

Report

Report to:	South Lanarkshire Council
Date of Meeting:	27 February 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget and Level of Local Taxation 2019/2020
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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 2019/2020;
- ◆ adopt the revenue budget for 2019/2020 as summarised at Section 5 of this report and the base budget allocation to Resources at Appendix 1; and
- ◆ note the level of Council Tax for 2019/2020.

2. Recommendation(s)

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

- (1) that the revenue budget for 2019/2020, as summarised in Section 5, and the base budget allocated to each Resource as shown in Appendix 1, be approved;
- (2) that on the basis that the budget is conditional on the receipt of the Local Government Finance (Scotland) Order 2019, a report be submitted to the next meeting confirming receipt of the Local Government Finance (Scotland) Order 2019, to allow the condition to be purified;
- (3) that the level of Council Tax for 2019/2020 of £1,168 (Council Tax Band D), be noted;
- (4) that governance arrangements, incorporating the Performance and Review Scrutiny Forum, the Risk and Audit Scrutiny Committee and the Financial Resources Scrutiny Forum, be continued; and
- (5) that the continued work required to finalise the detailed revenue budget of the Council for 2019/2020, as outlined at Section 13 of this report, be approved.

3. Background

3.1. Earlier in this meeting, a report was presented which updated the Revenue Budget position for 2019/2020, including a package of savings and council tax level for approval. Assuming approval of these proposals, the budget for 2019/2020, including the proposed Council Tax has now been prepared on this basis, subject to the approval of the Local Government Finance (Scotland) Order 2019 by the Scottish Parliament. Should any changes be agreed to the proposals for 2019/2020, updated figures for this report will be provided verbally.

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 2019/2020.

- 4.2. The Local Government Finance settlement provided by the Scottish Government in December 2018 (updated January 2019), provided grant settlement figures for the financial year 2019/2020.
- 4.3. The process to identify the level of expenditure needed to maintain the Council's services in 2019/2020 started in early 2018. Using the 2018/2019 budget as a starting point to reflect the Council's priorities, projections were made into 2019/2020. 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 £11.345 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 2019/2020 is now £720.148 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 2019.
- 5.3. The main figures from Appendix 1 are summarised below:-

Current Year Base Budget £m		2019/2020 Proposed Budget £m
844.886	Total Services' Gross Expenditure (App 1, page ii)	870.530
<u>(200.663)</u>	Deduct: Total Services Gross Income (App1, page ii)	<u>(199.252)</u>
644.223	Net Service Spending	671.278
57.780	Add: Loan Charges	54.085
4.292	Add: Corporate Items	7.103
<u>(11.934)</u>	Deduct: Surplus from Trading Operations	<u>(12.318)</u>
694.361	Net Expenditure	720.148

- 5.4. **Local Government Finance (Scotland) Order** – The Local Government Finance (Scotland) Order will be debated by the Parliament on 7 March 2019.
- 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 2019.
- 5.6. The budget is conditional on the approval of the Local Government Finance (Scotland) Order 2019. A Finance Circular confirming this will be issued on 7 March 2019 if the Order is approved. A report will be submitted to the next meeting confirming receipt of the Local Government Finance Order 2019 to allow the condition to be purified.

6. Government Grant

- 6.1. The Government Grant allocated to the Council for year 2019/2020 was announced in December 2018, and subsequently updated on 31 January 2019 as part of the Stage 1 Budget Bill. 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 2019. Any further changes will be reported to Members following the approval of the Finance Order.

