

# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>24 January 2024</b>
Report by:	<b>Chief Executive</b>

Subject:	<b>Update on the Budget Strategy for 2024/2025</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ provide members with an update on the Budget position for 2024/2025, including the impact of the Local Government Settlement

## 2. Recommendation(s)

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

- (1) that the update to the Budget Strategy, including the update on the Settlement for the Council, resulting in a revised Budget Gap of £20.570 million (section 5.11), be noted;
- (2) that the position in relation to Council Tax (section 6), be noted;
- (3) that the update in relation to Capital Grant allocations for 2024/2025 (section 7), be noted;
- (4) that the summary of the Council's 2023/2024 Probable Outturn (section 8), be noted; and
- (5) that the Timetable detailed in section 10, be noted.

## 3. Background

- 3.1. A report titled [2024/2025 Revenue Budget Update and Savings Proposals](#) was presented to the Executive Committee on 22 November 2023. That report gave an update on the previous report to Council (June 2023) and detailed a revised Budget Gap of £20.7 million. This was the same position noted in the presentation to members on the 2024/2025 Budget (9 November 2023).
- 3.2. On Thursday 21 December 2023, the Council received its grant settlement for Revenue and Capital (the Local Government Settlement). This will impact on the Budget Strategy for 2024/2025.
- 3.3. This report will, therefore, provide an updated position to Council, and will focus on the following:
- ◆ Recap of the 2024/2025 Revenue Budget Update Paper, 22 November 2023 (section 4)
  - ◆ Local Government Settlement – Impact on Revenue Budget Strategy (section 5),
  - ◆ Council Tax (section 6)
  - ◆ Local Government Settlement – General Capital Grant Position (section 7)
  - ◆ 2023/2024 Probable Outturn (section 8)
  - ◆ Summary (section 9)

◆ Timetable and Next Steps (section 10)

**4. 2024/2025 Revenue Budget Update Paper (22 November 2023)**

- 4.1. The report and the presentation to members in November noted a revised Budget Gap of £20.7 million. This included the use of reduced Pension Contributions and an estimate of underspends likely to arise from the 2023/2024 Probable Outturn.
- 4.2. The report also illustrated that over the next 4 years, the savings that the Council requires are estimated at approximately £96 million. By using these solutions including the Pension Contributions and the 2023/2024 Underspends, the level of savings does not reduce, but using the temporary funding over the 4-year period does allow consideration of the timing of those savings. This was shown in Appendix 1 of the November Update paper and is re-presented in Appendix 1 of this report.
- 4.3. The November 2023 paper also included savings proposals for members' consideration. The savings identified currently total £18.589 million. This total includes Management and Operational Savings of £3.300 million along with Resource savings proposals of £15.289 million.

**5. Local Government Settlement – Impact on Revenue Budget Strategy**

- 5.1. The Council received the Local Government Settlement on 21 December 2023. This formally details our grant allocations for 2024/2025. While the Settlement is still under review and further updates may be received which change the Council's position, it is the best information available at this point.
- 5.2. As a result of changes in funding formula, in part because of increases in the South Lanarkshire population relative to that of other council areas, the Council should have seen the benefit of increased funding from distribution formula across a number of budget lines. This would have been in line with the way grant is distributed to councils and would have assisted with increased costs from demand for services arising from an increase in population. This aspect would have seen the Council's grant increase.
- 5.3. However, a general national cut to Local Government funding is noted as £62.7 million (indicated in the CoSLA Budget Reality statement issued to members on 22 December 2023). The Council's share of the national cut (£3.6 million) means that nearly all of the benefit from changes in funding formula is wiped out.
- 5.4. On a like for like basis, the movement in grant into 2024/2025 is a reduction of £0.250 million.
- 5.5. As part of the Council's 2024/2025 Budget Strategy, a grant reduction of £0.880 million had been assumed. Members will recall that this related to the impact of an increase in income from Council Tax (Executive Committee, June 2023). Therefore, an actual, like for like cut of £0.250 million represents a movement in the Budget Gap of £0.630 million. There is still a period of time where changes to the Settlement are possible, and, therefore, the figure could change.

