

Report

Report to:	Executive Committee
Date of Meeting:	21 November 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Strategy 2019/2020 and Savings Proposals
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide an update on the 2019/2020 Revenue Budget Strategy and present proposals for meeting the savings requirement 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 revised Revenue Budget Strategy for 2019/2020, including the proposed additional Corporate Solutions of £5.279 million (section 5), be approved;
- (2) that a 3% increase in Council Tax would net £3.792 million (section 6.2), be noted;
- (3) that the revised budget gap of £9.212 million, after Corporate Solutions and assuming a Council Tax increase (section 6.3), be noted;
- (4) that the package of already approved savings totalling £0.140 million (section 7.5), be noted;
- (5) that the remaining savings proposals, totalling £13.041 million (section 7.5), be approved;
- (6) that the balance of funds available on the 2019/2020 Budget of £3.969 million (section 7.6), be noted; and
- (7) that the intention to submit a paper to this Committee confirming actual Government Grant when the Council is notified of its settlement (section 10.1), be noted.

3. Background

3.1. At its meeting on 27 June 2018, the Council's Executive Committee approved the Revenue Strategy for the 2019/2020 Budget. The Budget Strategy showed an initial savings requirement of £18.283 million. In arriving at this level of savings, the Budget took account of a number of assumptions including Grant Reductions, Pay and Pension Increases, Price Increases, Funding for Priorities and Revenue Consequences of Capital.

3.2. The savings requirement of £18.283 million is the requirement before any corporate funding solutions are approved.

- 3.3. Since the 2019/2020 Revenue Budget Strategy was approved in June 2018, an exercise has been undertaken to identify corporate funding solutions that would allow the savings requirement to be reduced.
- 3.4. Section 4 of the report provides an update on Strategy assumptions and Section 5 details the corporate funding solutions identified. Section 6 provides details on Council Tax increases and Section 7 provides details on how the savings requirement can be achieved through the presentation of a package of savings for consideration by Members.

4. Update on Strategy Assumptions

- 4.1. **Teachers Pensions:** The Strategy approved in June 2018 included assumptions on potential increases to the employers contribution rate for Teachers' Pensions as a result of a change to the discount rate applied to unfunded pensions and also from changes to contribution rates following an anticipated revaluation of the Teachers' Pension Fund.
- 4.2. The Budget Strategy for 2019/2020 includes £2.6 million for the impact of the Discount Rate changes (a movement of 0.2%, from 3% to 2.8%, as per the UK Government 2016 Budget Announcement) and £3.1 million as a result of the revaluation (assumed as a similar movement to that experienced in the last valuation in 2016). The Budget Strategy assumes that the Council will receive funding from the Government for these changes.
- 4.3. The Council has now received confirmation that the reduction in Discount Rate will be 0.6% rather than the anticipated 0.2% (as per COSLA, October 2018). This will result in an additional contribution of 5.2% applied to the Council's contribution rate, which means the Council will pay over £7.2 million more in pension costs for teachers (£4.6 million higher than originally included in the 2019/20 Budget Strategy). The Strategy continues to assume that funding will be provided for these costs. No further information is currently available on the impact of the valuation of the Teachers' Pension Fund. The valuation of public sector pensions will take place over the coming months.
- 4.4. As a result of the new information, the costs to the Council, and subsequent risk if these items are not funded by the Scottish Government, will increase from £5.7 million to £10.3 million.
- 4.5. **Job Evaluations:** A paper was presented to Committee in August 2017 advising on areas where Job Evaluations would be carried out. As these Job Evaluations progress, any financial implications may require to be considered within the Council's Budget Strategy. If required, further information on expected pressures and funding proposals will be provided to a future Committee.

5. Corporate Funding Solutions

- 5.1. An exercise has been carried out to identify corporate funding solutions that would reduce the savings requirement of £18.283 million identified in the 2019/2020 Budget Strategy. Some of the items identified are permanent, whilst those that relate to the use of underspends in the 2018/2019 budget (Executive Committee, June 2018), would require to be re-instated in the 2020/2021 budget.

- 5.2. **Police Scotland Payment (excluding element for Campus Officers):** The Council currently makes an annual payment to Police Scotland to fund additional officers, campus officers and overtime. It is proposed that this payment is ceased, with the exception of the element relating to campus officers. This would allow the savings requirement to be reduced by £0.502 million.

