due to the steps that will be taken over the coming months by UK and Scottish Governments (including a Budget announcement and Spending Reviews) our assumptions may have to change, and a revision of the Strategy will be required. This will be considered on receipt of the three year government grant settlement, expected in late 2019.
- 12.3. 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 detailed in Appendix 1). In addition, any general pay, demand or prices increases currently unknown, have been estimated as far as possible. Any movement in these would be a risk to the Strategy.
- 12.4. The Budget for 2020/2021 includes contributions made in relation to employees' pensions. Recent court rulings in relation to pensions suggest there may be an impact on the local government pension scheme in the future. However, given the uncertainty surrounding the level of any potential impact, there has been no cost increase factored into the 2020/2021 Budget Strategy. This will be kept under review.

13. Equality Impact Assessment and Consultation Arrangements

- 13.1. 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.
- 13.2. There is no requirement to undertake any consultation in terms of the information

contained in this report.

- 13.3. 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 the decision making process.

Paul Manning

Executive Director (Finance and Corporate Resources)

30 May 2019

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ None

List of Background Papers

- ◆ Executive Committee, 15 August 2018
- ◆ Executive Committee, 28 February 2018
- ◆ Executive Committee, 13 February 2019
- ◆ Council, 27 February 2019

Contact for Further Information

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

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2020/21 Budget Strategy

This Appendix details the original Budget Strategy approved by the Council's Executive Committee on 15 August 2018.

1. Budget Strategy Income Assumptions

- 1.1. **Council Tax Income:** As part of the 2018/2019 Revenue Budget Strategy, the Council Tax budget was increased by £8.300 million in respect of additional properties, an estimate of arrears collection and estimated additional income for the 3% increase to Council Tax Band D approved by Council on 28 February 2018.
- 1.2. Moving forward, the South Lanarkshire Housing Land Audit (2017) details new houses for the 3 years 2019/2020 to 2021/2022, based on housing developments where there are 4 units or more that are under construction, have planning consent, are included in the adopted Local Plans and in some cases, where land with potential for housing development is agreed with developers, land owners, or Homes for Scotland.
- 1.3. While there is a risk attached to using these figures on the basis that the actual outcome can be dependent on factors such as the financial market, House Builder estimates have proven to be approximately 80% accurate, therefore 80% has been assumed in the Strategy calculations.
- 1.4. Based on these property numbers, an estimate of additional Council Tax Income can be made. In addition, Council Tax Reduction Scheme Payments may increase due to the additional property numbers. We cannot assume that the Government will fund any increases in Council Tax Reduction Scheme expenditure, therefore to be prudent the Strategy also assumes additional Council Tax Reduction for the new properties.
- 1.5. Based on Band D properties and net of Council Tax Reduction Scheme, the potential new potential Council Tax Income generated for **2020/2021 has been assumed at £1.130 million** (Council Tax of £1.300 million less CTRS of £0.170 million).
- 1.6. The impact of the new houses assumed in 2020/2021 on the Government Grant will be seen in the 2022/2023 Budget Strategy.
- 1.7. The continuation of a collection yield of 97.125% is proposed for 2020/2021. This reflects the current budgeted Council Tax Income levels.

2. Budget Strategy Expenditure Assumptions

- 2.1. In arriving at the expenditure assumptions, a number of factors are taken into account including the reinstatement of previous year solutions, the impact of decisions taken during the 2019/2020 Budget process, demographics, economic conditions and ongoing commitments of the capital programme. These are each taken in turn.

Re-Instatement of 2018/2019 and 2019/2020 Temporary Solutions

- 2.2. A number of budget strategy solutions approved for the 2018/2019 Revenue Budget must be re-instated in 2020/2021. These are detailed below.
- 2.3. **2018/2019 Approved Savings:** A 2018/19 **approved saving** for Staffing Secondment (CER17) was on a one-off basis. This requires to be re-instated and this added **£0.025 million** to the budget strategy in **2020/2021**.
- 2.4. **Use of Capital Receipts:** Similar to the use of Reserves, the use of Capital Receipts (£4.000 million per annum) has been used to support the Council's Revenue Budget over the 3 years from 2017/2018 to 2019/2020. As this is no longer available in 2020/2021, this will **add £4.000 million** to the savings requirement in **2020/2021**.
- 2.5. The total impact of the **Reinstatement Items** on the 2020/2021 Strategy is **£4.025 million**.

