

Report

Report to:	South Lanarkshire Council
Date of Meeting:	24 February 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Overall Position of Revenue Budget and Level of Local Taxation for 2021/2022
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update the Council in relation to capacity for investment following the Finance Settlement for 2021/2022, present the Council Tax level for 2021/2022 for approval, and present the Revenue Budget for 2021/2022 including the base budget allocations to Resources, for approval.

2. Recommendation(s)

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

- (1) that the addition to the budget for the potential pay costs of £3 million (section 4.3) be agreed;
- (2) that the capacity for investment figure of £4.633 million, following the grant settlement for 2021/2022 (section 4.3), after taking account of the potential pay costs be noted;
- (3) that the inclusion of a budget for investments totalling £4.633million (section 4.4), be considered;
- (4) that the position on the General Capital Grant and the Specific Grants (detailed in sections 4.7 to 4.9), be noted;
- (5) that the proposed Council Tax freeze (section 5.2), which would set the Council Tax for Band D properties at £1,203, be approved; and
- (6) that the Revenue Budget for 2021/2022 including the base budget allocations to Resources, as shown in Appendix 1, be approved.

3. Background

- 3.1. On 1 February 2021, the Scottish Government issued Finance Circular 1/2021 which detailed individual grant settlement figures to all councils for capital and revenue. A report was presented to the Executive Committee on 10 February providing Members with details of the Settlement, and how these affect the Council's budget position.
- 3.2. This report will provide a summary of the updated position following the settlement, seek approval for Council Tax levels for 2021/2022 and provide the total budget across Resources.

4. 2021/2022 Strategy Update

- 4.1. 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 potential **revised savings requirement of £4.958 million**. Following the Grant Settlement, received formally on 1 February, a report was presented to the Executive Committee on 10 February 2021, where the comparable figure is now a capacity for investment in the budget of **£7.633 million**, an **improvement in the budget position of £12.591 million**. The Executive Committee on 13 January 2021 agreed to defer consideration of the report to the Council. The pack submitted to Executive Committee can be accessed at the following link:-

[Report to Executive Committee on 13 January 2021](#)

- 4.2. Table 1 provides a summary of the position post settlement

Table 1: 2021/2022 Post Settlement Position (taken from Executive Committee - 10 February 2021) – Capacity for Investment

	£m
Original Savings Requirement	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 Capacity for Investment	(1.871)
Less:	
Management and Operational Decisions	(5.762)
Capacity for Investment in Budget	(7.633)

- 4.3. **Potential Pay Costs:** As reported to the Executive Committee (10 February 2021), although the Scottish Government pay policy does not directly affect Local Government, 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 £3 million. It is proposed that this be set aside in the Strategy, leaving a revised capacity for investment of **£4.633 million**.
- 4.4. **Capacity for Investment in Services:** The remainder of the report assumes that consideration will be given as to whether to invest the £4.633 million available. The figures shown within the remainder of this report include an investments line to that value, resulting in a balanced budget.
- 4.5. If any further savings are proposed and approved, it is assumed that these will be added to the £4.633 million (section 4.4) and will therefore have no net impact on the budget figure.

- 4.6. Should Members agree to invest the £4.633 million referred to in 4.4 above, they will require to agree how the investment will be made. The Council will agree the details of the final investments, and the details of these will be included in the first financial reports to Resource and Executive Committees in the new financial year.
- 4.7. **2021/2022 – Capital Grant:** As previously advised, the Finance Circular also details the Council's Capital Grant allocations for 2021/2022. The General Capital Grant allocation is **£21.362 million**. Compared to the level included in the Council's approved 2021/2022 General Services Capital Programme (**£21.300 million**), there is an **increase of £0.062 million** available for 2021/2022. A report covering proposals on the use of this minor amount of additional funding will be brought back to Members early in the new financial year.
- 4.8. In addition, 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). These new allocations 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.
- 4.9. 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.
- 4.10. **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 the Local Government Finance Order being approved on 10 March 2021.
- 4.11. 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.
- 4.12. 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 Council for consideration.

5. Council Tax 2021/2022

- 5.1. The Finance Settlement for 2021/2022 includes funding available to those Councils who implement a Council Tax freeze in 2021/2022.
- 5.2. It is recommended that the Council approves the freeze on Council Tax at 2020/2021 levels. This would set the Council Tax Band D at £1,203. Further details on Council Tax are included in section 7.

