

Report

Report to: **South Lanarkshire Council**
Date of Meeting: **23 February 2022**
Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Overall Position of Revenue Budget and Level of Local Taxation for 2022/2023**

1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ update the Council on the 2022/2023 budget position following the Finance Settlement for 2022/2023, present the Council Tax level for 2022/2023 for approval, and present the Revenue Budget for 2022/2023, including the base budget allocations to Resources, for approval.

2. Recommendation(s)

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

- (1) that the solutions totalling £9.420 million that contribute towards the budget shortfall identified in the Council's Budget Strategy (Table 1) be noted;
- (2) that following receipt of the Local Government Settlement, the allocation of funds to meet additional costs, as detailed in section 5.4, be noted;
- (3) that the allocation of £1.828 million (£0.928 million to PPP Inflation and £0.900 million to South Lanarkshire Leisure and Culture Trust) (section 5.5), be approved;
- (4) that the proposed Council Tax increase of 3.5% (section 6.1), which would set the Council Tax for Band D properties at £1,245, be approved;
- (5) that the capacity for investments of £7.042 million, as a result of the Stage 2 Budget for 2022/2023 (section 6.2), be considered; and
- (6) that the Revenue Budget for 2022/2023, including the base budget allocations to Resources, as shown in Appendix 5, be approved.

3. Background

- 3.1. At its meeting on 23 June 2021, the Council's Executive Committee approved the Revenue Budget Strategy for 2022/2023. The Strategy assumptions resulted in an initial budget gap of £54.403 million. The Strategy then identified funding solutions (£12.704 million) and the benefit of £27.400 million from Reserves, including from the Loans Fund Review.
- 3.2. The paper included an assumption of a 3.5% increase in Council Tax, leaving a budget gap of £9.420 million (as at June 2021).
- 3.3. Since the 2022/2023 Revenue Budget Strategy was approved in June 2021, an exercise has been undertaken to identify any further funding solutions in order to balance the budget position.

- 3.4. On the 20 December 2021, the Scottish Government issued Finance Circular 9/2021 which detailed individual grant settlement figures to all councils for 2022/2023.
- 3.5. On 27 January 2022, the Cabinet Secretary for Finance announced that an amendment will be brought forward during Stage 2 of the Budget Bill to allocate an additional £120 million to Local Government.
- 3.6. This report will cover the main elements of the Budget Process to date:
- Section 4: Pre-Settlement Position.
 - Section 5: 2022/2023 Settlement Impact.
 - Section 6: Additional Stage 2 monies.
- 3.7. Thereafter, the report provides details on the total Revenue Budget and Council Tax (section 7) and section 8 provides details of the Budget Bill and Local Government Finance Order. Section 9 provides information on the budget beyond 2022/2023.
- 4. Pre-Settlement Position: Update to 2022/23 Revenue Budget Strategy**
- 4.1. At the Members' Seminar in January 2022, Members were reminded that the 2022/2023 Budget Strategy approved in June 2021 included the requirement to manage the budget shortfall of £9.420 million. This assumed a level of income equivalent to a 3.5% increase in Council Tax. In order to meet the £9.420 million, a number of solutions were shared with Members at the Seminar. These total £9.420 million and are summarised in Table 1 and detailed in Appendix 1.

Table 1: Budget Shortfall and Solutions

	£m
Budget Shortfall <i>(including Council Tax Increase)</i> <i>(section 3.2)</i>	9.420
Less Solutions (some of which will be realised beyond 2022/2023):	
- Full year Effect of 2021/2022 and phase 2 of Teachers in ELC <i>(App 1, para 2)</i>	(1.913)
- Education Staffing Exercise <i>(App 1, para 3)</i>	(1.500)
- Property Strategy <i>(App 1, para 4)</i>	(0.150)
- South Lanarkshire Leisure and Culture <i>(App1, para 6)</i>	(0.550)
- Projected Efficiencies from Oracle Fusion <i>(App 1, para 8)</i>	(1.176)
- Management and Operational Efficiencies <i>(App1, para 9)</i>	(4.131)
Total Solutions	(9.420)
Budget Shortfall	-

- 4.2. While the proposals total the required £9.420 million, timing means that some of these are realisable across 3 years with £6.185 million being realised in 2022/2023 and £3.235 million across 2023/2024 and 2024/2025. A temporary solution is required in 2022/2023 to manage the £3.235 million which will not be available until later years.
- 4.3. It is proposed that because some of these solutions do not come on-line until 2023/2024 and 2024/2025, it can be managed in-year by using underspends that are anticipated against the budget for loan charges. This is detailed in Appendix 1, paras 10 and 11.

