

Report

Report to:	South Lanarkshire Council
Date of Meeting:	15 June 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2023/2024 Revenue Budget
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1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ advise the Council on the Budget position for 2023/2024

2. Recommendation(s)

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

- (1) that the Revenue Budget position for 2023/2024 (detailed in sections 4 and 5) resulting in a Budget Gap of £37.541 million before corporate solutions (section 5.4), be noted;
- (2) that the corporate solutions for 2023/2024 resulting in a revised budget gap of £32.477 million (summarised in section 6.1, Table 3), be noted; and
- (3) that options to meet the budget gap be developed for members' consideration and brought back to a future meeting (as detailed in section 7.4), be agreed.

3. Background

- 3.1. The Executive Committee report on the Financial Strategy 2019/2020 to 2021/2022 and Longer-Term Outlook to 2028/2029 (August 2018) included a high-level Strategy for the financial year 2023/2024. This has been revised to take account of known changes including the Loans Fund Review. The latest iteration of the 2023/2024 budget was included in an Appendix to the 2022/2023 Revenue Budget (Council, February 2022).
- 3.2. This report will consider the Revenue Budget position for 2023/2024. The purpose of this report is to present to Members the potential budget gap for 2023/24 at the earliest opportunity. This paper will, in line with the usual approach, include estimates of Government Grant levels, requirements for revenue expenditure items, corporate solutions for consideration and ultimately, the level of savings required to balance the budget for that year. A further budget strategy report will be brought back to members after the recess which will include a longer-term outlook, reserves position, as well as information on financial resilience.
- 3.3. However, given the current economic climate and the cost-of-living pressures being experienced, the revenue expenditure items will be split into the core (typical) expenditure items we see on an annual basis, and also the exceptional spend items, which are in excess of items or levels of budget increase that would typically have to be provided for. These exceptional items have a significant financial impact for the Council.

3.4. This report will focus on 2023/2024, and will cover the following:

- Core Revenue Strategy Items (inc. Government Grant Estimates) (section 4),
- Exceptional Revenue Strategy Items (section 5),
- Corporate Solutions (section 6), and
- Summary, Next Steps and Service Concessions (section 7).

4. Core Revenue Strategy Items

4.1. In line with previous years, there are several core items that affect the Budget Strategy for 2023/2024. These include provision for increases in expenditure items which the Council would typically face as well as anticipated movements in Government Grant and the impact of adding new properties.

4.2. These core strategy items are not unusual, they form the normal items that we would expect to cover as budget pressures and, also, include 'one off' solutions from previous years that require to be reinstated. These are included in Appendix 1 and summarised in Table 1.

Table 1 – Summary of Core Budget Strategy Items

	2023/2024 £m
Pay and Pension Items (<i>Appendix 1, para 2.1 – 2.5</i>) Includes pay award for teachers and non-teachers.	8.834
Grant Movement (<i>Appendix 1, para 3.1 – 3.11</i>) Reflects a potential reduction of 1% in grant as well as the delayed impact of new properties on grant received because we are collecting more Council Tax from more properties (£1.360 million).	6.360
Reinstatement / Impact of Prior Year Budget Decisions (<i>Appendix 1, para 4.1 – 4.9</i>) Includes the need to reinstate budget to cover one-off savings from previous years and also to take the benefit of residual impact of previous year decisions. This includes the impact of the decision to use one-off monies in 2022/2023 to reduce the level of Council Tax increase for that year. Includes the Loans Fund Review impact (2021/2022 Budget Report to Council, 24 June 2020) and the 2021/2022 underspend to use on a one-off basis). (refer para 4.4)	5.926
Contract / Other Inflation (<i>Appendix 1, para 5.1 – 5.8</i>) Includes typical inflationary increases on non-domestic rates, the secondary schools' modernisation contract (PPP), utilities, social care for children and families, waste and revenue consequences of capital spend. (refer para 4.5)	2.901
Council Tax (<i>Appendix 1, para 6.1 – 6.3</i>) This is the benefit of an anticipated increase in the number of properties.	(1.800)
Total Core Budget Strategy Items	22.221

