



Council Offices, Almada Street
Hamilton, ML3 0AA

Tuesday, 02 February 2021

Dear Councillor

Executive Committee

The Members listed below are requested to attend a meeting of the above Committee to be held as follows:-

Date: Wednesday, 10 February 2021
Time: 10:00
Venue: By Microsoft Teams,

The business to be considered at the meeting is listed overleaf.

Yours sincerely

Cleland Sneddon
Chief Executive

Members

John Ross (Chair/ex officio), Maureen Chalmers (Depute Chair), Alex Allison, John Anderson, John Bradley, Robert Brown, Stephanie Callaghan, Gerry Convery, Margaret Cooper, Poppy Corbett, Peter Craig, Maureen Devlin, Isobel Dorman, Joe Fagan, Allan Falconer, Lynsey Hamilton, Eileen Logan, Katy Loudon, Joe Lowe, Monique McAdams, Kenny McCreary, Jim McGuigan, Gladys Miller, Lynne Nailon, Richard Nelson, David Shearer, Jim Wardhaugh, Josh Wilson

Substitutes

Andy Carmichael, George Greenshields, Ian Harrow, Graeme Horne, Mark Horsham, Martin Grant Hose, Ann Le Blond, Richard Lockhart, Hugh Macdonald, Catherine McClymont, Mark McGeever, Graham Scott, Collette Stevenson, Margaret B Walker, David Watson

BUSINESS

- 1 **Declaration of Interests**
- 2 **Minutes of Previous Meeting** 3 - 10
Minutes of the meeting of the Executive Committee held on 16 December 2020 submitted for approval as a correct record. (Copy attached)
- 3 **Minutes of Special Meeting** 11 - 12
Minutes of the special meeting of the Executive Committee held on 13 January 2021 submitted for approval as a correct record. (Copy attached)

Monitoring Item(s)

- 4 **Capital Programme 2020/2021 – Monitoring for Period 10 – 1 April 2020 to 1 January 2021** 13 - 22
Report dated 20 January 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 5 **Revenue Budget 2020/2021 - Monitoring for Period 10 - 1 April 2020 to 1 January 2021 and Probable Outturn** 23 - 42
Report dated 13 January 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 6 **Revenue Budget 2021/2022 – Update** 43 - 46
Report dated 14 January 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 7 **Additional Funding from Scottish Government and Other External Sources** 47 - 50
Report dated 12 January 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)

Item(s) for Decision

- 8 **Prudential Indicators, Treasury Management Strategy and Annual Investment Strategy 2021-2022** 51 - 76
Report dated 7 January 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 9 **Recommendations Referred from Education Resource Committee** 77 - 84
Report dated 21 January 2021 by the Chief Executive. (Copy attached)

Urgent Business

- 10 **Urgent Business**
Any other items of business which the Chair decides are urgent.

For further information, please contact:-

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EXECUTIVE COMMITTEE

2

Minutes of meeting held via Microsoft Teams on 16 December 2020

Chair:

Councillor John Ross

Councillors Present:

Councillor Alex Allison, Councillor John Anderson, Councillor John Bradley, Councillor Robert Brown, Councillor Stephanie Callaghan, Councillor Maureen Chalmers (Depute), Councillor Gerry Convery, Councillor Poppy Corbett (*substitute for Councillor Colin McGavigan*), Councillor Margaret Cooper, Councillor Peter Craig, Councillor Maureen Devlin, Councillor Isobel Dorman, Councillor Joe Fagan, Councillor Allan Falconer, Councillor Mark Horsham (*substitute for Councillor Jim McGuigan*), Councillor Eileen Logan, Councillor Katy Loudon, Councillor Joe Lowe, Councillor Monique McAdams, Councillor Kenny McCreary, Councillor Gladys Miller, Councillor Lynne Nailon, Councillor Richard Nelson, Councillor David Shearer, Councillor Margaret B Walker, Councillor Jim Wardhaugh, Councillor Josh Wilson

Councillors' Apologies:

Councillor Colin McGavigan, Councillor Jim McGuigan

Attending:

Chief Executive's Service

C Sneddon, Chief Executive

Community and Enterprise Resources

M McGlynn, Executive Director

Education Resources

C McKenzie, Head of Education (Broad General Education)

Finance and Corporate Resources

P Manning, Executive Director; T Little, Head of Communications and Strategy; P MacRae, Administration Adviser; G McCann, Head of Administration and Legal Services; K McLeod, Administration Assistant; K McVeigh, Head of Personnel Services

Housing and Technical Resources

D Lowe, Executive Director

Social Work Resources/Health and Social Care

V de Souza, Director

1 Declaration of Interests

No interests were declared.

2 Minutes of Previous Meeting

The minutes of the meeting of the Executive Committee held on 4 November 2020 were submitted for approval as a correct record.

The Committee decided: that the minutes be approved as a correct record.

3 Capital Programme 2020/2021 Monitoring for Period 8 – 1 April to 6 November 2020

A report dated 25 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the physical and financial progress at 6 November 2020 on the various capital programmes.

At its meeting on 4 November 2020, the Committee had approved a General Fund Capital Programme totalling £85.090 million and a Housing Capital Programme of £48.172 million. A revised programme for the General Fund Capital Programme, totalling £83.433 million, was now anticipated. This included adjustments representing a net decrease of £1.657 million, which were detailed in Appendix 1 to the report. No new adjustments were proposed for the Housing Capital Programme

At 6 November 2020, £29.242 million had been spent on the General Fund Capital Programme and £19.797 million had been spent on the Housing Capital Programme.

The programme spend and funding for the General Fund for the period to 6 November 2020 was detailed in Appendices 2 and 3 to the report. Details of the position for the Housing Capital Programme at 6 November 2020 were provided in Appendix 4 to the report.

In response to a member's question regarding the potential to bring forward and fund the Clyde Bridge replacement project, the Executive Director (Finance and Corporate Resources) advised that, if the project was in a position to be brought forward, funding could be made available in the relevant financial year.

The Committee decided:

- (1) that the period 8 position of the General Fund Capital Programme, as detailed in Appendices 1 to 3 to the report, and the Housing Capital Programme, as detailed in Appendix 4 to the report, be noted;
- (2) that the adjustments to the General Fund Capital Programme, as detailed in Appendix 1 to the report, be approved; and
- (3) that the revised programmes be monitored by the Financial Resources Scrutiny Forum.

[Reference: Minutes of 4 November 2020 (Paragraph 3)]

4 Revenue Budget Monitoring for Period 8 – 1 April to 6 November 2020

A report dated 16 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted:-

- ♦ providing an update on the 2020/2021 Revenue Budget for the General Fund, taking account of the financial implications of the coronavirus pandemic
- ♦ detailing the expenditure and income for the Revenue Budget to 6 November 2020
- ♦ detailing the expenditure and income position for the Housing Revenue Account (HRA) to 6 November 2020

The figures showed an underspend of £2.980 million on the General Fund Revenue Account, after COVID-19 spend and funding, and a breakeven position on the Housing Revenue Account. The forecast to 31 March 2021 on the Housing Revenue Account was a breakeven position.

Details of the COVID-19 pressures across Resources were included in Appendix 1 to the report. Details were also provided on the Council's predicted COVID-19 net spend of £4.657 million for 2020/2021, taking account of additional grant funding and other savings.

Officers responded to members' questions on various aspects of the report.

The Committee decided:

- (1) that the net underspend of £2.980 million on the General Fund Revenue Account at 6 November 2020, after COVID-19 spend and funding, be noted;
- (2) that the breakeven position on the Housing Revenue Account at 6 November 2020 and the forecast to 31 March 2021 of a breakeven position be noted;
- (3) that the total net expenditure and lost income of £14.438 million in relation to COVID-19, offset by Government Grant included in the Council's position as at 6 November 2020, be noted;
- (4) that the pressures experienced in Children and Families Services and Adults and Older People Services be noted; and
- (5) that the Council's predicted COVID-19 spend of £4.657 million for 2020/2021 be noted.

[Reference: Minutes of 4 November 2020 (Paragraph 4)]

5 Additional Funding from the Scottish Government and Other External Sources

A report dated 26 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted on additional revenue funding, totalling £5.749 million, which had been made available to the Council by the Scottish Government and other external sources.

The funding had been allocated as follows:-

Revenue Funding

Resource	2020/2021 (£m)
Finance and Corporate	0.178
Various	1.244
Community and Enterprise	4.327
Total	5.749

The Committee decided: that the report be noted.

6 Workforce Monitoring Information – April to September 2020

A report dated 9 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted on workforce monitoring information relating to the Council for the period April to September 2020 as follows:-

- ♦ attendance statistics
- ♦ occupational health statistics
- ♦ accident/incident statistics
- ♦ disciplinary hearings, grievances and Dignity at Work
- ♦ employee development
- ♦ labour turnover/analysis of leavers and exit interviews
- ♦ recruitment monitoring
- ♦ staffing watch as at 14 September 2020

Officers responded to members' questions in relation to absences attributable to the coronavirus pandemic and on various other aspects of the report.

The Committee decided: that the report be noted.

[Reference: Minutes of 4 December 2019 (Paragraph 6)]

7 Land and Property Transfers and Disposals

A report dated 26 November 2020 by the Executive Director (Housing and Technical Resources) was submitted on actions required in respect of land and property transactions.

The recommendations had been made in terms of agreed procedures.

The Committee decided:

- (1) that the land and property detailed Appendix A to the report be transferred between Resources; and
- (2) that the land, as detailed Appendix B to the report, be declared surplus to Council requirements.

8 Review of Current Parking Management Arrangements

A report dated 15 November 2020 by the Executive Director (Community and Enterprise Resources) was submitted:-

- ◆ providing an update on the Member/Officer Working Group established to review current parking management arrangements
- ◆ requesting formal approval of the terms of reference for the Working Group

On 15 September 2020, the Community and Enterprise Resources Committee considered a report which provided feedback on the Parking Demand Management Review (PDMR) and a Parking Impact Assessment. The report also recommended reinstatement of all parking charges at previous tariff levels, following suspension due to the COVID-19 pandemic.

Following a full discussion, the Community and Enterprise Resources Committee had referred the report to a future meeting of the Executive Committee, however, it was also agreed that the report be referred to a future meeting of the Recovery Board prior to the meeting of the Executive Committee.

On 21 October 2020, the Recovery Board agreed that on street parking charges be reinstated, as soon as reasonably practicable, and that a Member/Officer Working Group be established to consider off street parking arrangements.

The purpose of the Member/Officer Working Group was to review current parking arrangements, including charging practices, in relation to:-

- ◆ whether current arrangements remained appropriate
- ◆ whether current arrangements required to be further developed and, if so, in which areas
- ◆ interim arrangements for the reinstatement of off street car parking charges, if considered appropriate

The inaugural meeting of the Member/Officer Working Group was held on 20 November 2020 and the Terms of Reference, attached as Appendix 1 to the report, now required to be formally approved by the Executive Committee. The Working Group required to conclude its review in sufficient time to allow any consequences to be considered as part of the budgetary process.

The Committee decided:

- (1) that the report be noted; and
- (2) that the Terms of Reference, attached as Appendix 1 to the report, be approved.

Reference: Minutes of Community and Enterprise Resources Committee of 15 September 2020 (Paragraph 12))

9 Recommendations Referred from Resource Committees

A report dated 25 November 2020 by the Chief Executive was submitted on a recommendation referred to this Committee by the Climate Change and Sustainability Committee of 4 November 2020.

The recommendation of the Climate Change and Sustainability Committee was that the Council's Food Growing Strategy 2020 to 2025 and action plan for year 1 be approved.

The Committee decided: that the recommendation referred by the Climate Change and Sustainability Committee in relation to the Council's Food Growing Strategy 2020 to 2025 and action plan for year 1 be approved.

[Reference: Minutes of Climate Change and Sustainability Committee of 4 November 2020 (Paragraph 5)]

10 Local Child Poverty Action Report

A report dated 17 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the Local Child Poverty Action Report 2020, attached as Appendix 1 to the report.

The Child Poverty (Scotland) Act 2017 introduced a new requirement for local authorities and each relevant Health Board to prepare Local Child Poverty Action Reports (LCPAR) as soon as reasonably practicable after the end of each reporting year.

The report required to contain any measures taken in the area of the local authority during the reporting year and planned measures for the year ahead. Those would contribute to the 4 national income based child poverty reduction targets to be achieved by 2030 as follows:-

- ◆ less than 10% of children in relative poverty
- ◆ less than 5% of children in absolute poverty
- ◆ less than 5% of children in combined low income and material deprivation
- ◆ less than 5% of children in persistent poverty

The Poverty and Inequality Commission had been tasked by the Scottish Government to provide feedback on all the local action reports. Feedback on the South Lanarkshire LCPAR had been positive. In addition, the South Lanarkshire LCPAR had been used as an example of good practice for other local authorities and health boards.

Details were given on the:-

- ◆ scope of the LCPAR
- ◆ impact of COVID-19 on the publication of the LCPAR together with the increased challenges faced in reducing child poverty as a result of the pandemic

Actions against the following key improvement areas were presented within the LCPAR, which was attached as an appendix to the report:-

- ◆ increased income from benefits and entitlements
- ◆ reducing the costs of living
- ◆ increasing income from employment

An ongoing action for the year would be to continue to monitor the impact of the pandemic to mitigate an increase in child poverty.

The Committee decided: that the content of the Local Child Poverty Action Report 2020/2021 be noted.

11 Programme for Government 2020/2021

A report dated 30 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted on key aspects of the Scottish Government's Programme for Government 2020/2021.

The Scottish Government published its Programme for Government 2020/2021 on 1 September 2020. A key aspect of the Programme was to keep COVID-19 suppressed, or, if possible, eliminated, with a key role to be played by the COVID-19 route map. Its focus was to deliver a fairer, more prosperous and greener Scotland.

The programme contained the following 3 themes:-

- ◆ a national mission to create new jobs, good jobs and green jobs
- ◆ promoting lifelong health and wellbeing
- ◆ promoting equality and helping young people fulfil their potential

The Scottish Fiscal Commission had highlighted the economic context within which the Programme for Government would operate as follows:-

- ◆ the potential rise in unemployment in Scotland to 267,000, or 9.6% by the end of 2020
- ◆ younger people's labour market prospects being more adversely affected
- ◆ significant increase in claimant count but rise in Universal Credit claimants faster due to impact on earnings increasing eligibility
- ◆ slower growth of Scottish productivity than was forecast pre-COVID-19
- ◆ GDP remaining below the level seen before the COVID-19 crisis began and potential to take until 2023 for GDP to recover to its pre-crisis level
- ◆ some permanent damage to the Scottish economy, with the effects still felt in the years ahead

In South Lanarkshire, between January and July 2020:-

- ◆ the claimant unemployment count had increased from 6,830 to 13,470 (an increase of 6,640 or 97%)
- ◆ the numbers in receipt of Universal Credit had increased from 16,370 to 29,811 (an increase of 13,441 or 82%)

Appendix 1 to the report showed, for each of the themes identified in the Programme for Government 2020/2021:-

- ◆ a summary of the relevant element in the Programme
- ◆ the focus from a Council perspective
- ◆ actions identified
- ◆ an indicative timeline and route for reporting to the relevant Committees

Executive Directors would report on relevant aspects of the Programme for Government in their regular Resource Plan monitoring reports to Committee.

Officers responded to members' questions on various aspects of the report.

The Committee decided:

- (1) that the contents of the report be noted; and
- (2) that it be noted that Executive Directors would report on relevant aspects of the Programme for Government as part of their regular Resource Plan monitoring reports to Committees.

12 Local Governance Review Update

A report dated 27 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the current status of the Local Governance Review.

The Review, which had been launched jointly by the Scottish Government and COSLA in December 2017, would consider how powers, responsibilities and resources were shared across national and local spheres of government and with communities. The first phase of the Review had included 2 specific strands, the first strand comprised a programme of community engagement which invited people to join a conversation about community decision-making, called Democracy Matters. Strand 2 included a consultation with public sector bodies to which the Council had responded in December 2018.

The outcome of the first phase was that there was a clear desire for transformative change, based on a belief that democracy mattered and in the sovereignty of communities.

The second phase of the Review involved the development and testing of proposals and public sector leaders had been invited to submit proposals to be considered as formal pilots or test of change sites. Proposals required to take account of fiscal, functional and community empowerment and be developed in conjunction with public sector partners and local communities. The Local Governance Review Joint Programme Board had been due to consider proposals in April 2020 before making recommendations to the Joint Political Oversight Group for decision, however, due to the COVID-19 pandemic, progress halted between March and August 2020.

On 20 October 2020, COSLA advised that the next phase of the Review would be limited to considering in more detail the potential for a new tier of democratic governance at community level. This proposal suggested that it would lead to a move of power and responsibilities from councils to the enhanced Community Council tier, with no consideration of devolution of powers to Councils from other bodies, including the Scottish Government, nor of further integration and democratic control of public services. COSLA had expressed its disappointment to the Scottish Government in relation to the unilateral decision taken without consultation and noted that only community empowerment had progressed with no mention of

fiscal or functional empowerment. COSLA reiterated that the 3 empowerments, community, functional and fiscal, should be progressed at the same time to deliver real and lasting progress.

The Scottish Government responded to COSLA recommitting to the delivery of the Review's objectives in full and, jointly with COSLA, recommending an agreed programme of consolidation of proposals submitted from councils. The final proposals required to be submitted by 6 November 2020 to allow them to be considered by the Review's Joint Programme Board on 18 November 2020.

It was anticipated that the conclusions of the Review would be reflected in a Local Governance Bill to be promoted after the Scottish Parliamentary Elections in May 2021.

The Committee decided: that the update on the Local Governance Review be noted.

13 Urgent Business

There were no items of urgent business.

EXECUTIVE COMMITTEE

3

Minutes of special meeting held via Microsoft Teams on 13 January 2021

Chair:

Councillor John Ross

Councillors Present:

Councillor Alex Allison, Councillor John Anderson, Councillor John Bradley, Councillor Robert Brown, Councillor Stephanie Callaghan, Councillor Maureen Chalmers (Depute), Councillor Gerry Convery, Councillor Margaret Cooper, Councillor Poppy Corbett, Councillor Peter Craig, Councillor Maureen Devlin, Councillor Isobel Dorman, Councillor Joe Fagan, Councillor Allan Falconer, Councillor Ian Harrow (*substitute for Councillor Richard Nelson*), Councillor Mark Horsham (*substitute for Councillor David Shearer*), Councillor Eileen Logan, Councillor Katy Loudon, Councillor Joe Lowe, Councillor Monique McAdams, Councillor Kenny McCreary, Councillor Jim McGuigan, Councillor Gladys Miller, Councillor Lynne Nailon, Councillor Margaret B Walker, Councillor Jim Wardhaugh, Councillor Josh Wilson

Councillors' Apologies:

Councillor Richard Nelson, Councillor David Shearer

Attending:

Chief Executive's Service

C Sneddon, Chief Executive

Community and Enterprise Resources

M McGlynn, Executive Director

Education Resources

T McDaid, Executive Director

Finance and Corporate Resources

P Manning, Executive Director; T Little, Head of Communications and Strategy; P MacRae, Administration Adviser; G McCann, Head of Administration and Legal Services; K McLeod, Administration Assistant; K McVeigh, Head of Personnel Services

Housing and Technical Resources

D Lowe, Executive Director

Social Work Resources/Health and Social Care

V de Souza, Director; L Purdie, Head of Children and Justice Services

1 Declaration of Interests

No interests were declared.

