

Report

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| Report to: | Executive Committee |
| Date of Meeting: | 23 June 2021 |
| Report by: | Executive Director (Finance and Corporate Resources) |

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| Subject: | 2022/2023 Revenue Budget Strategy and Savings Requirement |
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1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ advise Committee on the Budget Strategy and Savings Requirement for 2022/2023.

2. Recommendation(s)

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

- (1) that the Revenue Budget Strategy for 2022/2023 (detailed in sections 4 and 5 and summarised in section 6) resulting in a Budget Gap of £54.403 million before corporate solutions, be approved;
- (2) that the corporate solutions for 2022/2023 including the use of reserves resulting in a revised budget gap of £9.4 million (summarised in section 7), be approved;
- (3) that the next steps detailed in section 8, including the identification of £9.4 million of savings, be agreed; and
- (4) that the reinstatements noted in Table 4 (section 10), be noted.

3. Background

3.1. The Executive Committee approved a report on the Financial Strategy 2019/2020 to 2021/2022 and Longer-Term Outlook to 2028/2029 (August 2018). A high-level Strategy for the financial year 2022/2023 was included as part of the Longer-Term Outlook.

3.2. This report will reconsider the Revenue Budget Strategy for 2022/2023, and will include estimates of Government Grant levels, requirements for additional expenditure budget, corporate solutions for consideration and ultimately, the level of savings required in that year.

3.3. This report will focus on 2022/2023, and will cover the following:

- Government Grant Estimates (section 4),
- Other Budget Movements (section 5),
- Summary of Budget Gap (section 6),
- Corporate Solutions (section 7),
- Summary and Next Steps (section 9), and
- Reinstatement (section 10).

4. Government Grant

- 4.1. Local Government budgets are affected by both changes in the UK Government Budget and the subsequent Scottish Government Budget.
- 4.2. The Council's Longer-Term Strategy included a position for the year 2022/2023. This assumed a **general grant reduction of £5.000 million** in 2022/2023, reflecting an estimated 1% decrease on the previous year's grant allocation.
- 4.3. Consideration has been given to whether this 1% assumed grant reduction is appropriate given the Government Grant increase experienced into 2021/2022. Information from the Director of Finance Group's economic adviser is that given the unprecedented impact of the pandemic and what effect it might have on future social, political and funding norms, the future funding levels in most government areas are highly uncertain and are likely to remain so for some considerable time to come. This makes any kind of forecasting difficult.
- 4.4. In a similar way to councils, the Scottish Government aims to forecast funding/spend requirements. The Scottish Fiscal Commission provides forecasts to the Government. The economic adviser views these forecasts as being highly conjectural, given the on-going uncertainty in relation to a variety of factors affecting both the pandemic and how the economy begins to recover. They have provided the Government with scenarios for them to work to – upper, central and lower. However, the economic adviser suggests that these figures should be read as provisional and indicative and will almost definitely change, potentially by a large scale, in future forecasts.
- 4.5. The economic advice is that, at present, all such medium-term funding forecasts are largely speculative. As a result, the Strategy will be retained at a 1% reduction in Government Grant.
- 4.6. In addition to planning for this 1% general reduction in grant, there may also be changes in how grant is distributed to councils, based on their share of population numbers.
- 4.7. In previous years, the Council has experienced reductions in grant as a result of how the funding is distributed. It is anticipated that the Council will experience similar reductions in grant in future years, reflecting the changes in the Council's population, compared to the changes experienced in other council areas. The Strategy assumes **a reduction of £1.068 million** in grant for 2022/2023 relating to population-based distribution. This reflects the percentage reduction in the Council's grant share experienced in 2021/2022.
- 4.8. **Consequence of Council Tax Increases (Properties):** As noted in previous Budget Strategies, increases in Council Tax due to increased property numbers, does not give a permanent benefit to the Council as there will be a reduction in grant in future years – an estimated 80% Grant Reduction for every additional £1 of Council Tax.
- 4.9. The impact on grant of additional properties is incurred 2 years after the new properties are built. In relation to 2022/2023, the consequent reduction in Government Grant (80% reduction after 2 years) reflects the new properties added in 2020/2021 and totals an **estimated reduction in Grant Income of £1.040 million** for 2022/2023.

