

Report

Report to:	Executive Committee
Date of Meeting:	28 February 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget and Level of Local Taxation 2018/2019
----------	---

1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ outline the outcome of the budget process and the content of the Revenue Budget for 2018/2019;
- ♦ adopt the revenue budget for 2018/2019 as summarised at Section 5 of this report and the base budget allocation to Resources at Appendix 1; and
- ♦ recommend the level of Council Tax for 2018/2019 to South Lanarkshire Council.

2. Recommendation(s)

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

- (1) that the revenue budget for 2018/2019, as summarised in Section 5, and the base budget allocated to each Resource as shown in Appendix 1, be endorsed;
- (2) that on the basis that the budget is conditional on the receipt of the Local Government Finance (Scotland) Order 2018, a report be submitted to the next meeting confirming receipt of the Local Government Finance (Scotland) Order 2018, to allow the condition to be purified;
- (3) that the level of Council Tax for 2018/2019 of £1,134 (Council Tax Band D), endorsed by this Committee in the previous report for referral to the Council, be noted;
- (4) that governance arrangements, incorporating the Performance and Review Scrutiny Forum, the Risk and Audit Scrutiny Forum and the Financial Resources Scrutiny Forum, be continued;
- (5) that the continued work required to finalise the detailed revenue budget of the Council for 2018/2019, as outlined at Section 15 of this report, be approved; and
- (6) that the replacement of the Council Tax insert, previously supplied to all households, with online information (section 16), be noted.

3. Background

3.1. At today's meeting, a report was presented which updated the Revenue Budget position for 2018/2019, including a revised package of savings for approval. Following approval of these proposals, the budget for 2018/2019, including the proposed Council Tax has now been prepared on this basis, subject to the approval of the Local Government Finance (Scotland) Order 2018 by the Scottish Parliament.

4. Principles Applied in Budget Formation

- 4.1. The income yield from the level of tax which is recommended, together with the amount of government grant advised by the Scottish Government will fund the proposed expenditure in 2018/2019.
- 4.2. The Local Government Finance settlement provided by the Scottish Government in December 2017 (updated January 2018), provided grant settlement figures for the financial year 2018/2019.
- 4.3. The process to identify the level of expenditure needed to maintain the Council's services in 2018/2019 started in early 2017. Using the 2017/2018 budget as a starting point to reflect the Council's priorities, projections were made into 2018/2019. A number of adjustments were applied to core service budgets through the rollover process to include known commitments and additional budget priorities.
- 4.4. A package of efficiency savings totalling £15.245 million has been presented to Members for approval in an earlier report to this meeting. These have been incorporated into the Resource positions detailed at Appendix 1. The Council's strategy of seeking efficiency savings is consistent with the principles of best value.

5. Total Revenue Budget Summary

- 5.1. The total budget for 2018/2019 is now £684.493 million.
- 5.2. The detailed allocation of the budget to each Resource is shown at Appendix 1 for consideration of the Council in finalising the level of Council Tax. The statutory deadline for this announcement is 11 March 2018.
- 5.3. The main figures from Appendix 1 are summarised below:-

Current Year Base Budget £m		2018/2019 Proposed Budget £m
818.176	Total Services' Gross Expenditure (App 1, page ii)	837.356
(205.435)	Deduct: Total Services Gross Income (App1, page ii)	(203.781)
612.741	Net Service Spending	633.575
57.314	Add: Loan Charges	57.772
13.337	Add: Corporate Items	4.605
(10.054)	Deduct: Surplus from Trading Operations	(11.459)
673.338	Net Expenditure	684.493

- 5.4. **Local Government Finance (Scotland) Order** – The Local Government Finance (Scotland) Order was laid before the Scottish Parliament on 20 February 2018 and will be debated by the Parliament on 6 March 2018.
- 5.5. As the Finance Order has not yet been approved, the budget figures included in this report are based on the information received from the Scottish Government through finance circulars and updates as at 31 January 2018.
- 5.6. The budget is conditional on the approval of the Local Government Finance (Scotland) Order 2018. A Finance Circular confirming this will be issued on 6 March 2018 if the Order is approved. A report will be submitted to the next meeting confirming receipt of the Local Government Finance Order 2018 to allow the condition to be purified.