Reduction in Savings Requirement: (£0.502m)

- 5.3. **Council Tax Collected from New Properties:** The 2019/2020 Budget includes an increase of £1.200 million in relation to anticipated new properties into 2019/2020. After making an assumption regarding the Council Tax Reduction Scheme, the net increase currently included in the Budget is £1.050 million.
- 5.4. The Scottish Government require the Council to submit a return each September showing information on the number of properties across all council tax bands. Following the recent completion of the 2018 return, additional properties were identified over and above those already included in the 2019/2020 Budget. Based on these additional properties, a further £0.527 million of additional Council Tax income can be assumed within the Budget.
- 5.5. It should be noted that the Council Tax income from additional properties does not give a permanent benefit to the Budget as there will be an impact on grant levels in future years. This is estimated at 80% grant reduction – for every additional £1 of Council Tax, there is an 80p reduction in grant. This will form part of grant assumptions for 2021/2022.

Reduction in Savings Requirement: (£0.527m)

- 5.6. **Council Tax Collected from Long Term Empty Properties:** Since April 2014, councils have been allowed to charge 200% Council Tax on properties that have not been occupied for more than 1 year. This discretionary charge was intended to encourage owners to bring empty properties back into use, both to increase the supply of housing for those who need homes and to reduce the blight on communities caused by houses being left empty and allowed to fall into disrepair. It does not apply to second or holiday homes, where the owner can prove they are used for more than 25 days per year. A number of other councils have applied this charge and are generating significant income.
- 5.7. This would be applied to all long term properties including our own housing stock, Registered Social Landlords and private properties. If implemented, the Council would remove the current 10% discount applied to the council tax charge on these properties and replace it with a 200% (double) council tax charge on the property. There are currently 495 long term empty properties in the South Lanarkshire area. Based on these properties and the 50% reduction in the number of long term properties experienced by other councils in the lead up to implementation, the Council could generate an additional £0.250 million in Council Tax income.

- 5.8. The impact on the Council's Housing Revenue Account and Registered Social Landlords / Housing Associations before taking into account the potential 50% reduction in the number of properties prior to implementation, is £0.013 million and £0.043 million respectively.
- 5.9. A separate report is presented to this meeting on the application of this charge to the long term empty properties in the South Lanarkshire area.

Reduction in Savings Requirement: (£0.250m)

- 5.10. **2018/2019 Underspends:** As part of the monitoring of the 2018/2019 budget, a number of underspends have been identified and reported to date on the Council's budget. These have arisen mainly from an underspend in loan charges and an over recovery of income from council tax.
- 5.11. At a previous meeting of this Committee (26 September 2018), it was agreed that an uncommitted element of the underspend (£4.000 million) could be considered for use in the 2019/20 Budget Strategy. It is proposed that £2.000 million of this is utilised in 2019/2020 to reduce the savings requirement and the remaining £2.000 million be used in 2020/2021 for the same purpose. That means that in 2019/2020 and in 2020/2021, £2.000 million per annum will be used to reduce the savings requirement. However, it must be noted that the £2.000 million will require to be re-instated in the 2021/2022 budget.
- 5.12. It should be noted that the anticipated underspend is based at a point in time and the financial year is not yet complete. Any change to the figure will be reported throughout the year.

Reduction in Savings Requirement: (£2.000m)

- 5.13. **Loan Charges:** As part of the 2018/2019 Revenue Budget Monitoring, savings have been identified on the interest rates achieved compared to the budgeted rates, for the borrowing required in 2018/2019. This saving will be realised in subsequent years and as such, budget can be reduced in Loan Charges into 2019/2020.

Reduction in Savings Requirement: (£2.000 million)

- 5.14. Taking the above information into account (sections 5.1 to 5.13) allows a revision to the Budget position for 2019/2020. This movement is summarised in Table 1:

Table 1: Revised Efficiency Savings Requirement for 2019/2020

	2019/2020 £m
Efficiency Savings Requirement (27 June 2018, Executive Committee)	18.283
Corporate Solutions	
Payment to Police Scotland (excluding Campus Officers) (section 5.2)	(0.502)
Council Tax Income: 2018/2019 Additional Property Numbers (section 5.3)	(0.527)
Council Tax Income: Long Term Rented Properties (section 5.6)	(0.250)
<i>Use of Underspends</i>	
2018/2019 Underspend (section 5.10)	(2.000)
Loan Charges (section 5.13)	(2.000)
Total Corporate Solutions	(5.279)
Remaining Efficiency Savings Requirement	13.004

- 5.15. Table 1 shows the budget gap after corporate solutions of £13.004 million.