- 6.2. The base for the overall grant allocation is the 2019/2020 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.
- 6.3. 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 2.52%. Through the floor adjustment, South Lanarkshire received £4.423 million in 2019/2020.
- 6.4. The Total General Revenue Funding allocation notified by the Scottish Government on 17 December 2018 (updated 31 January 2019), was £570.132 million after taking account of the additional grant of £5.388 million announced as part of the Stage 1 Budget Bill, to the Council by the Scottish Government on 31 January 2019.
- 6.5. In a letter from the Scottish Government accompanying the grant figures, it is stated that this General Revenue Funding figure (of £570.132 million) is part of a package of funding whereby 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 expansion of Free Personal Care, commitment to maintain pupil / teacher ratios, contributing to Teachers' Pay increases and supporting the expansion of Early Years provision and continuing financial support for social care.
- 6.6. Grant for 2019/2020 now totals £570.132 million and consists of the following:

	£m
Specific Grants	28.144
Non-Domestic Rate Income	341.166
General Revenue Grant	200.822
Total General Revenue Funding	570.132

- 6.7. Government grant and non-domestic rates income together meet over 79% 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.

7. Non-Domestic Rates

- 7.1. As part of the Finance Settlement, the Scottish Government have advised of a number of changes to non domestic rates as detailed below.
- 7.2. The Scottish Government continues to set the level of non-domestic rate poundage. The increase on the rate for 2019/2020 is provisionally set at 1.0p resulting in a rates poundage figure of 49.0p for 2019/2020. In addition, the large business supplement is provisionally set at 2.6p, no change from 2018/2019, and the supplement will only be applicable, as was the case in 2018/2019, to properties with a rateable value over £51,000.
- 7.3. 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 2018/2019. The threshold for 100%

relief remains at £15,000 and the levels of relief will continue to range from 25% to 100%.

- 7.4. The Business Growth Accelerator introduced on 1 April 2018, suspends the Non Domestic Rates liability for new build properties until 12 months after they are first occupied and ensures that improved properties will not see increases in the Non Domestic Rates bill resulting from the improvements until 12 months after completion of the works. Following development work through the Barclay Review, all new build properties will be entered on the roll by the Assessor at the point of existence, and not delayed as was previously intended.
- 7.5. A new relief is proposed for all new broadband fibre lit on or after 1 April 2019 for a ten year period, up to 31 March 2029. This relief will be awarded on the basis of a certificate awarded by the Assessor upon request. It will be awarded under de minimis rules.
- 7.6. No other Non Domestic Rate changes are proposed for 2019/2020 at this time, with other reliefs rolling forward unchanged from 2018/2019.

8. Council Tax and Other Balances

- 8.1. 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.
- 8.2. 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 £12.318 million is estimated for trading surpluses in 2019/2020.
- 8.3. 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 January 2019
£27,000 and under	A	67%	23.93%
£27,001 to £35,000	B	78%	19.97%
£35,001 to £45,000	C	89%	17.11%
			(Total A to C: 61.01%)
£45,001 to £58,000	D	100%	13.69%
£58,001 to £80,000	E	131%	12.82%
£80,001 to £106,000	F	162%	7.96%
£106,001 to £212,000	G	196%	4.16%
Over £212,000	H	245%	0.36%

- 8.4. The Council's declared tax will be at the Band D level but only around 20,792 properties (13.69%) are in band D. Over the past few years, there has been an upward movement in the valuation of properties. However, approximately 61.01% 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.

- 8.5. The number of houses in the tax base for South Lanarkshire now exceeds 151,900 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 £134,418.
- 8.6. 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.
- 8.7. A yield of £130,554 for £1 tax at Council Tax Band D has been used in the 2019/2020 budget (an increase on 2018/2019 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.
- 8.8. A 3% increase in Council Tax (as detailed in the Overall Position of Revenue Budget 2019/2020, Savings Proposals and Council Tax Report) set the Council Tax Band D at £1,168.

9. Governance Arrangements

- 9.1. 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.
- 9.2. 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.
- 9.3. The Risk and Audit Scrutiny Committee has continued to receive both internal and external audit reports, and also approves the Council's Annual Accounts.
- 9.4. 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.
- 9.5. The importance of these Governance arrangements is acknowledged and the current level of scrutiny and control will be maintained going forward.