**Impact on the 2024/2025 Budget Gap: (£0.630 million)**

- 5.6. **Rates Poundage:** The Settlement also advised of a larger than budgeted movement in rates poundage. The 2024/2025 Budget Strategy included a rates budget increase of £0.460 million. This reflected an estimated increase of around 1.6% on the 2023/2024 rates bill. This was the equivalent increase experienced into 2022/2023 (there was no poundage increase into 2023/2024 due to the rates revaluation).

- 5.7. The 2024/2025 Settlement shows no change in the Basic Rates Poundage (properties below £50,001), however, for properties over that value, the poundage has increased by 6.6%. This is over 4 times the level of the last increase experienced. This equates to additional costs of £1.4 million for the Council, £1 million more than the Budget Strategy increase we had assumed.

**Impact on the 2024/2025 Budget Gap: £1.000 million**

- 5.8. **Impact on Budget Gap:** The Budget gap reported to members in November 2023 was £20.7 million. Taking into account the movements covered in sections 5.1 to 5.6, the Budget Gap would now be £21.070 million. This is summarised in Table 1.

**Table 1 – Updated 2024/2025 Budget Strategy**

	<b>Post-Settlement £m</b>	<b>November 2023 £m</b>
<b>Budget Gap (as at 22 November 2023)</b> <i>(section 4.1)</i>	<b>20.700</b>	<b>20.700</b>
<i>Less:</i>		
- Impact of Grant Cut <i>(section 5.1-5.5)</i>	(0.630)	-
<i>Add:</i>		
- Increase in Costs from Rates Poundage <i>(section 5.6/5.7)</i>	1.000	-
<b>Revised Budget Gap / Savings Requirement</b>	<b>21.070</b>	<b>20.700</b>

5.9. **Other Budget Issues**

- 5.9.1. **Teachers' Pension:** The Council's contribution to Teacher's Pensions is to increase as of 1 April 2024. A recent letter from the Deputy First Minister to CoSLA advised that the "UK Government have publicly stated that the funding will be allocated to individual UK Government departments in spring 2024. Scottish Ministers will make decisions on funding allocations once the UK Government funding position is clearer and the implications for consequential are understood". It is noted that the Settlement does not yet include any allocation for the cost of this increase. It is anticipated that this would cost the Council approximately £5.6 million. If this funding is not provided by the Scottish Government for 2024/2025, then the Council will need to take in-year action to cover these costs.
- 5.9.2. **Teacher Numbers:** In 2023/2024, the Settlement included a holdback for Retained Teacher Support. This was on the basis that teacher numbers would be maintained. The Settlement for 2024/2025 does not include any similar holdback, however, a recent letter from Jenny Gilruth MSP to CoSLA states that the Scottish Government will provide further detail related to the maintenance of teacher numbers in the new year and the conditions around the £145.5 million allocated for this purpose once Scottish Government have finalised the process that is currently underway related to this year's figures. Members will be updated on this once further information is received.
- 5.9.3. **Lanarkshire Valuation Joint Board Requisition:** As part of the Budget Strategy for the Lanarkshire Valuation Joint Board, it was agreed that the Requisition Payments by each of South and North Lanarkshire Council's be reduced by £0.200 million each in 2024/2025. This is predominantly to reflect the reduction in Pension Contributions required by the Board in 2024/2025 (and 2025/2026) and will be in place until 2026/2027 where the majority of this will be considered for restatement. The Council's Budget Gap will, therefore, benefit by this reduction in costs in the next 2 financial years.