6. Council Tax Increase

- 6.1. From 2017/2018, the Council Tax freeze was lifted and councils are able to apply a 3% maximum increase per annum to all council tax bands. In 2018/2019, the Council approved a 3% increase to all bands.
- 6.2. If a similar 3% increase were applied in 2019/2020, this could generate £3.792 million of additional Council Tax Income. The approved 2019/2020 Revenue Budget (Executive Committee, June 2018) took no account of any additional income from increasing Council Tax.

Table 2: Revised Efficiency Savings Requirement for 2019/2020

	2019/2020 £m
Remaining Efficiency Savings Requirement (section 5.14)	13.004
Potential Council Tax Income – 3% Increase (section 6.2)	(3.792)
Revised Efficiency Savings Requirement (after Corporate Solutions and Council Tax Increase)	9.212

- 6.3. If Council Tax was increased by 3%, this would result in a revised efficiency savings requirement in the 2019/2020 Budget of £9.212 million.

6.4. It should be noted that although corporate funding solutions have been identified, there has been no change to the Council's information on the level of Government Grant to be received. It is expected that the Council will receive its Grant settlement week commencing 17 December 2018. The overall position for the budget will be updated following the receipt of the Grant settlement.

6.5. Savings proposals to meet this are presented for consideration in Section 7.

7. Savings Proposals 2019/2020

7.1. As detailed in Section 6.3 above, the total level of savings required to balance the budget for 2019/2020 is £9.212 million. In order to meet this level of savings, officers have identified proposals for Members' consideration.

7.2. A package of savings proposals totalling £13.181 million is attached at Appendix 1 to this report. These were provided to Elected Members at an Awareness Session on 5 November 2018.

7.3. The savings proposals have been categorised to provide Members with more information on how each saving will impact on the Council and its services. The categories are shown below.

Approved: These savings proposals result from activity which has already been approved through Committees including previous savings exercises.

Efficiency and Outturn: These savings result from more efficient practices. Some of these areas reflect an underspend on budgets in the last financial year and, therefore, the saving is already being delivered.

Charging: These savings proposals relate to increases to charges or where new charges are being introduced.

Service Impact: These savings have an impact on how services are delivered.

7.4. Table 3 shows the split of savings across the categories, including the FTE and savings value for each category:

Table 3: Efficiency Savings Across Categories

	£m	FTE
Approved	0.140	-
Efficiency and Outturn	11.894	113.0
Charging	0.332	-
Service Impact	0.815	26.4
TOTAL Proposed Savings	13.181	139.4

7.5. The overall package includes £0.140 million of savings resulting from decisions which have already been approved. Of the remaining £13.041 million, there are Efficiency and Outturn savings of £11.894 million. In the remaining categories, Service Impact and Charging savings total £1.147 million. It is proposed that the remaining savings of £13.041 million are considered for approval.

Table 4: Revised Efficiency Savings Requirement for 2019/2020

	2019/2020 £m
Revised Efficiency Savings Requirement (section 6.2)	9.212
Efficiency Savings Proposals (section 7.2)	(13.181)
Balance of Funds Available (after Corporate Solutions and Council Tax Increase)	(3.969)

- 7.6. If approved, the savings detailed in Appendix 1 would result in a balance of funds available on the 2019/2020 Budget of £3.969 million.
- 7.7. **Integration Joint Board:** Some of the Social Work Resources' savings proposals relate to services delegated to the Integration Joint Board.
- 7.8. The Council delegated the funding to the Integration Joint Board on 1 April 2016. As part of the ongoing partnership working arrangements to manage pay, inflationary and demographic cost pressures and to meet agreed Social Work service priorities, a financial plan comprising of additional funding and proposed savings is agreed annually with the Integration Joint Board.
- 7.9. As part of these arrangements, the proposed savings which relate to the Council's Social Work Resources are included as part of the Council's overall savings package for approval. In approving these savings, there will be a reduction in the allocation of funds to the Integrated Joint Board. The proposed savings are in relation to efficiencies and the re-provisioning of service to reflect reducing demand.
- 8. Position Beyond 2019/2020**
- 8.1. This paper and the attached savings proposals focus on financial year 2019/2020, and are in line with the Strategy approved by the Executive Committee on 27 June 2018, updated for corporate solutions and a 3% increase in Council Tax in sections 5 and 6 above.
- 8.2. For future years, the estimated savings requirements continue to pose a considerable challenge, and this will require further consideration of areas of service delivery.
- 8.3. **Temporary Solutions:** Of the proposals for 2019/2020 Savings and Corporate Solutions, a number are of a temporary nature. These will require to be re-instated in future years, from 2020/2021.
- 8.4. Table 5 shows the temporary solutions and the budget re-instatements that are required as part of decisions made in arriving at the Budget. The table comprises 2 elements, those re-instatements required as a result of the decisions taken in the 2018/2019 Budget and the additional re-instatements arising from the 2019/2020 Budget.
- 8.5. All of the temporary assumptions, savings and additional corporate solutions shown in Table 5 will have an impact on the savings requirement for future years from 2020/2021. These will require to be included as part of the Budget for these years.