4.3. Table 1 shows the core Budget Strategy items totalling **£22.221 million**.

4.4. The Loans Fund Review noted in the Reinstatement / Prior Year Decisions Core Item reflects the timing of the use of Reserves that were generated from the reprofiling of the Council's Loan Debt. These have been used to support the Budget Strategy over recent years, and as in previous years, any use of Reserves has to be reinstated in the new year

- 4.5. The Core Strategy Item “Contract / Other Inflation” represents a typical level of increase expected across these key budget lines. These areas are currently susceptible to inflation levels well above normal levels. Further detail on this is provided in section 5.
- 4.6. The grant assumption into 2023/2024 is a reduction of 1%. It should be noted that the Scottish Government’s spending review was published on 31 May 2022. This maintains the level of General Revenue Grant, Non-Domestic Rates Income and Specific Resource Grants between 2023/2024 and 2025/2026. An amount of £100m is added in 2026/2027.
- 4.7. The Spending Review also baselines the £120 million added during the 2022/2023 Budget Bill process. It had previously been believed that this would not be recurring funding.
- 4.8. Both of these facts should improve the Council’s budget strategy position for 2023/2024 in terms of ‘Grant Movement’ expectations, in comparison to those detailed at ‘4.2’ above. However, at this point in time there remains the need for further information on the spending review and for further analysis to be carried out. For that reason, for the time being the figures within the strategy will remain as per the Table at 4.2, until further clarity emerges around the detail of the spending review.

5. Exceptional Budget Items for 2023/2024

- 5.1. As noted in section 3.3, the current economic climate and the cost of living / inflationary pressures being experienced, are having a significant impact on some of our key spending areas. This is over and above the core increases we typically see on an annual basis (shown in Table 1). These are being identified as exceptional budget pressures that will manifest in 2023/2024.
- 5.2. These are over and above the normal anticipated Budget pressures. They are detailed in Appendix 2 and summarised in Table 2 overleaf :

Table 2 – Summary of Exceptional Budget Strategy Items

	2023/2024 £m
PPP Inflation (<i>Appendix 2, para 2.1 – 2.2</i>) Higher than normal inflationary (RPI) increases experienced into 2022/2023 and projected for 2023/2024 (in excess of 10% into the first quarter of 2023) mean we have to provide more budget to meet projected costs.	4.000
Utilities (<i>Appendix 2, para 2.3 – 2.4</i>) Economic factors have meant a significant price increase into 2022/2023 and in the estimated prices into 2023/2024. The cost projections are based on an estimated level of consumption post-pandemic, and an estimate of prices based on daily rates. However, at the current time, the price for utilities that we will pay is unknown as some of the energy required for 2023/24 has not yet been purchased. There is a level of risk here. Current prices are significantly in excess of the normal inflationary price increases experienced.	7.450
Fuel Prices and Changes to Red Diesel (<i>Appendix 2, para 2.5 – 2.6</i>) Includes the impact of fuel price increases and the removal of the Government's price subsidy previously afforded to councils in relation to red diesel.	1.650
Mainstream School Transport (<i>Appendix 2, para 2.7</i>) Includes expected inflationary increase in the costs being passed to the Council by SPT (Strathclyde Passenger Transport).	0.750
Waste Inflation (<i>Appendix 2, para 2.8</i>) Includes the increase in budget required for the Waste Management contract due to higher than normal inflationary (RPI) increases.	0.970
Shopping Centres (<i>Appendix 2, para 2.9</i>) Includes additional costs / lost income relating to two local shopping centres.	0.500
Total Exceptional Budget Strategy Items	15.320

- 5.3. The total of the exceptional Budget Strategy items, as detailed in Table 2, is **£15.320 million**.
- 5.4. Taking into account Core Budget Strategy Items (Table 1, £22.221 million) and the Exceptional Budget Strategy Items (Table 2, £15.320 million) gives a total **budget gap of £37.541 million**.
- 6. Corporate Solutions**
- 6.1. In order to address the Budget Gap of £37.541 million, corporate solutions have been identified for consideration. These are detailed in Appendix 3 and summarised in Table 3.