4.4. **Summary Pre-Settlement:** Solutions totalling £9.420 million have been identified to contribute towards the budget shortfall of £9.420 million in the Budget Strategy, as noted in Table 1.

5. 2022/2023 Settlement – 2022/2023 Revenue Grant Allocation

5.1. As advised at the Members' Seminar in January 2022, the Finance Circular was received on 20 December 2021 and notified councils of the 2022/2023 Revenue Settlement. It focused on additional monies for teachers and support staff, supporting the expansion of Early Years provision and continuing the financial investment and support for Social Care.

5.2. For ease of reference, Appendix 2 provides the details of the movement in grant year on year on a like for like basis. As advised to Members in the Seminar, the like for like position is a grant reduction of £1.700 million.

5.3. The Council's Budget Strategy (June 2021), assumed a reduction in Grant of £8.028 million, therefore comparing this to the like for like reduction of £1.700 million following receipt of the Settlement means an improved position in relation to the Budget Strategy of £6.328 million.

5.4. However, there are other costs that the Council will have to bear that have not been funded in the Local Government Settlement. These are National Insurance Contributions (£3.500 million) and Council Tax Reduction Scheme (£1.000 million). These total £4.500 million and full details are provided in Appendix 3. This reduces the benefit from the Finance Settlement of £6.328 million to a benefit to £1.828 million.

5.5. In order to utilise this remaining benefit of £1.828 million, it is proposed that this is allocated to PPP Inflation (£0.928 million) and South Lanarkshire Leisure and Culture Trust (£0.900 million). Full details are provided in Appendix 4.

5.6. **Summary after Local Government Settlement:** There is an improved position of £6.328 million on the Budget Strategy (section 5.3). The Council will face additional pressures next year for increased National Insurance Contributions (£3.500 million) and Council Tax Reduction Scheme (£1.000 million) (section 5.4). This leaves a balance of £1.828 million, and it is proposed that this is allocated to PPP Inflation (£0.928 million) and to South Lanarkshire Leisure and Culture Trust (£0.900 million) (Section 2, Recommendation (3)). If approved, this leaves a balanced budget for 2022/2023, following receipt of the Local Government Settlement.

6. Additional Stage 2 Budget Bill Monies – Capacity for Investment

6.1. As noted in section 4.1, the Council's Budget Strategy pre-settlement includes an assumption of a 3.5% increase in Council Tax. It is proposed that the Council approves this 3.5% increase on Council Tax at 2021/2022 levels. This would set the Council Tax Band D at £1,245.

6.2. As noted in section 3.5, subsequent to the Finance Settlement, the Cabinet Secretary for Finance announced a Stage 2 Budget Bill allocation of a further £120 million of one-off funding for Local Government for 2022/2023 (27 January 2022). The Council's estimated share of this is £7.042 million. If the Council Tax increase proposed in section 6.1 (Section 2, Recommendation (4)) is approved, then this will allow the capacity for investment of £7.042 million. In order to maintain a balanced budget position within this report, the additional Grant allocation has been included in the budget as an investments line of £7.042 million.

- 6.3. Should Members agree to invest the £7.042 million referred to in 6.2, they will require to agree how the investment will be made. The Council will agree the details of the final investments, and the details of these will be included in the first financial reports to the relevant Resource and Executive Committees in the new financial year. However, it should be noted that the share of £120 million is non-recurring.

7. Total Revenue Budget Summary 2022/2023 and Council Tax

- 7.1. Taking into account the Government Grant allocated to the Council through the Settlement, the Council Tax increase of 3.5% (section 6.1) and the capacity for Investments of £7.042 million from the Council's estimated share of the additional £120 million of funding announced in January 2022 (section 6.2), means that the total proposed Budget for 2022/2023 is now £835.140 million.
- 7.2. The detailed allocation of the budget to each Resource is shown at Appendix 5. The main figures from Appendix 5 are summarised in Table 2.

Table 2: Summary of Council Budget 2022/2023

Current Year Base Budget £m		2022/2023 Proposed Budget £m
1,055.726	Total Services' Gross Expenditure <i>(Appendix 5, page ii)</i>	1,090.579
(321.191)	Deduct: Total Services Gross Income <i>(Appendix 5, page ii)</i>	(322.934)
<u>734.535</u>	Net Service Spending	<u>767.645</u>
50.492	Add: Loan Charges	49.282
2.000	Add: CFCR	0.000
8.500	Add: Corporate Items	11.171
-	Add: Investments	7.042
<u>795.527</u>	Net Expenditure	<u>835.140</u>

- 7.3. Table 3 shows how this 2022/2023 budget is funded, resulting in the net Sum Funded by Council Tax, £145.574 million.