**Impact on the 2024/2025 Budget Gap: (£0.200 million )**

**(reinstatement into 2026/2027)**

- 5.9.4. **Non-Domestic Rates – Empty Property Relief:** A recent report to the Finance and Corporate Resources Committee (6 December 2023) highlighted the financial benefit of a change to the Council's policy on Empty Property Relief. Taking this benefit alongside the estimated cost of Empty Property Relief for 2024/2025 results in a potential overspend of £0.400 million. As part of the 2024/2025 Budget Update (November 2023), an amount of £0.700 million was set aside to manage this anticipated overspend on a one-off basis. As a result, there is a one-off benefit of £0.300 million towards the Council's Budget Gap in 2024/2025.

**Impact on the 2024/2025 Budget Gap: (£0.300 million (one-off))**

- 5.10. **Service Concessions:** As previously advised (Executive, November 2023), the Council has already benefited from revised Guidance on Service Concessions (approved by Council in January 2023). This allowed a contribution towards Budget Gaps through extending the term we repaid debt to match the life of the asset in relation to our PPP arrangements. Guidance in relation to Accounting for Leases is being adopted by Councils in 2024/2025, and the Council's external advisor is reviewing any additional options around this and the Accounting for Service Concessions. Work on this has not yet concluded. Any further opportunities around this will be reported back to members when available.
- 5.11. Table 2 takes into account the Other Budget issues noted in section 5.9 which total £0.500 million. The result is a Budget Gap of £20.570 million.

**Table 2 – Updated 2024/2025 Budget Strategy including Other Issues**

	<b>Post- Settlement £m</b>	<b>November 2023 £m</b>
<b>Revised Budget Gap / Savings Requirement – Table 1</b>	<b>21.070</b>	<b>20.700</b>
Impact of Reduction in Requisition for Lanarkshire Valuation Joint Board (section 5.9.3)	(0.200)	-
Impact of Non-Domestic Rates / Empty Property Relief Changes (section 5.9.4)	(0.300)	-
<b>Revised Budget Gap / Savings Requirement inc Other Issues</b>	<b>20.570</b>	<b>20.700</b>
Value of Savings Proposals ( <i>Appendix 2, 22 November 2023</i> )	18.569	18.569
<b>Residual Shortfall in Budget Gap</b>	<b>2.001</b>	<b>2.131</b>

- 5.12. Table 2 also shows the residual Shortfall in the Budget Gap of £2.001 million after the Settlement, compared to the position in November 2023. That would rely on the full savings package of £18.569 million being approved by members.

**6. Council Tax**

- 6.1. At this point, the Budget Strategy does not include any assumptions for Council Tax. The First Minister announced a Council Tax Freeze in October 2023, and also noted that the Scottish Government would fund the freeze for any councils which did not increase their Council Tax into 2024/2025. A national allocation of £144 million has been advised, however, there was no information on the distribution of this within the Settlement. The Council's indicative share of this national allocation of £144 million is £7.7 million. Any allocation of these monies to the Council would be conditional on the Council approving a Council Tax Freeze.

- 6.2. Following its publication of the Budget Reality document, Leaders have written to the Deputy First Minister to “request that the Scottish Government urgently reconsiders the Local Government quantum and now engages in meaningful negotiations to improve our funding position”. Specifically in relation to the Council Tax Freeze, CoSLA have written to the Deputy First Minister and stated that their “initial analysis of the draft settlement shows that the Council Tax Freeze is not fully funded. Given the shortfall in core revenue funding, the £144 million revenue offered for a freeze is immediately worth less. Leaders wish to reaffirm the position that the decision on Council Tax can only be made by each full Council and it is, therefore, for each individual Council to determine their own level of Council Tax”.

## **7. Local Government Settlement – General Capital Grant Position**

- 7.1. As well as advising of the General Revenue Grant position, the Settlement also provided information on the Council’s General Capital Grant for 2024/2025.

