

Report

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| Report to: | Executive Committee |
| Date of Meeting: | 10 February 2021 |
| Report by: | Executive Director (Finance and Corporate Resources) |

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| Subject: | 2021/2022 Grant Settlement and Impact on 2021/2022 Budget Strategy and Savings |
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update the Committee in relation to the Finance Settlement received for the Council's 2021/2022 and the impact on the 2021/2022 Capital Programme and Revenue Budget Strategy and Savings.

2. Recommendation(s)

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

- (1) that the capital grant settlement for 2021/2022 (section 4) be noted; and
- (2) that the Revenue Budget grant settlement for 2021/2022 (section 5.2), and that the improved position to the budget strategy of £12.591 million (section 5.11) compared to the assumed level, be noted.
- (3) that the next steps detailed at section 8 are noted.

3. Background

3.1. On the 1 February 2021, the Scottish Government issued Finance Circular 1/2021 which detailed individual grant settlement figures to all councils for capital and revenue. This report will provide details on the Settlement, and how these affect the Council's budget position.

4. 2021/2022 Settlement - Capital Grant

4.1. The Finance Circular announced a 2021/2022 General Capital Grant for South Lanarkshire of **£21.362 million**. The level of General Capital Grant for 2021/2022, as included in the Council's approved 2021/2022 General Services Capital Programme, is **£21.300 million**. Therefore, there is an increase of **£0.062 million** of General Capital Grant available for 2021/2022. A report covering proposals on the use of this additional funding will be brought back to Members early in the new financial year

4.2. There is also **£2.141 million** of specific grant for Vacant and Derelict land (£0.737 million) and Cycling, Walking and Safer Streets (£1.404 million). No account has been taken of these amounts for Vacant and Derelict Land and Cycling, Walking and Safer Streets in the 2021/2022 Capital Programme. These new amounts, totalling £2.141 million, will be added to the programme in the new year. As in previous financial years, this will be used to undertake specific programmes of work in accordance with the grant conditions attached to this funding.

4.3. The Overall Capital settlement for 2021/2022 is therefore **£23.503 million**. An updated Capital Programme for 2021/2022 will be brought to Committee early in the new financial year.

5. **2021/2022 Settlement - Revenue Grant**

5.1. In the letter from the Scottish Government accompanying the grant figures, it is stated that the General Revenue Funding figure is part of a package of funding whereby the Scottish Government will work in partnership with local government to implement the budget and the joint priorities in return for the full funding package. These include supporting the expansion of Early Years provision, continuing financial investment and support for social care, commitment to maintain pupil / teacher ratios and contributing to Teachers' pay and pension increases.

5.2. The Settlement also includes funding for those councils who agree to freeze their Council Tax at the 2020/2021 level.

5.3. This section of the report will consider the movement in grant year on year on a like for like basis (sections 5.4-5.6), specific funding allocations (section 5.8) and how the level of grant affects the Budget Strategy (section 5.10 / section 6).

5.4. **Movement in Grant:** The grant allocation for the year 2021/2022 is £625.811 million (Finance Circular 1/2021). Also included in the Finance Circular is the updated grant allocation for 2020/2021 of £612.757 million. Adjustments need to be made to obtain a comparable 2020/2021 grant figure. These are detailed in Appendix 1 and comprise monies anticipated but not yet received in 2021/2022 (£2.355m) and single year monies received in 2020/2021 only (£0.047m), totalling £2.402 million. This results in a revised 2020/2021 grant figure of £610.355 million. Comparing the two years' allocations indicated a year on year cash increase in grant of £15.456 million (2.5%), however this is not on a like for like basis.

5.5. Adjustments need to be made to the grant movement to reflect that some of this increase in grant is already committed for new things. This allows us to show a like for like movement in grant into 2021/2022. These movements are also detailed in Appendix 1 and include new funding received in 2021/2022 which has new responsibilities (£3.716m), new funding for IJB's (£4.224m), and monies removed from 2021/2022 (£0.005m). These commitments total £7.935m.

5.6. **Like for Like Movement:** While there is a cash increase of £15.456 million in grant (section 5.4), the adjustments summarised in section 5.5 mean that there are commitments of £7.935m already against this grant. Taking these commitments into account results in a year on year / like for like grant increase of **£7.521 million** (1.23%) (being the £15.456 million increase in grant less the £7.935 million of commitments).

5.7. **2021/2022 Budget Adjustments Following Settlement:** In addition to the level of grant itself, the settlement identifies other areas which impact on the Council's budget. These are detailed in sections 5.8 to 5.9.

5.8. **Specific GAE/Funding Allocations in 2021/2022:** The settlement also identifies a number of areas of spend where the allocation changes across years. This can be because of changes to the method of allocation, or changes to the criteria which underpin the allocation. These are not ring-fenced monies, and are merely indicators of spend. Because of these movements in GAE monies, the Council will benefit from **£0.901 million**. Details of these are included in Appendix 1.

