



# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>13 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 approval 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, remains at a 3% increase (section 7.7), be endorsed for future approval by Council;
- (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 approved;
- (5) that the savings totalling £13.181 million (section 10) be considered;
- (6) that the changes to the temporary corporate solutions and the timing of their re-instatement (section 11) in future years' strategies, be noted;
- (7) that the £1.500 million allocation to Children and Families (section 12.4), be approved;
- (8) that the options as detailed at paragraph 14.1 to utilise the £3.962 million balance of funds be considered and that a further report be brought back to Committee on 27 February 2019, for decision be noted; and
- (9) that the additional General Capital Grant of £8.942 million (section 15.3) 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 (sections 15.5-15.6), be approved.

### 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 £13.004m.
- 3.2. Savings proposals of £13.181m 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),
  - summarises the savings position (section 10),
  - advises how current year funding solutions affects the budget going forward (section 11),
  - makes proposals to address pressures in future years Strategies and Children and Families (section 12),
  - details the Free at 3 proposal including potential funding (Section 13), and
  - details the level of capital grant received through the settlement (section 15).

### 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 £2.053m of Government Grant paid in 2017/2018 for 2018/2019, gives a total 2018/2019 grant of £561.741m. 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 (£0.190m) and Sanitary Products in Schools (£0.124m).
- 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 (£0.105m), 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 (£13.660m), Health and Social Care Integration (£6.441m), Sanitary Products in Public Buildings (£0.110m) and Child Burials and Cremations (£0.005m). 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 (i.e. for SLC, the budget contribution to the 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. The Council's Strategy was last presented to Executive Committee on 21 November 2018. Since then, 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 £1.305m for 2018/2019 and £2.740m for 2019/2020. The total impact is an increase in expenditure of £4.045m 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 £4.8m 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 Councils 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 (section 4.8)</b>	<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. The Council's Revenue Budget Strategy was last presented to Executive Committee in November 2018. This reported a savings packages of £13.181m, and advised that if Council Tax was increased by 3%, would leave £3.969m 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 **£4.808m** (being the £3.969 million previous surplus balance of funds (Section 6.3) less the £8.777 shortfall in strategy as shown in Table 2). The current savings package of £13.181m would require to increase by £4.808m 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);

- Flexibility for councils to increase Council Tax by up to 4.79% rather than 3% (section 7.7)
- 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%.
- 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, the package of savings remains at £13.181 million. Taking account of the actual grant position, other costs, Stage 1 Bill and funding solutions, 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. Savings Proposals 2019/2020

- 10.1. Based on the proposals detailed in sections 4 to 8, the savings presented for 2019/2020 remains at £13.181 million.
- 10.2. The package of savings proposals totalling £13.181 million is attached at Appendix 1 to this report (with the detailed South Lanarkshire Leisure and Culture savings in relation to CER11 detailed at Appendix 2). This reflects the package presented to members previously (Awareness Session, 5 November 2018 and Executive Committee, 21 November 2018), and now includes detailed savings proposals in relation to South Lanarkshire Leisure and Culture. These have been previously issued to elected members. There is also a minor change to Landlord Registration saving (FCR11) which has been updated to reflect the outcome of the consultation on fee levels which is the removal of the online discount, rather than an increase in fees generally. The level of saving remains the same.



- 10.3. 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 w/c 25 February 2019. Any further changes to grant will be notified to Committee.

## 11. Proposed Changes to Temporary Corporate Funding Solutions

- 11.1. As a result of the changes to the Budget Strategy assumptions, and the corporate funding solutions now identified since they were last presented to members (Executive Committee, November 2018), the temporary solutions and their year of re-instatement requires to be updated. Table 5 shows the revised information.

**Table 5: Temporary Solutions and Year of Re-instatement**

	Year of Re-instatement		
	2020/ 2021	2021/ 2022	2022/ 2023
	£m	£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>	<b>-</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 (section 8.1)	1.000	-	-
<b>Total Temporary Solutions (2019/2020 Budget)</b>	<b>1.197</b>	<b>1.427</b>	<b>-</b>
<b>Total Temporary Solutions</b>	<b>6.022</b>	<b>7.527</b>	<b>-</b>

## 12. Proposals to Address Pressures in Future Years Budget Strategies and Children and Families Services

- 12.1. **Re-instatement of Temporary Solutions:** The re-instatement of the temporary solutions identified in section 11 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.