4.10. Summary of Grant Assumptions

Table 1 summarises the reduction in grant including a general reduction in funding, the impact of population changes and the consequences of previous Council Tax property increases.

Table 1 – Grant Assumptions

| | 2022/23 £m |
|--|-----------------------|
| Assumed Reduction (Section 4.2) | 5.000 |
| Distribution – Population changes (Section 4.7) | 1.068 |
| Consequence of Council Tax Increase (Properties) (Section 4.9) | 1.040 |
| Total Grant Reduction | 7.108 |

5. Other Budget Movements for 2022/2023

- 5.1. There are a number of other budget movements, in addition to Government Grant, that affect the budget for 2022/2023. These include the impact of adding new properties as well as additional expenditure items. Each of these is taken in turn below.
- 5.2. **Council Tax Properties:** The South Lanarkshire Housing Land Audit (2019) detailed new houses for the 3 years to 2022/2023. Based on Band D properties and net of Council Tax Reduction Scheme (CTRS), the increase in Council Tax Income for 2022/2023 has been assumed at **£1.100 million** (Council Tax of £1.264 million less CTRS of £0.164 million). This estimate was made before the current Coronavirus pandemic.
- 5.3. While there remains a risk that development will not progress as originally anticipated, housebuilding is progressing in sites across a number of Council areas. The position will continue to be monitored and an update provided in the next 2022/2023 Budget report to Committee in Autumn 2021. The impact of new houses assumed in estimates for council tax for 2022/2023 on the Government Grant will be seen in the 2024/2025 Budget Strategy.
- 5.4. **Additional Expenditure Items:** There are a number of financial pressures that will require additional funding in 2022/2023. The details of all of the additional expenditure items are included in Appendix 1 to the report and are summarised across the main headings in Table 2. These items will increase the level of savings required.
- 5.5. One pressure on the 2022/2023 Strategy is the requirement to reflect the reinstatement of temporary solutions used in previous years. This reinstatement totals £30.909 million and includes the adjustment resulting from the one-use of reserves in the 2021/2022 Revenue Budget. Members were reminded of the temporary solutions in the 2021/2022 budget update paper (section 9.3, Executive Committee, 13 January 2021). A further use of reserves will reduce the impact of this in 2022/2023 (refer section 7.2).
- 5.6. When reserves, or one-off savings are used in the budget, there is a requirement to make a permanent solution going forward, as reserves can only be used once.
- 5.7. Table 2 details a summary of the information contained in Appendix 1.

Table 2 – Summary of Additional Expenditure Items

| | 2022/2023 £m |
|--|-------------------------|
| Impact of 2021/2022 Budget Decisions (Appendix 1, para 1.2-1.7) Including the need to add in budget to cover one-off savings from 2021/2022 as well as the temporary use of Reserves which are no longer available (2021/2022 Budget Report to Council, 24 June 2020). | 30.909 |
| Pay Items (Appendix 1, para 1.8-1.13) Including pay award for teachers and non-teachers. | 7.234 |
| Price Increases (Appendix 1, para 1.14 - 1.19) Including inflationary increases on non-domestic rates, the secondary schools' modernisation contract, Mainstream School Transport and social care for children and families. | 2.150 |
| Funding for Priorities (Appendix 1, para 1.20 - 1.22) Including the increased cost of waste management and teachers/pupil growth. | 3.980 |
| Related Parties and Joint Boards (Appendix 1, para 1.23 - 1.25) Including increased costs for the Leisure and Culture Trust. | 0.366 |
| Revenue Consequences of Capital (Appendix 1, para 1.26 - 1.27) Including the revenue impact of the new primary schools. | 0.889 |
| Other Budget Items (Appendix 1, para 1.28 - 1.29) Including interest on Loan Charges as a result of the Loans Fund Review. | 0.500 |
| Total Expenditure | 46.028 |