Decisions taken as part of the 2019/2020 Budget Strategy

- 2.6. **Reinstatement of 2019/2020 Corporate Solutions:** The budget for a number of Budget Strategy solutions approved for the 2019/2020 Revenue Budget which were approved after the original 2020/2021 Budget Strategy was set must be re-instated in 2020/2021. These are detailed below.
- 2.7. **Use of Reserves:** As part of the 2019/2020 Budget, Reserves were approved to support the budget on a one-off basis. These included the use of the 2018/2019 Underspend (£1.000 million approved by Executive Committee on 13 February 2019) and the additional £0.215 million approved by Council on 27 February 2019. These require to be re-instated and this adds **£1.215 million** to the budget strategy in **2020/2021**.
- 2.8. **2019/2020 One-Off Approved Savings:** 2019/20 **approved savings** of £0.197 million were on a one-off basis, and relate to the realignment of Early Years and Childcare Income (£0.105m), Personal Liquor Licences (£0.032m) and the Homelessness Services (£0.060m). These require to be re-instated and this adds **£0.197 million** to the budget strategy in **2020/2021**.
- 2.9. The total impact of the **2019/2020 Budget Decision** on the 2020/2021 Strategy is **£1.412 million**.

Pay Items

- 2.10. **Pay Award:** Multi-year pay awards have been agreed for both Teachers and Non Teachers. The agreement for 2020/2021 for both employee groups has had an impact on the budget Strategy for 2020/2021. This amounts to **£12.844 million**.
- 2.11. In addition, of the 7% pay award for Teachers for 2019/2020, the Council is required to pay the first 3%, however, only 2% was included in the Strategy for that year. Due to timing, this 1% shortfall cannot be permanently addressed in the 2019/2020 Budget, as such, it will require to be added to the 2020/2021 Budget Strategy (and managed in 2019/2020). The cost of this is **£1.358 million** into 2020/2021.
- 2.12. **Local Government Pension Scheme:** An actuarial review was carried out on Strathclyde Pension Fund in 2017. The outcome of the review (issued 13 December 2017) shows that the employer contribution rate will remain at 19.3% for 2018/2019

to 2020/2021 as the Fund is currently 105% funded. Therefore, there is no requirement to add anything to the Strategy for 2020/2021.

- 2.13. **Teachers Pension:** A recent actuarial review resulted in changes to the assumptions for Teachers' Pensions from 2019/20 onwards. There is no increase assumed for 2020/2021.
- 2.14. **Job Evaluation:** An exercise is ongoing in relation to job evaluations for a number of employee groups across the Council. It is anticipated that it will cost an additional £1.500 million to implement the outcome of these evaluations.
- 2.15. Other areas of business are planned for evaluation but are not yet concluded. Any further requirements for costs will be updated in future strategies.
- 2.16. The total impact of the **Pay Items** on the 2020/2021 Strategy is **£15.702 million**.

Price Increases

- 2.17. **Secondary Schools' Modernisation Contract:** The Strategy includes the requirement to fund inflationary increases for the Secondary Schools' Modernisation Contract. The Retail Price Index rates (as per Office of Budget Responsibility at March 2019) were applied to the 2019/2020 contract payment. The Strategy includes **£0.958 million for 2020/2021**.
- 2.18. **Utilities:** Based on information from the Department of Business, Energy and Industrial Strategy and the National Grid for Future Energy Scenarios, amounts have been included for anticipated price increases in utility costs. Information will continue to be monitored to ensure identification of further increases. An amounts of **£1.352 million has been included for 2020/2021**.
- 2.19. In terms of Vehicle Fuel costs, price increases have been experienced at the start of 2018/2019. If this price is maintained, then an **estimated £0.400 million would be required in 2020/2021**. This will be refined/monitored as information becomes clearer moving forward.
- 2.20. **Non Domestic Rates:** Estimates for the Council's increased NDR costs, as a result of potential increases in rates poundage, have been made based on 2018/2019 information. Trends in increases over the last few years have been applied to arrive at the estimated budget requirements of **£0.513 million for 2020/2021**.
- 2.21. **Social Care:** As in previous years, the Strategy assumes increases in prices reflecting the ongoing commitments for Social Care contracts held by the Council. Increases similar to that experienced in 2018/19, have been assumed for Social Care price increases for Care Home contracts into 2020/2021 (**£0.700 million**). This excludes additional costs for living wage funded by the Government.
- 2.22. The total impact of the **Price Increases** on the Strategy is **£3.923 million**.

Funding for Priorities

- 2.23. **Social Care Demand:** Social Care is facing continuing demands. Along with the Integration Joint Board, Social Work Resources are looking at transformational change initiatives to manage the increasing demand including making efficiencies, scheduling techniques and care models supporting independent living and re-

ablement. Based on this work, no increase has been made to the Strategy for increased demand in years 2020/2021.