2 Revenue Budget Strategy 2021/2022 and Savings Options

A report dated 16 December 2020 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on the 2021/2022 Revenue Budget Strategy and presenting options for meeting the savings requirement in preparation of the 2021/2022 budget.

At its meeting on 24 June 2020, the Committee approved the Revenue Budget Strategy for 2021/2022. The strategy had taken account of a number of assumptions including Grant Reductions, Pay and Pensions Increases, Price Increases, Funding for Priorities and Revenue Consequences for Capital. This resulted in an initial budget gap of £52.741 million.

The Strategy also identified corporate funding solutions of £12.948 million and, with the use of Reserves of £16.600 million and the benefit of £3.000 million from the Loan Fund Review, left a savings requirement of £20.193 million as at June 2020. Details were given on updates to the Budget Strategy assumptions which reduced the level of savings required to £17.530 million.

A potential increase of 4.84% in council tax for 2021/2022 could generate income of £6.810 million, which, together with the implementation of Cross Resource Management and Operational Decisions for 2021/2022, detailed in Appendix 1 to the report, would result in a revised savings requirement of £4.958 million.

Appendix 2 to the report detailed savings options totalling £15.559 million. It was proposed that, as a number of those savings options were in areas where the Council worked together with communities, a joint approach be developed with the community and voluntary sectors to consider impact, explore opportunities and discuss options and solutions.

Following a full discussion, and members having clarified that no decisions in relation to savings options were sought at this stage, it was proposed that consideration of the report be deferred to a future meeting of the full Council.

The Committee decided: that consideration of the report be deferred to a future meeting of the full Council.

[Reference: Minutes of 24 June 2020 (Paragraph 12)]

3 Urgent Business

There were no items of urgent business.

Report

4

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

Subject: **Capital Programme 2020/2021 – Monitoring for Period
10 – 1 April 2020 to 1 January 2021**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ update the Executive Committee of progress on the General Fund Capital Programme and the Housing Capital Programme for the period 1 April 2020 to 1 January 2021.

2. Recommendation(s)

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

- (1) that the Period 10 position (ended 1 January 2021) of the General Fund Capital Programme itemised at Appendices 2 to 4 and the Housing Capital Programme at Appendix 5, be noted;
- (2) that the adjustments to the General Fund programme listed at Appendix 1, be approved;
- (3) that the saving of £0.300 million on the Roads Investment Programme, detailed at section 4.10, be carried forward and used to undertake additional projects in 2021/2022, be approved;
- (4) that the revised programmes be monitored by the Financial Resources Scrutiny Forum.

3. Background

3.1. The attached statements to this report provide a summarised monitoring position as at 1 January 2021. Spending has been split into two separate sections:

- ♦ General Fund Capital Programme including Education, Social Work, Roads and Transportation and General Services (Sections 2- 4)
- ♦ Housing Capital Programme (Section 5)

4. Financial Implications

4.1. General Fund Capital Programme – 2020/2021 Budget

The budget agreed at Executive Committee on 16 December 2020 was £83.433 million. A revised programme of £80.648 million is now anticipated, which includes adjustments to the programme totalling an increase of £0.627 million, which are proposed in Appendix 1.

In addition, this revised programme of £80.648 million includes accounting adjustments to the programme totalling a net decrease of £3.412 million. This is explained in sections 4.2 and 4.3.

- 4.2. **Accounting Requirements:** Following a review of the 2020/2021 Capital Programme, it has been identified that to comply with accounting rules, some of the expenditure projects should be reported through the revenue budget as they cannot be classed as capital works. It is therefore proposed that budget of £4.112 million be transferred to Resources' Revenue budgets, along with the relevant funding. The expenditure projects are detailed below.
- Planned Asset Management (£3.000 million)
 - Private Housing Scheme of Assistance project (£0.750 million)
 - Digital Transformation - Licences (£0.362 million)
- 4.3. Conversely, expenditure in relation to Education Information Communication Technology (ICT) is currently funded through the Education Resources Revenue Budget, but on examination, the nature of the spend would more appropriately sit as part of the Capital Programme. It is proposed that budget totalling £0.700 million be transferred to Capital. As with Planned Maintenance, the total overall budget for Education ICT across capital and revenue remains unchanged.
- 4.4. Taking account of these movements (sections 4.2 and 4.3), along with the proposed adjustments in Appendix 1, a revised budget of £80.648 million is presented in Appendix 2. This includes budget for Covid-19 of £7.891 million. There are no other budget adjustments proposed in this report.
- 4.5. **2020/2021 Outturn:** Work has been ongoing to clarify the predicted spend position for the General Services Capital Programme for this financial year and this has been broken down into two specific elements. The costs associated with Covid-19 are detailed in sections 4.6 and 4.7, with the Resource position (excluding the costs of Covid-19) detailed in sections 4.8 to 4.10. In summary, excluding the cost of Covid, there is an expected Resource underspend of £5.7 million, linked to the anticipated timing of project spend.
- 4.6. **Covid Costs:** The capital programme currently includes an element of budget for capital costs associated with Covid-19, estimated at £7.891 million. Current estimates are anticipated at £6.6 million and include £4.6 million of costs from Property Services (overheads which will be allocated against individual projects before the end of the financial year), £1.4 million of contractor claim costs in relation to Greenhills Road within Community and Enterprise Resources and £0.6 million relating to a number of Education projects.
- 4.7. As a result, there is currently £1.291 million of budget available to support further Covid-19 costs, should they materialise. Depending on how the revenue position progresses towards the end of the financial year, and how the Council chooses to use the Fiscal Flexibilities available, a change to the approach may be considered which would be to use Revenue funding instead of Capital to cover these additional capital costs. This would reduce the burden on the Council's Capital programme. This will continue to be monitored.
- 4.8. **Resources' Position:** Removing the budget and costs associated with Covid-19, the current estimates from Housing and Technical Resources suggest an outturn of £67

million. Against the budget of £72.757 million (excluding the budget of £7.891million for Covid-19 per section 4.6), this outturn means an underspend across Resources of £5.7 million and relates mainly to projects within Community and Enterprise Resources (£2.4 million), Education Resources (£1.3 million), Housing and Technical resources (£1.4 million), Finance and Corporate Resources (£0.4 million) and Social Work Resources (£0.2 million).

- 4.9. The majority of the variance is due to the timing of spend, resulting in budget required in 2021/2022 rather than 2020/2021. The progression of a number of projects has been impacted by the ongoing lockdowns due to Covid-19. These underspends have been partially offset by a few project overspends predicted this financial year. Again, this is a timing issue only with funding for the overall spend on these projects already identified.
- 4.10. In addition, £0.300m relates to savings achieved on works completed within the Roads Investment Programme this financial year. It is proposed that this saving be carried forward into 2021/2022 to allow additional works to be carried out.
- 4.11. A list of the main projects which are responsible for the underspend of £5.7 million and which will now complete in 2021/22 is included in Appendix 4, along with their anticipated completion dates.
- 4.12. **General Fund – Period 10 Position:** The programme spend and funding for the General Fund is summarised in Appendices 2 and 3. As noted in 4.4, the total capital spending programme for the year is £80.648 million.
- 4.13. Spend to the 1 January 2021 is £40.066 million.
- 4.14. Actual funding received to 1 January 2021 is £62.443 million.
- 4.15. Relevant officers will continue to closely monitor the generation of all income including receipts.

5. Housing Investment Programme – 2020/2021 Budget:

- 5.1. The revised capital programme for the year is £48.172 million, as approved by the Executive Committee on 23 September 2020 and shown in Appendix 5. Programmed funding for the year also totals £48.172 million. There are no new adjustments proposed in this report.
- 5.2. **2020/21 Outturn:** In terms of the Housing Capital Programme, current estimates from Housing and Technical Resources suggest an outturn of £48.172 million.
- 5.3. **Housing Investment Programme – Period 10 Position:** Budget for the period is £27.461 million and spend to 1 January 2021 amounts to £27.039 million.
- 5.4. As at 1 January 2021, £27.039 million of funding had been received.
- 5.5. Regular monitoring of both the General Fund Programme and the Housing Programme will be carried out in detail by the Financial Resources Scrutiny Forum and reported on a regular basis to the Executive Committee.

6. Employee Implications

- 6.1. There are no employee implications as a result of this report.

7. Climate Change, Sustainability and Environmental Implications

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

8. Other Implications

- 8.1. The main risk associated with the Council's Capital Programme is an overspend. The risk has been assessed as low given the detailed project management plans prepared and monitored for each project. The risk of overspend is managed through four weekly Investment management meetings.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. This report does not introduce a new policy, function or strategy or recommend a change to existing policy, function or strategy and therefore no impact assessment is required.
- 9.2. There was also no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

20 January 2021

Link(s) to Council Values/Ambitions/Objectives

- Accountable, Effective, Efficient and Transparent

Previous References

- Executive Committee, 23 September 2020
- Executive Committee, 16 December 2020
- Education Resources Committee, 19 January 2021

List of Background Papers

Capital Ledger prints to 1 January 2021

Contact for Further Information

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

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E-mail: lorraine.o'hagan@southlanarkshire.gov.uk

SOUTH LANARKSHIRE COUNCIL
CAPITAL EXPENDITURE 2020/21
GENERAL SERVICES PROGRAMME
FOR PERIOD 1 APRIL 2020 TO 1 JANUARY 2021

Proposed Adjustments

Education Resources

Acquisition of Our Lady Of Lourdes Primary School Building

The Education Resources Committee (19 January 2021), approved the acquisition of the accommodation at Our Lady of Lourdes Primary School, East Kilbride in advance of the existing lease term ending in January 2024. The purchase price agreed is £0.627m.

Approval is now sought to increase the 2020/21 Capital Programme by £0.627m which would be funded by borrowing. Following the purchase, there would be no requirement for the Council to pay the annual lease costs. The budget for these lease costs (£0.059m) would be used to repay the annual borrowing costs.

Minor Adjustments £0.000m

TOTAL ADJUSTMENTS £0.627m

APPENDIX 2

SOUTH LANARKSHIRE COUNCIL
CAPITAL EXPENDITURE 2020/21
GENERAL SERVICES PROGRAMME
FOR PERIOD 1 APRIL 2020 TO 1 JANUARY 2021

£m

Total Budget	83.433
Transfers to Revenue	(4.112)
Transfers from Revenue	0.700
Proposed Adjustments – Periods 9 & 10	0.627
Total Revised Budget	80.648

<u>Resource</u>	<u>2020/21 Budget</u>	<u>Period 9&10 Proposed Adjustments</u>	<u>Revised 2020/21 Budget</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Community & Enterprise	37.622	-	37.622
Education	23.153	1.327	24.480
Finance & Corporate	3.644	(0.362)	3.282
Housing & Technical	10.279	(3.750)	6.529
Social Work	0.844	-	0.844
Total Resources Capital Programme	75.542	(2.785)	72.757
Additional Costs	7.091	-	7.091
Housing and Technical Resources – Additional Overheads	0.800	-	0.800
TOTAL CAPITAL PROGRAMME	83.433	(2.785)	80.648

APPENDIX 3

SOUTH LANARKSHIRE COUNCIL CAPITAL EXPENDITURE 2020/21 GENERAL FUND PROGRAMME FOR PERIOD 1 APRIL 2020 TO 1 JANUARY 2021

	<u>2020/21</u> <u>Original</u> <u>Budget</u> <u>(inc C/F)</u>	<u>2020/21</u> <u>Revised</u> <u>Budget</u>	<u>2020/21</u> <u>Actual to</u> <u>01/01/21</u>
Expenditure	£m	£m	£m
General Fund Programme	81.003	80.648	40.066
Income	<u>2020/21</u> <u>Original</u> <u>Budget</u>	<u>2020/21</u> <u>Revised</u> <u>Budget</u>	<u>2020/21</u> <u>Actual to</u> <u>01/01/21</u>
	£m	£m	£m
Prudential Borrowing	27.782	24.417	24.417
Developers Contributions	7.021	3.695	3.374
Partners (Including SPT, Sustrans, Blantyre Construction Ltd, Transport Scotland, and Renewable Energy Fund)	5.291	4.550	0.503
Scottish Government:			
- General Capital Grant	21.373	21.373	16.030
- Cycling, Walking and Safer Streets	1.497	1.497	-
- Vacant and Derelict Land	1.000	1.000	1.000
- Early Years 1,140 Hours	12.829	12.429	12.429
- Regeneration Capital Grant	0.482	1.482	-
- Town Centre Regeneration Fund	1.095	1.997	1.997
- Travelling People's Sites	-	0.133	-
- Digital Inclusion	-	1.253	-
- COVID-19 Mitigation for School Transport	-	0.072	-
Glasgow City Region City Deal	-	4.057	-
Specific Reserves	1.133	1.295	1.295
Revenue Contribution	1.500	1.398	1.398
TOTAL FUNDING	81.003	80.648	62.443

SOUTH LANARKSHIRE COUNCIL
CAPITAL EXPENDITURE 2020/21
HOUSING PROGRAMME
FOR PERIOD 1 APRIL 2020 TO 1 JANUARY 2021

Projects with Underspends in 2020/21		
Project Name	Project Type	Completion Date
Community and Enterprise Resources		
Town Centre Regeneration Fund	Regeneration	September 2021
Hamilton HUB – New Cross Shopping Centre	Regeneration	March 2022
Abington Campus for Enterprise	Regeneration	December 2021
Extension of Cemeteries	Land Purchase	Throughout 2021/22
Memorial Headstones	Remedial works	Throughout 2021/22
Calderside Academy	Extension / Adaptations	December 2023
Roads Investment Programme	Roads	Throughout 2021/22
Education Resources		
St Charles Primary School - Additional Classroom	Extension	April 2021
St Mark's Primary School, Hamilton - Extension	Extension	June 2022
Education Information Communication Technology	ICT	Throughout 2021/22
Auchingramont Road	New Build	June 2021
Small Scale Adaptations	Adaptations	Throughout 2021/22
Finance and Corporate Resources		
IT Infrastructure Refresh	Infrastructure	May 2021
New Website / CRM / MDM / Customer Portal /Integration Tools	Infrastructure	May 2021
Housing and Technical Resources		
Prioritised Urgent Investment	Refurbishment	Throughout 2021/22
Civic Centre Fabric Upgrade	Refurbishment	Throughout 2021/22
CEEF 20/21 Programme	Refurbishment	Throughout 2021/22

APPENDIX 5

SOUTH LANARKSHIRE COUNCIL CAPITAL EXPENDITURE 2020/21 HOUSING PROGRAMME FOR PERIOD 1 APRIL 2020 TO 1 JANUARY 2021

	<u>2020/21</u> <u>Annual</u> <u>Budget</u> £m	<u>2020/21</u> <u>Budget to</u> <u>01/01/21</u> £m	<u>2020/21</u> <u>Actual to</u> <u>01/01/21</u> £m
EXPENDITURE			
2020/21 Budget	48.172	27.461	27.039
Incl. carry forward from 2019/20			
	<u>2020/21</u> <u>Annual</u> <u>Budget</u> £m		<u>2020/21</u> <u>Actual to</u> <u>01/01/21</u> £m
INCOME			
Land Sales	-		0.139
Capital Funded from Current Revenue	18.134		19.295
Prudential Borrowing	9.994		-
Scottish Government Specific Grant:			
– New Build	18.124		7.510
– Open Market Purchase Scheme	1.800		-
– Mortgage to Rent	0.120		0.095
TOTAL FUNDING	48.172		27.039

Report

5

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

Subject:	Revenue Budget Monitoring for Period 10: 1 April 2020 to 1 January 2021 and Probable Outturn
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1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ advise the Committee on the overall financial position of the Council's General Fund Revenue Account and Housing Revenue Account for the period 1 April 2020 to 1 January 2021, and a projection for the year to 31 March 2021.

2. Recommendation(s)

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

- (1) that the revised COVID position, taking into account the reported COSLA position, strategic funding solutions and additional income, resulting in the revised **COVID shortfall of £1.902 million** (section 4.3) and **the total Council revised outturn underspend of £0.261 million** including Resources, Council Tax and this COVID shortfall (section 4.4), be noted;
- (2) that the potential for the outturn position to change, based on the current COVID restrictions (section 4.5), be noted;
- (3) that the total transfers to reserves (section 4.11) included in the revised outturn position, and which includes the proposed transfers to be agreed by members totalling £10.574 million (detailed in Appendix 3), be approved;
- (4) that the potential to reduce the burden on the capital programme due to COVID, continue to be monitored (section 5.4), be noted;
- (5) that the underspend position on the General Fund Revenue Account as at 1 January 2021 (section 8.1), be noted; and
- (6) that the breakeven position on the Housing Revenue Account at 1 January 2021 and the forecast to 31 March 2021 of breakeven (section 9), be noted.

3. Background

3.1. General Fund Position

This overview report will summarise the 2020/2021 Probable Outturn position for the Council's General Fund Revenue Account to 31 March 2021. An Executive Summary is provided in Section 4, whilst Sections 5 and 6 look at the cost of COVID included in the Probable Outturn position and the details of the General Fund outturn position respectively. Section 7 provides a summary of the total overall position. Sections 8 and 9 provides the position on the General Fund Account and the Housing Revenue Account for the current period 1 April 2020 to 1 January 2021 respectively.

3.2. When establishing the probable outturn position for the year, Resources were asked to take all known commitments into account. This report details the anticipated spend

for the current year (Appendix 2a) and proposes funds to be transferred to reserves for future commitments (Appendix 3). The report will also detail the position after the proposed transfers to reserves (Appendix 4a) for those known commitments required in the next financial year.

4. **Executive Summary - 2020/2021 General Services Probable Outturn**

- 4.1. This report and appendices provide a detailed analysis of the Council's financial position. Whilst the full detail and background is provided in the report, a summary position including the key highlights are detailed in this Executive Summary.
- 4.2. **COVID:** Section 5 notes that in previous reports to Committee, the forecast projected outturn position for the Council was £4.657 million, all relating to the cost of COVID.
- 4.3. Section 5 (and Appendix 1) provide an updated probable outturn for the costs in relation to the pandemic. Whilst the costs associated with COVID across Resources have been refined, the net cost of COVID remains at the £4.657 million previously reported. We have now been allocated Scottish Government funding of £2.755 million for lost income, and therefore the revised shortfall due to COVID (after funding) is £1.902 million. This comprises overall net costs totalling £36.033 million before the additional funding of £2.755m less the amounts recharged to capital (£7.891 million) and also to the HRA (£23.485 million) to maintain the property services position during the year.
- 4.4. In terms of the overall probable outturn position, Section 7.2 explains that the additional income from the Government's Loss of Income Scheme (£2.755 million) and the Over-Recovery of Council Tax (£2.604 million), more than offset the previously reported projected outturn (£4.657 million) and the additional expenditure across Resources and Corporate Items highlighted as part of the Probable Outturn exercise (£0.441 million). This is illustrated in Table 1. This results in the revised Probable Outturn underspend of £0.261 million.