Table 3: Net Sum Funded by Council Tax

Indicative Budget for 2022/2023 <i>(Appendix 5)</i>	£835.140m
Deduct: Government Grant <i>(including council share of £120m)</i>	£658.991m
Deduct: Use of Reserves / Underspends in the Budget Strategy <i>(June 2021)</i>	£30.575m
Resultant Net Sum to be Funded Locally from Council Tax	£145.574m

- 7.4. The net Council Tax figure comprises the 2021/2022 budget of £139.727 million, increased to reflect the additional property numbers and arrears included in the Strategy (£2.100 million) and the Council Tax increase of 3.5% (£4.882 million), offset by reductions to reflect the cost of the new Council Tax Reduction Scheme included in the Strategy (£1.000 million) and the Settlement increase in the Council Tax Reduction Scheme (£0.135 million).
- 7.5. The Net Sum Funded by Council Tax (£145.574 million) is detailed in Table 4, showing the Council Tax Budget for the year 2022/2023. Table 4 also shows the estimated amount of income for each £1 of Gross Council Tax.

Table 4: 2022/2023 Council Tax Budget

Gross Council Tax 2022/2023	£169.046m
Deduct: Council Tax Reduction Scheme	(£23.472m)
Resultant Net Sum to be Funded Locally from Council Tax	£145.574m

Estimated Product of £1 Gross Council Tax at 97.125% collection £135,780

- 7.6. Should the Council approve the budget for 2022/2023 then the Band D Council Tax for 2022/2023 will be applied at the figure decided and necessary billing and collection mechanisms will be set in motion. The ten monthly Council Tax instalments will commence in April. Appropriate scrutiny will continue to ensure the process of reviewing budgetary performance is continued.
- 7.7. The level of Council Tax is property based. All houses are classified into eight bands, A to H, with band H properties paying more than three times the level of band A. The Council's declared tax is for band D and all other rates are fixed using the following scale:

Table 5: Property Ranges and Proportion of Band D Payable

Property Ranges in South Lanarkshire for Council Tax			
Property Value Range	Band	Proportion of Band D Tax Payable	Proportion of South Lanarkshire Property in each band January 2022
£27,000 and under	A	67%	23.17%
£27,001 to £35,000	B	78%	19.65%
£35,001 to £45,000	C	89%	17.10%
			(Total A to C: 59.92%)
£45,001 to £58,000	D	100%	13.87%
£58,001 to £80,000	E	131%	13.02%
£80,001 to £106,000	F	162%	8.47%
£106,001 to £212,000	G	196%	4.35%
Over £212,000	H	245%	0.37%

- 7.8. The Council's declared tax will be at the Band D level but only around 21,600 properties (13.8%) are in band D. Over the past few years, there has been an upward movement in the valuation of properties. However, approximately 59.9% of properties still remain in Bands A, B and C, so the effect of any increase in Council Tax is reduced by 33%, 22% and 11% respectively for most properties.
- 7.9. The number of houses in the tax base for South Lanarkshire now exceeds 156,000 as advised by the Assessor for the Lanarkshire Valuation Joint Board. From this figure, an allowance is deducted for single person discounts, students, disabled, vacant premises etc. to produce an estimated yield for £1 on a Band D basis at 100% collection of £139,799.
- 7.10. The Council must set an appropriate level allowing for non-collection. Council Tax collection rates have improved markedly in recent years due to the number of changes initiated by the Council.

- 7.11. A yield of £135,780 for £1 tax at Council Tax Band D has been used in the 2022/2023 budget (an increase on 2021/2022 due to an increase in the number of properties). At an assumed 97.125%, this represents a continuation of the collection rate performance achieved in recent years.
- 7.12. A 3.5% increase in Council Tax, as detailed in Section 6.1 sets the Council Tax Band D at £1,245.