5.8. Table 2 shows additional expenditure requirements of £46.028 million.

5.9. **Pay Award:** Table 2 includes the estimated cost of a pay increase for 2022/2023. The pay award for 2021/2022 is not yet settled. On that basis, as part of the 2021/2022 Budget purification report, the Executive Committee (28 April 2021) approved that the Council's share of the £40 million to assist with budget pressures be set aside to assist in meeting this pressure. These were the monies announced by the Government during the Parliamentary Debate on the Finance Order (in March 2021) and the Council's share is **£2.367 million**. These monies are not permanent and, therefore, this will require to be added to the 2022/2023 Strategy, to continue to support the costs of the 2021/2022 pay award.

6. Summary of Budget Gap

6.1. Taking into account the assumed reduction in Government Grant (Table 1), the increase in Council Tax property numbers (section 5.2), the Additional Expenditure Items (Table 2) and the funding requirement for the 2021/2022 Pay Award (section 5.9), gives a 2021/2022 Budget Gap of £54.623 million. This is shown in Table 3.

Table 3 – Budget Gap

| | 2022/2023 £m |
|--|-------------------------|
| Grant Reduction (Table 1) | 7.108 |
| Council Tax property numbers (section 5.2) | (1.100) |
| Additional Expenditure Items (Table 2) | 46.028 |
| Pay Award (section 5.9) | 2.367 |
| Total Budget Gap | 54.403 |

7. Corporate Solutions

- 7.1. In order to address the Budget Gap of £54.403 million, corporate solutions have been identified for consideration. These are taken in turn and reflect the previously approved use of reserves as a result of the Loans Fund Review (referenced in section 5.5), the use of investments monies identified for 2021/2022, as well as the level of Council Tax (including an increase in the level of Band D).
- 7.2. **Reserves from Loans Fund Review:** The Revenue Budget Strategy presented to the Executive Committee (24 June 2020) detailed the plans to utilise the benefit from the Loans Fund Review across the coming years. The utilisation of Reserves arising from the Loans Fund review was **approved at £27.400 million for 2022/2023**.

Corporate Solution: £27.400 million

- 7.3. **2021/2022 Investments:** As part of the budget set for 2021/2022, members gave approval for one-off investments of £10.054 million. These investments were in the context of the global pandemic and the unique challenges faced by the Council and its citizens. It is proposed that they are treated as one-off for that year only, and that this base budget is then available to support the Strategy into 2022/2023. Using this **£10.054 million to reduce the Strategy in 2022/2023** would reduce the savings requirement in that year.

Corporate Solution: £10.054 million

- 7.4. **Loan Charges:** The Council's Loan Charges Strategy is based on the level of borrowing required and assumes that this borrowing is taken at the start of the financial year. For 2021/2022, current cash flow predictions show that borrowing is not required to be taken until later in the year. As such, there is an anticipated underspend of £1.650 million in 2021/2022 and it is proposed that this **£1.650 million be transferred to Reserves at the start of the year, and set-aside to assist in funding the 2022/2023 Strategy** on a temporary basis.

**Corporate Solution: £1.650 million
(Temporary for 2022/2023 only)**

- 7.5. **Council Tax Budget:** The 2020/2021 position for Council Tax showed an over-recovery of £1.655 million. Of this, £0.600m relates to Arrears collected and £0.400 million is due to income from Empty Properties. On the basis that this was realised during the year of the pandemic, then it is appropriate that this be added to the budget on a permanent basis. It is proposed that at this stage, **£1.000 million of additional income budget is assumed for 2022/2023** to assist in funding the Strategy for that year.

Corporate Solution: £1.000 million

- 7.6. It is not yet possible to predict the level of Council Tax income that will be generated in 2021/2022. As the year progresses, the income generated will continue to be monitored and regular updates provided to members as part of the Revenue Budget Monitoring process.