Table 1: Reconciliation to Previous Anticipated Outturn Position

	£m
Costs of Covid (including capital and before any recharges to HRA and capital) after additional funding for loss of income	(36.033)
Less: Recharges to HRA / capital	31.376
= Previously reported Projected Outturn	(4.657)
Loss of Income Funding from the Government (section 5.2)	2.755
= Shortfall in COVID funding (section 5.2) See note 1	(1.902)
Expenditure Position from Probable Outturn Exercise (sections 6.11 and 6.15)	(0.441)
Over-Recovery of Council Tax excl COVID (section 6.22 and 6.23)	2.604
= Probable Outturn Position: Revised underspend	0.261

Note 1 – this position is after Covid costs have been met by capital (£7.891m) and that income continues to be recharged to HRA and Capital for the period of lockdown (£23.485m). If these costs were not recharged the overall costs would be £33.278m.

- 4.5. It should be noted that the current position was prepared before further Tier 4 lockdown restrictions were applied across the country in late December which have continued to be extended and tightened. Depending on the impact, timing and also extent of any further restrictions that are applied, the above position could change significantly by the end of the financial year.

- 4.6. The Probable Outturn exercise referred to above identified the expenditure overspend position of £0.441 million position across Resources and Corporate Items and a summary of this is provided in the body of this report below (details in section 6).
- 4.7. **Resources:** As covered in Section 6, Resources are reporting a combined overspend of £0.324 million. This is primarily within Education resources (overspend of £0.308 million). This position is after proposed transfers to Reserves (see section 6.11).
- 4.8. **Corporate Items:** There is a net overspend of £0.117 million for Corporate Items (covered at section 6.15). This includes a commitment in relation to Council Tax from Second Homes which we require to pass over to the HRA. This income from Second Homes is shown in Council Tax.
- 4.9. **Council Tax:** There is a net underspend in Council Tax of £2.604 million (as shown in sections 6.22 to 6.24). This reflects an underspend in the Council Tax Reduction Scheme (£0.810 million) reflecting demand at this point and also Council Tax income from Second Homes (£0.647 million). The balance is predominantly additional arrears collection (£0.620 million) and empty property charges which are higher than budget (£0.435 million).
- 4.10. It should be noted that the outturn position was calculated in November / early December before the current Tier 4 stricter lockdown conditions were applied across the country. As detailed in section 6.4, there is a possibility that these restrictions and the impact on people's personal circumstances could mean that the current estimated outturn position in relation to Council Tax and CTRS could change, with a detrimental impact on the Council's final outturn position for the year.
- 4.11. **Transfers to Reserves:** Included in the Resources' Probable Outturn position is a proposed transfer of £7.574 million to reserves (see section 6.25 and Appendix 3). In addition, a £3.000 million transfer to reserves has already been included in the report to the Executive Committee in December 2020 proposing a contribution to the Insurance Fund, Winter Maintenance Fund and Strategic Waste Fund. The total transfers to reserves proposed, and for which approval is being sought, is £10.574 million.
- 4.12. Full details of each of these items is included in the remainder of the report.

5. 2020/2021 General Services Probable Outturn – COVID-19

- 5.1. **Cost of Recovery:** As part of the probable outturn exercise, a revised COVID Cost of Recovery position has been prepared. This is included in Appendix 1.
- 5.2. Whilst the estimated costs of each of the different elements of COVID have moved, resulting in revised estimates for each of the Resources, the cost of COVID is still estimated as a shortfall of **£4.657 million**. However, due to the allocation from the Scottish Government from the Loss of Income funding of £2.755 million, the **revised shortfall is £1.902 million**.
- 5.3. This comprises overall net costs totalling £36.033 million before the additional funding of £2.755m less the amounts recharged to capital (£7.891 million) and also to the HRA (£23.485 million) to maintain the property services position during the year.
- 5.4. This estimated position is based on what is known at present. The high level COVID restrictions in place are expected to result in additional costs, with no certainty or confirmation of what the level of these costs may be or whether there will be additional funding made available to help manage them.

- 5.5. **Capital:** Currently, the capital account is absorbing additional costs associated with COVID, estimated at around £7.8 million. There is a possibility that depending on how COVID costs progress over the next few months and the Council's ability to use the options on fiscal flexibility, revenue COVID funds could be used to cover some of these additional costs and reduce the burden on the capital programme. This will continue to be monitored.
6. **2020/2021 General Services Probable Outturn – Resources and Corporate Lines**
- 6.1. Details of the Resource positions, including any assumptions are detailed below. It should be noted that the **figures quoted include the costs associated with COVID.**
- 6.2. **Community and Enterprise Resources:** The outturn position **after** proposed transfers to reserves of £0.447 million (Appendix 3) is an **overspend of £9.169 million**. The outturn position includes COVID related costs of £9.199 million and if the impact of these is removed the Resource is showing an underspend of £0.030 million.
- 6.3. **Education Resources:** The outturn position **after** proposed transfers to reserves of £6.261 million (Appendix 3) is an **overspend of £9.917 million**. The outturn position includes COVID related costs of £9.609 million and if the impact of these is removed the Resource is showing an overspend of £0.308 million.
- 6.4. The overspend (excluding COVID) is due to overspends in relation to both mainstream and ASN transport, school placements which are demand led and an under recovery of income from other local authorities for placements in South Lanarkshire schools.
- 6.5. **Finance and Corporate Resources:** The outturn position **after** proposed transfers to reserves of £0.103 million (Appendix 3) is an **overspend of £4.781 million**. The outturn position includes COVID related costs of £4.751 million and if the impact of these is removed the Resource is showing an overspend of £0.030 million.
- 6.6. The outturn position (excluding COVID) reflects an overspend in Administration, Legal and Licensing where turnover has been lower than anticipated
- 6.7. **Housing and Technical Resources:** The outturn position is an **overspend of £1.147 million**. The Resource has no proposed transfers to reserves. This position includes COVID related costs of £1.147 million and if the impact of these is removed the Resource is showing a breakeven position.
- 6.8. **Social Work Resources:** The outturn position is a net **overspend of £0.379 million**. The Resource has no proposed transfers to reserves. This includes COVID related costs of £0.363 million and if the impact of these is removed the Resource is showing an overspend of £0.016 million.
- 6.9. The Resource overspend position (excluding COVID) reflects an overspend in Children and Families due to the increased residential and secure placements and an overspend on fostering payments.
- 6.10. **Total Resource Position:** The position **after** proposed transfers to reserves totalling £6.811 million is an **overspend of £25.393 million**.
- 6.11. If the impact of COVID (spend, lost income, savings not achieved and spend not made) totalling £25.069 million is removed from the figures, the Resources are showing an

overspend of £0.324m, with the majority of the overspend being within Education Resources. The detail is shown in Table 2.

Table 2: Resource Outturn excluding COVID

	£m	over/under
Community and Enterprise	0.030	under
Education	(0.308)	over
Finance and Corporate	(0.030)	over
Housing and Technical	0.000	-
Social Work	(0.016)	over
Joint Boards	0.000	-
	(0.324)	over

- 6.12. **Loan Charges:** The loan charges budget is showing an **underspend of £3.000 million**. Based on current projections of cash balances available, it is anticipated that we will not require to take the predicted 2020/2021 borrowing before the end of the financial year. The requirement to borrow will continue to be monitored through the remainder of the year, with any update being provided to Members as required.
- 6.13. The underspend in loan charges, £3.000 million has already been reported to Elected Members (Executive Committee, 16 December 2020), with the proposal that it be used to contribute £1.000 million each to the Insurance Fund, Winter Maintenance Fund and Strategic Waste Fund.
- 6.14. **After** the proposed transfer to reserves totalling £3.000 million, the outturn is a **breakeven position**.
- 6.15. **Corporate Items - Non COVID:** The outturn position **after** proposed transfers to reserves of £0.763 million (Appendix 3) is a net **underspend of £0.168 million**, including the commitment for Council Tax Second Homes. This includes COVID related underspends of £0.285 million and if the impact of these is removed the budget is showing an overspend of £0.117 million.
- 6.16. The net position comprises the following elements:
- Pay Related Budgets (including Apprenticeship Levy): the level of budget required to fund both auto enrolment and the estimated Apprenticeship Levy in the current year is lower than anticipated, resulting in an underspend against the budget.
 - Council Tax Second Homes: This overspend reflects commitments in relation to Council Tax from Second Homes (£0.065 million) as well as the accounting requirement to transfer any unspent Second Homes monies to the Housing Revenue Account Reserve (£0.582 million), to spend on social housing. The £0.582 million proposed transfer is included in the proposed transfers detailed in Appendix 3. The total overspend (£0.647 million) in relation to this budget line is offset by a corresponding over recovery of Council Tax income.
 - Resources are allocated funding from the Central Energy Efficiency Fund (CEEF) Reserve to pay for spend to save projects. When the savings are generated from the project in future years, they repay the initial costs to the CEEF Reserve. This over recovery of income (£0.181 million) represents the repayment to be

transferred to the CEEF Reserve in 2020/2021, and is included in the proposed transfers to reserves in Appendix 3. The position after this transfer is breakeven.

- 6.17. There are still budget allocations of utilities and fuel to take place. This will not have an impact on the Council's outturn position.
- 6.18. **Corporate Items - COVID-19:** The underspend of £23.351 million represents the COVID funding held centrally to fund the COVID expenditure that is included within Resource outturn positions.
- 6.19. **Corporate Items - 2021/2022 Strategy**
The Executive Committee approved the transfer of funds totalling £14.289 million to reserves for use in future strategies, leaving a breakeven position **after** transfers to reserves. Details of the transfers are provided in section 6.20 and 6.21.
- 6.20. **Loans Fund Review:** As part of the Revenue Budget Strategy paper (24 June 2020), the Executive Committee agreed that the 2020/2021 underspend generated by the Loans Fund Review would be taken to reserves for use in future years budget strategies. This transfer to reserves of **£8.900 million** is reflected in the outturn position shown.
- 6.21. **Capital Funding:** The 2020/2021 revenue budget included £5.389 million in the CFCR budget to be used to fund the capital programme. The Executive Committee (June 2020) agreed that as a result of COVID-19, and the fact that the Capital Programme did not need this funding this year, the £5.389 million would be transferred to reserves for use in the 2021/2022 Revenue Budget Strategy. This transfer to reserves of **£5.389 million** is included in the outturn position shown.
- 6.22. **Council Tax including Council Tax Reduction Scheme (CTRS):** The Council Tax is showing an over recovery of £2.566 million, comprising an over recovery of Council Tax of £1.756 million **and an** underspend on CTRS of £0.810 million.
- 6.23. The Council Tax over recovery of £1.756 million is after £0.038 million of lost income due to COVID CT surcharges and an increase in the bad debt provision. The over recovery of £1.794 million before this lost income of £0.038 million is due to:
- Empty Property charges (£0.435 million),
 - Arrears collection (£0.620 million)
 - Additional in-year properties (£0.092 million)
 - Income from Council Tax Second Homes (£0.647 million) which is offset by a corresponding commitment in Corporate Items (section 6.16)
- 6.24. The underspend of £0.810 million on the CTRS reflects current demand for these payments. However, whilst there is currently an underspend, demand for these payments could increase in the remainder of the year depending on the impact of the current COVID high level restrictions.
- 6.25. **Transfer to Reserves:** The proposed Resource transfers and Corporate Items transfers total £7.574 million. In addition, there are proposed transfers totalling £3.000 million (section 6.13) which was included within the report to the Executive Committee in December 2020. This takes the total reserves transfers requiring approval to **£10.574 million** and these are detailed in Appendix 3.

- 6.26. When added to the £14.289 million of transfers already approved as part of the 2021/2022 Budget Strategy (section 6.19), the total transfers to reserves will be £24.863 million.

7. Summary of Overall Outturn Position

- 7.1. As noted in section 4.3 (and section 5), previous reports to Committee have been forecasting a projected outturn position of £4.657 million, relating to the cost of COVID. Table 3 shows how the revised underspend of £0.261 million presented in this report, can be reconciled to the £4.657 million previously reported.

Table 3: Reconciliation to Probable Outturn Position

	£m
Costs of Covid (including capital and before any recharges to HRA and capital) after additional funding for loss of income	(36.033)
Recharges to HRA / capital	31.376
Previously reported Projected Outturn	(4.657)
Loss of Income Funding from the Government (section 5.2)	2.755
= Shortfall in COVID funding (section 5.2)	(1.902)
Expenditure Position from Probable Outturn Exercise (sections 6.11 and 6.15)	(0.441)
Over-Recovery of Council Tax excl COVID (section 6.22 and 6.23)	2.604
Probable Outturn Position: Revised underspend	0.261

- 7.2. Table 3 shows that the additional income from the Government's Loss of Income Scheme (£2.755 million) and the Over-Recovery of Council Tax (£2.604 million), more than offset the previously reported projected outturn (£4.657 million) and the additional expenditure highlighted as part of the Probable Outturn exercise (£0.441 million). This results in the Probable Outturn underspend of £0.261 million.
- 7.3. The final outturn position of an underspend of £0.261 million, as detailed in Section 6, is summarised in Table 4.

Table 4: Final Outturn Position

	£m
Forecast Underspend Before Transfers to Reserves excl COVID shortfall (Appendix 1 £25.124m + COVID shortfall £1.902m)	27.026
Less: Previously Approved Transfers to Reserves for 2021/2022 Strategy (section 6.21)	(14.289)
Less: Proposed Transfers to Reserves (Appendix 3)	(10.574)
Forecast Underspend After Transfers to Reserves	2.163
Less: Shortfall on COVID Funding (section 5.2)	(1.902)
Revised Forecast Underspend After Transfers to Reserves	0.261

- 7.4. There are still a number of unknown factors around COVID in terms of both expenditure and funding. The impact of the latest lockdown, assumptions around Social Work Mobilisation funding and whether any further funding will become available, could all impact on the final position for the Council's budget.
- 7.5. Taking into account the uncertainty around COVID, then it is not proposed to make any further transfers to reserves. A decision will be proposed on the treatment of any remaining underspend, following completion of the year end accounts.

8. 2020/2021 General Services Monitoring Position

8.1. Financial Position as at 1 January 2021

As at 1 January 2021, the position on the General Fund (including COVID spend and income) **before** transfers to reserves is an **underspend of £9.183 million** (Appendix 2a). Appendix 4a shows the position assuming the approval of the proposed transfers to reserves, as an **underspend of £1.784 million**. This relates mainly to the over recovery of Council Tax.

8.2. This position is in line with the forecast position for the General Fund (section 4).

8.3. COVID Position as at 1 January 2021

The total COVID net expenditure as at 1 January 2020 is **£19.509 million** which has been funded from a number of COVID funding streams including the Food Fund, Hardship Fund, Consequentials, Education specific funding and administrative support funding. This expenditure and income have both been included in the position detailed in section 8.1.

8.4. The total funding utilised to 1 January 2021 is £20.260 million, which equates to 67.1% of the total funding confirmed to date (including the £0.751 million of funding used in 2019/2020). The COVID-19 pressures across Resources are included in the position in Appendix 5.

8.5. A summary of the position is included in Table 5 with a full breakdown included in Appendix 5.

Table 5: Analysis of COVID expenditure at 1 January 2021 (Period 10)

	As at 1 January 2021 £m
Additional Resource Spend	13.847
Lost Income	4.559
Unachieved Savings	0.448
Less: Unspent Budget	(2.587)
Total Net Expenditure incl in Resources	16.267
Food Fund Spend	3.242
Total Expenditure incl Food Fund	19.509
Total COVID Funding Utilised	(19.509)
Net COVID Expenditure	0.000

8.6. The COVID costs above exclude the costs of the Social Work mobilisation Plan. The assumption is that this will be fully funded. The spend to period 10 is £14.600million. As at 1 January 2021, the Council has received £5.464 million of funding, with a further allocation currently being processed.

9. Housing Revenue Account Position

9.1. As at 1 January 2021, Appendix 6 of the report shows a breakeven position against the phased budget on the Housing Revenue Account.

9.2. The forecast to 31 March 2021 on the Housing Revenue Account is a breakeven position.

10. Employee Implications

10.1. None.

11. Financial Implications

11.1. As detailed within this report.

12. Climate Change, Sustainability and Environmental Implications

12.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

13. Other Implications

13.1. The main risk associated with the Council's Revenue Budget is that there is an overspend. The risk has been assessed as low given the detailed budget management applied across the Resources. The risk is managed through four weekly Budget Monitoring Meetings at which any variance is analysed. In addition, the probable outturn exercise ensures early warning for corrective action to be taken where appropriate.

14. Equality Impact Assessment and Consultation Arrangements

14.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.