10. Summary of Overall Position and Options

- 10.1. The overall budget for financial year 2019/2020, including income and expenditure is summarised as follows:

Indicative Budget for 2019/2020	£720.148m
<u>Deduct:</u> Government Grant	£570.132m
<u>Deduct:</u> Assumed Government Funding - Teachers Pension Contribution Rate	£5.709m
<u>Deduct:</u> Debt Flexibility Reserve	£5.300m
<u>Deduct:</u> Capital Fund / Receipts Reserve	£4.000m
<u>Deduct:</u> Use of 2018/2019 Underspend from Reserves	£3.000m
Resultant Net Sum to be Funded Locally	£132.007m

10.2. The net sum to be funded locally comprises:

Gross Council Tax 2019/2020	£152.487m
<u>Deduct: Council Tax Reduction Scheme</u>	<u>(£20.480m)</u>
Resultant Net Sum to be Funded Locally	£132.007m

Estimated Product of £1 Gross Council Tax at 97.125% collection £130,554

11. Future Years Budgets

11.1. The Executive Committee approved a budget strategy in August 2018 covering years 2019/2020 to 2021/2022 and the report also included a longer term outlook to 2028/2029. 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.

12. Further Actions Required

12.1. Should the Council approve recommendations 1-2 outlined at Section 2 of this paper, then the following actions will be required to finalise the Council's revenue budget for 2019/2020:

- 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 2019/2020 and a Service Summary will be produced for information.
- The Band D Council Tax for 2019/2020 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.

13. Employee Implications

13.1. None.

14. Financial Implications

14.1. As outlined in report.

15. Other Implications

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

16. Equality Impact Assessments and Consultation Arrangements

16.1. Where savings proposals have identified potential negative impact on service users, appropriate consultation and engagement will take place with those who may be affected.

16.2. 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.

16.3. 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.

- 16.4. 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.
- 16.5. 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)

19 February 2019

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ South Lanarkshire Council, 27 February 2019
- ◆ Executive Committee, 13 February 2019

List of Background Papers

- ◆ Local Government Finance Settlement 2019/2020 - Finance Circular 8/2018
- ◆ Stage 1 Budget Bill - 31 January 2019

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
2019/2020 Revenue Budget Summary

	2018/19 Base Budget	2019/20 Rollover	2019/20 Savings	2019/20 Proposed Base Budget
	£m	£m	£m	£m
Community and Enterprise Resources	115.294	3.890	(3.355)	115.829
Education Resources	316.598	28.524	(1.485)	343.637
Finance and Corporate Resources	36.908	(5.418)	(2.990)	28.500
Housing and Technical Resources	17.702	0.007	(1.218)	16.491
Social Work Resources	155.358	10.141	(0.602)	164.897
Joint Boards	2.363	(0.439)	0.000	1.924
Total of all Resources plus Joint Boards	644.223	36.705	(9.650)	671.278
Other Budget Items:				
Loan Charges	57.780	(3.471)	(0.224)	54.085
Corporate Items	4.292	3.020	(0.209)	7.103
Trading Services' Surpluses	(11.934)	0.878	(1.262)	(12.318)
Total Base Budget 2018/2019	694.361			
Total Proposed Budget 2019/2020		37.132	(11.345)	720.148

The 2018/19 base figures include budget adjustments approved during 2018/2019.

South Lanarkshire Council 2019/2020

Revenue Budget Summary

Budgetary Category	2018/2019 Base Budget £m	2019/2020 Proposed Base Budget £m
Employee Costs	415.346	434.168
Property Costs	49.848	48.936
Supplies and Services	33.338	34.969
Transport and Plant Costs	21.545	21.426
Administration Costs	10.814	10.376
Payments to Other Bodies	49.620	51.946
Payment to Contractors	179.210	185.982
Transfer Payments (Housing & Council Tax Benefit)	83.109	80.809
Financing Charges (Leasing Costs)	2.056	1.918
Total Expenditure	844.886	870.530
Total Income	(200.663)	(199.252)
Net Expenditure	644.223	671.278
Other Budget Items:		
Loan Charges	57.780	54.085
Corporate Items	4.292	7.103
Trading Services' Surpluses	(11.934)	(12.318)
Total Base Budget 2018/2019	694.361	
Total Proposed Budget 2019/2020		720.148