6. Total Revenue Budget Summary

- 6.1. The total budget for 2021/2022 proposed is now £795.527 million.

- 6.2. The detailed allocation of the budget to each Resource is shown at Appendix 1. The main figures from Appendix 1 are summarised below :-

Current Year Base Budget £m		2021/2022 Proposed Budget £m
1,037.765	Total Services' Gross Expenditure (App 1, page ii)	1,051.970
(318.711)	Deduct: Total Services Gross Income (App 1, page ii)	(318.709)
<u>719.054</u>	Net Service Spending	<u>733.261</u>
49.743	Add: Loan Charges	50.433
5.389	Add: CFCR	0.000
5.481	Add: Corporate Items	7.200
0.000	Add: Investments	4.633
<u>779.667</u>	Net Expenditure	<u>795.527</u>

7. Council Tax

- 7.1. The level of Council Tax 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:

Table 2 : 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 January 2021
£27,000 and under	A	67%	23.44%
£27,001 to £35,000	B	78%	19.78%
£35,001 to £45,000	C	89%	17.08%
£45,001 to £58,000	D	100%	(Total A to C: 60.30%) 13.78%
£58,001 to £80,000	E	131%	12.95%
£80,001 to £106,000	F	162%	8.31%
£106,001 to £212,000	G	196%	4.29%
Over £212,000	H	245%	0.37%

- 7.2. The Council's declared tax will be at the Band D level but only around 21,298 properties (13.78%) are in band D. Over the past few years, there has been an upward movement in the valuation of properties. However, approximately 60.30% 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.

- 7.3. The number of houses in the tax base for South Lanarkshire now exceeds 154,492 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 £137,940.
- 7.4. 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.
- 7.5. A yield of £133,974 for £1 tax at Council Tax Band D has been used in the 2021/2022 budget (an increase on 2020/2021 due to an increase in the number of properties). At an assumed 97.125%, this represents a continuation of the collection rate performance achieved in recent years.
- 7.6. A Council Tax freeze, as detailed in Section 5.2 sets the Council Tax Band D at £1,203.

8. Summary of Overall Budget Position

- 8.1. The overall budget for financial year 2021/2022, including income and expenditure is summarised in Table 3:

Table 3: 2021/2022 Revenue Budget Summary

Indicative Budget for 2021/2022 (appendix 1)	£795.527m
<u>Deduct:</u> Government Grant	£625.811m
<u>Deduct:</u> Use of Reserves and Underspends referred to in the Budget Strategy (June 2020/January 2021/February 2021)	£29.989m
Resultant Net Sum to be Funded Locally from Council Tax	£139.727m

- 8.2. The net sum to be funded from Council Tax (£139.727 million) is shown below :

Gross Council Tax 2021/2022	£161.171m
<u>Deduct:</u> Council Tax Reduction Scheme	<u>(£21.444m)</u>
Resultant Net Sum to be Funded Locally from Council Tax	<u>£139.727m</u>

Estimated Product of £1 Gross Council Tax at 97.125% collection £133,974

- 8.3. The net Council Tax figure comprises the 2020/2021 budget of £138.167 million, increased to reflect the additional property numbers included in the Strategy (£1.480 million) and a Settlement reduction in the Council Tax Reduction Scheme (£0.080 million).
- 8.4. Should the Council approve the budget for 2021/2022 then the Band D Council Tax for 2021/2022 will be applied at the figure decided and 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.

9. Consultation Arrangements

- 9.1. As previously advised, due to the pandemic, this year's approach made more use of technology to facilitate participation and community engagement. The general consultation took place during December 2020 with a savings specific consultation

taking place for 4 weeks from 11 January 2021. Face to face consultation involving representatives from the Citizens' Panel and specific interest groups were replaced by online events where possible.

- 9.2. An online and community phase of consultation has also taken place. In advance of this meeting, a separate report has been issued to all Members summarising the outcome of the consultation exercises.