14.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

13 January 2021

Link(s) to Council Values/Ambitions/Objectives

♦ Accountable, Effective, Efficient and Transparent

Previous References

♦ None

List of Background Papers

♦ Financial ledger and budget monitoring results to 1 January 2021

Contact for Further Information

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

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	Community and Enterprise	Education	Finance and Corporate	Housing and Technical	Social Work	Capital	Total
Budget Revision 2020/2021							
Projected Costs including Recovery Plan	4.432	9.921	8.377	0.665	0.370	1.325	25.090
Lost Income	4.811	0.564	0.555	0.500	-	-	6.430
Total Costs	9.243	10.485	8.932	1.165	0.370	1.325	31.520
Less: Spend Not Made	(1.413)	(0.975)	(0.306)	(0.018)	(0.007)	-	(2.719)
Net Cost to the Council in 2020/2021	7.830	9.510	8.626	1.147	0.363	1.325	28.801
Funding							
- Hardship Fund (£50m)							(2.227)
- Consequentials (£155m + £49m)							(12.152)
- Food Fund (£30m + £27.6m)							(3.282)
- Additional Teachers / Support (£130m)							(2.167)
- IT Equipment (Revenue and Capital)							(1.469)
- Teachers (£30m)							(1.300)
- Mobilisation (£20m)							(1.206)
- Financial Insecurity							(1.244)
- Support (Winter Payments, Outbound Calling, Support for People, Self Isolate)							(0.251)
- Additional Free School Meals							(0.470)
- Tier 4 - Community and Support							(0.894)
- £100 Winter Payments							(0.863)
- Loss of Income (£90m)							(2.755)
- Transport Mobilisation (£1.5m)							(0.072)
Total Funding							(30.352)
Add: Savings Not Achievable							0.553
Add: SLLCT Shortfall							2.900
Balance							1.902
<i>* these figures assume that income is recharged to HRA and Capital for the period of lockdown</i>							

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report (BEFORE Transfers)
Period Ended 1 January 2021 (No.10)

<u>Committee</u>	Annual Budget	Annual Forecast BEFORE Transfers	Annual Forecast Variance BEFORE Transfers	Budget Proportion to 01/01/21	Actual to Period 10 01/01/21 BEFORE Transfers	Variance to 01/01/21	
Departments:	£m	£m	£m	£m	£m	£m	
Community and Enterprise Resources	109.625	118.347	(8.722)	77.909	83.784	(5.875)	over
Facilities, Waste and Grounds	67.198	67.363	(0.165)	45.404	45.354	0.050	under
Fleet, Environmental and Projects	1.052	1.773	(0.721)	(0.337)	0.221	(0.558)	over
Leisure and Culture Services	19.538	19.503	0.035	14.470	14.438	0.032	under
Planning and Economic Development	2.120	2.601	(0.481)	5.735	5.928	(0.193)	over
Roads	19.717	21.406	(1.689)	12.637	13.886	(1.249)	over
COVID-19	0.000	5.701	(5.701)	0.000	3.957	(3.957)	over
Education Resources	349.039	352.695	(3.656)	248.687	249.629	(0.942)	over
Education	349.039	342.774	6.265	248.687	243.694	4.993	under
COVID-19	0.000	9.921	(9.921)	0.000	5.935	(5.935)	over
Finance and Corporate Resources	35.913	40.591	(4.678)	34.116	37.903	(3.787)	over
Finance Services - Strategy	1.965	1.966	(0.001)	2.673	2.675	(0.002)	over
Finance Services - Transactions	13.686	13.684	0.002	13.021	13.026	(0.005)	over
Audit and Compliance Services	0.330	0.330	0.000	0.434	0.434	0.000	over
Information Technology Services	5.349	5.662	(0.313)	6.144	6.379	(0.235)	over
Communications and Strategy Services	1.022	1.037	(0.015)	1.073	1.082	(0.009)	over
Administration and Licensing Services	4.222	4.773	(0.551)	3.728	4.151	(0.423)	over
Personnel Services	9.339	9.238	0.101	7.043	6.954	0.089	under
COVID-19	0.000	3.901	(3.901)	0.000	3.202	(3.202)	over
Housing and Technical Resources	15.477	16.624	(1.147)	12.757	13.248	(0.491)	over
Housing Services	8.798	8.643	0.155	5.282	5.220	0.062	under
Property Services	6.679	6.816	(0.137)	7.475	7.537	(0.062)	over
COVID-19	0.000	1.165	(1.165)	0.000	0.491	(0.491)	over
Social Work Resources	172.305	172.684	(0.379)	135.548	135.808	(0.260)	over
Performance and Support Services	8.056	7.756	0.300	6.227	6.016	0.211	under
Children and Families	35.608	35.916	(0.308)	27.070	27.245	(0.175)	over
Adults and Older People	127.134	127.177	(0.043)	101.376	101.443	(0.067)	over
Justice and Substance Misuse	1.507	1.465	0.042	0.875	0.842	0.033	under
COVID-19	0.000	0.370	(0.370)	0.000	0.262	(0.262)	over
Joint Boards	2.245	2.245	0.000	1.646	1.646	0.000	-
	684.604	703.186	(18.582)	510.663	522.018	(11.355)	over

<u>Committee</u>	Annual Budget	Annual Forecast BEFORE Transfers	Annual Forecast Variance BEFORE Transfers	Budget Proportion to 01/01/21	Actual to Period 10 01/01/21 BEFORE Transfers	Variance to 01/01/21	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	684.604	703.186	(18.582)	510.663	522.018	(11.355)	over
CFCR	1.398	1.398	0.000	0.000	0.000	0.000	-
Loan Charges	40.843	37.843	3.000	29.174	27.031	2.143	under
Corporate Items	3.779	2.848	0.931	0.388	0.093	0.295	under
Corporate Items - COVID-19	29.458	6.107	23.351	19.509	3.242	16.267	under
Corporate Items - 2020/2021 Strategy	14.289	0.000	14.289	0.000	0.000	0.000	-
Total Expenditure	774.371	751.382	22.989	559.734	552.384	7.350	under
Council Tax	159.471	161.236	1.765	113.908	115.169	1.261	over rec
Less: Council Tax Reduction Scheme	(22.590)	(21.789)	0.801	(16.136)	(15.564)	0.572	under
Net Council Tax	136.881	139.447	2.566	97.772	99.605	1.833	over rec
General Revenue Grant	344.049	344.049	0.000	245.749	245.749	0.000	-
General Revenue Grant – COVID19	32.429	31.998	(0.431)	11.360	11.360	0.000	-
Non-Domestic Rates	226.179	226.179	0.000	161.556	161.556	0.000	-
Transfer from Reserves	34.833	34.833	0.000	34.833	34.833	0.000	-
Total Income	774.371	776.506	2.135	551.270	553.103	1.833	over rec
Net Expenditure / (Income)	0.000	(25.124)	25.124	8.464	(0.719)	9.183	under

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report (BEFORE Transfers)
Period Ended 1 January 2021 (No.10)

<u>Budget Category</u>	Annual Budget	Annual Forecast BEFORE Transfers	Annual Forecast Variance BEFORE Transfers	Budget Proportion to 01/01/21	Actual to Period 10 01/01/21 BEFORE Transfers	Variance to 01/01/21	
	£m	£m	£m	£m	£m	£m	
Service Departments:							
Expenditure							
Employee Cost	532.478	541.275	(8.797)	390.271	393.790	(3.519)	over
Property Costs	54.099	59.171	(5.072)	41.346	44.780	(3.434)	over
Supplies and Services	54.244	50.815	3.429	39.786	34.072	5.714	under
Transport Costs	41.790	40.372	1.418	30.509	28.633	1.876	under
Administration Costs	15.822	15.332	0.490	11.398	11.142	0.256	under
Payments to Other Bodies	123.891	120.256	3.635	96.152	93.767	2.385	under
Payments to Contractors	201.335	216.051	(14.716)	136.754	146.403	(9.649)	over
Transfer Payments	6.104	6.292	(0.188)	5.321	5.325	(0.004)	over
Housing Benefits	70.686	69.574	1.112	50.323	49.581	0.742	under
Financing Charges (controllable)	2.071	2.211	(0.140)	1.625	1.852	(0.227)	over
Total	1,102.520	1,121.349	(18.829)	803.485	809.345	(5.860)	over
Service Departments Total	1,102.520	1,121.349	(18.829)	803.485	809.345	(5.860)	over
CFCR	1.398	1.398	0.000	0.000	0.000	0.000	-
Loan Charges	40.843	37.843	3.000	29.174	27.031	2.143	under
Corporate Items	3.779	2.848	0.931	0.388	0.093	0.295	-
Corporate Items - COVID-19	29.458	6.107	23.351	19.509	3.242	16.267	under
Corporate Items - 21/22 Strategy	14.289	0.000	14.289	0.000	0.000	0.000	-
Total Expenditure	1,192.287	1,169.545	22.742	852.556	839.711	12.845	under
Income							
Housing Benefit Subsidy	65.542	64.951	(0.591)	45.176	44.777	(0.399)	under rec
Other Income	352.374	353.212	0.838	247.646	242.550	(5.096)	under rec
Council Tax (Net of Council Tax Reduction Scheme)	136.881	139.447	2.566	97.772	99.605	1.833	over rec
General Revenue Grant	344.049	344.049	0.000	245.749	245.749	0.000	-
General Revenue Grant - COVID-19	32.429	31.998	(0.431)	11.360	11.360	0.000	-
Non Domestic Rates	226.179	226.179	0.000	161.556	161.556	0.000	-
Transfer from Reserves	34.833	34.833	0.000	34.833	34.833	0.000	-
Total Income	1,192.287	1,194.669	2.382	844.092	840.430	(3.662)	under rec
Net Expenditure / (Income)	0.000	(25.124)	25.124	8.464	(0.719)	9.183	under

Proposed Transfers to Reserves

Purpose / Description	Resource	Value £m
Resources		
Parent Pay Development Contribution to meet the costs of the development of the Parent Pay system.	Community and Enterprise	0.070
Crematorium Sinking Fund Annual contribution to the Crematorium sinking fund for the future replacement of the mercury filters and brick works	Community and Enterprise	0.025
Electric Sweeper – Payback Ring-fenced reserves used to manage purchase of electric vehicles in short term which have to be repaid over next few year. This contribution is the first repayment.	Community and Enterprise	0.065
Restoration works – Alexander Park, Stonehouse Funding required to rectify the landslip and re-instate a core path in Alexander Hamilton Memorial Park for health and safety reasons	Community and Enterprise	0.077
Fleet Sinking Fund Annual contribution to cover the expected future costs of replacing ramp equipment at the Fleet depot in the Hamilton International Technology Park.	Community and Enterprise	0.045
Local Plan To fund ongoing costs in relation to progressing the new local development plan to adoption.	Community and Enterprise	0.025
Business Support Contribution to assist in funding the anticipated increase in demand for support from local business in 2021/2022 as a result of the ongoing economic fallout from the COVID19 pandemic.	Community and Enterprise	0.140
Total Community and Enterprise Resources		0.447
Pupil Equity Fund The funding received from the Government can be used up to the end of the school term (June 2021). The underspend reflects the element of the funding that will be utilised in April to June 2021.	Education	2.450
Early Years 1140 Hours This transfer relates to the underspend on the current year grant allocation to be carried forward to meet the commitments in line with the spend profile of the project.	Education	3.811
Total Education Resources		6.261
Sanitary Products This transfer relates to the underspend on the current year grant allocation to be carried forward to meet commitments.	Finance and Corporate	0.072
Men's Shed This contribution is required as it is match funding required to secure Lottery funding for extension of the contract.	Finance and Corporate	0.025
British Sign Language This transfer relates to funding to enable the implementation of the British Sign Language (Scotland) Bill which was not fully used in the current year. The funding is required to meet commitments in 2021/2022.	Finance and Corporate	0.006
Total Finance and Corporate Resources		0.103
Total Resource Proposed Transfers to Reserves		6.811
Loan Charges		
Winter Maintenance Fund Contribution required to ensure there is an ability to manage underspends and overspends on winter activity across financial years.	Loan Charges	1.000
Insurance Fund The contribution will allow the increased costs of insurance to be met from the fund for a further year covering 2021/22.	Loan Charges	1.000
Strategic Waste Fund The contribution will the Council to continue to meet the costs of the Councils waste service from 2021/22.	Loan Charges	1.000
Total Loan Charges Proposed Transfers to Reserves		3.000
Corporate Items		
Central Energy Efficiency Fund (CEEF) Resources are allocated funding from the CEEF Reserve to pay for spend to save projects which they repay over future years from the revenue savings generated by the project. This transfer represents the payback of savings from Resources and allows the Reserve to be regenerated for use on future projects.	Corporate Items	0.181
Council Tax Second Homes This transfer represents the over recovery of income from Council Tax on second homes included in the Council's Council Tax income line. This is required to be transferred to the Housing Revenue Account for use on social housing.	Corporate Items	0.582
Total Corporate Proposed Transfers to Reserves		0.763
Total Proposed Transfers to Reserves		10.574

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report (AFTER Transfers)
Period Ended 1 January 2021 (No.10)

<u>Committee</u>	Annual Budget	Annual Forecast AFTER Transfers	Annual Forecast Variance AFTER Transfers	Budget Proportion to 01/01/21	Actual to Period 10 01/01/21 AFTER Transfers	Variance to 01/01/21	
Departments:	£m	£m	£m	£m	£m	£m	
Community and Enterprise Resources	109.625	118.794	(9.169)	77.909	84.136	(6.227)	over
Facilities, Waste and Grounds	67.198	67.600	(0.402)	45.404	45.536	(0.132)	over
Fleet, Environmental and Projects	1.052	1.818	(0.766)	(0.337)	0.256	(0.593)	over
Leisure and Culture Services	19.538	19.503	0.035	14.470	14.438	0.032	under
Planning and Economic Development	2.120	2.766	(0.646)	5.735	6.063	(0.328)	over
Roads	19.717	21.406	(1.689)	12.637	13.886	(1.249)	over
COVID-19	0.000	5.701	(5.701)	0.000	3.957	(3.957)	over
Education Resources	349.039	358.956	(9.917)	248.687	254.444	(5.757)	over
Education	349.039	349.035	0.004	248.687	248.509	0.178	under
COVID-19	0.000	9.921	(9.921)	0.000	5.935	(5.935)	over
Finance and Corporate Resources	35.913	40.694	(4.781)	34.116	37.992	(3.876)	over
Finance Services - Strategy	1.965	1.966	(0.001)	2.673	2.675	(0.002)	over
Finance Services - Transactions	13.686	13.684	0.002	13.021	13.026	(0.005)	over
Audit and Compliance Services	0.330	0.330	0.000	0.434	0.434	0.000	over
Information Technology Services	5.349	5.662	(0.320)	6.144	6.379	(0.235)	over
Communications and Strategy Services	1.022	1.037	(0.015)	1.073	1.082	(0.009)	over
Administration and Licensing Services	4.222	4.773	(0.551)	3.728	4.151	(0.423)	over
Personnel Services	9.339	9.341	(0.002)	7.043	7.043	0.000	-
COVID-19	0.000	3.901	(3.901)	0.000	3.202	(3.202)	over
Housing and Technical Resources	15.477	16.624	(1.147)	12.757	13.248	(0.491)	over
Housing Services	8.798	8.643	0.155	5.282	5.220	0.062	under
Property Services	6.679	6.816	(0.137)	7.475	7.537	(0.062)	over
COVID-19	0.000	1.165	(1.165)	0.000	0.491	(0.491)	over
Social Work Resources	172.305	172.684	(0.379)	135.548	135.808	(0.260)	over
Performance and Support Services	8.056	7.756	0.300	6.227	6.016	0.211	under
Children and Families	35.608	35.916	(0.308)	27.070	27.245	(0.175)	over
Adults and Older People	127.134	127.177	(0.043)	101.376	101.443	(0.067)	over
Justice and Substance Misuse	1.507	1.465	0.042	0.875	0.842	0.033	under
COVID-19	0.000	0.370	(0.370)	0.000	0.262	(0.262)	over
Joint Boards	2.245	2.245	0.000	1.646	1.646	0.000	-
	684.604	709.997	(25.393)	510.663	527.274	(16.611)	over

<u>Committee</u>	Annual Budget	Annual Forecast AFTER Transfers	Annual Forecast Variance AFTER Transfers	Budget Proportion to 01/01/21	Actual to Period 10 01/01/21 AFTER Transfers	Variance to 01/01/21	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	684.604	709.997	(25.393)	510.663	527.274	(16.611)	over
CFCR	1.398	1.398	0.000	0.000	0.000	0.000	-
Loan Charges	40.843	40.843	0.000	29.174	29.174	0.000	-
Corporate Items	3.779	3.611	0.168	0.388	0.093	0.295	under
Corporate Items - COVID-19	29.458	6.107	23.351	19.509	3.242	16.267	under
Corporate Items - 2020/2021 Strategy	14.289	14.289	0.000	0.000	0.000	0.000	-
Total Expenditure	774.371	776.245	(1.874)	559.734	559.783	(0.049)	over
Council Tax	159.471	161.236	1.765	113.908	115.169	1.261	over rec
Less: Council Tax Reduction Scheme	(22.590)	(21.789)	0.801	(16.136)	(15.564)	0.572	under
Net Council Tax	136.881	139.447	2.566	97.772	99.605	1.833	over rec
General Revenue Grant	344.049	344.049	0.000	245.749	245.749	0.000	-
General Revenue Grant - COVID-19	32.429	31.998	(0.431)	11.360	11.360	0.000	-
Non-Domestic Rates	226.179	226.179	0.000	161.556	161.556	0.000	-
Transfer from Reserves	34.833	34.833	0.000	34.833	34.833	0.000	-
Total Income	774.371	776.506	2.135	551.270	553.103	1.833	over rec
Net Expenditure / (Income)	0.000	(0.261)	0.261	8.464	6.680	1.784	under

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report (AFTER Transfers)
Period Ended 1 January 2021 (No.10)

<u>Budget Category</u>	Annual Budget	Annual Forecast AFTER Transfers	Annual Forecast Variance AFTER Transfers	Budget Proportion to 01/01/21	Actual to Period 10 01/01/21 AFTER Transfers	Variance to 01/01/21	
	£m	£m	£m	£m	£m	£m	
Service Departments:							
Expenditure							
Employee Cost	532.478	542.159	(9.681)	390.271	394.470	(4.199)	over
Property Costs	54.099	59.243	(5.144)	41.346	44.845	(3.499)	over
Supplies and Services	54.244	53.718	0.526	39.786	36.304	3.482	under
Transport Costs	41.790	40.442	1.348	30.509	28.688	1.821	under
Administration Costs	15.822	15.358	0.464	11.398	11.167	0.231	under
Payments to Other Bodies	123.891	122.875	1.016	96.152	95.784	0.368	under
Payments to Contractors	201.335	216.218	(14.883)	136.754	146.531	(9.777)	over
Transfer Payments	6.104	6.292	(0.188)	5.321	5.325	(0.004)	over
Housing Benefits	70.686	69.574	1.112	50.323	49.581	0.742	under
Financing Charges (controllable)	2.071	2.211	(0.140)	1.625	1.852	(0.227)	over
Total	1,102.520	1,128.090	(25.570)	803.485	814.547	(11.062)	over
Service Departments Total	1,102.520	1,128.090	(25.570)	803.485	814.547	(11.062)	over
CFCR	1.398	1.398	0.000	0.000	0.000	0.000	-
Loan Charges	40.843	40.843	0.000	29.174	29.174	0.000	-
Corporate Items	3.779	3.611	0.168	0.388	0.093	0.295	under
Corporate Items - COVID-19	29.458	6.107	23.351	19.509	3.242	16.267	under
Corporate Items - 21/22 Strategy	14.289	14.289	0.000	0.000	0.000	0.000	-
Total Expenditure	1,192.287	1,194.338	(2.051)	852.556	847.056	5.500	under
Income							
Housing Benefit Subsidy	65.542	64.951	(0.591)	45.176	44.777	(0.399)	under rec
Other Income	352.374	353.142	0.768	247.646	242.496	(5.150)	under rec
Council Tax (Net of Council Tax Reduction Scheme)	136.881	139.447	2.566	97.772	99.605	1.833	over rec
General Revenue Grant	344.049	344.049	0.000	245.749	245.749	0.000	-
General Revenue Grant - COVID-19	32.429	31.998	(0.431)	11.360	11.360	0.000	-
Non Domestic Rates	226.179	226.179	0.000	161.556	161.556	0.000	-
Transfer from Reserves	34.833	34.833	0.000	34.833	34.833	0.000	-
Total Income	1,192.287	1,194.599	2.312	844.092	840.376	(3.716)	under rec
Net Expenditure / (Income)	0.000	(0.261)	0.261	8.464	6.680	1.784	under