Table 3 – Summary of Corporate Solutions

	2023/2024 £m
Loan Charges (<i>Appendix 3, para 2.1 – 2.2</i>) The timing of borrowing in 2022/2023 and 2023/2024 means that interest costs can be reduced by a further £1.386 million in these years. This is a temporary solution and requires to be reinstated into 2024/2025.	1.386
Job Evaluation (<i>Appendix 3, para 2.3</i>) The annual cost of Job Evaluation for Residential and Day Care staff is now being managed by the IJB. The Council does not now need to provide for them from 2022/2023 onwards. £0.650 million is a permanent budget reduction from 2023/2024 and £0.650 million is temporary reflecting the underspend in 2022/2023. The temporary element requires to be reinstated into 2024/2025.	1.300
FYE of Phase 2 of Early Learning & Childcare Saving (<i>Appendix 3, para 2.4</i>) The 2023/2024 Budget can benefit from the Full Year Effect of Phase 2 of the Early Learning and Childcare saving (a saving approved in 2021/22).	0.224
Reviews (<i>Appendix 3, para 2.5</i>) As a result of the ongoing reviews taking place across the Council, a number of proposed efficiencies have been identified for 2023/2024, and they form the first tranche of efficiency / savings proposals to be considered for that year.	2.154
Total Corporate Solutions	5.064

- 6.2. The total Corporate Solutions, as detailed in Table 3 and including the efficiencies from Reviews, is **£5.064 million**.
- 6.3. Comparing this to the Budget Gap of £37.541 million noted in section 5.4 means this would reduce the core savings requirement to **£32.477 million** in that year.
- 6.4. At a level of £32.477 million, the savings requirement for 2023/2024 is substantial. This is not a normal budget position. Without the Exceptional Budget Items noted in section 5 (Table 2), the Budget Gap faced by the Council would be in the region of £17.2 million. To address this Budget Gap, consideration will be required regarding what the Council does for its communities, and potentially difficult decisions will need to be made.
- 6.5. The Exceptional Items include the main areas for inflation being utilities, PPP and Waste. However, it is difficult to estimate the extent of inflation on other Council budgets. Consideration may have to be given to the timing of spend and the choices being made in terms of how services are delivered.
- 6.6. **Council Tax:** Members will be aware that a lever available to the Council in managing its overall budget position and any Budget Gap is the ability to increase Council Tax. Each 1% increase in Band D would generate successive amounts of £1.452 million. It should be noted that in arriving at the budget gap of £32.477 million, no account has been taken of any potential increase in council tax.

6.7. **Level of Support Provided to the Integration Joint Board (IJB) and South Lanarkshire Leisure and Culture Limited (SLLCT):** The Council's Budget Strategy for 2023/2024 assumes no additional allocation of monies from the Council to the IJB or SLLCT. This reflects the approach taken in 2022/2023 where the base Budget Strategy assumed that the Council did not allocate any additional monies to the IJB or SLLCT and as part of that year's budget strategy did not request and contribution to a savings exercise from these bodies.

6.8. In relation to the IJB specifically, any increasing costs experienced by the IJB would require to be funded by Government monies or by efficiencies identified within the operations of the IJB. Any efficiency savings identified would require to be approved by the IJB. Any additional monies allocated to the Council specifically for Social Care, as part of the Government Grant award, would continue to be passed directly to the IJB.

7. Summary, Next Steps and Service Concessions

7.1. Taking account of the Corporate Solutions including the efficiencies from the ongoing Reviews, the Budget Gap for 2023/2024 is **£32.477 million** (section 6.3). This Budget Gap is based on the assumptions and estimates included in sections 4, 5 and 6. Officers will continue to refine these budget estimates over the coming months, and we will provide updates to members in future reports.

7.2. As noted in section 3.3, this Budget Strategy includes Exceptional Items of expenditure. These have served to increase the Budget Gap to £32.477 million. The magnitude of the Budget Gap is very different to those managed in recent years and will require reconsideration of what the Council does for its communities, as well as potentially difficult decisions.

7.3. It is noted that the Spending Review was published on 31 May 2022 (section 4.6-4.8). The information in the Spending review should improve the Council's budget strategy position for 2023/24 in terms of 'Grant Movement' expectations. However, at this point in time there remains the need for further information on the spending review and for further analysis to be carried out. For that reason, for the time being the figures within the strategy will remain until further clarity emerges around the detail of the spending review.