Table 5: Temporary Solutions and Year of Reinstatement

	Year of Re-instatement		
	2020/ 2021	2021/ 2022	2022/ 2023
	£m	£m	£m
<i>2018/2019 Savings</i>			
Staffing Secondment (18/19 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	-	-
Total Temporary Solutions (2018/2019 Budget)	4.825	6.100	-
<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 (Section 5.5)	-	0.960	-
Government Grant – Impact of new Additional Properties Council Tax (Section 5.5)	-	0.422	-
Use of 2018/2019 Underspends (section 5.10)	-	2.000	-
Total Temporary Solutions (2019/2020 Budget)	0.197	3.427	-
Total Temporary Solutions	5.022	9.527	-

9. Summary

- 9.1. Members are reminded of the information given (section 6) that there is the option to increase Council Tax by up to 3%. If this is implemented, provided that assumptions on levels of Government Grant are accurate, then this may provide scope for options in setting the budget.
- 9.2. It should also be noted that a number of funding solutions are temporary in nature (section 8.3). As detailed in Table 5, in year 2020/2021 we will need to include an additional £5.022 million within the Revenue Budget to address this.

10. Next Steps

- 10.1. As discussed at section 6.4, the Council will not receive confirmation of its detailed grant figures until week commencing 17 December 2018. As the Council has to set a balanced budget early in 2019/2020, the assumptions made in the approved 2019/2020 Budget in relation to the grant settlement will continue to be used (Executive Committee, June 2018) until this confirmation is received. An updated position will be provided to this Committee following confirmation of the grant figures from the Scottish Government.

11. Employee Implications

- 11.1. Each saving proposed in the Appendices shows the number of full time equivalent posts that will be affected. The savings options in Appendix 1 would require a net reduction of 139.4 FTE posts in 2019/2020.
- 11.2. A substantial number of these can be managed through anticipated turnover, vacant posts and the removal of temporary posts. Of the 139.4 FTE posts, 70.7 FTE are currently vacant or are temporary posts. The balance of 68.7 FTE posts will be achieved through a combination of redeployment and voluntary severance/early retirement.

12. Financial Implications

- 12.1. As detailed in the report.

13. Other Implications

- 13.1. The assumptions on which the savings target is based are defined within the Financial Strategy for the Council as approved by the Executive Committee on 27 June 2018 and updated by the corporate solutions and potential 3% increase to Council Tax (sections 5 and 6). 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.
- 13.2. 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.

14. Equality Impact Assessment and Consultation Arrangements

- 14.1. 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.
- 14.2. 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.
- 14.3. 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 will be made available to Members.
- 14.4. In terms of consultation, the Trade Unions will be consulted. With regard to consultation with the public, all members of the public will be invited to comment on budget proposals through a dedicated e-mail address (savings@southlanarkshire.gov.uk) and an online survey. This will be advertised through the use of Social Media (Twitter and Facebook).

- 14.5. In addition, as in previous years, targeted Public Consultation on the budget will be carried out. This will look to undertake face to face community engagement, and online consultation with a wide a range of participants, including members of the Citizens' Panel, the Council's Employee Network, South Lanarkshire Youth Council, Seniors Together, Disability Groups and Lanarkshire Ethnic Minority Action Group and other community groups.
- 14.6. The outcome of the Public Consultation events will be advised to all Elected Members in a separately issued briefing paper later in the budget setting process.
- 14.7. Where savings proposals have identified potential negative impact on service users, appropriate consultation and engagement will take place with those who may be affected, as detailed in the individual EqlAs.

Paul Manning
Executive Director (Finance and Corporate Resources)

29 October 2018

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Executive Committee, 27 June 2018

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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