COVID-19 Expenditure to 1 January 2021

Additional Costs

Service	Description of Cost	Value £m
Community and Enterprise Resources		
Facilities, Waste and Grounds (FWG)	Staffing costs supporting COVID response	0.152
Fleet, Environmental and Projects	Staffing costs supporting COVID response	0.166
Planning and Economic Development	Staffing costs supporting COVID response	0.006
All Services	PPE, Equipment and cleaning materials for staff.	0.496
FWG	New booking system for special uplifts	0.010
FWG	Temporary Mortuary Costs and Shelving / Racking for Bereavement Services	0.143
FWG	Food Costs – Social Work and Homelessness	0.011
All Services	IT Costs to facilitate home working	0.010
All Services	Fleet costs including fuel supporting COVID19 response	0.250
FWG and Fleet, Environmental and Projects	Printing and Stationery, signage and mobile phones	0.047
FWG	Increase in domestic waste tonnage and costs at civic amenity sites including security	1.354
FWG	Webcast system and live webcasts	0.015
Leisure	Impact of lost income on SLLCT establishments	1.269
FWG	Grounds Start up costs – Purchase of Machinery - Grounds	0.028
Education Resources		
Schools	Supply Teachers (April, May and June)	0.502
Support Services	Education Additional Staffing (to December)	0.118
YFCL	Hub School Janitors (April and May)	0.020
YFCL	YFCL Sessional Additional Hours (April and May)	0.032
YFCL	YFCL Summer Hubs (July / August)	0.226
Schools	Additional Teachers (to December)	1.608
Schools	Additional School Support Assistants (to December)	0.131
Schools	Additional Cleaning	0.679
Schools	Facilities Orders (Hand sanitisers / soap dispensers / bins / wipes / hand towels)	0.700
ELC	ELC Works	0.043
Schools	Additional Utilities - ventilation required	0.249
Schools / ELC	Central Orders (Gloves/wipes/aprons/ visors / masks)	0.923
Schools / ELC	Hub Schools and Early Years Supplies / Materials	0.134
Schools	Schools Hand Washing Supplies / Home Working Materials etc	0.025
Schools	Hub Schools Replenishment of Supplies / Materials	0.023
Schools	ICT for Support Staff	0.091
Schools	Winter Clothing Payments	0.050
Schools	Digital Inclusion	0.178
Schools	Signage / Posters / Stickers	0.062
Schools	Equity / Information Activity Packs	0.024
ELC	ELC Provision to Key workers	0.043
Schools	Footwear and Clothing Grants (additional claimants)	0.074
Finance and Corporate Resources		
IT Services	IT related spend to allow home working	0.280
Finance (Transactions), Personnel and Communications and Strategy	Additional staff costs to process Business Grants, Scottish Welfare Fund applications, work on Wellbeing line and provision of additional information on social media.	0.672
All	PPE, Telephones and mail to support COVID response	0.238
Finance (Transactions)	Benefits costs associated with homeless use of Bed and Breakfast	0.062
Finance (Transactions)	Expenditure on Financial Insecurity Items – Winter Fuel Payments, Free School Meals for Children self-isolating, assistance to tenants, foodbank expenditure	0.459
Finance (Transactions)	£100 Winter Payments	0.982

Service	Description of Cost	Value £m
Finance (Transactions)	Free School Meals – School holidays (includes additional school closure days due to lockdown)	0.509
Housing and Technical Resources		
Housing and Property Services	Temporary accommodation costs for homeless people, set up costs for temporary mortuary facility and the cost of PPE for housing and property services staff.	0.491
Social Work Resources		
Children & Family, Justice	Staffing costs to maintain service in children's home, support to vulnerable families and young people and costs related to the early release from prison	0.262
Total Additional Costs as at Period 10		13.847

Council Tax and Council Tax Reduction Scheme (CTRS)

Service	Description of Lost Income	Value £m
Council Tax	Loss of 2020/21 Council Tax Income including cancelled Direct Debits at end December 2020	0.000
Council Tax	Loss of Council Tax arrears collection income at end December 2020	0.000
CTRS	Cost of additional payments as at end December 2020	0.000
Additional Cost/Lost Income as at Period 10		0.000

Expenditure on Food Fund

Service	Description of Cost	Value £m
Corporate Items	Expenditure on Food Fund related items including Free School Meals provision, paypoint costs for Free School Meals, provision of meals to hubs and social work and food to vulnerable households	3.242
Additional Costs as at Period 10		3.242

Lost Income

Service	Description of Lost Income	Value £m
Community and Enterprise Resources		
Planning and Economic Development	Reduced income from Planning applications	0.460
Roads	Reduced Parking income and income from Roads Act legislation	1.508
Facilities, Waste and Grounds	Reduced school meals, milk subsidy, care of gardens, special uplifts, sale of bins income	1.657
Fleet, Environmental and Projects	Reduced income from taxi inspections.	0.042
Education Resources		
Early Years	Reduced income from Early Years Fees, playgroups and nursery milk claims	0.382
Support Services	Reduced income from Music Tuition fees	0.102
Support Services	Reduced income from Privilege transport	0.011
Finance and Corporate Resources		
Communications and Strategy	Reduced print room income.	0.042
Administration, Legal and Licensing	Reduced income for Licensing and Registration	0.322
Administration, Legal and Licensing	Reduced Legal Fees income	0.025
Finance (Transactions)	Reduced commission income for childcare due to homeworking	0.008
Total Lost Income as at Period 10		4.559

Unachieved Savings

Service	Description of Unachieved Savings	Value £m
Community and Enterprise Resources		
Facilities, Streets, Waste and Grounds	Implementation of work pattern changes within Grounds	0.077
Education Resources		
Support Services	Support Services	0.030
Schools	Curriculum and Quality Improvement Service Budget Realignment	0.020
Early Years	Employment of Early Learning and Childcare Graduates	0.049
Finance and Corporate Resources		
IT	IT Staffing Structure	0.246
Administration, Legal and Licensing	Licensing and Registration Fee Income	0.026
Unachieved Savings as at Period 10		0.448

Unspent Budget

Service	Description of Lost Income	Value £m
Community and Enterprise Resources		
Facilities, Waste and Grounds	Reduced expenditure on food purchases	(1.090)
Facilities, Waste and Grounds	Reduced expenditure on fuel in Street Cleaning	(0.066)
Facilities, Waste and Grounds	Reduced expenditure on fireworks display	(0.020)
Planning and Economic Development	Reduced expenditure due to cancellation of Christmas events	(0.045)
Roads	Reduced expenditure on flooding works	(0.077)
All	Reduced expenditure on multi-function devices and postages	(0.013)
Education Resources		
Support Services	West Partnership Income	(0.012)
Schools	Rates	(0.236)
YFCL	Breakfast Clubs and Holiday Lunch Clubs	(0.674)
All	Reduced expenditure on multi-function devices	(0.053)
Finance and Corporate Resources		
All	Reduced expenditure on multi-function devices and postages	(0.016)
Corporate Items	Rates	(0.285)
Unspent Budget as at Period 10		(2.587)

Net Cost of COVID-19 as at Period 10	19.509
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SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 1 January 2021 (No.10)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 01/01/21	Actual to Period 10 01/01/21	Variance to 01/01/21		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	13.721	13.384	0.337	10.093	9.924	0.169	under	1.7%	1
Property Costs	46.661	48.396	(1.735)	31.342	32.112	(0.770)	over	(2.5%)	2
Supplies & Services	0.996	0.809	0.187	0.785	0.752	0.033	under	4.2%	
Transport & Plant	0.195	0.223	(0.028)	0.071	0.077	(0.006)	over	(8.5%)	
Administration Costs	5.644	5.632	0.012	3.823	3.820	0.003	under	0.1%	
Payments to Other Bodies	3.176	3.130	0.046	2.375	2.371	0.004	under	0.2%	
Payments to Contractors	0.100	0.131	(0.131)	0.072	0.080	(0.008)	over	(11.1%)	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	19.448	19.456	(0.008)	19.343	19.344	(0.001)	over	0.0%	
Total Controllable Expenditure	89.941	91.161	(1.220)	67.904	68.480	(0.576)	over	(0.8%)	
Total Controllable Income	(107.634)	(105.901)	(1.733)	(73.898)	(72.623)	(1.275)	under rec	(1.7%)	3
Transfer to/(from) Balance Sheet	2.104	(0.849)	2.953	1.430	(0.421)	1.851	over rec	(129.4%)	4
Net Controllable Expenditure	(15.589)	(15.589)	0.000	(4.564)	(4.564)	0.000	-	0.0%	
Add: Non Controllable Budgets									
Financing Charges	15.589	15.589	0.000	10.592	10.592	0.000	-	0.0%	
Total Budget	0.000	0.000	0.000	6.028	6.028	0.000		0.0%	

Variance Explanations

1. Employee Costs

This underspend reflects the level of turnover within the Service.

2. Property Costs

This overspend reflects an increase in the level of demand for repairs and maintenance, following the easing of lockdown restrictions. In addition, cyclical rent debt levels are higher than in previous years and this may impact on bad debt levels at the end of the year.

3. Income

The under recovery of income reflects the delay in the level of additional new build properties due to COVID19 lockdown.

4. Transfer to/(from) Balance Sheet

This reflects the current anticipated year end transfer from reserves. The transfer will depend on the final outturn, and currently the transfer required is higher than anticipated due to the under recovery of income as a result of COVID19 lockdown.

Report

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

Subject:	Revenue Budget 2021/2022 – Update
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ Provide an update on the 2021/2022 Revenue Budget position.

2. Recommendation(s)

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

- (1) that the summary of the budget position detailed in section 4, be noted; and
- (2) that the next steps in the budget setting process (section 5), be noted.

3. Background

3.1. As advised in the previous report to Members (Executive Committee (Special), 13 January 2021), the Council's Executive Committee approved the [Revenue Budget Strategy for 2021/2022](#) at its meeting on 24 June 2020. The Strategy took account of a number of assumptions resulting in an initial budget gap of £52.741 million. The Strategy also identified corporate funding solutions leaving a savings requirement of £20.193 million as at June 2020.

3.2. As a result, it was agreed that officers would commence work on a savings package to the value of £20.000 million.

3.3. The savings requirement of £20.000 million did not include any increase in Council Tax but noted that a 4.84% increase (as per the Government's cap on the increase for 2020/2021), could generate income of £6.810 million.

3.4. Since the 2021/2022 Revenue Budget Strategy was approved in June 2020, further updates have been made to the Strategy assumptions and to identify any further corporate funding solutions that could be taken into account.

3.5. These were summarised in the paper to the Executive Committee (Special) on 13 January 2021. Section 4 provides a summary of the budget position at the time of writing, while section 5 details the next steps in the budget process.

4. Budget Position Summary

4.1. The budget position was summarised for members at the Executive Committee (Special) on 13 January 2021. The current position is shown in this section of the report.

- 4.2. Table 1 shows the movement from the original budget Strategy (June 2020) to the position reported to Executive Committee (Special) in January 2021.

Table 1 – Movement in Budget Strategy / Savings Requirement since June 2020

	£m
Savings Requirement (<i>Executive Committee, June 2020</i>)	20.193
Adjusted for:	
Loan Charges – Reduced Interest Costs due to reduced borrowing (<i>Members Seminar November 2020</i>)	(1.000)
Loan Charges – Reduced External Interest Rates (<i>Executive Committee (Special), January 2021</i>)	(1.500)
Lanarkshire Valuation Joint Board – Requisition Payment (<i>Executive Committee (Special), January 2021</i>)	(0.163)
Balance of Savings Required (before Management and Operational Decisions)	17.530

- 4.3. Table 1 shows the efficiency savings requirement of **£17.530 million**, as advised to members in the Executive Committee (Special) report (13 January 2021).
- 4.4. To assist members in their consideration of the budget and savings options, Table 2 illustrates the overall budget position for 2021/2022, and highlights the options available to bridge the budget gap of £17.530 million.

Table 2: Revised Savings Requirement and Options

	£m
Savings Requirement (<i>Table 1 and section 4.3</i>)	17.530
Less:	
Management and Operational Decisions (<i>see section 4.6</i>)	(5.762)
Balance of Savings Required (<i>see section 4.7</i>)	11.768
Options to Bridge the Budget Gap	
- Savings Options (<i>see section 4.8</i>)	(15.559)
- Potential Increase in Council Tax (<i>see section 5.8</i>)	(6.810)

- 4.5. **Management and Operational Decisions:** Members have been presented with the details of budget reductions arising from management and operational decisions. These are for members' information and not for approval as they are management decisions and are not policy changes requiring member approval. These operational changes have either already taken place or are in the process of taking place, as they will generate an efficiency in the services.
- 4.6. In total, these management and operational decisions benefit the Budget Strategy by £5.762 million.
- 4.7. Taking this into account reduces the savings requirement from £17.530 million to **£11.768 million**. In order to bridge this gap, members have been presented with savings for approval, and also have the option to increase Council Tax.
- 4.8. **Savings Options:** The savings options presented to Members total £15.559 million and will result in a reduction of 207.1 FTE. The options have been provided to Members (Executive Committee (Special) on 13 January 2021), and have been categorised into savings which affect a service that the Council must provide

(statutory, £10.199 million) and those which affect a service area over which the Council has discretion on delivery (non-statutory, £5.360 million).

- 4.9. **Council Tax:** The Budget Strategy presented to date does not include any increase in Council Tax, however, it did note that a 4.84% increase (as per the Government's cap on the increase for 2020/2021), could generate income of £6.810 million. An increase in the Council Tax Band D is available as an option to reduce the budget gap.
- 4.10. Table 2 shows that after taking account of the Managerial and Operational Decisions, the budget gap is reduced to £11.768 million. The options to meet this are an increase in Council Tax and the savings options. If Council Tax was set at an increase of 4.84%, it would reduce the savings required to £4.958 million (£11.768 million less £6.810 million).

5. Next Steps

- 5.1. At the time of writing this report, the Council has not yet received its Government Grant allocation for 2021/2022 – the Scottish Government are due to issue the Local Government Settlement on 28 January 2021. Work will then take place to confirm the Council's Government Grant allocation and to establish the impact on the Council's budget of both the grant and also of any policy intentions. The updated Grant position will form part of the overall Budget, Savings and Council Tax paper to be presented to members of the Council on 24 February 2021. This approval timeframe will allow statutory deadlines to be met.
- 5.2. The timing of the UK and Scottish Governments' Budget Bill process will mean that the final stage reading of the Budget at the Scottish Parliament will not take place until early March.
- 5.3. As a result of the Budget Bill process, there is the possibility that there could be a change to the level of grant allocation received by the Council for 2021/2022. If any further funds are received as part of the Budget Bill process, this will be brought to Members for consideration.

6. Employee Implications

- 6.1. The Management and Operational Decisions will mean a net reduction of 55.5 FTE posts in 2021/2022. The number of employees affected is 64.
- 6.2. In addition, if all of the savings options presented are approved, then this would mean a net reduction of 207.1 FTE, with the number of employees affected being 586.
- 6.3. Of the total 262.6 FTE posts, 70.3 FTE are currently vacant or have been filled on a temporary basis. The balance of 192.3 FTE posts can be managed through a combination of anticipated turnover and redeployment through SWITCH 2.

7. Climate Change, Sustainability and Environmental Implications

- 7.1. As advised previously, an exercise has been undertaken to consider the environmental impact of all of the savings proposed for approval. The majority of savings are assessed as having a neutral impact on climate change.
- 7.2. The remainder are expected to have some impact, both positive and negative, but on the whole, the package of savings is not expected to have a material impact on the Council's approach to tackling climate change. Details of this exercise are available on request.

8. Other Implications

- 8.1. 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 24 June 2020, and updated as detailed in Table 1. 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.
- 8.2. 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.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. Equality Impact Assessments have been undertaken for all relevant savings options presented for Members' approval. These have been made available to Members to assist in the decision-making process. In addition, an assessment has been carried out in line with the Fairer Scotland duty – this has also been made available to Members. For details of work undertaken, please contact the Employee Development and Diversity Manager, Finance and Corporate Resources.
- 9.2. Each of the savings options has also been assessed with regard to any potential impact on the environment (refer section 12).
- 9.3. In terms of consultation, the Trade Unions have been included in discussions on the savings. The public consultation has been split into two phases, with the first part focussing on general budget questions which will ask participants for their views on a variety of themes including community involvement, Council Tax and service priorities. The second part will focus on the specific savings options being presented to Members for their consideration. Members have been provided with the outcome of the first phase, with the second phase to follow once the consultation ends.

Paul Manning

Executive Director (Finance and Corporate Resources)

14 January 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Executive Committee, 24 June 2020

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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Report

7

Report to:	Executive Committee
Date of Meeting:	10 February 2020
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Additional Funding from Scottish Government and Other External Sources
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ advise Members of additional funding that has been made available to the Council by the Scottish Government and other external sources since the last report to this Committee (16 December 2020).

2. Recommendation(s)

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

- (1) that the additional revenue funding of £9.963m, as detailed at Appendix 1 of the report, be noted.

3. Background

3.1. The Council is periodically advised of additional funding which is made available from the Scottish Government and other sources to enable various initiatives to be undertaken.

3.2. Additional funding may either be paid through the General Revenue Grant mechanism or by the completion of appropriate grant claims.

3.3. Details of the additional funding are attached at Appendix 1 to the report. The report details additional funding that has been reported by Resources as part of the additional resources notification process, as well as any additional funding that has increased the Council's budget by more than £0.100 million.

3.4. As a result of COVID19, the Scottish Government has identified a number of funding streams to assist councils in managing the additional costs related to the crisis. Since the last report to the Committee further funding in relation to COVID19 has been identified and is reflected in Appendix 1. Further funding that has been identified nationally, but where individual allocations have not yet been confirmed to local authorities, will be reflected in a future report to this Committee, including:-

- Additional Mobilisation Funding for Education - based on need (£30m available nationally)
- Council Tax Reduction Scheme – funding for increased expenditure (further £25m still available nationally)
- Discretionary Housing Payments (further £3m available nationally)
- Free School Meals
- Self-Employed Support (£15m available nationally)

- Administration of Support Packages (£12m available nationally)
- Winter Hardship Payments (£3.120m still available nationally)
- Local Self-Isolation Outbound Calling (£6.825m still available nationally)
- Business Support for Taxi Drivers (£19m available nationally)
- Business Support for Mobile Contact Services (£15m available nationally)

4. Employee Implications

- 4.1. None.

5. Financial Implications

- 5.1. Additional revenue funding of £8.236 million has been identified for 2020/2021, with a further £1.727 million for 2021/2022.
- 5.2. Resource budgets will be updated to reflect this additional funding as required, and where appropriate, details of spending plans will be presented to Resource Committees for approval.