- 7.7. **Increase in Council Tax Band D Levels:** As part of the Scottish Government's Budget process for 2021/2022, councils were asked to freeze their Council Tax levels, and if they chose not to do this, then there was a financial penalty. In return,

grant allocation of £4.882m was provided to the Council as a replacement for income that we could have raised through increasing Council Tax. If the same level of income is assumed in the Council's Budget Strategy for 2022/2023, this would **reduce the Council's budget gap by £4.882 million** on a permanent basis. This would equate to around a 3.5% increase in Council Tax.

Corporate Solution: £4.882 million

- 7.8. **Taking into account the potential for the suggested Council Tax increase would mean** total corporate solutions for 2022/2023 of £44.986 million. This would reduce the core savings requirement to **£9.417 million** in that year.
- 7.9. If Council Tax is not increased, then the savings requirement would be **£14.299 million**.
- 7.10. **Level of Support Provided to the IJB:** The Council's Budget Strategy for 2022/2023 assumes no allocation of monies from the Council to the IJB. This reflects the approach taken in 2021/2022 where the Budget Strategy assumes that the Council does not allocate any monies to the IJB and does not request any savings. Any increasing costs experienced by the IJB would require to be funded by Government monies and any savings identified would require to be approved by the IJB. Any monies allocated to the Council for Social Care, as part of the Government Grant award, would continue to be passed directly to the IJB.

8. Summary and Next Steps

- 8.1. Taking account of the Corporate Solutions and the Use of Reserves/Loans Fund Reserves, and assuming a Council Tax increase at the level stated at section 7.7, the Budget Gap for 2022/2023 is **£9.417 million** (section 7.8). It is proposed that officers commence work on a package of savings for the coming year to the value of £9.4 million. Officers are considering options for management and operational efficiencies at present.
- 8.2. As some of these corporate solutions are temporary in nature, they will have an impact on the following year. Given the potential for impact on 2023/2024, it is proposed that any temporary solutions used in 2022/2023 be considered again once the Government Grant level is known later in financial year 2021/2022.

9. Programmes to Facilitate Transformational Change

- 9.1. As indicated above, officers will commence work on a package of savings for 2022/2023. As part of this and to identify savings for future years, work is currently underway on identifying options for management and operational efficiencies. This will include changes to how we do things, how we use technology and how we deploy our staff. This includes specific pieces of work being undertaken, targeted at: procurement, customer contact; employability; technology; charging; and community involvement.
- 9.2. Longer term strategic planning and change: Council Plan
Over the next year we will work to produce a new Council Plan to run from 2022. This is an opportunity for the Council and partners to initiate deeper engagement with local communities, building upon positive working relationships and networks which have been strengthened in the wake of Covid, to deliver a more inclusive approach, and evolve plans which are significantly more sensitive to local needs and community concerns than before. Part of this engagement will be about

establishing what services are important to and valued by communities. This will be used to inform strategic planning and budgeting processes moving forwards.

9.3. Longer term strategic planning and change: Community Wealth Building

Members are aware that the Council has approved a Community Wealth Building strategy and established a Commission to oversee how this activity develops. This will represent a fundamental and transformational shift in how the Council prioritises, carries out and resources what it does. This sits within an operating environment for Local Government that has never been more challenging and change is occurring in multiple spheres at increasing pace. A number of deeply interlinked agendas are gathering momentum, which, as well as Community Wealth Building and the Wellbeing Economy include:-

- pandemic response and recovery
- place-based approaches
- 20 minute neighbourhoods
- sustainability and climate change agenda

9.4. There is a need for the Council Plan and the Community Plan to be updated to recognise and respond to these developments, setting out a new vision and set of priorities in the light of the challenges and current policy environment. The engagement laid out at 9.2 above will be informed by these agendas. This fundamental re-assessment of priorities, undertaken in tandem with our communities, will represent the development of a future for the Council which is truly transformational. It is expected that final approval and publication of plans will be by July 2022 as detailed in the timeline below:

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|---|--------------------------|
| Community Engagement - South Lanarkshire wide survey and community conversations | July to September 2021 |
| Development of South Lanarkshire Profile and Environmental Scanning (PESTLE analysis) with council and CPP partners | September 2021 |
| Priority setting events with council and CPP partners | September 2021 |
| Draft new Council Plan and Community Plan | September / October 2021 |
| Further consultation with council, CPP Partners and participants | October to December 2021 |
| Final Plans drafted for approval by partner organisations | January 2022 |
| Final approval by the Council and CPP Board and publication of plans | By July 2022 |

10. Reinstatement

10.1. As well as the use of Reserves and Loans Fund Review Reserves detailed in Table 2, the 2022/2023 budget includes a number of solutions which are temporary in nature and will require to be re-instated in future years. Table 4 shows the details over the next 2 years.