7.4. It is proposed that options to meet the budget gap will be developed for members consideration and brought back to a future meeting. Officers are looking at further work on service reviews, and income opportunities alongside working with the Improvement Service on options. Officers will also look at the level of reserves held, which may contribute to reduce the budget gap but only on a temporary basis. It is acknowledged that use of reserves is a short-term measure and will not remove the underlying need to make permanent savings. To reiterate the point made earlier in the paper, the extent of the budget gap will mean that options will have to go significantly beyond the level of efficiencies made in previous years.

7.5. Some of the corporate solutions included in the Budget Strategy are temporary in nature. As such, they will have an impact on the following year's Budget. Given the potential for impact on 2024/2025, it is proposed that any temporary solutions used in 2023/2024 be considered again once the Government Grant level is known later in financial year 2022/2023.

7.6. **Service Concessions** : The Council has also been party to discussions between COSLA, Directors of Finance and the Scottish Government over the past two years on Service Concessions. This relates to how the costs of PPP schools can be better matched to the expected useful lives of the schools and a financial benefit that would arise for councils as a result.

7.7. The Scottish Government indicated as part of the Spending Review correspondence on 31 May that this change will be accessible to Councils. Detail of what this concession means to the Council financially, needs to be developed. However the change on Service Concessions is conditional on an independent review being commissioned by the Scottish Government on Capital Accounting. This review has the potential to deliver outcomes which have a negative financial impact which could out-weigh the benefit gained from Service Concession.

7.8. For these reasons nothing has been reflected in the 2023/2024 financial strategy in relation to Service Concession in this report. Members will be updated at future Council/ Executive Committee meetings as the detail on implications is obtained. If the Service Concession change was to be proposed for implementation within South Lanarkshire, this would be the subject of a separate report to the Council.

8. Employee Implications

8.1. There are no direct employee implications from this report.

9. Financial Implications

9.1. The financial implications are summarised within the report.

10. Climate Change, Sustainability and Environmental Implications

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

10.2. Climate Change targets will have an impact on the Council's future financial strategies. This will be included in future Budget Strategy papers.

11. Other Implications

11.1. 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 to date. However, it is accepted that these are assumptions.

11.2. There is still uncertainty which sits around the costs that the Council will face following on from the pandemic. This includes lost income, as well as increased costs due to the way that services now are being delivered. There is no COVID-19 funding available to contribute towards these residual costs in 2023/2024. We also have no indication of any further funding coming forward. Therefore, in relation to this Budget Strategy, it should be acknowledged that, for 2023/2024, the residual costs of the pandemic pose a risk. We will continue to monitor and report on these costs as appropriate.

11.3. 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 well as any general pay, demand or price increases currently unknown. These 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

at the time of writing. Any movement in these assumptions would be a risk to the Strategy.

12. Equality Impact Assessment and Consultation Arrangements

- 12.1. 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.
- 12.2. There is no requirement to undertake any consultation in terms of the information contained in this report.
- 12.3. 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)

1 June 2022

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Executive Committee, 15 August 2018

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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2023/2024 Budget Strategy :

Core Budget Strategy Items

This Appendix details the Core Budget Strategy Items included in the 2023/2024 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.

2. Pay Items

- 2.1. **Pay Award (incl Apprenticeship Levy):** The pay deal for Non-Teachers came to an end on 31 March 2022. There has been no notification of what the pay award will be beyond financial year 2021/2022. There is no pay award agreed for Teachers beyond the end of 2021. An assumption has been made regarding the potential increase for 2023/2024 which results in an increase of **£8.834 million** into **2023/2024**. This will be updated as more information becomes available. This excludes a pay award for the Integrated Joint Board and the South Lanarkshire Leisure and Culture Trust.
 - 2.2. The pay award for 2022/2023 is not yet settled for non-teaching staff nor teachers. While the 2022/2023 budget includes an estimate for these awards, depending on the award agreed, there is a risk that there could be an impact into 2023/2024.
 - 2.3. **Local Government Pension Scheme:** An 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 March 2024. The next valuation will be in 2023 with any impact falling into the following financial year (2024/2025). There is no increase to the 2023/2024 Strategy.
 - 2.4. **Teachers' Pension:** The 2020 valuation review was to 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 2023/2024 Strategy.
 - 2.5. The total impact of the **Pay Items** on the 2023/2024 Strategy is **£8.834 million**.
- #### 3. Government Grant
- 3.1. Local Government budgets are affected by both changes in the UK Government Budget and the subsequent Scottish Government Budget.