6. Living Wage

- 6.1. Since 2011, the Council has agreed that employees should be paid a Living Wage. The Living Wage campaign has identified an increase to the level of Living Wage and the current national pay award includes this as part of the agreement. A report covering this topic has been considered in a separate paper to this meeting. Funding is available within existing budgets to meet the costs of the new Living Wage proposal.

7. Government Grant

- 7.1. The Government Grant allocated to the Council for year 2018/2019 was announced in December 2017, and subsequently updated in January 2018. As noted in section 5.5, the budget is based on the information received from the Scottish Government through finance circulars and updates as at 31 January 2018. Any further changes will be reported to Members following the approval of the Finance Order.
- 7.2. The base for the overall grant allocation is the 2018/2019 Total Revenue Support figure, which is calculated using an extensive formula, including adjustments which take account of each council's ability to raise taxes locally.
- 7.3. The level of grant from the Government includes the effect of the 'Floor Adjustment' made by the Scottish Government as part of the grant allocation formula. The floor adjustment ensures that no council exceeds a maximum level of grant decrease. The maximum level of grant decrease has been set at 0.4%. Through the floor adjustment, South Lanarkshire received £9.914 million in 2018/2019.
- 7.4. The Total General Revenue Funding allocation notified by the Scottish Government on 15 December 2017 (updated 31 January 2018), was £549.116 million after taking account of the additional grant of £1.920 million, as advised in the savings report to the Executive Committee on 31 January 2018, and the additional £7.440 million notified to the Council by the Scottish Government on 31 January 2018.
- 7.5. This General Revenue Funding figure (of £549.116 million) is part of a package of funding which has a number of conditions attached to it. These conditions asked councils to agree to maintaining pupil / teacher ratios of 13.7, contributing to Teachers' Pay increases and supporting the expansion of Early Years provision and continuing financial support for social care, including the Living Wage and the implementation of the Carers (Scotland) Act.
- 7.6. Grant for 2018/2019 now totals £549.116 million and consists of the following:

	£m
Specific Grants	7.967
Non-Domestic Rate Income	295.500
General Revenue Grant	245.649
Total General Revenue Funding	549.116

- 7.7. Government grant and non-domestic rates income together meet over 80% of the Council's current expenditure and related loan charges. Because of this relatively large proportion from central sources, changes in grant levels have a significant impact on the amount of funding to be found from the local community.

8. Non-Domestic Rates

- 8.1. As part of the Finance Settlement, the Scottish Government have advised of a number of changes to non domestic rates as detailed below.

- 8.2. The Scottish Government continues to set the level of non-domestic rate poundage. The increase on the rate for 2018/2019 is provisionally set at 1.4p resulting in a rates poundage figure of 48.0p for 2018/2019. In addition, the large business supplement is provisionally set at 2.6p and the supplement will only be applicable, as was the case in 2017/2018, to properties with a rateable value over £51,000.
- 8.3. The Small Business Bonus Scheme (SBBS), designed to grant relief on rates to small businesses depending on the combined rateable value of their business properties in Scotland, remains unchanged from 2017/2018. The threshold for 100% relief remains at £15,000 and the levels of relief will continue to range from 25% to 100%.
- 8.4. The Government is proposing that Fresh Start relief will be expanded to include all types of non-domestic properties, with the qualifying period that properties must be empty before they are entitled to relief decreasing from 12 to 6 months, whilst the level of relief offered will increase from 50% to 100%.
- 8.5. A new Business Growth Accelerator is proposed to apply from 1 April 2018, which will delay any increase in rates liability due to the improvement of or expansion of an existing property for 12 months. This means that new build properties will pay no rates for an initial year once entered onto the valuation roll. More detail has still to be confirmed. In addition, new build properties will not be entered onto the valuation roll until they are occupied. The Government's commitment for a new relief for broadband fibre infrastructure will be met from this accelerator in 2018/2019.
- 8.6. New relief has been proposed for day nurseries and hydro generation properties. This will offer 100% relief for properties wholly or mainly used to provide day nursery care for pre-school children and 60% for hydro generation properties with a rateable value of up to £5 million.
- 8.7. No other Non Domestic Rate changes are proposed for 2018/2019 at this time, with other reliefs rolling forward unchanged from 2017/2018.