6. Climate Change, Sustainability and Environmental Implications

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

7. Other Implications

- 7.1. There are no other implications in terms of the information contained in this report.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. This report does not introduce a new policy, function or strategy or recommend a change to existing policy, function or strategy and therefore no impact assessment is required.
- 7.2. There was also no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

12 January 2021

Link(s) to Council Objectives/Values

- ◆ Accountable, Effective and Efficient

Previous References

- ◆ Executive Committee, 16 December 2020

List of Background Papers

- ◆ Additional Funding Reports:-
2 December 2020 to 6 January 2021

Contact for Further Information

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

Lorraine O'Hagan, Finance Manager (Strategy)

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Additional Revenue Funding

Resource	Description	2020 / 2021 £m	2021 / 2022 £m	Total £m	Method
Community & Enterprise Resources	COVID-19 – Funding to Support Environmental Health Officers	0.048	0.068	0.116	Scottish Government Grant
Community & Enterprise Resources	COVID-19 – Tier 4 Discretionary Business Support	1.935	0.000	1.935	Scottish government Grant
Finance & Corporate Resources	COVID-19 – Free School Meals for School Holiday Periods	0.470	0.000	0.470	Scottish Government Grant
Finance & Corporate Resources	COVID-19 – Local Community and Social Impact	0.894	0.000	0.894	Scottish Government Grant
Finance & Corporate Resources	COVID-19 – Loss of Income	2.755	0.000	2.755	Scottish Government Grant
Finance & Corporate Resources	Partnership Action for Continuing Employment (PACE)	0.173	0.000	0.173	Scottish Government Grant
Finance & Corporate Resources	Scottish Youth Guarantee	0.441	1.214	1.655	Scottish Government Grant
Housing & Technical Resources	Rapid Rehousing Transition Planning	0.282	0.445	0.727	Scottish Government Grant
Education Resources	Developing the Young Workforce	0.162	0.000	0.162	Lanarkshire Enterprise Services (Ltd) Grant
Social Work Resources	Winter Plan for Social Protection	1.076	0.000	1.076	Scottish Government Grant
	TOTAL REVENUE FUNDING	8.236	1.727	9.963	

Report

8

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

Subject:	Prudential Indicators, Treasury Management Strategy and Annual Investment Strategy 2021/2022
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1. Purpose of Report

1.1 The purpose of the report is to:-

- ◆ provide members with the Prudential Code indicators for 2021/22 to 2023/24,
- ◆ provide members with the Treasury Management Strategy for 2021/22, and
- ◆ provide members with the Annual Investment Strategy for 2021/22.

2. Recommendation(s)

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

- (1) that the Prudential Code indicators for 2021/2022 to 2023/2024 are endorsed and referred to Council for formal approval (section 4).
- (2) that the 2021/2022 Treasury Management Strategy is endorsed and referred to Council for formal approval (section 5)
- (3) that the Annual Investment Strategy, which includes the change to counterparty limits as detailed in section 6.11, is endorsed and referred to Council for formal approval (section 6)

3. Background

3.1 Through guidance and regulation the Council is required to produce Prudential Indicators, a Treasury Management Strategy and an Annual Investment Strategy. It has been cited as best practice to combine the information in one document. This paper will therefore cover:

- ◆ Prudential Indicators (Section 4)
- ◆ Treasury Management Strategy (Section 5)
- ◆ Annual Investment Strategy (Section 6)

4. Prudential Code Indicators

4.1 The Prudential Code for Capital Finance in Local Authorities was introduced through the Local Government (Scotland) Act 2003 with the aim of supporting strategic planning for capital investment at a local level.

4.2 The key objectives of the Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable; and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

- 4.3 The Prudential Indicators for 2021/2022 to 2023/2024 are shown at Appendix 1 along with explanations for each indicator. An updated position for 2020/2021 is also included.
- 4.4 Through these Prudential Indicators we are laying out what our expectations are for the coming year, and setting limits based on these expectations. A report will be presented to Committee later this year showing actual achievement against the 2020/2021 indicators.
- 4.5 The first three indicators show details of capital expenditure, how this will be funded and set limits for external borrowing. The fourth indicator demonstrates the financial impact of the expected borrowing and that this is affordable.

Capital Expenditure and Asset Management

- 4.6 It was through the introduction of the Code that Councils are now able to take responsibility for deciding an affordable level of borrowing to fund capital expenditure. This moves away from the previous regime through which central government gave councils consent to borrow defined amounts for capital expenditure.
- 4.7 The level of capital expenditure that we choose to fund through borrowing has a direct impact on the treasury activities of the Council. Borrowing is required to fund the capital programmes and for the Housing Investment Programme. Borrowing will also be used in the short term to manage the cashflow funding gap for City Deal. The Prudential Indicators show the level of borrowing required.
- 4.8 An update to the General Fund programme for 2021/2022 was presented to the Executive Committee on 4 November 2020. This allows for investment across priorities consistent with the objectives of the Council Plan.
- 4.9 The capital expenditure for 2021/2022 included in our indicators is based on the aforementioned report and takes account of anticipated expenditure for that year adjusted to include other potential commitments. It includes the General Capital Grant funding allocated by the Scottish Government and projects which will be funded by Specific Capital Grants from the Scottish Government.
- 4.10 At the time of writing this report, the level of General Capital Grant beyond the current financial year is not known. For 2021/2022, it has been assumed that £21.3m of General Capital Grant will be received, in line with the grant awarded in 2020/2021. For 2022/2023 and 2023/2024, £28m has been assumed as included in the Capital Strategy agreed by the Executive Committee on 21 November 2018.
- 4.11 The HRA capital programme for 2021/2022 will be presented to the Housing and Technical Resources Committee on 17 February 2021. For financial years 2022/2023 and 2023/2024, estimated capital programmes based on the HRA business plan have been included.
- 4.12 Housing capital expenditure reflects investment priorities of maintaining and improving the housing stock to the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH). The programme includes the continuation of the legislative compliance works including meeting the new fire tolerable standard by February 2022, investment in multi storey blocks and improving the energy efficiency of the tenants' homes.

- 4.13 The Prudential Code also recognises that in making capital investment decisions the authority should be informed by sound asset management planning and options appraisal.
- 4.14 When considering potential capital investment, the Council ensures that the objectives of capital investment fit within the Council strategic plans and that the investment is informed through the asset management planning process. The following asset management plans were updated for 2020 and approved by the relevant resource Committees.
- ◆ Fleet Asset Management Plan 2020 presented to Community and Enterprise Resources Committee 15 September 2020
 - ◆ 2020/2021 Information and Communication Technology (ICT) Asset Management Plan presented to Finance and Corporate Resources Committee 19 August 2020
 - ◆ Roads Asset Management Plan – 2020 Update presented to Community and Enterprise Resources Committee 16 June 2020
- 4.15 The Property and Housing Asset Management Plan is currently being reviewed and updated and is expected to be taken forward to the Housing and Technical Resources Committee early in 2021/2022.

5. Treasury Management Strategy

- 5.1 The Council's treasury activities are regulated by statute, and a professional code of practice (the CIPFA Treasury Management in Public Services Code of Practice). It is a requirement of this Code, and the financial regulations of South Lanarkshire Council that a Treasury Management Strategy is approved by Committee every year.
- 5.2 The Treasury Management Strategy for 2021/2022 is detailed at Appendix 2.
- 5.3 The Treasury Management in the Public Services - Guidance Notes for Local Authorities details treasury management indicators that are to be reported within the Treasury Strategy.
- 5.4 The level of borrowing required to fund the Council's Capital programme, together with the variable nature of interest rates increases the risks associated with the treasury management function. As a result, the Council will take a cautious approach to its Treasury Strategy by setting treasury management indicators to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of adverse movements in interest rates.
- 5.5 The indicators set limits on the maturity structure of borrowing and limits on investments over 364 days.
- 5.6 The main areas covered by the Strategy are:
- Debt and Investment Projections
 - Expected Movement in Interest Rates
 - Borrowing Strategies
 - Statutory Repayment of Loans Fund Advances
- 5.7 Total external net debt is expected to reach £1,112.196m by the end of 2020/2021. This is gross debt of £1,199.283m less estimated investments of £87.087m. The estimated level of investments reflects the level of reserves held plus an element of working capital and the borrowing that was not taken in 2020/2021 recognising that this reduces the cash that the council has available for investment.

5.8 External debt includes the liability of £193.743m that is included on the Council's balance sheet for the Secondary Schools and finance leases under International Financial Reporting Standards. It should be noted that while these liabilities are to be classed as external debt, there is no requirement to borrow these amounts and there is, therefore, no impact on borrowing costs.

6. Annual Investment Strategy 2021/2022

6.1 The Local Government Investments (Scotland) Regulations 2010 provides a formal investment framework for councils. It provides greater autonomy for local authorities in their investment activities but with this greater freedom comes greater responsibility and the onus is on local authorities to act prudently with regard to their investment and treasury management activities.

6.2 The Council can decide what investment tools it will class as permitted investments in the coming year. The Regulations require an Annual Investment Strategy detailing the permitted investments to be approved by the Council.

6.3 The Annual Investment Strategy for 2021/2022 has been included at Appendix 3.

6.4 The two fundamental principles of the Investment Regulations are that:

- Councils are required to manage their investments and deposits in a way that minimises the risk to the capital sum and optimises the return on the funds consistent with those risks. Security should be considered first, then liquidity, and lastly the yield or return.
- Councils are able to determine what investments they may make, including both the type and duration of the investment.

6.5 The Annual Investment Strategy is considered to be central to the Regulation. The Council is required to prepare an Annual Investment Strategy prior to the start of the financial year.

6.6 The Regulations require the Council to consider its investment activity as a whole. This includes a range of investments, which covers the depositing of temporary surplus funds with banks and similar institutions, shareholdings in companies or joint ventures, loans to group undertakings and third parties. It also covers investment properties

6.7 The Council is required to set out a strategy for investments that explains investment objectives and policies including any special circumstances applying to them that have led to a particular approach.

6.8 The attached strategy identifies the different types of treasury risk that investments are exposed to and the controls in place for limiting those risks. These include restrictions on who the Council will invest with and on the period of investment.

6.9 The Council is required to set out in the strategy the types of investment that it will permit in the financial year. These will be known as "permitted investments".

6.10 The strategy also limits the amounts that may be held in such investments at any time in the year.

- 6.11 After consideration of the Council's requirements to manage funds and our approach to risk, it is proposed that the counterparty limits for deposits with UK local authorities is increased from £15m to £20m and the limit for deposits and Certificates of Deposit with banks and building societies is increased from £10m to £20m. This approach has been supported by our Treasury Advisors.
- 6.12 Deposits with local authorities are considered to be of very high credit quality and deposits with banks or building societies are restricted to those of high credit quality as defined by the credit ratings assigned to them by the rating agencies. Increasing the counterparty limits provides additional flexibility when placing deposits while maintaining a low-risk appetite.
- 6.13 The Executive Director of Finance and Corporate Resources will ensure that the strategy is adhered to at all times. The Council can only make an investment if that type of investment is detailed in this Strategy.
- 6.14 **Borrowing in Advance:-** Borrowing in advance of need increases the level of funds which require to be invested or deposited.
- 6.15 The CIPFA Prudential Code is clear that the Council must not borrow more than, or in advance of needs purely in order to profit from the investment of the extra sums borrowed.
- 6.16 The Council needs to be able to demonstrate that borrowing is for a legitimate purpose such as the exercise of day to day cash management or the management of borrowing for capital purposes.
- 6.17 The regulations do not prevent borrowing in advance of need but for it to be allowed the Council must detail its policy for borrowing in advance in the strategy.
- 6.18 The Executive Director of Finance and Corporate Resources will ensure that borrowing is taken at the most appropriate time to ensure best value and that the requirements of the Prudential Code are met.
- 7. Employee Implications**
- 7.1 None
- 8. Financial Implications**
- 8.1 There are no direct funding implications arising from the production of the Prudential Indicators, Treasury Management Strategy or Annual Investment Strategy.
- 8.2 The financial impact from treasury activity and borrowing for capital expenditure has been built into the long-term revenue budget strategy.
- 9. Climate Change, Sustainability and Environmental Implications**
- 9.1 There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.
- 10. Other Implications**
- 10.1 South Lanarkshire Council recognises that any treasury management activity will carry an element of risk. It is important that risk is identified, and controls put in place to limit those risks.

- 10.2 The preparation and approval of Prudential Indicators and the Treasury Management Strategy set a framework for treasury management activities and limits on debt to mitigate risks.
- 10.3 The CIPFA Treasury Management Code of Practice adopted by the Council, places Credit and Counterparty risk at the forefront of treasury risks.
- 10.4 South Lanarkshire Council recognises that any investment activity will carry an element of risk. It is important that risk is identified, and controls put in place to limit and manage those risks.
- 10.5 Section 5 of the Annual Investment Strategy details how South Lanarkshire Council will manage these risks.
- 11. Equality Impact Assessment and Consultation Arrangements**
- 11.1 This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 11.2 There is no requirement to undertake any consultation in relation to the content of the report.

Paul Manning
Executive Director of Finance and Corporate Resources

7 January 2020

Link(s) to Council Values and Objectives

- ◆ Value: Accountable, effective, efficient and transparent

Previous References

- ◆ None

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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Prudential Indicators 2021/22 – 2023/24

The Prudential Indicators are shown below and are split into 2 categories:

- Capital Expenditure and External Debt
- Affordability

Indicators 1 to 3 show statements of the expected borrowing requirement for the years 2020/21 to 2023/24 and attributes limits for external borrowing.

Indicator 4 demonstrates the financial impact of the expected borrowing for the years 2020/21 to 2023/24 and that this borrowing is affordable.

After year end, the actual position for the Indicators will be reported to this Committee.

Capital Expenditure and External Debt Indicators**1. Prudential Indicator 1 – Capital Expenditure**

- 1.1 This indicator states the capital expenditure plans for the years 2020/21 through to 2023/24. The indicator takes account of the anticipated spend for 2020/21 and 2021/22. For 2022/23 and 2023/24, the Capital Strategy has been used as the basis, adjusted to reflect anticipated spend.

	2020/21 Estimate £ m	2021/22 Estimate £ m	2022/23 Estimate £ m	2023/24 Estimate £ m
General Fund Capital Expenditure	80.021	86.874	87.791	51.602
<i>Funded by:</i>				
Borrowing	23.790	53.542	57.565	20.697
Capital Receipts and Grants	53.538	32.858	30.226	30.905
Contributions from Reserves	1.295	0.474	0.000	0.000
Revenue Contributions	1.398	0.000	0.000	0.000
Total Funding	80.021	86.874	87.791	51.602
HRA Capital Expenditure	48.172	100.801	29.211	29.240
<i>Funded by:</i>				
Borrowing	9.994	71.657	2.141	1.630
Capital Receipts and Grants	18.134	19.637	26.050	26.590
Revenue Contributions	20.044	9.507	1.020	1.020
Total Funding	48.172	100.801	29.211	29.240

- 1.2 The table overleaf summarises the above capital expenditure plans and how the borrowing required for the capital programmes are adjusted for loans fund principal repayments, maturing debt and borrowing not taken in prior financial years to derive the borrowing requirement for the Council in each financial year.

	2020/21 Estimate £ m	2021/22 Estimate £ m	2022/23 Estimate £ m	2023/24 Estimate £ m
Borrowing for General Fund Capital Expenditure	23.790	53.542	57.565	20.697
Borrowing for HRA Capital Expenditure	9.994	71.657	2.141	1.630
Total Borrowing for Capital Expenditure	33.784	125.199	59.706	22.327
Less Loans Fund Principal Repayments	(11.374)	(11.570)	(7.531)	(7.858)
Plus Maturing Debt	29.893	40.954	43.884	21.770
Borrowing carried over/(taken) in prior financial years	27.895	80.198	0.000	0.000
Total Borrowing Requirement	80.198	234.781	96.059	36.239
Actual/Expected Borrowing	0.000	234.781	96.059	36.239
Borrowing carried over to next financial year	80.198	0.000	0.000	0.000

1.3 The Council has not borrowed in 2020/21, instead it has used its cash balances to fund capital spend. Borrowing to replace these balances will be required going forward and this borrowing requirement is carried forward to 2021/22.

1.4 The borrowing identified above, and associated costs have been included in the Council's Financial Strategy.

2. Prudential Indicator 2 – Council's Borrowing Need (the Capital Financing Requirement) and Gross Debt

2.1 The Council's Capital Financial Requirement (CFR) is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow for past and present capital expenditure.

2.2 The Council is required to pay off an element of the accumulated balance of borrowing every year through a charge to the revenue account.

2.3 In order to ensure that over the medium-term debt will only be for a capital purpose, the Council needs to ensure that debt does not, except in the short term, exceed the total of the Capital Financing requirement (CFR) in 2020/21 plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

- 2.4 The projected Capital Financing Requirement and Gross Debt is shown in the table below.

	2020/21 Estimate £ m	2021/22 Estimate £ m	2022/23 Estimate £ m	2023/24 Estimate £ m
General Fund Capital Financing Requirement	1,031.629	1,072.714	1,123.117	1,136.715
HRA Capital Financing Requirement	247.852	312.943	307.558	301.332
Total Capital Financing Requirement	1,279.481	1,385.657	1,430.675	1,438.047
Gross Debt	1,199.283	1,385.657	1,430.675	1,438.047
Difference	80.198	0.000	0.000	0.000

- 2.5 It can be seen that the estimated gross debt levels for the period 2020/21 to 2023/24 do not exceed the forecast CFR at the end of 2023/24, demonstrating that borrowing will only be undertaken for capital purposes.
- 2.6. This indicator sets out the expected CFR based on the capital plans shown at Indicator 1. Actual CFR for 2020/21 will be presented to committee following year end.

3. Prudential Indicator 3 – Limits to Borrowing

- 3.1 The **Operational Boundary for external debt** is based on the expected maximum external debt that could be faced in the course of the year. It is set to accommodate the borrowing requirements as detailed at Prudential Indicator 1, and also includes sufficient scope to allow for changes to the capital programme throughout the year and to borrow for the following year should this be considered appropriate. This limit is permitted to be breached during the year. This would be reported in the Prudential Indicators report presented to Committee after year end.
- 3.2 The **Authorised Limit for External Debt** represents a limit beyond which external debt is prohibited. It represents the level of external debt which could be afforded in the very short term, but is not sustainable in the longer term without consideration to revenue budgets. This limit needs to be set or revised by the full Council who should also be advised if the limit is exceeded or is expected to be exceeded. Again the limits include scope to borrow for the following year should this be considered appropriate.

	2020/21 Estimate £ m	2021/22 Estimate £ m	2022/23 Estimate £ m	2023/24 Estimate £ m
Operational Limit for debt	1,270.000	1,340.000	1,340.000	1,330.000
Operational Limit for other liabilities	210.000	200.000	190.000	180.000
Operational Limit	1,480.000	1,540.000	1,530.000	1,510,000
Authorised Limit for debt	1,290.000	1,360.000	1,360.000	1,350.000
Authorised Limit for other liabilities	210.000	200.000	190.000	180.000
Authorised Limit	1,500.000	1,560.000	1,550.000	1,530,000

Affordability Indicators

4. Prudential Indicator 4 – Ratio of Financing Costs to Net Revenue Stream

- 4.1. This indicator focuses on the extent to which the Council's net revenue budget is used for servicing debt. This is shown for both General Fund and HRA. The figures for General Fund include the reduction in the PPP/Finance Lease Liability as a financing cost.

	2020/21 Estimate £ m	2021/22 Estimate £ m	2022/23 Estimate £ m	2023/24 Estimate £ m
General Fund Ratio of Financing Costs to Net Revenue Stream (expressed as %)	6.27%	6.40%	5.88%	5.93%
HRA General Fund Ratio of Financing Costs to Net Revenue Stream (expressed as %)	16.53%	17.55%	17.48%	16.92%

- 4.2. While the Council has prepared a Financial Strategy for 2021/22 to 2023/24, at the time of writing this report, we have not been advised of our General Revenue Grant funding beyond 2020/21. The indicators have been calculated using the assumptions regarding reductions in grant levels built into the Financial Strategy for 2021/22 and beyond.
- 4.3. For the HRA, estimates of rental income in each financial year have been used in the calculation.