- 5.9. **Non-Domestic Rates:** A reduction in rates poundage was announced as part of the Finance Settlement, taking the rate back to 2019/2020 levels. The Budget Strategy assumes an increase in rates poundage going into 2021/2022. As this is no longer needed, there will be a benefit to the Council of **£0.720 million**.
- 5.10. **Overall Impact on the Revenue Budget Strategy:** Table 1 summarises the impact of the Grant Settlement (sections 5.1 to 5.6) and the Budget Adjustments (sections 5.8 to 5.9), and shows an improved position in relation to the Budget Strategy of **£12.591 million** compared to the Budget Strategy assumptions.

Table 1: Overall Impact on the Council's Revenue Budget Strategy

| | £m | £m |
|---|--------------|----------------|
| Updated Revenue Grant for 2020/2021 (section 5.4) | | 612.757 |
| Less: Funding Not Yet Received in 2021/2022 (Appendix 1 (1)) | 2.355 | |
| Less: Funding Received in 2020/2021 for one year only (Appendix 1 (2)) | <u>0.047</u> | |
| | | (2.402) |
| Revised Revenue Grant for 2020/2021 (section 5.4) | | 610.355 |
| 2021/2022 Revenue Grant (section 5.4) | | 625.811 |
| Increase in Revenue Grant into 2021/2022 (section 5.4) | | 15.456 |
| Remove: New Funding with New Responsibilities (Appendix 1 (3)) | (3.716) | |
| Remove: New Funding for Integrated Joint Boards / Carers act (Appendix 1, (4)) | (4.224) | |
| Add: Funding Removed from 2021/2022 (Appendix 1 (5)) | <u>0.005</u> | |
| | | (7.935) |
| = Like for like Movement (section 5.6) | | 7.521 |
| | | |
| Movement in Grant Assumed in Budget Strategy | | 10.259 |
| | | |
| Other Budget Adjustments: | | |
| Specific GAE/Funding Allocations in 2020/2021 (section 5.8 and Appendix 1) | 0.901 | |
| Council Tax - 4.84% assumed in Strategy | (6.810) | |
| Non-Domestic Rates Poundage Benefit (section 5.9) | <u>0.720</u> | |
| Total Other Budget Adjustments | | (5.189) |
| | | |
| Improved position compared to Revenue Budget Strategy (section 5.11) | | 12.591 |

6. Position Compared to Strategy

- 6.1. The report to the Executive Committee (Special) on 13 January 2021 provided a revised savings requirement of £17.530 million following Strategy updates. The potential increase in funding from a Council Tax increase of £6.810 million and Management and Operational Decisions totalling £5.762 million were then taken into account resulting in a **revised savings requirement of £4.958 million**.
- 6.2. Following the Grant Settlement, the comparable figure is a capacity for investment in the budget of **£7.633 million**, an **improvement of £12.591 million**.
- 6.3. Table 2 provides a summary of the position post settlement, compared to the position reported to the Executive Committee in January 2021.

Table 2: Comparison of Strategy (January 2021) to Post Settlement Position

| | Per January Exec Committee | Post Settlement |
|--|---|----------------------------|
| | £m | £m |
| Savings Requirement | 17.530 | 17.530 |
| Adjustments per Settlement: | | |
| Less: Reduction in grant per budget strategy | | (10.259) |
| Less: Increase in grant per settlement | | (7.521) |
| Less: Reduced commitments following settlement | | (0.901) |
| Less: Benefit of reduced rates poundage | | (0.720) |
| Revised Savings Requirement | 17.530 | (1.871) |
| Less: | | |
| Potential Increase in Council Tax | (6.810) | - |
| Management and Operational Decisions | (5.762) | (5.762) |
| Balance of Savings Required/(Capacity for Investment in budget) | 4.958 | (7.633) |
| Movement between January position and post settlement | | 12.591 |

7. Other Potential Costs

- 7.1. As part of the Budget the Scottish Government provided details of their pay policy. This stated a pay policy of £750 / minimum 3% pay award for those earning up to £25k; 1% for those earning between £25k and £80k, and then a cap of £800 for earners over £80k.
- 7.2. This does not directly affect Local Government, however the implications of a similar policy could mean that the level of pay award currently included in the Budget Strategy is insufficient. Early estimates on the costs of such a policy on our lower earners indicate a shortfall in our budget of up to £3m.
- 7.3. It should be noted that any savings taken for 2021/2022 will increase the one-off investment capacity, and the benefit for the 2022/2023 savings requirement.