- 3.2. The Council's Longer-Term Strategy included a position for the year 2023/2024. This assumed a **general grant reduction of £5.000 million** in 2023/2024, reflecting an estimated 1% decrease on the previous year's grant allocation.
- 3.3. Consideration has been given to whether this 1% assumed grant reduction is appropriate given the Government Grant increase experienced into 2022/2023, albeit after additions to meet new policy intent, and following the receipt of additional grant during Stage 2 of the Budget Bill process. 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.
- 3.4. 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.
- 3.5. 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. 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.
- 3.6. **Scottish Government Spending Review:** The outcome of the Spending Review is anticipated in May 2022. This should give a 3-year view on funding at a Local Government level, not at individual level. It is likely to exclude the impact for Local Government on funding that comes from other Government portfolios.
- 3.7. **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.
- 3.8. The impact on grant of additional properties is incurred 2 years after the new properties are built. In relation to 2023/2024, the consequent reduction in Government Grant (80% reduction after 2 years) reflects the new properties added in 2021/2022 and totals an **estimated reduction in Grant Income of £1.360 million** for 2023/2024.
- 3.9. 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.
- 3.10. In previous years, the Council has experienced reductions in grant as a result of how the funding is distributed however 2022/2023 bucked this trend. It is unclear as to whether this is a one-off or whether this will continue, therefore it is proposed that the prudent approach is to not assume any grant increase due to population changes.
- 3.11. The total impact of Government Grant changes on the 2023/2024 Strategy is **£6.360 million**.

4. Reinstatement / Impact of Prior Year Budget Decisions

- 4.1. A number of budget strategy solutions approved for the previous year budgets were temporary in nature. These must be re-instated in 2023/2024 and are detailed below. There are also some solutions that have a residual impact into 2023/2024. These are also noted.
- 4.2. The Budget Strategy for 2023/2024 includes the impact of Reserves generated from the Loans Fund Review. The £27.400 million used temporarily in 2022/2023 require to be re-instated into 2023/2024 but will be offset by the further planned use of Loans Fund Review Reserves in that year (£23.500 million). This adds a net **£3.900 million** to the budget strategy in 2023/2024.
- 4.3. In the 2022/2023 Budget Strategy (Executive Committee, June 2020), an underspend of £1.650 million in Loan Charges was transferred to Reserves and approved to support the budget on a one-off basis. This **£1.650 million** requires to be reinstated in 2023/2024.
- 4.4. Executive Committee in June 2019 approved a temporary reduction in Loan Charges of £2.000 million for the years 2020/2021 to 2022/2023. This requires to be reinstated into 2023/2024. This means that **£2.000 million** requires to be added to the budget strategy in 2023/2024.
- 4.5. In addition, the remaining efficiencies of **£1.176 million** which will be realised in 2024/2025 requires to be covered on a temp basis in the 2023/2024 Budget.
- 4.6. The reduction in the Council Tax increase at the end of the 2022/2023 Budget Setting Process (3.5% to 2.5%) was managed by a one-off solution in 2022/2023. A permanent solution of **£1.400 million** is required into 2023/2024.
- 4.7. **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 **2023/2024** Strategy.
- 4.8. **Underspend from 2021/2022:** Following the Probable Outturn exercise, the 2021/2022 Revenue Budget estimated an underspend of (**£4.700 million**). This will benefit the 2023/2024 Budget Strategy on a one-off basis (and will require to be reinstated into 2024/2025). The underspend available to support the 2023/2024 Budget will be updated once the year-end position for 2021/2022 is finalised.
- 4.9. The total impact of Reinstatements / Prior Year Budgets on the 2023/2024 Strategy is **£5.926 million**.

5. Contract / Other Inflation

- 5.1. **Non-Domestic Rates:** Estimates for the Council's increased NDR costs have been made by inflating the 2022/2023 rates bill by the increase in rates poundage imposed into 2022/2023. This means a potential estimated budget requirement of **£0.300 million** for 2023/2024.