- 2.24. **Kinship Care Allowances:** A report is being presented to the Social Work Resources Committee which will update the Council's policies and procedures around Kinship Care and the payments and allowances that are made in respect of these. It is expected that this will cost an **additional £0.600 million in 2020/2021**.
- 2.25. **Children and Families:** There has been an increase in demand in Children and Family services in recent years. There may be a continued requirement for additional funding for growth in children and families reflecting the increase in demand for service in relation to adoption and fostering and Continuing Care. Work continues to estimate any requirement in this area. No impact has been included in the Strategy.
- 2.26. **Waste Management:** The Council let a number of new contracts for waste in 2017/2018. An amount of **£0.300 million** has been included in the Strategy for contract inflation for **2020/2021**. This is based on the budget strategy for Waste Services which also utilises funding held in Reserves in its early years.
- 2.27. The 2020/2021 Strategy also includes **£0.150 million** for the additional cost of new waste routes.
- 2.28. **Education Growth:** Population growth across the Council areas has meant an increase in pupil population and therefore capacity issues in Schools, both Primary and Secondary. While the Capital Programme is working to manage the capital investment in schools to allow them to manage the increased number of children, there is also a requirement for additional Teaching staff. Based on the anticipated growth in pupils, a projected requirement of **£1.000 million** for additional Teachers, budget has been added to the Council's Revenue Budget Strategy for **2020/2021**. This will be monitored over years and any necessary variations on demand reflected in future strategies.
- 2.29. **Community Participation:** The Council's Executive Committee has recently approved a new approach to improve levels of community participation and meet the requirements of the Community Empowerment (Scotland) Act 2015. As part of this, a team was created and the staffing structure was approved at a cost of £0.330 million per annum. For 2018/2019 and 2019/2020, the costs will be met from an underspend in the 2017/2018 outturn, however, thereafter there will be a requirement to add **£0.330 million to the 2020/2021 Strategy**.
- 2.30. **New Initiatives:** A number of New Initiatives were approved as part of the 2018/19 Budget setting process (Executive Committee, February 2018). These included areas where 2 years' worth of funding was provided (ending in 2019/2020) or where the project was being carried out on a pilot basis.
- 2.31. The level of core/pilot budget carried into 2020/2021 is £0.900 million, and includes monies for Breakfast Clubs and Holiday Lunch Clubs. There is no core budget included for the additional Teachers plus classroom support (£1.800 million) or for the Employability programmes in Social Care or Early Years (£2.000 million), as these were only funded for two years (2018/2019 and 2019/2020).
- 2.32. In order to ensure core funding is available for the New Initiatives in 2020/2021, an additional allocation of £4.280 million is required.

- 2.33. The total impact of the **Funding for Priorities** on the Strategy is **£6.660 million for 2020/2021**.

Related Parties and Joint Boards

- 2.34. Assumptions for cost increases of **£0.736 million** for South Lanarkshire Leisure and Culture Trust and the Lanarkshire Valuation Joint Board are included in the Strategy for **2020/2021**. It is expected that savings identified by the Trust will form part of the Council's overall savings package.
- 2.35. Strathclyde Passenger Transport had advised that as part of their long term strategy, there would be no changes to 2018/2019 assumptions. The Strategy for 2020/2021 assumed the same 'no change' in the requisition payment going forward and will be updated as more information becomes available.
- 2.36. The total impact on the Strategy of the **Related Parties and Joint Boards** is **£0.736 million for 2020/2021**.

Revenue Consequences of Capital

- 2.37. The assumptions in this Strategy continue to include provision for the revenue consequences of the opening of new primary schools and capital bids: **£0.036 million for 2020/2021**. These additional costs are primarily for rates and energy costs.
- 2.38. **City Deal – Interest on Borrowing:** Due to the timing of the grant in respect of City Deal, the Council will require to borrow on a temporary basis to fund the projects. The Scottish Government have changed the accounting regulations to allow the Council to delay principal repayments until the grant is received. However, the Council will still have to account for the interest payments temporarily on the borrowing on an annual basis. An amount of **£0.827 million** has been included in the Strategy for **2020/2021**.
- 2.39. The total impact of the **Revenue Consequences of Capital** on the Strategy is **£0.863 million for 2020/2021**.