9. Council Tax and Other Balances

- 9.1. The final options in relation to the funding package for the proposed expenditure are the generation of Council Tax and the utilisation of the Council's surpluses.
- 9.2. As in previous years, it is recommended that the surpluses forecast to be generated by the Trading Operations should be used to minimise any increase in the level of overall budget. A figure of £11.459 million is estimated for trading surpluses in 2018/2019.
- 9.3. This leaves for consideration the level of Council Tax which is property based. All houses are classified into eight bands, A to H, with band H properties paying more than three times the level of band A. The Council's declared tax is for band D and all other rates are fixed using the following scale:

Property Ranges and Proportion of Band D Payable

Property Ranges in South Lanarkshire for Council Tax			
Property Value Range	Band	Proportion of Band D Tax Payable	Proportion of South Lanarkshire Property in each band December 2017
£27,000 and under	A	67%	24.18%
£27,001 to £35,000	B	78%	20.11%
£35,001 to £45,000	C	89%	17.13%
			(Total A to C: 61.42%)
£45,001 to £58,000	D	100%	13.57%
£58,001 to £80,000	E	131%	12.74%
£80,001 to £106,000	F	162%	7.81%
£106,001 to £212,000	G	196%	4.11%
Over £212,000	H	245%	0.35%

- 9.4. The Council's declared tax will be at the Band D level but only around 20,426 properties (13.57%) are in band D. Over the past few years, there has been an upward movement in the valuation of properties. However, approximately 61% of properties still remain in Bands A, B and C, so the effect of any increase in Council Tax is reduced by 33%, 22% and 11% respectively for most properties.
- 9.5. The number of houses in the tax base for South Lanarkshire now exceeds 150,500 as advised by the Assessor for the Lanarkshire Valuation Joint Board. From this figure, an allowance is deducted for single person discounts, students, disabled, vacant premises etc. to produce an estimated yield for £1 on a Band D basis at 100% collection of £132,339.
- 9.6. Calculating the cost to the local community, the Council must set an appropriate level allowing for non-collection. Council Tax collection rates have improved markedly in recent years due to the number of changes initiated by the Council.
- 9.7. It is suggested that a yield of £128,534 for £1 tax at Council Tax Band D be used in the 2018/2019 budget (an increase on 2017/2018 due to an increase in the number of properties). At 97.125%, this represents a continuation of the collection rate performance achieved in recent years.
- 9.8. This would set the Council Tax Band D at £1,134 and reflects the assumptions in the Overall Position of Revenue Budget 2018/2019 and Savings Proposals Report also presented to this Committee.

10. Governance Arrangements

- 10.1. The responsibilities of the Performance and Review Scrutiny Forum include overseeing the Council's strategy and approach to Best Value, improvement and performance management. This includes Local Government Benchmarking Framework Indicator results and the Council's responsibilities in respect of Public Performance Reporting.
- 10.2. The Financial Resources Scrutiny Forum has continued its role in reviewing financial activity and has maintained its regular pattern of assessing budgetary trends and the performance of the Council's Trading Operations.