8. Local Government Finance Order

- 8.1. Although the Council received its grant settlement on 20 December 2021, the level of grant may change as the Finance Budget Bill progresses through Parliament to the Finance Order: Stages 1 to 3 of the Finance Budget Bill will be presented to Parliament for debate and approval between the 27 January 2022 and the 10 February 2022, culminating in the Local Government Finance Order being approved on 24 February 2022.
- 8.2. In the Cabinet Secretary's Stage 3 Budget statement (10 February 2022), it was announced that the Government would provide £150 to every household in receipt of Council Tax Reduction in all Council Tax bands and provide local authorities with funding to pass on £150 to other occupied households in Bands A to D in Scotland.
- 8.3. Councils will have a choice on how the money is distributed to households – they can either deliver a direct payment or a credit to Council Tax accounts.
- 8.4. The Council has a statutory requirement to set its Council Tax by 11 March 2022. While the Council has not yet received final confirmation of its Budget as a result of the Finance Order, it can set its Budget for the coming year using the settlement information received to date, and it can set its Council Tax.
- 8.5. Whilst it is not expected, there is the possibility that there could be a change to the level of grant allocation as the Budget Bill process continues. If any further funds are received as part of the Budget Bill process, this will be brought to Council for consideration.

9. Position Beyond 2022/2023

- 9.1. This paper focuses on financial year 2022/2023, however the 2022/2023 Budget has an impact on future years' financial position.
- 9.2. **Reinstatement:** The 2022/2023 budget includes a number of solutions which are temporary in nature and will require to be re-instated in future years. The impact over the next 2 years is shown in detail in Appendix 6. Some of these reinstatements are because a temporary solution is required in 2022/2023 to manage the shortfall of £3.235 million (section 4.2). This will be offset by the realisation of solutions in future years.
- 9.3. Appendix 6 also 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 (including the impact of the Loans Fund review) that would help smooth the impact on the budget shortfall in that year.
- 9.4. **Medium Term Strategy:** Appendix 7 shows the Budget Strategy across the Medium Term (to 2026/2027) reflecting the assumptions made in preparing the 2022/2023 Budget Strategy. This includes the use of Reserves, and also includes the reinstatement of temporary solutions from previous years' budgets. This will

continue to be updated to take account of any new information affecting the Council's finances.

- 9.5. As noted in the June 2020 Executive Committee paper on the Loans Fund Review, later implementation of the Review would likely mean an additional benefit. Now that the calculations are complete, this has been confirmed and due to implementing the Loans Fund Review one year later, the total benefit realised is now £75 million. This is a further benefit of £7 million compared to the original £68 million included in the Budget Strategy and can be taken into account in future year Strategies.
- 9.6. While the release of Reserves resulting from the Review will be different to the original profile anticipated, any shortfall in-year can be managed by utilising other earmarked reserves on a temporary basis if required. These earmarked reserves will then be replenished when the Loans Fund Review Reserves are realised. There is therefore no change to the Council's Budget Strategy.
- 9.7. The position beyond 2022/2023 remains uncertain as there has been no further information on grant settlements beyond the one-year settlement for 2022/2023.

10. Employee Implications

- 10.1. Any employee implications arising from the management and operational efficiencies will be managed within Resources, with any staffing implications dealt with through a combination of anticipated turnover and redeployment through SWITCH 2.

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 or sustainability in terms of the information contained in this report.
- 12.2. An exercise has been undertaken to consider the environmental impact of the budget solutions. Details of this exercise are available on request.

13. Other Implications

- 13.1. The assumptions on which the budget is based are defined within the Financial Strategy for the Council as reported to the Executive Committee on 23 June 2021 and updated for corporate solutions, the Local Government Finance Settlement received on 20 December 2021 and Stage 2 of the Budget Bill Process. 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.
- 13.2. **Requirement to Set a Budget:** Under statute and internal governance rules, Council Members have duties around setting budgets. Failure to set a balanced budget would have serious implications, not just for the Council but also potentially for individual members who could incur personal responsibility for failure to comply with their statutory duty.
- 13.3. Any failure to set a balanced budget would almost certainly provoke intervention by Scottish Ministers and the Accounts Commission who have legislative powers to carry out investigations and make recommendations which could result in Scottish Ministers issuing binding directions to the Council. Under the Local Government (Scotland) Act 1973, special reporting processes exist (Section 102) which, if the

Controller of Audit is not satisfied with the Council's steps to remedy such an issue then he/she can make special report to the Accounts Commission on the matter.