- 5.2. **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 2023/2024. This equates to **£0.200 million** into 2023/2024.
- 5.3. **Secondary Schools' Modernisation Contract:** Based on previous year increases experienced, an initial allocation of **£1.200 million** has been added to the Budget Strategy for inflationary increases on the contract. Further exceptional inflation is covered in Appendix 2, para 2.1.
- 5.4. **Utilities:** Based on prior year increases, and the availability of budget carrying forward from 2021/2022, an allocation of **£0.350 million** has been added to the Budget Strategy for 2023/2024. Further exceptional increases are covered in Appendix 2, para 2.3.
- 5.5. **Revenue Consequences of Capital:** 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 **£0.401 million has been included in the Strategy for 2023/2024**. These additional costs are mainly for nursery and primary school expansions.
- 5.6. **Waste:** The Council has a number of significant contracts for waste collection and disposal. For **2023/2024**, an amount of **£0.300 million** has been included to manage the anticipated inflationary price increases and **£0.150 million** to allow the service to manage the increasing number of properties in the area. Further exceptional increases are covered in Appendix 2, para 2.7.
- 5.7. **Strathclyde Passenger Transport:** SPT reduced their requisitions in 2022/2023 to reflect the level of increase in the local government grant. The Strategy for 2023/2024 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.
- 5.8. The total impact of Contract / Other Inflation on the 2023/2024 Strategy is **£2.901 million**.
- 6. Council Tax**
- 6.1. **Council Tax Properties:** The draft South Lanarkshire Housing Land Audit (2022) details new houses anticipated in 2022/2023 and beyond. Based on Band D properties and net of Council Tax Reduction Scheme (CTRS), the increase in Council Tax Income for 2023/2024 has been assumed at **(£1.800 million)** (Council Tax of £2.045 million less CTRS of £0.245 million). This reflects the full year implication of new build houses anticipated in 2022/2023.
- 6.2. While there remains a risk that development will not progress as originally anticipated, housebuilding continues to progress apace in sites across the Council area. The position will continue to be monitored and an update provided in the next 2023/2024 Budget report to Committee. The impact of new houses assumed in estimates for council tax for 2023/2024 on the Government Grant will be seen in the 2025/2026 Budget Strategy.

6.3. The total impact of Council Tax on the 2023/2024 Strategy is **(£1.800 million)**.

7. Total Core Budget Items: The total of these Core Budget Items is **£22.221 million**.

2023/2024 Budget Strategy :

Exceptional Budget Strategy Items

This Appendix details the Exceptional Budget Strategy Items included in the 2023/2024 Budget Strategy.

1. There are a number of items that are anticipated to affect the Budget Strategy for 2023/2024 that are deemed to be exceptional in nature – that are over and above the normal core budget items that we have to take account of. These are taken in turn.
2. **Exceptional Budget Items**
 - 2.1. **Secondary Schools' Modernisation Contract:** Higher than normal inflationary increases have meant that the budget is short by £0.800 million in relation to the 2022/2023 increase. In addition, the forecast Retail Price Index rates as per Office of Budget Responsibility (March 2022) were applied to the 2022/2023 contract payment and mean a further increase of £4.4 million into 2023/2024, taking the total requirement to £5.2 million.
 - 2.2. An allocation of £1.200 million is included as part of the Core Budget Items (Appendix 1, para 5.3), meaning the Strategy therefore needs an exceptional allocation of **£4.000 million** for 2023/2024.
 - 2.3. **Utilities:** Price increases for utilities are significant and have increased since the budget for 2022/2023 was set. The pressure into 2022/2023 is anticipated at £3.3 million based on estimated consumption and on rates advised by Procurement Scotland. For 2023/2024, Procurement Scotland have advised at the end of May 2022 that they have purchased 54% of the Council's Gas and 57% of the Electricity requirements. In order to estimate the budget required for 2023/2024, costs have been assumed at the wholesale rate for the Gas and Electricity that has been purchased, and the energy still to be purchased at current market rates. These market rates fluctuate daily and are dependent on market supply and demand.
 - 2.4. Based on an assumed level of demand and the same standing charges, as well as the assumed rates noted above, additional increases of £4.5 million are anticipated into 2023/2024. In total, the estimates mean that an estimated increase of £7.800 million is required in the Strategy for 2023/2024. An allocation was already included in the 2023/2024 Core Budget Items (Appendix 1, para 5.4), so the increase in terms of exceptional items is **£7.450 million**. It is noted that these projections will continue to be refined as further information becomes available from Procurement Scotland in terms of new rates and standing charges and also the level of consumption as we move into a post-pandemic climate.
 - 2.5. **Fuel:** The last full year of fuel usage before the pandemic has been uprated to reflect current fuel costs. This adds **£1.400 million** to the Budget Strategy for 2023/2024.
 - 2.6. **Red Diesel:** As of 1 April 2022, the criteria for the use of Red Diesel changed and the Council can no longer take advantage of the lower prices. This is anticipated to cost the Council **£0.250 million**. This has been added to the Budget Strategy for 2023/2024.