Treasury Management Strategy 2021/22

1. Foreword

- 1.1. The treasury management function is an important part of the overall financial management of the Council's affairs. The treasury management function considers the effective funding of capital investment plans and works toward ensuring that best practice is followed when making decisions on managing Council deposited funds.

The Council's treasury activities are regulated by the Local Government (Scotland) Acts 1975 and 2003, and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised December 2017). It is a requirement of this Code, and the financial regulations of South Lanarkshire Council, that a Treasury Management Strategy is approved by Committee every year.

A key requirement of this strategy is to explain both the risks and the management of these risks associated with the treasury function. A further report will be produced after the year end to report on actual activity during the year. It is a requirement of the Treasury Management Code of Practice that a mid year monitoring report is produced. This will cover the period 1 April 2021 to 30 September 2021 and will be submitted to Committee after that date.

This strategy covers:

- The Council's debt and investment projections (Section 2)
- The Council's estimates and limits on future debt levels (Section 3)
- The expected movement in interest rates (Section 4)
- The Council's borrowing strategy (Section 5)
- Treasury Management Limits on Activity (Section 6)
- Statutory Repayment of Loans Fund Advances (Section 7)

2. Debt and Investment Projections 2019/20 – 2021/22

- 2.1 The expected levels of external borrowing and investment for 2021/22 to 2023/24 are shown in the table below. An updated position for 2020/21 is also shown.

	2020/21 Estimate £ m	2021/22 Estimate £ m	2022/23 Estimate £ m	2023/24 Estimate £ m
External Debt				
Borrowing	£1,005.540	£1,199.368	£1,251.543	£1,266.012
Other long term liabilities	£193.743	£186.290	£179.133	£172.036
Debt at 31 March (including PPP/Finance Lease Liability)	£1,199.283	£1,385.657	£1,430.675	£1,438.047
Investments				
Total Investments at 31 March	£87.087	£123.272	£112.047	£106.895

3. Estimates and Limits on Future Debt Levels

- 3.1 There are a number of key indicators to ensure the Council operates its activities within well defined limits. These are detailed in the Prudential Indicators Appendix 1, paragraphs 2.1 to 3.2.

4. Expected Movement in Interest Rates

- 4.1 The interest rate forecast provided by the Council's treasury advisor, Link Asset Services is reproduced below. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The forecasts below will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.

Medium Term Interest rates - Annual Averages – Link Asset Services

	Base Interest Rate	5 year PWLB	10 year PWLB	25 year PWLB	50 year PWLB
2021/22	0.100%	0.825%	1.125%	1.600%	1.400%
2022/23	0.100%	0.900%	1.200%	1.700%	1.500%
2023/24	0.100%	1.000%	1.300%	1.800%	1.600%

- 4.2 Link Asset Services expect there to be little upward movement in Public Works Loans Board (PWLB) rates over the next three years as economies recover growth that stalled during the lockdowns to protect against the coronavirus pandemic. It is likely that there will be periods of volatility over the next three years as markets react to emerging economic data, however the overall trend is for PWLB rates to increase marginally.
- 4.3 The differential between investment earnings and debt costs remains high and is expected to continue in 2021/22. This “cost of carrying” needs to be considered if borrowing is taken before our cash flow requires funds as returns on deposits will be lower than the rate paid on borrowing.

5. Borrowing Strategy

- 5.1 The Council is currently maintaining an under-borrowed position in comparison to its Capital Financing Requirement, using its cash balances rather than borrowing to fund capital expenditure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.
- 5.2 The Council's borrowing strategy will be to minimise borrowing costs over the medium to long term by considering the borrowing requirement arising from the capital programmes along with expected interest rates and the level of existing cash balances.
- 5.3 In conjunction with advice from its treasury advisor, Link Asset Services, the Council will keep under review the options it has in borrowing from the PWLB, the market and other sources up to the available capacity within its CFR and Authorised Limit.
- 5.4 One of the options to finance capital borrowing is the issuance of Bonds. In the right circumstances, Bonds could be appropriate for the Council but are dependent on the level of borrowing, the repayment period and the mix of other funding sources to fund a large-scale capital programme. To date, their use has not been considered

appropriate or necessary given the amount the Council requires to borrow and the repayment period of the borrowing. Moving forward, they will remain an option and will be considered along with other sources of borrowing as required.

- 5.5 Alongside fixed rate maturity borrowing, other options such as variable rate or short-term borrowing or EIP (equal instalments of principal) loans that help mitigate the impact of the cost of carry are all active considerations.
- 5.6 The Council will consider debt rescheduling where appropriate to make savings in interest costs or to amend the profile of maturing debt to reduce any inherent refinancing risks, however opportunities will be limited due to the premium that is charged by the PWLB for the early repayment of debt.
- 5.7 The overall strategy for borrowing will be to monitor interest rates, undertake planned borrowing at the best time, whilst investigating opportunities where possible to improve the structure of our existing loan portfolio.
- 5.8 The expected borrowing is detailed in the Prudential Indicators Appendix 1, paragraphs 1.1 to 1.3 and is summarised below.

	2020/21 Estimate £ m	2021/22 Estimate £ m	2022/23 Estimate £ m	2023/24 Estimate £ m
Total Borrowing Requirement	0.000	234.781	96.059	36.239

5. Treasury Management Limits on Activity

- 6.1 The Treasury Management in the Public Services - Guidance Notes for Local Authorities details treasury management indicators that are to be reported within the Treasury Strategy.
- 6.2 The purpose of the Treasury Management Indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs/improve performance. The indicators are detailed below.

Treasury Management Indicator 1 – Maturity Structure of Borrowing

- 6.3 By setting limits on the maturity structure of borrowing, the exposure to large concentrations of debt needing to be replaced at the same time in the future at currently unknown rates can be limited. This effectively places a limit on exposure to longer term interest rate movement. The upper and lower limits for the maturity structure of borrowing is shown in the table overleaf.

Maturity Structure of Borrowing		
	Upper Limit	Lower Limit
Under 12 months	30%	0%
12 months and 24 months	30%	0%
24 months and 5 years	50%	0%
5 years and 10 years	60%	0%
10 years and 20 years	60%	0%
20 years and 30 years	70%	0%
30 years and 40 years	80%	0%
40 years and 50 years	90%	0%
50 years and above	90%	0%

Treasury Management Indicator 2 – Investments Greater Than 364 Days-

- 6.4 Limits on the total principal sums invested for greater than 364 days protects against potential loss that we would suffer if we required to get our money back earlier than the full term of the investment.
- 6.5 This Council will, at any one time, have no more than £10m invested for periods greater than 364 days, subject to a maximum period of 5 years.

Interest Rate Risk

- 6.6 As there is no longer a specific recommended indicator in respect of interest rate exposures, councils are asked to explain their strategy for managing interest rate risks.
- 6.7 Interest rate risk is the risk that movements in interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.
- 6.8 The Council manages this risk by having a view of the future course of interest rates and a borrowing strategy that aims to minimise borrowing costs and ensure that these are affordable. The financial impact of borrowing for capital expenditure has been built into the long-term revenue budget strategy.

Credit Risk

- 6.9 There is no specific recommended indicator in relation to credit risk, although the Treasury Management Code states that authorities may wish to design and set their own indicators in relation to this.
- 6.10 Details of how South Lanarkshire Council manages credit risk are included in the Annual Investment Strategy 2021/22 which is included in Appendix 3 of this report.

7. Statutory Repayment of Loans Fund Advances

- 7.1 The Scottish Government introduced The Local Authority (Capital Financing and Accounting) Scotland Regulations 2016 with effect from 1 April 2016. These regulations require the statutory loans fund to be administered in accordance with

the 2016 Regulations, proper accounting practice and prudent financial management.

- 7.2 The Local Authority (Capital Financing and Accounting) Scotland Regulations 2016 provides local authorities with greater flexibility to determine the repayments of loans fund advances and permits these to be varied if the authority considers it prudent to do so.
- 7.3 As reported to the Executive Committee on 24 June 2020, a review of the General Fund Loans Fund has now been completed and identified that £68m of loans fund advances had been repaid earlier than it would have been under a revised model. This enables loan fund repayments to be reduced in the short term with the resultant in year underspends being transferred to reserves and used to support the Council's Budget Strategies.

Policy for the Statutory Repayment of Loans Fund Advances

- 7.4 The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.
- 7.5 A number of options are available to councils so long as a prudent provision is made each year. The Council is recommended to approve the following policy on the repayment of loans fund advances:-

The policy for the repayment of loans fund advances will be to use the most appropriate method of repayment for individual capital schemes or projects from the following methods.

1. Asset life method – loans fund advances will be repaid with reference to the life of an asset on an annuity basis.

2. Funding / Income profile method – loans fund advances will be repaid by reference to an associated income stream.

- 7.6 For loans fund advances repaid using the annuity basis, the annual repayment will be calculated using an appropriate interest rate based on an average cost of funding capital advances to services.
- 7.7 The Council's strategy for managing debt includes making additional voluntary repayments. These repayments will be used as a tool to reduce interest costs in the short to medium term by lowering the Council's need to borrow. These additional voluntary repayments will be retained and used to offset higher loans fund repayments in the long term. All of this helps to ensure that charges to the revenue account remain prudent and affordable in the long term.

Repayment of Loans Fund Advances

- 7.8 Borrowing to fund the capital programmes result in new loans fund advances and create a liability to repay those advances from future years' budgets. The Council is required to report on the commitment to repay loans fund advances. This is shown in the following tables.

General Fund	Opening Balance	New Advances	Repayments	Closing Balance
2020/21	816.956	23.790	-5.000	835.746
2021/22	835.746	53.542	-5.004	884.284
2022/23 – 2025/26	884.284	104.218	-24.585	963.917
2026/27 – 2030/31	963.917	9.105	-166.619	797.298
2031/32 – 2035/36	797.298	0.000	-158.353	638.945
2036/37 – 2040/41	638.945	0.000	-125.109	513.836
2041/42 – 2045/46	513.836	0.000	-129.805	384.031
2046/47 – 2050/51	384.031	0.000	-128.066	255.965
2051/52 – 2055/56	255.965	0.000	-127.822	128.143
2056/57 – 2060/61	128.143	0.000	-53.864	74.279
2061/62 – 2065/66	74.279	0.000	-45.579	28.700
2066/67 – 2070/71	28.700	0.000	-24.393	4.307
2071/72 – 2075/76	4.307	0.000	-4.307	0.000

Housing Revenue Account	Opening Balance	New Advances	Repayments	Closing Balance
2020/21	244.219	9.995	-6.374	247.840
2021/22	247.840	71.657	-6.566	312.931
2022/23 – 2025/26	312.931	5.401	-32.037	286.925
2026/27 – 2030/31	286.925	0.000	-49.943	236.352
2031/32 – 2035/36	236.352	0.000	-55.785	180.567
2036/37 – 2040/41	180.567	0.000	-39.100	141.467
2041/42 – 2045/46	141.467	0.000	-35.977	105.490
2046/47 – 2050/51	105.490	0.000	-41.366	64.124
2051/52 – 2055/56	64.124	0.000	-36.124	28.000
2056/57 – 2060/61	28.000	0.000	-23.904	4.096
2061/62 – 2065/66	4.096	0.000	-4.096	0.000

Annual Investment Strategy 2021/2022

1. Background

- 1.1. Local authority investment activity is regulated by statute. In Scotland the legislation that local authorities rely on to make investments has consisted of the Trustee Investments Act 1961 and the Local Government (Scotland) Act 1973.
- 1.2. In response to representation from local authorities that the existing regulation was too prescriptive, provision was made in the Local Government in Scotland Act 2003 for Scottish Ministers to introduce a new regulatory framework.
- 1.3. Section 40 of the Local Government in Scotland Act 2003 provides local authorities with the power to invest money. This power may be exercised in accordance with regulations made by Scottish Ministers under this section.
- 1.4. Scottish Ministers have, through Consent and Regulations, provided a formal investment framework, namely The Local Government Investments (Scotland) Regulations 2010 which came into force on 1 April 2010.
- 1.5. The new regulatory framework introduced by regulations made by Scottish Ministers under Section 40, provides greater autonomy for local authorities in their investment activities. With this greater freedom comes greater responsibility and the onus is on local authorities to act prudently regarding their investment and treasury management activities.
- 1.6. Local authorities are required to manage their investments in a way that minimises the risk to the capital sum and optimises the return on the funds consistent with those risks.
- 1.7. Local authorities are required to prepare an Annual Investment Strategy before the start of the financial year.

2. Investment Policy and Strategy

- 2.1. Scottish Ministers have identified two CIPFA Codes of Practice which local authorities must have regard to in managing their investments:
 - Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Fully Revised Second Edition 2009)
 - The Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition 2009)
- 2.2. The first Code referenced covers the whole range of treasury management issues including the fundamental principles for making and managing investments. The second Code deals with capital investment but also includes guidance on Treasury Management.
- 2.3. The CIPFA Treasury Management Code and the CIPFA Prudential Code were updated in December 2017. There are no significant areas of change in the revised codes that would impact on our investment strategy.

- 2.4. This Council in its Treasury Management Policy Statement defines its Treasury Management Activities as:
The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 2.5. The main objective when investing surplus funds will therefore be the security of the transaction. The Council must also meet its liquidity requirement and only invest for the period of time that is prudent. Finally, and only after consideration of security and liquidity, the yield that will be gained from the investment will be considered.
- 2.6. While the prime considerations when investing surplus funds are security liquidity and yield, it is recognised that consideration must be given to other factors such as climate change, sustainability and the environment.
- 2.7. Since 2016, the only banks that the Council have used for the temporary investment of surplus funds are Bank of Scotland and The Royal Bank of Scotland.
- 2.8. These banks have their own policies on climate change, sustainability and environmental issues and further details can be found here:

[Lloyds Banking Group - Approach to Environmental, Social and Governance \(ESG\) Topics](#)

[NatWest Group - Sustainable Banking](#)

- 2.9. The Council will continue to work with their Treasury Management Advisors who are looking at ways to incorporate additional factors covering these areas into their creditworthiness assessment service. Any developments in this area will be reported to the Climate Change and Sustainability Committee.

3. Treasury Management Risks

- 3.1. The CIPFA Treasury Management Code of Practice adopted by the Council includes a section on Managing Treasury Management Risks, placing Credit and Counterparty risk at the forefront of treasury risks.
- 3.2. South Lanarkshire Council recognises that any investment activity will carry an element of risk. It is important that risk is identified and controls put in place to limit those risks.
- 3.3. Risks when carrying out investment activities can broadly be categorised as follows:

Credit Risk:	failure to receive back the principal and interest on an investment in full and on the due date
Liquidity Risk:	the maturity or terms of the investment are such that insufficient cash is available in the short term
Market Risk:	the effect of market prices on the value of the investment

4. Permitted Investments

- 4.1. Local authorities are required to list and document all types of investments that they will permit in the financial year. These will be described as the permitted investments for that local authority.

- 4.2. Local authorities are required to state the limits for the amounts which at any time during the year may be invested in each type of permitted investments, such limit being applied when the investment is made.
- 4.3. For each type of permitted investment, the objectives of that investment are to be identified along with the associated treasury risks and the controls that will be put in place to limit those risks.
- 4.4. The permitted investments that South Lanarkshire Council have identified for the financial year 2020/21 are detailed in Annex 1 to this strategy and listed below:
 - Deposits with the Debt Management Account Deposit Facility
 - Deposits with UK Local Authorities
 - Deposits with Banks and Building Societies
 - Certificates of Deposit with Banks and Building Societies
 - UK Government Gilts and Treasury Bills
 - AAA Rated Bonds Issued by Multilateral Development Banks
 - AAA Rated Money Market Funds
 - Loans to Third Parties

Inclusion as a permitted investment simply allows the Council to use that investment if considered to be appropriate. It is not necessarily the case that all permitted investments will be used.

5. Risk Management

- 5.1. The CIPFA Treasury Management Code of Practice adopted by the Council includes a section on Managing Treasury Management Risks, placing Credit and Counterparty risk at the forefront of treasury risks. The Code states:

Credit ratings should only be used as a starting point when considering credit risk. Organisations should make use of generally available market information, such as the quality financial press, market data, and information on government support for banks including the ability and willingness of the relevant government to provide adequate support.

- 5.2. In managing credit and counterparty risk the Council will be required to:
 - Establish a sound diversification policy with high credit quality counterparties
 - Set clear minimum credit limits for counterparties.
 - Have regard to the credit ratings issued by all three rating agencies and make decisions based on the lowest rating
 - Consider country, sector and group limits
 - Regularly review credit ratings and other creditworthiness indicators as outlined in 5.6 below and act upon forward looking rating warnings

Deposits with the Debt Management Account Deposit Facility

- 5.3. Deposits with the Debt Management Office Account Deposit facility provided by HM Treasury will be continued. This facility offers the highest security for investments and deposits will be subject to a maximum period of six months which is the maximum time allowed by the DMO and no maximum deposit size.

Deposits with UK Local Authorities

- 5.4. Deposits with UK local authorities will be permitted subject to a maximum period of three years and a maximum deposit size of £20m for up to 364 days and £10m beyond this.
- 5.5. Before placing a deposit with a local authority, an internet search will be carried out to ensure that there are no financial concerns regarding the local authority that may cause reputational damage to this Council through association.

Deposits and Certificates of Deposit with Banks and Building Societies

- 5.6. The following minimum thresholds will be applied to all deposits with banks and building societies, including Certificate of Deposits.

Rating Agency	Long Term Rating	Maximum Deposit
Fitch	A-	£20m
Moody's	A3	£20m
Standard and Poors	A-	£20m

- 5.7. Prior to depositing funds with any bank or building society, checks will be made with the Council's treasury adviser, Link Asset Services, that the institution is considered safe and that any deposit conforms to their recommended time duration as determined by their Rating Methodology. This methodology uses credit ratings, rating watches and outlooks and credit default swap (CDS) prices to establish a suggested time duration for deposits.
- 5.8. Currently all deposits are with UK institutions. Non-UK banks would only be considered if they meet our strict criteria and are recommended by our advisers. Any one foreign country would carry a limit of £20m deposits.
- 5.9. If two or more organisations in the same group meet the criteria detailed in 5.5. then a group limit of £20m will be applied.
- 5.10. Deposits with banks or building societies will be restricted to 364 days.
- 5.11. The existing Counterparty policy sets out a sound approach to depositing cash in normal market circumstances. Whilst this policy still stands, the Executive Director of Finance and Corporate Resources may consider temporarily restricting deposits to those counterparties considered of higher credit quality than the minimum criteria set out in the policy.
- 5.12. Examples of these restrictions would be greater use of higher rated institutions; increased use of the DMO account and restricting the term of deposits as appropriate.
- 5.13. Operational banking will continue with our contracted provider. Any deposits with banks or building societies will continue to meet the criteria set in 5.5.

UK Government Gilts and Treasury Bills

- 5.14. UK Government Gilts and Treasury Bills are bonds issued by HM Treasury. Purchasing these bonds is a means of investing in the UK Government. The UK Government has never failed to make interest or principal payments on these bonds.