- 13.4. The Commission can then recommend that Scottish Ministers direct the Council to rectify the issue. Individual members who unreasonably contribute to the failure or delay in setting a budget could be ultimately censured, suspended or disqualified from standing for election for a prescribed period of time by the Standards Commission.
- 13.5. If a new budget is not set, then the Council could not enter into any new unfunded commitments including contracts and spend would be restricted to meeting existing liabilities. As the Council's current position is that there is a budget shortfall that requires to be met through identified solutions, without Council agreement on a 2022/2023 budget, a gap in our budget would remain.
- 13.6. **Expenditure Subject to External Influences:** Whilst the budget for 2022/2023 can be set with certainty, there are areas of expenditure, that are subject to external influences which we will continue to monitor as the year progresses, including pay award. Full details of these are included in Appendix 8.
- 13.7. **Ongoing Impact of Covid-19 Pandemic:** The Budget Strategy prepared in June 2021 noted a level of uncertainty around the costs that the Council will face as a result of the ongoing pandemic. Money was carried forward into 2021/2022 and new money was received in-year. This non-specific funding totals £32.352 million and the probable outturn exercise identified an anticipated underspend of £15.600 million which will be transferred to reserves along with the £4.794 million underspend on the Council's General Fund position to assist with COVID cost of recovery into 2022/2023. This will continue to be monitored.
- 14. Equality Impact Assessment and Consultation Arrangements**
 - 14.1. Equality Impact Assessments have been undertaken for the Budget. These are available for members to assist in the decision-making process. In addition, an assessment has been carried out in line with the Fairer Scotland duty. For details of work undertaken, please contact the Employee Development and Diversity Manager, Finance and Corporate Resources.
 - 14.2. The Budget has also been assessed with regard to any potential negative impact on the environment (refer section 15).
 - 14.3. Meetings have taken place with the Trade Unions. With regard to consultation with the public, members of the public and partners were invited to comment on any aspect of the Council's Budget.
 - 14.4. The outcome of the Public Consultation has been advised to all Elected Members.
- 15. Environmental Impact**
 - 15.1. An exercise has been undertaken to consider the environmental impact of this Budget. The majority of the areas identified to balance the budget are assessed as having a neutral impact on climate change.
 - 15.2. The remainder are expected to have some impact, both positive and negative but on the whole, the Budget 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.

Paul Manning
Executive Director (Finance and Corporate Resources)

8 February 2022

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Local Government Finance Circular 9/2021
- ◆ Executive Committee, 23 June 2021 - 2022/2023 Strategy and Savings Requirement

List of Background Papers

- ◆ None

Contact for Further Information

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

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Update to 2022/23 Revenue Budget Strategy

1. The 2022/2023 Budget Strategy approved in June 2021 included the requirement to manage the budget shortfall of £9.420 million. This assumes a level of income equivalent to a 3.5% increase in Council Tax. In order to meet this, a number of solutions have been identified. These are taken in turn.
2. **Full Year Effect (FYE) of 2021/2022** As detailed in the savings pack for 2021/2022, some of the 2021/2022 approved savings were part year only. This means that the full year effect of these can be realised in 2022/2023. This amounts to £1.514m (FYE). In addition, the second phase of 2021/22 Teachers in Early Learning and Childcare is realisable in 2022/2023. That means a further £0.399 million is available for 2022/2023 and also the FYE of £0.224 million into 2023/2024. The total FYE impact is £1.913 million in 2022/2023. This will be used to assist in funding the 2022/2023 Budget Strategy.

Solution: £1.913 million

3. **Education Staffing Establishment:** As part of the original Budget Strategy for 2022/2023 (Executive Committee, June 2021), a potential figure of £3.000 million was identified to deal with a projected increase in pupil numbers and facilitate the employment of additional teachers. A further review has identified that potential million will be released from 2022/2023 with the remainder realisable in 2023/2024. The full amount of the reduction will be considered as part of the 2022/2023 Budget Strategy, and a temporary solution will be put in place to manage the element not realisable until 2023/2024 (refer to section 4.3 of the report for details).

Solution: £1.500 million

(of which £0.163 million will be realised in 2023/2024).

4. **Property Strategy:** As part of the Council's management of Office Accommodation, budget of £0.150 million can be released through the rationalisation of property. This will allow a reduction of £0.150 million in the 2022/2023 Budget Strategy.

Solution: £0.150 million

5. **South Lanarkshire Leisure and Culture Trust (SLLCT):** The June 2021 Council Budget Strategy paper provided £0.360m for SLLCT pay award. However, on reviewing the Council's Budget Strategy, it is proposed that SLLCT are asked to manage their own pay award, rather than the Council providing funding for this and then asking SLLCT to contribute towards the Council's budget shortfall. By no longer providing this allocation, we will see an improvement in our position. Also, it is proposed that SLLCT are asked to manage an equivalent share of the Council's Grant cut that will be passed on to them (Estimate £0.190m).