- 12.2. **Children and Families Demand:** In addition, throughout the year, in financial monitoring reports, committees have been advised of financial pressures in relation to Children and Families Services, with an overspend of £1.7 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.
- 12.3. 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.
- 12.4. 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 12.3 result in less funding being required, then a budget reduction can take place during the year.
- 12.5. Taking into account the allocation to Children and Families of £1.500 million (section 12.4), would reduce the remaining balance available to **£3.962 million** (£5.462 million balance of funds section 9.2 less £1.500 million allocation to Children and Families).

### 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. A letter has been sent to the Scottish Government seeking financial support in relation to delivering early learning and childcare from a child's third birthday. No confirmation of funding has been received.
- 13.4. Officers have therefore considered funding options including:
- Utilisation of the available balance of funds (section 12.5) to instead fund the £2.000 million full year 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 1,140 hours. The funding requirement could therefore be added to the 2020/2021 Budget Strategy.
- 13.5. 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. Summary of Revenue Budget Position

- 14.1. The remaining available balance of funds is **£3.962 million** (section 12.5). The proposed options for consideration in respect of these funds are detailed below:

- Use the funds to reduce the savings package by up to £3.962 million
- Introduce Free at 3 and use the funds to pay for the £2.000 million full year costs of the initiative.
- Transfer the £3.962 million to reserves and this will form the core element used to bridge the 2020/2021 savings gap.
- A combination of the options above i.e. introduce free at 3 and reduce the savings package by up to the balance of £1.962m.

14.2. Following consideration of these options by Elected Members, it is proposed that a final paper on the 2019/2020 budget to be presented to the Executive Committee on 27 February 2019 for approval.

## **15. 2019/20 Capital Grant Settlement**

- 15.1. 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.
- 15.2. 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.
- 15.3. 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.
- 15.4. 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.
- 15.5. 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.
- 15.6. The additional capital grant detailed in section 15.3 can therefore be used to contribute towards the projects identified in the capital strategy. Specifically, a separate paper to this Committee on Early Learning and Childcare: 1140 hours Accommodation Requirements confirms spend requirements to delivery 1140, and recommends 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.

## **16. Consultation Arrangements**

- 16.1. 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.

- 16.2. 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.

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

- 17.1. 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.
- 17.2. 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.
- 17.3. 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.

## **18. Employee Implications**

- 18.1. Each saving proposed in Appendix 1 shows the number of full time equivalent posts that will be affected. The savings options here would require a net reduction in relation to the Council of 139.4 FTE posts in 2019/2020 and 20.44 FTE in relation to South Lanarkshire Leisure and Culture Limited, totalling 159.84 FTE.
- 18.2. A substantial number of these can be managed through anticipated turnover, vacant posts and the removal of temporary posts.
- 18.3. Of the Council's 139.4 FTE posts, 70.7 FTE posts are currently vacant or are temporary posts and of South Lanarkshire Leisure's 20.44 FTE posts, 11.95 FTE are currently vacant or are temporary posts. The balance of 68.7 FTE posts in the Council and 8.49 FTE posts in South Lanarkshire Leisure will be achieved through a combination of redeployment and voluntary severance/early retiral.

## **19. Financial Implications**

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

## **20. Other Implications**

- 20.1. 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 12 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.
- 20.2. 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 laying of the Finance Order through Parliament, which is expected to take place w/c 25 February 2019 and any update will be advised to Committee.
- 20.3. 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.

- 20.4. 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.
- 20.5. 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.
- 20.6. 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.

## **21. Equality Impact Assessments and Consultation Arrangements**

- 21.1. Where savings proposals have identified potential negative impact on service users, appropriate consultation and engagement will take place with those who may be affected.
- 21.2. In terms of consultation, the Trade Unions are being consulted. In addition (as detailed at section 16) targeted Public Consultation on the budget has been carried out. Members have received a report covering the consultation.
- 21.3. 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.
- 21.4. 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.
- 21.5. 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)**

31 January 2019

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

- ◆ Accountable, Effective, Efficient and Transparent

**Previous References**

- ◆ None

**List of Background Papers**

- ◆ 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:-

Jackie Taylor, Head of Finance

Ext: 5637 (Tel: 01698 455637) E-mail: [jackie.taylor@southlanarkshire.gov.uk](mailto:jackie.taylor@southlanarkshire.gov.uk)