8. Next Steps

- 8.1. **Local Government Finance Order:** Although the Council received its grant settlement on 1 February 2021, the level of grant may change as the Finance Budget Bill progresses through Parliament to the Finance Order: Stages 1 to 3 of the Finance Budget Bill will be presented to Parliament for debate and approval between the 25 February and the 9 March 2021, culminating in approval of the Local Government Finance Order being approved on 10 March 2021.
- 8.2. The Council has a statutory requirement to set its Council Tax by 11 March 2020. While the Council has not yet received final confirmation of its Budget as a result of the Finance Order, it can set its Budget for the coming year using the settlement information received to date, and it can set its Council Tax.
- 8.3. There is the possibility that there could be a change to the level of grant allocation as the Budget Bill process continues. If any further funds are received as part of the Budget Bill process, this will be brought to Members for consideration.

- 8.4. The Council meeting on 24 February will consider the Council's budget for 2021/2022. Members should remember that although this report indicates capacity for further investment of £7.633m, consideration should be given to provide for potential further costs for pay.
- 8.5. Consideration should also be given to the permanence of any planned investments. One-off investments would allow £7.633m (less any requirement for increased pay awards) to be available for the 2022/2023 budget allowing savings requirements to be reduced.
- 8.6. As stated at 7.3, any savings taken for 2021/2022 will increase the one-off investment capacity, and the benefit for the 2022/2023 savings requirement.

9. Employee Implications

- 9.1. There are no direct employee implications from this report.

10. Financial Implications

- 10.1. As detailed within this report.

11. Climate Change, Sustainability and Environmental Implications

- 11.1. There are no implications for climate change or sustainability in terms of the information contained in this report.

12. Other Implications

- 12.1. The assumptions on which the savings target is based are defined within the Financial Strategy for the Council as reported to the Executive Committee on 24 June 2020 and 13 January 2021 and updated as a result of the issue of the Local Government Finance Settlement. 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.
- 12.2. 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.

Paul Manning

Executive Director (Finance and Corporate Resources)

4 February 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ None

List of Background Papers

- ◆ Local Government Finance Circular 1/2020
- ◆ Executive Committee (Special), 13 January 2021 - Revenue Budget Strategy and Savings Options 2021/2022

Contact for Further Information

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

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Adjustments to 2020/2021 Updated Grant Figure, to reflect a year on year, like for like comparison between 2020/2021 and 2021/2022

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| <p>(1) Funding Not Yet Received in 2021/2022: £2.355m</p> <p>This will be added to the Council's budget when they are allocated in 2021/2022, and it is anticipated that additional spend will offset the grant.</p> <ul style="list-style-type: none"> Teachers' Induction (£2.355m) | £2.355m |
| <p>(2) Single-year funding received in 2020/2021: £0.047m</p> <p>This funding was received in 2020/2021 on a one-off basis. These need to be removed from the 2020/2021 budget as they are not included in the 2021/2022 budget.</p> <ul style="list-style-type: none"> Education Psychologists (£0.009m) Rapid Rehousing Transition Programme (£0.013m) EU BREXIT Funding (£0.025m) | £0.047m |
| Total | £2.402m |

Adjustments to Grant Movement, to reflect a year on year, like for like comparison between 2020/2021 and 2021/2022

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| <p>(3) New Funding in 2021/2022 with New Responsibilities</p> <p>These monies are new for 2021/2022.</p> <ul style="list-style-type: none"> Ringfenced Grants including Early Learning and Childcare (£3.381m), Pupil Equity Fund (decrease £0.007m), Community Justice (£0.219m) Environmental Health Officers (£0.068m) Barclay Implementation (£0.055m) | (£3.716m) |
| <p>(4) New Funding in 2021/2022 for Integrated Joint Boards</p> <p>These monies are new for 2021/2022.</p> <ul style="list-style-type: none"> Health and Social Care Funding / carers act (£4.224m) | (£4.224m) |
| <p>(5) Funding removed from 2021/2022: £0.005m</p> <p>This has been removed from the 2021/2022 budget.</p> <ul style="list-style-type: none"> British Sign Language (£0.005m) | £0.005m |
| Total | (£7.935m) |

Other Budget Adjustments:

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| Specific GAE/Funding Allocations in 2021/2022: £0.901m These are areas of spend where the allocation has changed year on year. | £0.901m |
| <ul style="list-style-type: none">• Council Tax Reduction Scheme (£0.080m decrease)• Temporary Accommodation (£0.050m decrease)• Rapid Rehousing Transition Programme (£0.005m increase)• Discretionary Housing Payments (£0.572m decrease) – this reflects that to date only some of the funding has been distributed• Scottish Welfare Fund (£0.040m decrease)• Community Justice Transitional Funding (£0.012m increase)• Sanitary Products in Public Places (£0.010m decrease)• Sanitary Products in Schools (£0.002m decrease)• School Counsellors (£0.005m decrease)• Education Psychologists (£0.031m decrease)• Private Sector Housing Grant (£0.089m decrease)• 1+2 Languages (£0.039m decrease) | |
| Total | £0.901m |