6. This approach amounts to an improved budget position for the Council of £0.550 million. This will mean a reduction in the Management Fee paid to SLLCT by the Council, and SLLCT would have to identify proposals to bridge that resultant funding gap. From the Council's perspective, this will allow a solution of £0.550 million to be taken into account as part of the 2022/2023 Budget Strategy.

Solution: £0.550 million

7. **Projected Efficiencies from Oracle Fusion:** The Council's Finance and Corporate Resources Committee in September 2021 approved the upgrade of the Council's Human Resources (HR)/Finance systems to Oracle Fusion. This will introduce a new, modern system for HR and Finance and will support the future needs of the whole Council in delivering transformational and cultural change across Resources. The project will also deliver efficiencies commencing in 2024/2025.
8. The annual net efficiencies commencing in 2024/2025 total £1.176 million. The full amount of the reduction will be considered as part of the 2022/2023 Budget Strategy, and a temporary solution will be put in place to manage this until it is realisable in 2024/2025 (refer to section 4.3 of the report for details).

Solution: £1.176 million
(of which £1.176 million will be realisable in 2024/2025)

9. **Management and Operational Efficiencies:** Resources have identified budget reductions arising from management and operational efficiencies. Overall these management and operational efficiencies benefit the Budget Strategy by £4.131 million, with £2.235 million available in 2022/2023 and £1.896 million in 2023/2024. The full amount of the reduction will be considered as part of the 2022/2023 Budget Strategy, and a temporary solution will be put in place to manage the element not realisable until 2023/2024 (refer to section 4.3 of the report for details).

Solution: £4.131 million
(of which £1.896 million will be realisable in 2023/2024).

10. The proposals in paras 1 to 9 total the required £9.420 million, however, as noted in each of the individual proposals, timing means that some of these are not fully realisable in 2022/2023.

	Realisable in 2022/2023 £m	Realisable in 2023/2024 and 2024/2025 £m	Total £m
Budget Shortfall (including Council Tax Increase) (section 3.2)			9.420
Less Solutions:			
- Full year Effect of 2021/2022 and phase 2 of Teachers in ELC (App 1, para 2)	(1.913)	-	(1.913)
- Education Staffing Exercise (App 1, para 3)	(1.337)	(0.163)	(1.500)
- Property Strategy (App 1, para 4)	(0.150)	-	(0.150)
- South Lanarkshire Leisure and Culture (App1, para 6)	(0.550)	-	(0.550)
- Projected Efficiencies from Oracle Fusion (App 1, para 8)	-	(1.176)	(1.176)
- Management and Operational Efficiencies (App1, para 9)	(2.235)	(1.896)	(4.131)
Total Solutions	(6.185)	(3.235)	(9.420)
Budget Shortfall			-

11. The table shows that of the £9.420 million of solutions, £6.185 million are realisable in 2022/2023 and £3.235 million in 2023/2024 and 2024/2025.

2022/2023 Finance Settlement Update

The Council received the Finance Settlement on 20 December 2021 (FC9/2021) which included details of the 2022/2023 grant award. The sections below detail the adjustments required to arrive at the grant figure on a like for like basis to allow comparison to the assumptions included in the June 2021 Strategy.

- 1. Movement in Grant:** The grant allocation for the year 2022/2023 is £651.949 million (Finance Circular 9/2021). Adjustments need to be made to obtain a comparison to the 2021/2022 grant figure of £625.811 million, which is the starting point for the Council's 2022/2023 Budget Strategy. These are detailed in the table below and comprise funding included in the 2021/2022 Base position but not yet distributed for 2022/2023 (£2.515 million for Discretionary Housing Payment). Removing this from the 2021/2022 Budget results in a revised 2021/2022 grant figure of £623.296 million. Comparing the two years' allocations indicated a year on year cash increase in grant of £28.653 million (4.6%), however this is not on a like for like basis.
- 2.** Adjustments also need to be made to the grant movement to reflect that some of this increase in grant into 2022/2023 is already committed for new things. This allows us to show a like for like movement in grant into 2022/2023. These movements are also detailed in the table below and include new funding received in 2022/2023 which has new responsibilities (£10.249 million) and new funding for IJBs (£20.661 million). These new monies mean new spend of £30.910 million in 2022/2023.
- 3.** The movement also needs to be adjusted for the removal of funding from the 2022/2023 Budget where the policy intent is no longer continuing. These are shown in the table below and total £0.779 million.
- 4. Specific GAE/Funding Allocations in 2021/2022:** In addition to the level of grant itself, the settlement identifies other areas which impact on the Council's budget. It identifies a number of areas of spend where the allocation changes across years. This can be because of changes to the method of allocation, or changes to the criteria which underpin the allocation. These are not ring-fenced monies and are merely indicators of spend. Because of these movements in GAE monies, the Council's position will reduce by £0.222 million. Details of these are included in the table below.
- 5. Like for Like Movement:** While there is a cash increase of £28.653 million in grant (para 1), the adjustments summarised in paras 2 to 4 mean that there are net commitments of £30.353 million already against this grant. Taking these commitments into account results in a year on year / like for like reduction in grant of £1.700 million (0.27%) (being the £28.653 million increase in grant less the £30.353 million of commitments from paras 2 to 4).
- 6.** The table overleaf provides details of the movements identified in paras 1 to 5 above.