10. Position Beyond 2021/2022

- 10.1. This paper focuses on financial year 2021/2022 and reflects the Strategy reported to the Executive Committee in June 2020 and February 2021.
- 10.2. The position beyond 2021/2022 remains uncertain as there has been no further information on grant settlements beyond the one year settlement for 2021/2022. The 2021/2022 budget includes a number of solutions which are temporary in nature and will require to be re-instated in future years.
- 10.3. The Council has an approved long term strategy and this will continue to be updated to take account of any new information affecting the Council's finances.

11. Employee Implications

- 11.1. Further to the financial implications reported as part of budget reports in January, there are no further employee implications from this report.

12. Financial Implications

- 12.1. As detailed within this report.

13. Climate Change, Sustainability and Environmental Implications

- 13.1. There are no implications for climate change or sustainability in terms of the information contained in this report.
- 13.2. An exercise has been undertaken to consider the environmental impact of all of the savings that were proposed for approval. Details of this exercise are available on request.

14. Other Implications

- 14.1. The assumptions on which the budget is based are defined within the Financial Strategy for the Council as reported to the Executive Committee on 24 June 2020 and updated for corporate solutions and the Local Government Finance Settlement received on 1 February 2021. 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.
- 14.2. **Requirement to Set a Budget:** 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.
- 14.3. 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.

- 14.4. 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.
- 14.5. 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.

15. Equality Impact Assessment and Consultation Arrangements

- 15.1. Where savings proposals had identified potential negative impact on service users, appropriate consultation and engagement was proposed to take place with those who may be affected.
- 15.2. In terms of consultation, the Trade Unions have been consulted. In addition, targeted Public Consultation on the budget has been carried out. Members have received a report covering the consultation.
- 15.3. Equality Impact Assessments have been undertaken for all relevant savings previously proposed and have been provided to Members. For details of work undertaken, please contact the Employee Development and Diversity Manager, Finance and Corporate Resources.
- 15.4. 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.
- 15.5. 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)

9 February 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Local Government Finance Circular 1/2021
- ◆ Executive Committee, 10 February 2021 – 2021/2022 Grant Settlement and Impact on 2021/2022 Budget Strategy and Savings

- ◆ Executive Committee (Special), 13 January 2021 - Revenue Budget Strategy 2021/2022
- ◆ Executive Committee, 24 June 2020 - 2021/2022 Strategy and Savings Requirement

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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South Lanarkshire Council

2021/2022 Revenue Budget Summary

	2020/21 Base Budget	2021/22 Rollover	2021/22 Proposed Base Budget
	£m	£m	£m
Community and Enterprise Resources	109.217	1.648	110.865
Education Resources	383.992	8.531	392.523
Finance and Corporate Resources	32.625	0.197	32.822
Housing and Technical Resources	13.975	(0.713)	13.262
Social Work Resources	177.000	4.633	181.633
Joint Boards	2.245	(0.089)	2.156
Total of all Resources plus Joint Boards	719.054	14.207	733.261
Other Budget Items:			
Loan Charges	49.743	0.690	50.433
CFCR	5.389	(5.389)	0.000
Corporate Items	5.481	1.719	7.200
Investments	0.000	4.633	4.633
Total Base Budget 2020/2021	779.667		
Total Proposed Budget 2021/2022		15.860	795.527

The 2020/2021 base figures include budget adjustments approved during 2020/2021.

South Lanarkshire Council 2021/2022

Revenue Budget Summary

Budgetary Category	2020/2021 Base Budget £m	2021/2022 Proposed Base Budget £m
Employee Costs	519.492	528.592
Property Costs	51.017	50.753
Supplies and Services	57.274	59.007
Transport and Plant Costs	39.920	39.687
Administration Costs	14.747	14.290
Payments to Other Bodies	67.258	68.369
Payment to Contractors	210.440	215.227
Transfer Payments (Housing & Council Tax Benefit)	75.471	73.899
Financing Charges (Leasing Costs)	2.146	2.146
Total Expenditure	1,037.765	1,051.970
Total Income	(318.711)	(318.709)
Net Expenditure	719.054	733.261
Other Budget Items:		
Loan Charges	49.743	50.433
CFCR	5.389	0.000
Corporate Items	5.481	7.200
Investments	0.000	4.633
Total Base Budget 2020/2021	779.667	
Total Proposed Budget 2021/2022		795.527