- 5.15. Investments in UK Government Gilts and Treasury Bills carry very little credit risk as they are investments in the UK Government. Gilts and Treasury Bills are marketable, and the price fluctuates from day to day. There is therefore the potential of capital loss if sold ahead of maturity. Gilts and Treasury Bills will be bought by the Council with the intention of holding them to maturity thereby mitigating market risk. There will be no maximum limit to the amount that will be invested in UK Gilts or Treasury Bills for maturities of less than one year. For Gilts with maturities in excess of one year a limit of £10m will be applied and no maturity will exceed five years.

AAA Rated Bonds Issued by Multilateral Development Banks

- 5.16. These are bonds issued by supranational institutions such as the World Bank or the European Investment Bank.
- 5.17. Investments in AAA rated bonds issued by Multilateral Development Banks carry very little credit risk as they are backed by several Sovereign States. These bonds carry market risk as their price fluctuates from day to day. There is therefore the potential of capital loss if sold ahead of maturity. These bonds will be bought by the Council with the intention of holding them to maturity, thereby mitigating market risk. The maximum amount that will be invested in AAA rated bonds issued by Multilateral Development Banks is £10m with a maximum period of five years.
- 5.18. Any investments in these bonds would only be undertaken after careful consideration and with advice from our advisers to ensure security of our investments.

AAA Rated Money Market Funds

- 5.19. Investments in Money Market Funds will be limited to those funds rated as AAmmf by Fitch, Aaa by Moody's or AAAM by Standard and Poor's. In the event that the Money Market Fund is rated by more than one credit rating agency, each rating must meet the set criteria.
- 5.20. In addition to the credit rating, Money Market Funds will also be assessed for suitability on fund size, the strength of the custodian and the stability of invested capital.
- 5.21. Selection of suitable Money Market Funds will be undertaken in consultation with our advisers.
- 5.22. Investments in Money Market Funds will be restricted to 0.5% of the Money Market Fund size and to no more than £10m in any individual Money Market Fund.
- 5.23. Investments in Sterling Government Money Market Funds which only invest in Sterling denominated debt securities issued by the UK Government will be restricted to 2% of the Money Market Fund size and to no more than £10m in any individual Money Market Fund.

Loans to Third Parties

- 5.24. Any new types of loans to third parties should be approved by Members through the appropriate Committee with full consideration of the service rationale behind the loan and the likelihood of partial or full default and the impact that this will have on service budgets.

Liquidity Risk

- 5.25. In order to manage liquidity risk, the Council will endeavour to maintain a minimum balance of £5m in bank accounts and money market funds with instant access

(same day notice account). This is dependent on these facilities continuing to be provided by the banks and subject to our minimum lending criteria.

- 5.26. In addition to retaining a balance of deposits on instant access, South Lanarkshire Council will maintain an appropriate overdraft facility.
- 5.27. Longer term investments will only be considered where the Council's liquidity requirements are ensured and an assessment of liquidity risk has been carried out. No more than £10m of investments at any one time will be for a period in excess of 364 days.

6. Borrowing In Advance

- 6.1. Borrowing in advance may be taken if it is considered appropriate, for example if interest rates were expected to increase significantly.
- 6.2. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 6.3. The risks of holding increased levels of deposits and investments would be managed in accordance with section 5 above. The Council has unlimited access to using the DMO Deposit Facility where necessary. This facility offers the highest security for investments.

7. Investment Projection 2021/22 – 2023/24

- 7.1. Over the period 2021/22 – 2023/24, it is estimated that an average level of investments of approximately £114m will be required to be managed, reflecting the level of reserves held plus an element of working capital. It is recognised that this is only an estimate and that this figure will vary according to cash flow movements and the timing and size of any borrowing taken.
- 7.2. Regardless of the level of deposits, the main consideration when investing surplus funds will be the security of the transaction. The Council must also meet its liquidity requirement and only invest for the period of time that is prudent. Finally, and only after consideration of security and liquidity, the yield that will be gained from the investment will be considered.

8. Prudential Indicators

- 8.1. The regulations require that the Annual Investment Strategy contains details of the relevant prudential indicators for investments.
- 8.2. The Treasury Management Code requires local authorities to set an upper limit for each forward financial year period for investments longer than 364 days. The purpose is to contain the exposure to the possibility of loss that might arise as a result of having to seek early repayment of principal sums invested.
- 8.3. No more than £10m may be invested for periods in excess of 364 days and that the maximum period for any investment is 5 years.

9. Common Good Investments

- 9.1. The regulations require local authorities to identify separately the permitted investments relating to the Common Good.

- 9.2. All investments relating to the Common Good funds administered by South Lanarkshire Council are cash investments in South Lanarkshire Council. These investments are not considered to have any significant risk attached.

Permitted Investment	Treasury Risks	Mitigating Controls	Limits
Deposits with the Debt Management Account Deposit Facility	<p>This is a deposit with the UK Government and so credit risk is very low.</p> <p>Liquidity risk has to be considered as deposits can only be broken with the agreement of the counterparty and penalties may apply.</p> <p>There is no market risk as the principal sum invested is not affected by market prices.</p>	There are no mitigating controls required.	<p>There is no maximum monetary limit.</p> <p>A maximum term of deposit of six months as set by the Debt Management Office.</p>
Deposits with UK Local Authorities and other bodies defined as local authorities in the Local Government Scotland Act 2003 (And Equivalent English Act)	<p>These are considered to be quasi UK Government investment and as such credit risk is very low.</p> <p>Liquidity risk has to be considered as deposits can only be broken with the agreement of the counterparty and penalties may apply.</p> <p>There is no market risk as the principal sum invested is not affected by market prices.</p>	There are no mitigating controls required.	<p>The maximum deposit with any local authority will be £20m for deposits less than one year.</p> <p>Deposits in excess of one year will be subject to a maximum term of deposit of three years and be limited to £10m.</p>
Deposits with Banks and Building Societies	<p>These tend to be low risk but credit risk will be higher than deposits placed with the DMO or UK local authorities.</p> <p>Liquidity risk has to be considered as deposits can only be broken with the agreement of the counterparty and penalties may apply.</p> <p>There is no market risk as the principal sum invested is not affected by market prices.</p>	<p>The counterparty selection criteria restricts lending only to high quality counterparties, measured initially by credit ratings from Fitch, Moody's and Standard and Poors.</p> <p>Additional indicators of creditworthiness will also be considered prior to placing any deposits.</p> <p>Liquidity risk can be controlled by the use of instant access call accounts.</p>	<p>The maximum deposit with any bank or building society will be £20m.</p> <p>A maximum term of deposit of 364 days.</p>

<p>Certificates of Deposit with Banks and Building Societies</p>	<p>These are short to medium term dated marketable securities issued by financial institutions.</p> <p>These tend to be low risk investments but credit risk will be higher than deposits placed with the DMO or UK local authorities.</p> <p>Liquidity risk is lower than placing a deposit with a Bank or Building Society as these can be sold on the market.</p> <p>There is a risk of capital loss arising from selling ahead of maturity.</p>	<p>The counterparty selection criteria restricts lending only to high quality counterparties, measured initially by credit ratings from Fitch, Moody's and Standard and Poor's.</p> <p>Additional indicators of creditworthiness will also be considered prior to using this type of instrument.</p> <p>Market risk would be mitigated by holding the instrument to maturity.</p>	<p>The maximum investment with any bank or building society will be £20m.</p> <p>A maximum period of investment of 364 days.</p>
<p>UK Government Gilts and Treasury Bills</p>	<p>These are marketable securities issued by the UK Government and as such credit risk is very low.</p> <p>Liquidity risk is very low as there is a huge market for Gilts and Treasury Bills</p> <p>There is a risk of capital loss arising from selling ahead of maturity.</p>	<p>There are no mitigating controls required for credit risk as the investment is with the UK Government.</p> <p>Market risk would be mitigated by holding the instrument to maturity.</p>	<p>There is no maximum limit to investments in UK Gilts or Treasury Bills for maturities less than one year and a limit of £10m for maturities greater than one year.</p> <p>The maximum period of investment will be five years.</p>
<p>AAA Rated Bonds Issued by Multilateral Development Banks</p>	<p>These are bonds issued by supranational bodies such as the European Investment Bank or World Bank and as a result are backed by several sovereign states and as such credit risk is very low.</p> <p>Liquidity risk is very low as there is a large market for Supranational Bonds.</p> <p>There is a risk of capital loss arising from selling ahead of maturity.</p>	<p>As the investment is effectively spread across a number of sovereign states, the Council will mitigate the credit risk of holding such bonds by considering the sovereign rating of the underlying sovereign states and only holding bonds that have a AAA rating.</p> <p>Market risk would be mitigated by holding the instrument to maturity.</p>	<p>The maximum amount that will be invested in AAA Rated Bonds issued by Multilateral Development Banks is £10m.</p> <p>The maximum period of investment will be five years.</p>

<p>AAA Rated Money Market Funds</p>	<p>Money market funds are pooled funds that invest in short-term money market instruments and other debt instruments.</p> <p>The underlying investments are diversified and Credit risk, liquidity risk and market risk are all very low.</p> <p>Investments in these MMFs are highly liquid (same day liquidity).</p>	<p>Money Market Funds will only be used where they have obtained a AAA rating from the credit rating agencies.</p> <p>In addition to the credit rating, Money Market Funds will also be assessed for suitability on fund size, the strength of the custodian and the stability of invested capital.</p>	<p>Investments in Money Market Funds will be limited to 0.5% of the Money Market Fund Balance and to no more than £10m in any one Fund.</p> <p>Investments in Sterling Government Money Market Funds which only invest in Sterling denominated debt securities issued by the UK Government will be restricted to 2% of the Money Market Fund size and to no more than £10m in any individual Money Market Fund.</p>
<p>Loans to Third Parties</p>	<p>These are service investments which may exhibit credit risk and are likely to be highly illiquid.</p>	<p>Any new types of loans to third parties should be approved by Members through the appropriate Committee with full consideration of the service rationale behind the loan and the likelihood of partial or full default and the impact that this will have on service budgets.</p>	

Report

9

Report to: **Executive Committee**
 Date of Meeting: **10 February 2021**
 Report by: **Chief Executive**

Subject: **Recommendations Referred by the Education Resources Committees**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ request approval of the following recommendations referred to this Committee by the Education Resources Committee of 19 January 2021

2. Recommendation(s)

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

- (1) that the recommendation referred by the Education Resources Committee in relation to the Acquisition of Our Lady of Lourdes Primary School be approved
- (2) that the recommendations referred by the Education Resources Committee in relation the Review of Admissions Policy for Early Learning and Childcare Establishments be approved (policy attached as an appendix to the report)

3. Background

3.1. Acquisition of Our Lady of Lourdes Primary School— Extract of Minute

A report dated 17 December 2020 by the Executive Director (Education Resources) was submitted on a proposal to acquire the accommodation at Our Lady of Lourdes Primary School Building, East Kilbride.

At its meeting on 27 October 2020, the Committee agreed that consideration of the report on the proposed acquisition of Our Lady of Lourdes Primary School be deferred to allow for further information to be provided detailing costs in respect of all options in relation to the school building. Appendix 1 to the report provided additional information on estimate costs of:-

- ◆ required capital investment in the existing building
- ◆ additional accommodation due to population growth
- ◆ a new build

On the basis that the purchase of the property would deliver control to the Council to decide when and how it wished to invest in the building, provisional negotiations had resulted in terms being offered, as outlined in section 5 of the report. Consideration had been given to all the property options and it was considered that the acquisition of the accommodation at Our Lady of Lourdes Primary School, East Kilbride represented best value for money.

The total cost to take ownership of the building was £0.627 million. It was proposed that the Council borrow to fund the purchase, with the repayments being made annually from the available Education Resources lease budget of £0.059 million. Education Resources had the annual revenue budget to pay for the acquisition over a period of time, however, the matter required to be referred to the Executive Committee which had the authority to borrow the initial funding and agree a capital programme.

The Committee recommended to the Executive Committee:

that approval be given to add the project in respect of Our Lady of Lourdes Primary School into the capital programme and to initiate the borrowing of funds.

[Reference: Minutes of 27 October 2020 (Paragraph 6)]

3.2 Review of Admissions Policy for Early Learning and Childcare Establishments – Extract of Minute

A report dated 23 December 2020 by the Executive Director (Education Resources) was submitted on a review of the policy for the admission of children into Early Learning and Childcare establishments in South Lanarkshire.

Since 1996, the Council's Admissions Policy for Early Years' Establishments had been regularly reviewed to reflect changes in legislation and national policy development.

The last review of the Admissions Policy had been presented to the Education Resources Committee on 10 December 2019.

The Children and Young People Act (Scotland) 2014 committed to delivering 1,140 hours of early learning and childcare per year to eligible 2 to 5 year old children from August 2020. However, in March 2020, due to the COVID-19 pandemic, the Scottish Government revoked this legislation and a date of August 2021 had been recommended for the statutory duty to be reinstated.

The Council approved 'early access for 3 year olds' in March 2019 and this had been fully implemented since August 2019. Across the Council area, children could commence free early learning and childcare provision from the Monday following their 3rd birthday.

The Early Years' Manager and ELC Lead Locality Officers now had responsibility for direct contact on any admissions enquiries as part of a strategy to support effective communications.

A consultation exercise had been undertaken with a range of stakeholders, in the period October and November 2020, on the current Admissions Policy and the proposed amendments. The main priorities which had emerged from the consultation process were outlined in the report and the proposed revised Policy, attached as Appendix 1 to the report, had taken account of those priorities. If approved, the admissions policy priorities would be used for the allocation of all early learning and childcare places.

Details were provided on:-

- ♦ proposed priorities for allocation of additional hours

- ♦ options available in respect of delivering 1140 hours of early learning and childcare
- ♦ deferred entry to primary school

The Committee recommended to the Executive Committee:

- (1) that the priorities for admission to all Early Learning and Childcare (ELC) establishments, as detailed in Appendix 1 to the report, be approved;
- (2) that the admissions policy and process for the allocation of places to all Early Learning and Childcare Establishments be implemented from March 2021.

[References: Minutes of Education Resources Committee of 10 December 2019 (Paragraph 7) and Executive Committee of 29 January 2020 (Paragraph 9)]

4. Employee Implications

- 4.1. All employee implications were highlighted as part of the original reports to Resource Committees.

5. Financial Implications

- 5.1. All financial implications were highlighted as part of the original reports to Resource Committees.

6 Climate Change, Sustainability and Environmental Implications

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

7 Other Implications

- 7.1. Any risks or other implications were highlighted as part of the original reports to the Resource Committees.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. Equality impact assessment and consultation arrangements were highlighted as part of the original report to the Climate Change and Sustainability Committee.
- 8.2. There is no requirement to carry out an Equality Impact Assessment or consultation in terms of the proposals contained in this report.

Cleland Sneddon
Chief Executive

21 January 2021

Link(s) to Council Values/Ambitions/Objectives

- ♦ Accountable, effective, efficient and transparent

Previous References

- ♦ Minutes of Education Resources Committee, 19 January 2021

List of Background Papers

- ♦ Reports to Education Resources Committee

Contact for Further Information

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

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Education Resources
South Lanarkshire Council Early Learning and Childcare Admissions Policy 2021

<i>Current Policy Children aged 0-3 years</i>	<i>New Proposed Policy Children aged 0-3 years</i>	<i>Current Policy Children aged 3-5 years</i>	<i>New Proposed Policy Children aged 3-5 years</i>
<i>Priority 1</i>	<i>Priority 1</i>	<i>Priority 1</i>	<i>Priority 1</i>
Children affected by Abuse Children with additional support needs Looked after and Accommodated Children from birth up 2 years old Children who at any time from the age of 2 years have been a) Looked after and Accommodated or b) subject to a Kinship Care Order Children affected by Domestic Violence Children affected by Substance Misuse Children affected by a disability within the home <i>All applications within Priority 1 must be substantiated by a wellbeing assessment/single agency assessment</i> *2 year olds as required by relevant legislation from time to time applying		Children affected by Abuse Children with additional support needs Children who at any time have been a) Looked after and Accommodated or b) subject to a Kinship Care Order Children affected by Domestic Violence Children affected by Substance Misuse Children affected by a disability within the Home <i>All applications within Priority 1 must be substantiated by a wellbeing assessment/single agency assessment</i> as required by relevant legislation from time to time applying	

<i>Current Policy Children aged 0-3 years</i>	<i>New Proposed Policy Children aged 0-3 years</i>	<i>Current Policy Children aged 3-5 years</i>	<i>New Proposed Policy Children aged 3-5 years</i>
<i>Priority 2</i>	<i>Priority 2</i>	<i>Priority 2</i>	<i>Priority 2</i>
New applications		Children in their pre-school year – new applications Deferred entry children Aug/Dec - approved Transfer application pre-school year children • change in circumstances	• those not receiving their first choice of provision
<i>Priority 3</i>	<i>Priority 3</i>	<i>Priority 3</i>	<i>Priority 3</i>
Transfer applications • change in circumstances	• those not receiving their first choice of provision	Transfer applications ante-pre-school year • change in circumstances	• those not receiving their first choice of provision
<i>Priority 4</i>	<i>Priority 4</i>	<i>Priority 4</i>	<i>Priority 4</i>
Transfer applications – parental choice		Transfer application pre-school year children - parental choice Transfer applications ante-pre-school year – parental choice	
<i>Priority 5</i>	<i>Priority 5</i>	<i>Priority 5</i>	<i>Priority 5</i>
All children resident outwith South Lanarkshire Council who are within a catchment area of a primary school within the Council Area		All children resident outwith South Lanarkshire Council who are within a catchment area of a primary school within the Council Area	
	<i>Priority 6</i>		<i>Priority 6</i>
	All children resident outwith South Lanarkshire Council		All children resident outwith South Lanarkshire Council

The allocation of any place within an early learning and childcare establishment must be allocated using the following policy.

Additional Hours Allocation Criteria

Category 1	All Priority 1 Children
Category 2	Children whose parents and/or carer are in employment or education and those exempt for charges
Category 3	All other children

- Priorities 1-5 are children who are resident within South Lanarkshire Council Area and those children who are catchment pupils for a South Lanarkshire Council Primary school
- All children (non SLC primary school catchment children) residing outwith the Council no matter the circumstances are considered priority 6
- Eligible children will have access to Early Learning and Childcare regardless of age, gender, race, religion or need.
- Early Learning and Childcare will be provided on a non-denominational basis.
- Securing a place in a school nursery class does not guarantee a primary school place within the same primary school
- Children deferring entry from Primary 1 January and February birthdays Council are considered returning children
- Children deferring entry from Primary 1 August to December birthdays who have been approved for a deferred year of funding are considered returning children
- Additional hours are only considered once all eligible children have been allocated their entitlement Transfer applications no matter when received will only be applicable within one academic year.
- Siblings and multiple birth families will be offered the same pattern of attendance/Session within the same nursery.
- All applications from parents for Cross Border funding will be considered by the Cross Border Funding Protocol Admissions Group
- Blended models agreed between two providers