- 10.3. The Risk and Audit Scrutiny Forum has continued to receive both internal and external audit reports.
- 10.4. Each Committee receives reports on its Resource's financial performance at meetings throughout the year. The Executive Committee takes an overview of the Council's financial position on a regular basis.
- 10.5. The importance of these Governance arrangements is acknowledged and the current level of scrutiny and control will be maintained going forward.

11. Summary of Overall Position and Options

- 11.1. The overall budget for financial year 2018/2019, including income and expenditure is summarised as follows:

Indicative Budget for 2018/2019	£684.493m
<u>Deduct:</u> Government Grant	£549.116m
<u>Deduct:</u> Use of 2017/18 Additional Revenue Grant	£2.053m
<u>Deduct:</u> Debt Flexibility Reserve	£2.936m
<u>Deduct:</u> Capital Fund / Receipts Reserve	£4.000m
Resultant Net Sum to be Funded Locally	£126.388m

- 11.2. The net sum to be funded locally comprises:

Gross Council Tax 2018/2019	£145.758m
<u>Deduct:</u> Council Tax Reduction Scheme	(£19.370m)
Resultant Net Sum to be Funded Locally	£126.388m

Estimated Product of £1 Gross Council Tax at 97.125% collection £128,534

12. Prudential Framework and Borrowing to Fund Capital Expenditure

- 12.1. Since financial year 2004/2005, councils have been able to determine their own borrowing limits in funding capital expenditure. This is subject to compliance with the Prudential Code. Councils are required to identify sources of revenue to fund capital expenditure beyond that level. Given the commitment to the modernisation of our primary schools, the Council takes full advantage of the flexibility offered by these arrangements. A detailed report on local prudential indicators will be presented to this meeting separately.
- 12.2. The Council's financial strategy, presented to Executive Committee in June 2017, provided details of the Council's expected borrowing requirements for capital expenditure. The financial impact of borrowing has been considered as part of the Council's financial strategy which Members approved in June 2017.

13. Future Years Budgets

- 13.1. The Executive Committee approved a budget strategy in June 2015 covering years 2016/2017 to 2018/2019 and the report also included a longer term outlook. At that point in time, the assumptions within the strategy projected that the government grant available would reduce across all the years of the strategy.
- 13.2. An updated Strategy will be prepared for consideration by the Executive Committee in the summer.

14. Voting

- 14.1. Members are reminded that restrictions on voting in setting the level of Council Tax still apply. These rules were introduced in 1992 and it is an offence to breach them.

In summary, Members who are present at the meeting and who are at least two months in arrears with payment of Council Tax or have outstanding bills for Community Charge/Poll Tax, must disclose this fact as soon as practicable after the start of the meeting and refrain from voting on any proposal for setting the level of tax.

15. Further Actions Required

15.1. Should the Council approve recommendations 1-3 outlined at Section 2 of this paper, then the following actions will be required to finalise the Council's revenue budget for 2018/2019:

- The final grant will be confirmed following the approval of the Finance Order by the Scottish Parliament, and the budgets will be implemented by Service Managers for 2018/2019 and a Service Summary will be produced for information.
- The Band D Council Tax for 2018/2019 will be applied at the figure decided.
- Necessary billing and collection mechanisms will be set in motion. The ten monthly Council Tax instalments will commence in April.
- Appropriate scrutiny will continue to ensure the process of reviewing budgetary performance is continued.

16. Council Tax Insert

16.1. For 2018/2019 Council Tax annual billing, the Council will replace the printed budget insert currently provided to all households with online information. Guidance on how to access the budget information will be enclosed with all bills and a small supply of printed leaflets will be available to customers on request.

17. Employee Implications

17.1. None.

18. Financial Implications

18.1. As outlined in report.

19. Other Implications

19.1. There are no significant issues in terms of sustainability or risk arising from the recommendations in this report.