Table 4: Temporary Solutions

| | Year of Adjustment | |
|---|---------------------|---------------------|
| | 2023/ 2024 £m | 2024/ 2025 £m |
| 2022/2023 Corporate Solutions | | |
| Loans Fund Review Reserves (<i>section 7.2</i>) | 27.400 | 23.500 |
| Loan Charges Underspend (<i>section 7.4</i>) | 1.650 | - |
| | | |
| Temporary Budget Solutions from Previous Year Budgets | | |
| Temporary Reduction in Lanarkshire Valuation Joint Board Requisition (<i>section 4.7 – Executive Committee Report, 13 January 2020</i>) | 0.085 | - |
| Additional Council Tax from extra properties (2020/2021 and in 2021/2022 respectively) – expected future reduction in Government Grant | 1.960 | 1.360 |
| Total Temporary Solutions | 31.095 | 24.860 |

10.2. It is noted that, while Table 4 includes a requirement to reinstate budget of £27.400 million in 2023/2024 following the use of reserves from the Loans Fund review, there would be a balance of reserves still unused from the Loans Fund review that would help smooth the impact on the savings requirement in that year. Appendix 2 shows the full Budget Strategy across the coming years (to 2026/2027) reflecting the assumptions made in preparing the 2022/2023 budget Strategy, including the use of Reserves generated by the Loans Fund Review.

11. Reserves

- 11.1. It is the responsibility of the Executive Director (Finance and Corporate Resources) to advise the Council on the level of reserves it should hold and to ensure that there are clear protocols for their establishment and use.
- 11.2. The Local Authority Accounting Panel (LAAP) provide guidance to the Council's Section 95 Officer (the Executive Director of Finance and Corporate Resources), on the establishment and maintenance of local authority reserves and balances. The LAAP Bulletin does not prescribe a minimum level of reserves which should be held by a council. It is for the Council to consider an appropriate level of reserves taking cognisance of strategic, operational and financial risks facing the authority at a local level. It does, however, say that Reserves should not be held without a clear purpose.
- 11.3. The Council's medium/long-term financial Strategy is predicated on the utilisation of Reserves across the years 2021/2022 to 2024/2025, with a view to managing the savings requirement in those years. The Reserves being used have either been budget underspends previously earmarked for use in the Budget Strategy or will be the result of underspends generated from the Loans Fund Review in the years to 2024/2025. This use of Reserves was approved by the Council's Executive Committee in June 2020.
- 11.4. In terms of the principle applied to the Council's Reserves, the Council has a number of earmarked/specific reserves and one General Fund. This General Fund is split into two with an element being earmarked or committed (including that set aside for future budget strategies), and also an unearmarked element. The level of

unearmarked or Uncommitted General Fund (£13.043 million at end financial year 2019/2020) currently reflects a suitable cushion to contribute towards unanticipated pressures that the Council may face in year. Against an expenditure budget of £752 million for 2021/2022, this represents a 1.7% reserve. As noted in the Reserves Strategy (August 2018 report to Executive Committee), it is suggested that it is appropriate to consider allocating any surplus funds to augment the Uncommitted General Fund levels marginally, if possible. Decisions on contributions to Uncommitted General Fund will be made in line with the allocation of any in year underspends achieved through prudent budgeting.

- 11.5. All Reserves are held for specific purposes and the total balance of reserves currently held is considered an appropriate level in relation to the Council's financial position.

12. Employee Implications

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

13. Financial Implications

- 13.1. The financial implications are summarised within the report.