Other Budget Items

- 2.40. **Free at 3:** Free at 3 is being rolled out during 2019/2020. The full year effect of this will be experienced in **2020/2021 and will cost an additional £0.260 million**.
- 2.41. **Caird Centre:** As part of the anticipated Caird Data Centre exit date of 30 June 2021, the preferred model for Council corporate IT server and storage services is a hybrid model of traditional racked servers and storage, virtualised servers and cloud services. This gives the Council the greatest flexibility to deliver computer services. This will **cost £0.500 million in 2020/2021**.
- 2.42. **Microsoft Licenses:** The Council's operating systems and applications must be fit for purpose in the face of the increased risk of cyber-attacks. Targets for compliance have been set by both the Scottish and UK governments. There is a requirement to upgrade the Windows, Exchange and Office applications due to the end of manufacturer support. The Council is required to have in place subscription

licensing for Microsoft's email, Windows and Office suite products moving forward.
The increased cost of this is £0.300 million into 2020/2021.

- 2.43. The total impact of the **Other Budget Items** on the 2020/2021 Strategy is **£1.060 million.**

Corporate Solutions for Consideration

This Appendix details a number of corporate solutions for consideration, to assist in supporting the Revenue Budget Strategy for 2020/2021. These are summarised in the Table below and then detailed in the paragraphs beyond.

The Corporate Solutions generate £21.000 million to support the 2020/2021 Budget Strategy.

Corporate Funding Solutions	2020/21 £m
<i>2018/2019 Underspend:</i>	
Interest on Revenue Balances (para 3) – proposed Transfer to Reserves as part of year-end Outturn Report	0.360
Community Planning and Engagement Team (para 4) – unused Reserves balance available to use in 2020/2021	0.260
<i>2019/2020 Underspend / 2020/2021 Budget:</i>	
Reduction in Strathclyde Passenger Transport Budget Required (para 6)	0.220
Removal of Payment to Third Sector Organisations (para 8)	0.700
Reduction in Budget Required for PPP Inflation (para 9)	0.160
Total Underspend/Budget	1.700
<i>Loan Charges:</i>	
2018/019 Underspend (one-off) (para 10)	2.800
2019/2020 Underspend (one-off) (para 12)	6.500
2020/2021 Underspend (one-off) (para 13)	3.000
Loan Charges (para 13)	2.000
Total Loan Charges	14.300
<i>Reserves:</i>	
Use of Reserves (one-off) (para 14)	5.000
Total Use of Reserves	5.000
Corporate Funding Solutions (before Property Based Funding Solutions)	21.000
<i>Property Based Funding Solutions:</i>	
Use of Capital Receipts (in years 2020/2021 and 2021/2022) (para 16)	5.000
Total Corporate Funding Solutions (after Property Based Funding Solutions)	26.000

1. **Delay in Teachers' Pension Increase:** The Budget Strategy for 2019/2020 was updated to include an amount of £7.2 million to fund the increase in Teachers Pension costs effective from 1 April 2019. Of this, £5.7 million was funded by the Scottish Government leaving a balance of core Council funding of £1.5 million for the full year. As the increase is now not due to take place until 1 September 2019, the

budget requirement in 2019/2020 is reduced to a net £0.5 million. The reduction in 2019/2020 will be set aside to manage the shortfall as a result of the increased contribution in future years (2020/2021 to 2022/2023). This has no impact on the Budget Strategy for 2020/2021.

2. **2018/2019 Underspends:** Following declaration of the Probable Outturn exercise, additional underspends have been identified. These are detailed below.
3. **Interest on Revenue Balances:** The position on IORB for 2019/18 has been calculated at the end of 2018/2019 and has identified an additional benefit of £0.360 million. It is proposed that this underspend would be transferred to Reserves at the end of 2018/2019, and be used on a one-off basis in 2020/2021. This will be part of the 2018/19 Outturn report presented to the Executive Committee (26 June 2019).

Decrease in savings requirement: £0.360 million (one-off basis)

4. **Community Planning and Engagement Team:** Due to the timescales for the rollout of the team, an underspend is envisaged in the 2018/2019 budget. Transferring these monies to Reserves at the end of the year, and using them to fund the Team in 2020/2021, would mean a benefit of £0.260 million could be taken on a one-off basis.

Decrease in savings requirement: £0.260 million (one-off basis)

5. **2019/2020 Underspends:** Following the 2019/2020 Budget being set, an underspend is anticipated on a number of lines. These are show below.
6. **Strathclyde Passenger Transport:** A reduced contribution is required to SPT for 2019/2020. This amounts to £0.110 million of an underspend which could be used to assist in the Budget Strategy on a one-off basis. In addition, the reduction of £0.110 million in budget into 2019/2020, could be used as a permanent solution. The one-off underspend will require to be re-instated in 2021/2022.