- 7.2. **General Capital Grant (GCG):** The Council’s allocation of GCG for 2024/2025 is £19.276 million. This is less than the allocation for 2023/2024 (£21.207 million) so means a cut of £1.931 million (9.1%). To provide some context, in 2019/20 we received £27m of general capital grant, therefore, the 2024/25 General Capital Grant is almost 30% less than it was in 2019/20. As well as receiving General and Specific Grants direct from the Scottish Government, the Council also benefits from Government monies received by other bodies, including SPT and Clyde Gateway. However, the Settlement announced in December also included reduction in the allocations received by these bodies bringing their general capital support from the Scottish Government to zero. These organisations are challenging the budget cuts with the Scottish Government, with discussions ongoing. Projects are included in the Council’s Capital programme which anticipated funding, which is now unlikely to be received. Consideration may require to be given to how we can complete projects that have been agreed, and for which some of these monies had been expected in 2024/2025.

- 7.3. A proposed Capital Programme for 2024/2025 will be presented to members in February 2024 for approval.

- 7.4. **Specific Capital Grants:** The Council’s allocation of the Specific Grants is £1.865 million. The allocation of £0.425 million in Vacant and Derelict Land is a reduction of £0.262 million compared to 2023/2024, and for Cycling, Walking and Safer Routes, the £1.440 million is a reduction of £0.621 million on the 2023/2024 allocation of £2.061 million.

- 7.5. **Housing Capital Grants:** The recently published Scottish Government draft budget for 2024/2025 showed a 22% reduction in the previously published funding available for the Affordable Housing Supply Programme. At this time, it is still unclear how the Scottish Government will reduce individual Council’s funding. Further discussions are planned with the More Homes team at the Scottish Government for further clarity on the situation. Any reduction in Scottish Government grant available for the Council may impact the planned investment to increase the overall supply of Council housing over the coming years.

## **8. 2023/2024 Probable Outturn/Council Tax**

- 8.1. The probable Outturn for the current financial year is included in a separate report to this meeting. This reports an underspend of £9.000 million (after Transfers to Reserves) and mainly relates to one-off income received as a result of a historic VAT claim (notified in mid-December 2023), but also due to higher than anticipated levels of Council Tax income. The paper proposes that £3.000 million be transferred to

Reserves and be used to fund Budget pressures into 2024/2025. It also proposes that the remaining £6.000 million be transferred to Reserves. These monies could be used in the Council's Budget Strategy, bearing in mind the previously identified savings requirement of £95.8 million across the 4 years from 2024/2025.

## **9. Summary**

- 9.1. Section 5 of this report updates the Budget Strategy presented in November 2023, taking account of the impact of the Local Government Settlement including the change to the Rates Poundage (section 5.6). Table 1 takes the original Budget Gap of £20.700 million to a revised Budget Gap of £21.070 million.
- 9.2. The impact of Other Budget Issues noted in section 5.9 mean a benefit to the Budget Gap of £0.500 million, revising the Budget Gap to £20.570 million (Table 2).
- 9.3. Table 2 also shows the position after the Settlement and after the savings proposals are taken into account: a residual shortfall in the Budget Gap of £2.001 million.
- 9.4. Section 6 notes that a national allocation of £144 million has been advised for the Council Tax Freeze, however, there was no information on the distribution of this within the Settlement. The Council's indicative share of this national allocation of £144 million is £7.7 million. Any allocation of these monies to the Council would be conditional on the Council approving a Council Tax Freeze.
- 9.5. In relation to the Council Tax Freeze, CoSLA have written to the Deputy First Minister and stated that their "initial analysis of the draft settlement shows that the Council Tax Freeze is not fully funded. Given the shortfall in core revenue funding, the £144 million revenue offered for a freeze is immediately worth less. Leaders wish to reaffirm the position that the decision on Council Tax can only be made by each full Council and it is, therefore, for each individual Council to determine their own level of Council Tax".
- 9.6. As noted in section 7, the Council's allocation of General Capital Grant for 2024/2025 is a cut of £1.931 million (9.1%) on the 2023/2024 allocation. Similarly, section 7.4 notes year-on-year reductions in grants for Vacant and Derelict Land and Cycling, Walking and Safer Streets. The Council also benefits from Government monies received by other bodies such as SPT and Clyde Gateway, however, the Settlement announced in December also included reductions in the allocations from the Scottish Government to these bodies. The 2024/2025 Capital Programme paper will be presented to members in February 2024.
- 9.7. As noted in section 8, the 2023/2024 Probable Outturn exercise has concluded and is reported to this meeting of the Executive Committee.