14. Climate Change, Sustainability and Environmental Implications

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

15. Other Implications

- 15.1. The financial strategy is a way of managing a number of key risks which directly impact on the money available to deliver Council objectives. As detailed in the report, there is no certainty on the level of funding that will be received over the life of this Strategy. This Strategy is based on economic information and advice we have, however, it is accepted that these are assumptions.
- 15.2. There is a high level of uncertainty which sits around the costs that the Council will face as a result of the pandemic. This includes lost income, as well as increased costs due to the way that services now are being delivered. As restrictions ease, these costs may reduce, but there is still much uncertainty as we go through 2021/2022, and into 2022/23. Whilst there is funding identified to contribute towards these costs in 2021/22, we have no indication at this stage if they will be sufficient to cover the costs for 21/22, and we have no indication of any further funding coming forwards. Therefore, in relation to this strategy paper, it should be acknowledged that, for 2022/23, the ongoing costs of the pandemic pose a risk. We will continue to monitor and report on the costs associated with the pandemic and funding available.
- 15.3. The main risk area, where the Council has made assumptions which have a significant impact on the budget estimates going forwards, are on the level of grant which we will receive (as detailed in Appendix 1). In addition, any general pay, demand or price increases currently unknown, have been estimated, as far as possible. Finally, the level of new build properties and, therefore, Council Tax Income generation is based on best information but could be impacted on by COVID-19. Any movement in these assumptions would be a risk to the Strategy.

16. Equality Impact Assessment and Consultation Arrangements

- 16.1. 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.
- 16.2. There is no requirement to undertake any consultation in terms of the information contained in this report.
- 16.3. However, as the process to identify savings continues, and with proposals to be presented to members later in the year, stakeholder consultation and equality impact assessments will be carried out. The results will be provided to members to inform their decision-making process.

Paul Manning
Executive Director (Finance and Corporate Resources)

8 June 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ None

List of Background Papers

- ◆ Executive Committee, 15 August 2018
- ◆ Executive Committee, 26 June 2019
- ◆ Council, 26 February 2020

Contact for Further Information

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

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2022/2023 Budget Strategy

This Appendix details the assumptions employed in the 2022/2023 Budget Strategy.

1. Budget Strategy Expenditure Assumptions

- 1.1. In arriving at the expenditure assumptions, a number of factors are taken into account including the reinstatement of previous year solutions, demographics, economic conditions and ongoing commitments of the capital programme. These are each taken in turn.

Re-Instatement of 2021/2022 Temporary Solutions

- 1.2. A number of budget strategy solutions approved for the 2021/2022 Revenue Budget must be re-instated in 2022/2023. These are detailed below.
- 1.3. **Temporary Budget Solutions from Previous Years:** A number of temporary solutions implemented across a number of previous strategies now require to be re-instated as they are no longer available. These include the use of Capital Receipts (£5.000 million) where the final year of use was agreed as 2021/2022, and the additional Council Tax from extra properties in 2019/2020 and 2020/2021 – where we expect to see a reduction in the levels of Government Grant to offset these (£0.920 million). These are detailed in section 9.1 of the report to Council on 26 February 2020). In total, these require **£5.920 million** to be added to the budget strategy in 2022/2023.
- 1.4. **Reinstatement of 2021/2022 Corporate Solutions:** The budget for a number of Budget Strategy solutions approved as part of the 2021/2022 Revenue Budget must be re-instated in 2022/2023. These are detailed below.
- 1.5. **Use of Reserves:** As part of the 2021/2022 Budget (Executive Committee, June 2020, Reserves were approved to support the budget on a one-off basis. These included the use of reserves earmarked for budget strategies (£16.600 million) and the first element of the Reserves generated from the Loan Fund review (£3.000 million). These require to be re-instated and this adds **£19.600 million** to the budget strategy in **2022/2023**.
- 1.6. **Stage 1 Budget Bill:** the 2021/2022 Budget included the one-off use of a 2020/2021 underspend of £5.389 million resulting from the Stage 1 Budget bill for that year. As this funding is no longer available after 2021/2022, this **£5.389 million** requires to be reinstated and added to the strategy for **2022/2023** (refer section 7.3 – Executive, 24 June 2020).
- 1.7. These temporary solutions require a total of **£30.909 million** to be added to the 2022/2023 budget strategy, as reported in the 2021/2022 Budget report to Council (26 February 2020).