**Decrease in savings requirement: £0.220 million
(£0.110 million one-off and £0.110 million permanent)**

7. **Payment to Third Sector Organisations:** As part of the 2016/2017 savings, a reduction in the payment to VASLAN and other third sector organisations was approved. An amount of £0.350 million had been added to the Strategy in 2019/2020 that allows us to consider re-instatement of the payments to Third Sector Organisations including VASLAN.
8. Since the Strategy was set, a review of VASLAN, Healthy 'n' Happy, Healthy Valleys and Community Links (funding reduction only, not removal) has failed to identify a strong enough case to support these organisations going forward. On a one-off basis, an amount of £0.350 million is available from the underspend not now required in 2019/2020, as well as being able to benefit from the removal of budget in 2020/2021. The one-off underspend will require to be re-instated in 2021/2022.

**Decrease in savings requirement: £0.700 million
(£0.350 million one-off and £0.350 million permanent)**

9. **PPP Inflation:** In 2019/2020, the actual inflation rate incurred was lower than that anticipated in the Strategy, resulting in an underspend of £0.080 million. On a one-off

basis, an amount of £0.080 million is available from the underspend not now required in 2019/2020, as well as being able to benefit from the removal of budget in 2020/2021. The one-off underspend will require to be re-instated in 2021/2022.

**Decrease in savings requirement: £0.160 million
(£0.080 million one-off and £0.080 million permanent)**

10. **Loan Charges:** Included in the 2019/20 budget is a saving in relation to loan charge principal repayments reflecting an expected change in regulation that is being taken forward by the Government. Following the late agreement by Audit Scotland that this regulation could be applied in 2018/2019, the result is an additional underspend of £2.800 million in 2018/2019. This will be used to support the 2020/2021 Budget on a one-off basis.

**Decrease in savings requirement: £2.800 million
(one-off basis)**

11. Through continuing to review the Loan Charge strategy we have identified a principal repayment on debt was due to be repaid in 2019/2020, totalling £5.800 million for which a decision could be taken to repay this principal over a longer term, and therefore take a one-off benefit in loan charges in 2019/2020 of £5.500 million. In addition, a further £1m underspend is expected in 2019/20 reflecting the actual interest rates at which borrowing was taken in 2018/19.

12. It is estimated that these underspends totalling £6.500 million will be realised in 2019/2020, to be used in 2020/2021 on a one-off basis. This would be required to be re-instated from 2021/2022.

**Decrease in savings requirement: £6.500 million
(one-off basis)**

13. In addition, the profile of spend in the capital programme has meant a reduction in borrowing for 2018/2019 and 2019/20. In addition, underspends in Loan Charges will continue into 2020/21 reflecting the actual interest rates at which borrowing was taken in 2018/19. This means a consequent reduction in loan charges. It is proposed that the loan charges budget be reduced by £3.000 million on a one-off basis in 2020/2021 and by a further £2.000 million for the years 2020/2021 to 2022/2023, with a review into 2023/2024. The £3.000 million will require to be re-instated in 2021/2022.

**Decrease in savings requirement: £5.000 million
(£3.000 million one-off and £2.000 million permanent)**

14. **Use of Reserves:** At the end of financial year 2018/2019, the Council holds £50 million of Reserves for future budget strategies. Of this £50 million, £24 million has not yet been allocated to a specific budget year. In order to minimise the requirement for savings, and to keep them at a manageable level, it is proposed that £5 million of these Reserves are used to support the budget in 2020/2021 (one year only). It is also proposed that if the level of Government Grant is higher than the current Strategy assumes, then this use of Reserves for 2020/2021 should be reduced.

**Decrease in savings requirement: £5.000 million
(one-off basis)**

15. **Capital Receipts** have been used to support the Council's Revenue Budget in the recent past, with the utilisation of £4.000 million per annum across financial years

2017/2018 to 2019/2020. Taking into account the potential Capital Receipts for the coming 3 years, the commitment of £4.000 million to fund the 2019/2020 Revenue Budget and the level of commitment for the Council's Capital Strategy, leaves between £10 million to £16 million which could contribute to savings in future years – the range provide reflects the dependency on market conditions and the ability to sell these sites.

16. Based on this projected position, it is proposed that £5 million of the balance held be used in each of the next 2 years, to support the Revenue Budget. If a higher level of receipts is achievable, then this support could continue for a further year.

**Decrease in savings requirement: £5.000 million
(temporary basis in 2020/2021 and 2021/2022)**