- 2.7. **Mainstream Passenger Transport:** Education Resources are experiencing price increases for the mainstream school transport contract procured through SPTE. The year-on-year increase into 2022/2023 is **£0.750 million** and this has been added to the Strategy for 2023/2024.
- 2.8. **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 **2023/2024**, an amount of **£0.970 million** has been included in the Strategy to manage the contract. This is in addition to the amount of £0.450 million for Waste inflation and new properties, included in the Core Budget Items for 2023/2024 (Appendix 1, para 5.6).
- 2.9. **Shopping Centres:** There are 2 shopping centres presenting financial pressures. This relates to one shopping centre that the council owns, and another where we hold the ground lease. Income levels have been affected by the pandemic and costs are increasing. **£0.500 million** has been included in the 2023/2024 Strategy to offset reduced income levels and cost increases.
3. The total impact of the Exceptional Budget Items on the 2023/2024 Strategy is **£15.320 million**.
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2023/2024 Budget Strategy :

Corporate Solutions

1. This Appendix details the Corporate Solutions included in the 2023/2024 Budget Strategy.
 2. **Corporate Solutions**
 - 2.1. **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. Taking account of delays in borrowing in 2021/2022, and the required level of borrowing in 2022/2023, and by taking the total borrowing required across the financial year, interest costs can be reduced by £0.873 million. It is proposed that this £0.873 million is transferred to Reserves at the start of the 2022/2023, and set-aside to assist in funding the 2023/2024 Strategy on a temporary basis.
 - 2.2. For 2023/2024 borrowing, interest costs can be reduced by £0.513m by delaying borrowing until October 2023. This will allow the budget for loan charges to be reduced by £0.513m in 2023/2024 and will be used to support the 2023/2024 Strategy on a temporary basis.

**Corporate Solution: £1.386 million
(temporary for 2023/2024, reinstate in 2024/2025)**
 - 2.3. **Job Evaluation:** The 2022/2023 Budget included an allocation of £0.650 million for the cost of Job Evaluation for Residential and Day Care staff. These costs are now being managed by the IJB and the Council does not now need to provide for them. An underspend will be realised in 2022/2023 and it is proposed that the underspend will be transferred to Reserves at the start of the year to support the 2023/2024 Budget Strategy. The budget allocation itself will be removed from the 2023/2024 budget on a permanent basis.

**Corporate Solution: £0.650 million permanent
and £0.650 temporary for 2023/2024 (reinstate in 2024/2025)**
 - 2.4. **FYE of Phase 2 of Early Learning & Childcare Saving:** Offsetting the cost of reinstating temporary solutions from previous years, are residual benefits from previous year solutions. This mainly relates to the Full Year Effect of Phase 2 of the Early Learning and Childcare saving (a saving approved in 2021/22), which benefits the 2023/2024 budget by **(£0.224 million)**.

Corporate Solution: £0.224 million
 - 2.5. **Reviews:** As a result of the ongoing reviews taking place across the Council, a number of proposed efficiencies have been identified for 2023/2024. These total £2.154 million they will form the first tranche of efficiency / savings proposals to be considered, as we progress through the Budget process.

Corporate Solution: £2.154 million
 3. The total Corporate Solutions for the 2023/2024 Strategy is **£5.064 million**.
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