Pay Items

- 1.8. **Pay Award (incl Apprenticeship Levy):** The pay deal for both Teachers and Non

Teachers came to an end on 31 March 2021. There has been no notification of what the pay award will be beyond that as the pay award for 2021/2022 has not yet been agreed. An assumption has been made regarding the potential increase for 2022/2023 which results in an increase of **£6.584 million** into **2022/2023**. This will be updated as more information becomes available.

- 1.9. **Local Government Pension Scheme:** A recent actuarial review carried out on the Strathclyde Pension Fund in 2020 included consideration of the McLeod legal case on pensions and also the impact of current market conditions on investments. The review results in no change to the Council's employer contribution rate of 19.3% so there is no impact on the Strategy. This rate has been confirmed until at least the March 2023. The next valuation will be in 2023 with any impact falling into the following financial year (2024/2025). There is no increase to the 2022/2023 Strategy.
- 1.10. **Teachers' Pension:** The 2020 valuation review will determine the contribution rate to be applied for 2023/2024 onwards. However, the Scottish Public Pension Authority (SPPA) website contains an update which states that due to the interaction of a number of pension areas, particularly the implementation of the McLeod reforms, completion of the 2016 valuation and the review of the cost control mechanism, any change in contribution rate will now be delayed until 2024/2025. Therefore, no increase requires to be included in the 2022/2023 Strategy.
- 1.11. **Job Evaluation:** As a result of Job Evaluation exercises in relation to social care staff, it is anticipated that **£0.650 million** requires to be added to the Council's 2022/2023 Strategy. This is based on the Council contributing 50% to the ongoing costs.
- 1.12. Any further impact from other ongoing Job Evaluations exercises will be updated in future strategies.
- 1.13. The total impact of the **Pay Items** on the 2022/2023 Strategy is **£7.234 million**.

Price Increases

- 1.14. **Secondary Schools' Modernisation Contract:** The Strategy includes the requirement to fund inflationary increases for the Secondary Schools' Modernisation Contract. The Retail Price Index rates (as per Office of Budget Responsibility at March 2019 – there are no recent projections available) were applied to the 2020/2021 contract payment. The Strategy includes **£0.749 million for 2022/2023**.
- 1.15. **Utilities:** Estimates for the impact of utilities price increases reflect the most up to date actual spend inflated for anticipated price increases. The result is an estimated increase to the Strategy of **£0.350 million for 2022/2023**.
- 1.16. **Mainstream School Transport / SPTE Payments:** Education Resources anticipate further price increases in relation to Mainstream Transport. The estimated budget requirement for **2022/2023 is £0.451 million**.
- 1.17. **Non-Domestic Rates:** Estimates for the Council's increased NDR costs have been made by inflating the 2021/2022 rates bill by the increase in rates poundage originally proposed for 2020/2021. In addition, an allowance has been made for the changes to Rates Relief for Day Nurseries. This means a potential estimated budget

requirement of **£0.400 million** for **2021/2022**.

1.18. **Social Care:** As in previous years, the Strategy assumes increases in prices reflecting the ongoing commitments for Social Care contracts held by the Council (excluding Adults and Older People contracts). Increases similar to those experienced in previous years, have been assumed for Social Care price increases into 2021/2022 (**£0.200 million**).

1.19. The total impact of the **Price Increases** on the Strategy is **£2.150 million**.

Funding for Priorities

1.20. **Waste Management:** The Council has a number of significant contracts for waste collection and disposal. This is based on the budget strategy for Waste Services which had utilised funding held in Reserves in its early years. For **2022/2023**, an amount of **£0.830 million** has been included in the Strategy to manage the contract, as well as **£0.150 million** to allow the service to manage the increasing number of properties in the area.