## **10. Timeline to Approval**

- 10.1. There is a legal deadline for setting the Council budget (11 March 2023), however, there are critical dates before then, including dates for issuing Council Tax and Rent bills.
- 10.2. The following timeline is a proposal for approving budgets (for General Services, Housing, and the Capital Programme).

Housing Revenue and Capital Budget 2024/2025	Housing and Technical Resources Committee <i>7 February 2024</i> <i>and</i> Executive Committee / Special Council
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	<i>21 February 2024</i>
Council Budget and Council Tax Setting 2024/2025	Special Council <i>21 February 2024</i>
2024/2025 Capital Programme	Special Council <i>21 February 2024</i>

#### **11. Employee Implications**

- 11.1. There are no workforce implications associated with this report.

#### **12. Financial Implications**

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

#### **13. Climate Change, Sustainability and Environmental Implications**

- 13.1. Each of the savings proposals will be assessed with regard to any potential negative impact on the environment. These will be made available to members so that they can be considered as part of the decision-making process.
- 13.2. Climate Change targets will have an impact on the Council's future financial strategies. This will be included in future Budget Strategy papers as appropriate.

#### **14. Other Implications**

- 14.1. The financial strategy is a way of managing a number of key risks which directly impact on the funding available to deliver Council outcomes. As detailed in the report, the Strategy is based on a number of assumptions some of which, including finalised Government Grant allocations, will crystallise over the coming weeks.

#### **15. Equality Impact Assessment and Consultation Arrangements**

- 15.1. Equality Impact Assessments will be done for those savings proposals that require them. These will be made available to members before any decisions are taken, so that they can be considered as part of the decision-making process. In addition, an assessment will be carried out in line with the Fairer Scotland Duty. For details of the work undertaken, please contact the Head of Personnel.
- 15.2. In terms of consultation, the Trade Unions have been consulted on the Budget Strategy and Savings Proposals. With regard to consultation with the public, all members of the public have been invited to comment on Budget (phase 1) and now the savings themselves (phase 2) through a dedicated e-mail address and the online survey. This was advertised through the use of Social Media (Twitter and Facebook).
- 15.3. The outcome of Phase 1 has been emailed to members previously. The second phase of the Budget Consultation is scheduled to conclude midnight on Friday, 19 January 2024. The feedback from Phase 2 will be advised to all Elected Members in a separately issued briefing paper, in advance of the special committee on 21 February 2024.

**Paul Manning**  
**Chief Executive**

9 January 2024





**Link(s) to Council Values/Priorities/Outcomes**

- ◆ Accountable, Effective, Efficient and Transparent

**Previous References**

- ◆ Executive Committee, 22 November 2023

**List of Background Papers**

- ◆ None

**Contact for Further Information**

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

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## Extract from Appendix 1 of report to Executive Committee, 22 November 2023

## Use of Pension Contribution Benefit

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
<b>Remaining Budget Gap before use of Pension Fund Benefit</b>	26.7	41.4	16.7	11.0	95.8*
Use Pension Fund Benefit – Temporary	(4.0)	(23.5)	(17.7)		(45.2)
Requirement to Re-instate Temporary Use of Pension Fund Benefit		4.0	23.5	17.7	45.2
<b>Remaining Budget Gap after use of Pension Benefit</b>	22.7	21.9	22.5	28.7	95.8*

## Use of Probable Outturn Monies

Use of Probable Outturn Monies	(2.0)			2.0	0.0
<b>Remaining Budget Gap after Use of Pension Benefit and Probable Outturn Monies</b>	20.7	21.9	22.5	30.7	95.8*

*\*Note that the remaining Budget Gap of £95.8 million over the 4 years is the same before and after the use of the pension fund benefit and probable outturn monies.*