Finance Settlement – Like for Like Basis Reconciliation

Base Revenue Budget for 2021/2022 (FC 5/2021)	£625.811m
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Adjustments to 2021/2022 Base Grant Allocation to reflect a year on year, like for like comparison between 2021/2022 and 2022/2023

(1) Funding Not Yet Distributed in 2022/2023	(£2.515m)
Remove this money from the 2021/2022 Grant as it is not yet distributed in 2022/2023. This will be added to the Council's Budget when the funding is distributed in 2022/2023, and it is anticipated that spend will offset the grant. This allocation relates to the Discretionary Housing Payment.	
= Comparable 2021/2022 Revenue Budget	£623.296m
Compared to the 2022/2023 Revenue Grant (FC 9/2021)	£651.949m
= Increase in Revenue Grant into 2022/2023	£28.653m

Adjustments to the Grant Movement to reflect a year on year, like for like comparison between 2021/2022 and 2022/2023

(2) New Funding in 2022/2023 with New Responsibilities	(£10.249m)
<p>These monies are new for 2022/2023 and it is anticipated that spend will offset the grant:</p> <ul style="list-style-type: none"> • Additional Teachers and Support - £9.379m (<i>share of National £145.5m</i>) • National Trauma Training - £0.050m (<i>share of National £1.6m</i>) • Mental Healthy Recovery and Renewal - £0.214m (<i>share of National £3.7m</i>) • Child Disability Payment - £0.248m (<i>share of National £3.2m</i>) • Seatbelts on School Transport - £0.035m (<i>share of National £0.2m</i>) • Minimum School Clothing Grant - £0.323m (<i>share of National £5.8m</i>) 	
(3) New Funding for Integrated Joint Boards	(£20.661m)
<p>These monies are new for 2022/2023:</p> <ul style="list-style-type: none"> • Care at Home / Winter Planning - £7.281m (<i>share of National 124m</i>) • Interim Care - £1.174m (<i>share of National 20m</i>) • Carers' Act and Living Wage - £11.520m (<i>share of National £194.9m being Carers' Act £20.4m and Living Wage 174.5m</i>) • Free Personal and Housing Care - £0.686m (<i>share of National £15m</i>) 	
(4) Funding Removed from 2022/2023	£0.779m
<p>These Budget allocations have been removed in 2022/2023:</p> <ul style="list-style-type: none"> • Environmental Health Officers - £0.068m (<i>share of National £1.7m reduction</i>) • 1+2 Languages - £0.076m (<i>share of National £1.2m reduction</i>) • ELC - £0.635m (<i>share of National £15m reduction</i>) 	

<p>(5) Specific GAE / Funding Allocations in 2022/2023</p> <p>These are specific allocations of spend where the allocation has changed year on year.</p> <p>Specific Grants</p> <ul style="list-style-type: none"> • PEF (£0.005m) <p>Baseline Re-Determinations</p> <ul style="list-style-type: none"> • Council Tax Reduction Scheme £0.135m • Temporary Accommodation (£0.024m) • Sanitary Products (£0.006m) • Barclay Implementation (£0.003m) • Rapid Re-housing Transition Plan £0.006m • School Counsellors (£0.004m) <p>Former Ring-Fenced grants</p> <ul style="list-style-type: none"> • Private Sector Housing Grant £0.123m 	<p>(£0.222m)</p>
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<p>= Like for Like Movement (Reduction) in Grant</p>	<p>(£1.700m)</p>
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Pressures not Funded in Local Government Finance Settlement

1. **National Insurance Contributions:** Nationally a 1.25% additional level of National Insurance has been introduced. This levy was intended to allow further funding nationally for Health and Social care. The increase means more costs for the Council and no funding has been included in the Local Government Settlement. It is estimated that this could cost the Council an additional £3.500 million per annum.