1.21. **Teacher Numbers – Pupil Growth:** Education Resources have identified an increased requirement for teachers into the year 2022/2023. This is in relation to pupil growth and the demand for teachers across the Resource. An amount of **£3.000 million** has been included in the Strategy for 2022/2023 to meet these additional forecast costs.

1.22. The total impact of the **Funding for Priorities** on the Strategy is **£3.980 million for 2022/2023**.

Related Parties and Joint Boards

1.23. Assumptions for cost increases of **£0.366 million** for South Lanarkshire Leisure and Culture Trust are included in the Strategy for **2022/2023**. This reflects the same assumptions as for the Council for the 2022/2023 pay award. It is expected that savings identified by the Trust will be considered alongside the Council's savings package.

1.24. Strathclyde Passenger Transport increased their requisitions in 2021/2022 to reflect the level of increase in the local government grant. The Strategy for 2022/2023 assumes no change in the requisition payment, reflecting the assumption that there will be no increase in grant levels. This will be updated as more information becomes available.

1.25. The total impact on the Strategy of the **Related Parties and Joint Boards** is **£0.366 million for 2022/2023**.

Revenue Consequences of Capital

1.26. The assumptions in this Strategy continue to include provision for the revenue consequences of the opening of new primary schools and other approved capital projects. An amount of **£0.889 million has been included in the Strategy for 2022/2023**. These additional costs are mainly for nursery and primary school expansions. This includes the Council's contribution to the augment the Scottish Government's Revenue Funding for the extension project at Newton Primary School.

There may be other revenue consequences and these costs will be finalised over the coming months as timescales for the delivery of capital projects are confirmed.

- 1.27. The total impact of the **Revenue Consequences of Capital** on the Strategy is **£0.889 million for 2022/2023**.

Other Budget Items

- 1.28. **Interest on Loan Charges:** As detailed to members in June 2020, implementation of the Loans Fund Review (and its significant up-front benefits) means that additional interest costs will be incurred as a result of paying back the debt over a longer period of time. It was noted that future budget strategies would need to include incremental increases to meet these costs and that the requirement of £1.746 million would be added incrementally to the Loans Fund budget from 2022/2023. As a result, **£0.500 million** requires to be added to the **2022/2023** Strategy.
 - 1.29. The total impact of the **Other Budget Items** on the 2022/2023 Strategy is **£0.500 million**.
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Savings Requirement Across Years from 2023/2024

| | 2023/2024 £m | 2024/2025 £m | 2025/2026 £m | 2026/2027 £m |
|--|-----------------|-----------------|-----------------|-----------------|
| Grant Reduction (1%) | 5.000 | 5.000 | 5.000 | 5.000 |
| Grant Reduction – Population | 1.068 | 1.068 | 1.068 | 1.068 |
| Council Tax – Impact on Grant | 1.960 | 1.360 | 0.910 | 0.910 |
| Council Tax – increase in Property Numbers | (1.100) | (1.100) | (1.100) | (1.100) |
| Pay Award / Prices / Priorities | 11.566 | 9.720 | 9.870 | 9.810 |
| Temporary Solutions | 0.085 | 0.230 | 1.800 | 0.000 |
| Council Tax | (4.882) | (4.882) | (4.882) | (4.882) |
| Job Evaluation | 2.000 | 0.000 | 0.000 | 0.000 |
| Interest on Loan Charges (due to Loans Fund Review) | 0.500 | 0.500 | 0.200 | 0.000 |
| Use of Reserves | (23.500) | (14.000) | 0.000 | 0.000 |
| Reinstatement of Prior Year Use of Reserves | 27.400 | 23.500 | 14.000 | 0.000 |
| Reinstatement of Prior Year Use of Loan Charges Underspend | 3.650 | 0.000 | 0.000 | 0.000 |
| Pupil Growth / Teacher Numbers | 1.000 | 1.000 | 1.000 | 1.000 |
| Total | 24.747 | 22.396 | 27.866 | 11.806 |