20. Equality Impact and Assessment and Consultation Arrangements

20.1. *Equality Impact and Assessment*

The Equality Act 2010 expects that those making decisions give 'due regard' to equality considerations during the course of decision-making. The Equality Impact Assessments and their outcomes should help inform Elected Members so that their decisions have taken account of the different needs and rights of members of the community. This does not mean that difficult decisions cannot be made, but that they are made in a fair and transparent way.

20.2. In terms of the Council's public sector duties under the Equality Act 2010, initial Equality Impact Assessments (EQIA's) have been carried out on all the proposals which require them. Any proposal which has identified potential adverse impacts will also have mitigating actions to remove or lessen the impact on protected groups. The protected characteristics are age, disability, sex, sexual orientation, pregnancy and maternity, marriage and civil partnership, race, religion and beliefs and transgender identity.

20.3. Assessments of the overall impact of the savings proposals on service users and employees have also been carried out. The Equality and Human Rights Commission recommends that EQIA's should be considered carefully before decisions are taken. Further information on Impact Assessments is available from the Employee Development and Diversity Manager. Any necessary equality impacts in relation to savings resulting from decisions already approved (Approved category) have been completed and made available as appropriate.

20.4. *Budget Consultation*

The public consultation took place during December 2017. 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 to the Council.

20.5. A separate report was issued to all Members summarising the outcome of the consultation exercises.

Paul Manning

Executive Director (Finance and Corporate Resources)

21 February 2018

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Executive Committee, 28 February 2018

List of Background Papers

- ◆ Finance Circular 5/2017 Local Government Finance Settlement 2018/2019 (updated 23 January 2018 and 31 January 2018)

Contact for Further Information

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

Paul Manning, Executive Director, Finance and Corporate Resources

Ext: 4530 (Tel: 01698 454530)

E-mail: paul.manning@southlanarkshire.gcsx.gov.uk

South Lanarkshire Council
2018/2019 Revenue Budget Summary

	2017/18 Base Budget £m	2018/19 Rollover	2018/19 Savings	2018/19 Proposed Base Budget £m
Community and Enterprise Resources	118.311	3.833	(5.295)	116.849
Education Resources	301.496	14.509	(2.306)	313.699
Finance and Corporate Resources	30.278	5.187	(3.566)	31.899
Housing and Technical Resources	16.715	1.851	(1.195)	17.371
Social Work Resources	143.578	7.964	(0.163)	151.379
Joint Boards	2.363	0.015	0.000	2.378
Total of all Resources plus Joint Boards	612.741	33.359	(12.525)	633.575
Other Budget Items:				
Loan Charges	57.314	0.508	(0.050)	57.772
Corporate Items	13.337	(7.482)	(1.250)	4.605
Trading Services' Surpluses	(10.054)	0.015	(1.420)	(11.459)
Total Base Budget 2017/2018	673.338			
Total Proposed Budget 2018/2019		26.400	(15.245)	684.493

The 2017/18 base figures include budget adjustments approved during 2017/2018.

South Lanarkshire Council 2018/2019

Revenue Budget Summary

Budgetary Category	2017/2018 Base Budget £m	2018/2019 Proposed Base Budget £m
Employee Costs	392.637	407.333
Property Costs	50.159	50.046
Supplies and Services	32.125	32.819
Transport and Plant Costs	21.733	21.636
Administration Costs	10.873	10.641
Payments to Other Bodies	47.897	43.757
Payment to Contractors	172.854	180.869
Transfer Payments (Housing & Council Tax Benefit)	88.309	88.666
Financing Charges (Leasing Costs)	1.589	1.589
Total Expenditure	818.176	837.356
Total Income	(205.435)	(203.781)
Net Expenditure	612.741	633.575
Other Budget Items:		
Loan Charges	57.314	57.772
Corporate Items	13.337	4.605
Trading Services' Surpluses	(10.054)	(11.459)
Total Base Budget 2017/2018	<u>673.338</u>	
Total Proposed Budget 2018/2019		<u>684.493</u>