Additional Cost: £3.500 million

2. **Council Tax Reduction Scheme (CTRS) – Changes to Eligibility Criteria:** The Scottish Government have advised that the estimated impact of changes to the eligibility criteria could be an increase of up to 5% of a local authority's existing costs on CTRS, but that it could be funded by underspends that they have been experiencing. In recent years, the Council has experienced reasonable levels of underspend however, for 2021/2022 the forecast is a minor underspend only, which appears to be the position post pandemic. The changes to eligibility criteria therefore represent an additional burden into 2022/2023.

Additional Cost: £1.000 million

Areas of Additional Costs

1. **South Lanarkshire Leisure and Culture Trust (SLLCT):** SLLCT will need to identify upwards of £0.900 million of efficiencies as part of its budget (this includes a utilities pressure, the need to cover their pay award, the increase in National Insurance Contributions and by taking a share of the Council's like for like Grant cut as well as other costs pressures they will require to meet (refer Appendix 1, para 5). It is proposed that £0.900 million be allocated to SLLCT to help them phase-in required changes across 2022/2023 and 2023/2024, as they continue to address the impact of the pandemic.

Allocation to Budget Strategy: £0.900 million

2. **PPP Inflation:** One specific area of inflation pressure faced by the Council is likely to be on the Secondary School Contract (PPP). The contract price is directly linked to inflation with an annual increase applied each April (based on the January RPI). The Council's current Budget Strategy allows for an increase in costs of 3%. However, as inflation is now anticipated to be higher, it is proposed that £0.928 million be allocated to manage the additional anticipated increase in inflation.

Allocation to Budget Strategy: £0.928 million

South Lanarkshire Council
2022/2023 Revenue Budget Summary

	2021/22 Base Budget	2022/23 Rollover	2022/23 Proposed Base Budget
	£m	£m	£m
Community and Enterprise Resources	114.691	(1.781)	112.910
Education Resources	392.873	14.566	407.439
Finance and Corporate Resources	31.769	(1.994)	29.775
Housing and Technical Resources	12.913	0.047	12.960
Social Work Resources	180.133	22.275	202.408
Joint Boards	2.156	(0.003)	2.153
Total of all Resources plus Joint Boards	<u>734.535</u>	<u>33.110</u>	<u>767.645</u>
Other Budget Items:			
Loan Charges	50.492	(1.210)	49.282
CFCR	2.000	(2.000)	0.000
Corporate Items	8.500	2.671	11.171
Investments	0.000	7.042	7.042
Total Base Budget 2021/2022	<u>795.527</u>		
Total Proposed Budget 2022/2023		<u>39.613</u>	<u>835.140</u>

The 2021/2022 base figures include budget adjustments approved during 2021/2022.

South Lanarkshire Council 2022/2023

Revenue Budget Summary

Budgetary Category	2021/2022 Base Budget £m	2022/2023 Proposed Base Budget £m
Employee Costs	530.408	555.630
Property Costs	49.859	50.414
Supplies and Services	60.470	60.070
Transport and Plant Costs	41.260	41.809
Administration Costs	13.509	13.534
Payments to Other Bodies	73.547	69.490
Payment to Contractors	211.062	226.213
Transfer Payments (Housing & Council Tax Benefit)	73.447	71.255
Financing Charges (Leasing Costs)	2.164	2.164
Total Expenditure	1,055.726	1,090.579
Total Income	(321.191)	(322.934)
Net Expenditure	734.535	767.645
Other Budget Items:		
Loan Charges	50.492	49.282
CFCR	2.000	0.000
Corporate Items	8.500	11.171
Investments	0.000	7.042
Total Base Budget 2021/2022	795.527	
Total Proposed Budget 2022/2023		835.140

Temporary Solutions

	Year of Adjustment	
	2023/ 2024 £m	2024/ 2025 £m
2022/2023 Corporate Solutions		
Loans Fund Review Reserves <i>(June 2021 Executive Committee paper, section 7.2)</i>	27.400	23.500
2021/2022 Loan Charges Underspend <i>(June 2021 Executive Committee paper, section 7.4)</i>	1.650	-
2022/2023 Reinstatement of Temporary Funding Solutions <i>(Section 4.3)</i>	3.235	-
<i>Managed by:</i>		
• Pupil Growth / Teacher Numbers <i>(App1, para 2)</i>	(0.163)	
• Management and Operational Efficiencies – 2023/2024 Impact <i>(App 1, para 9)</i>	(1.896)	
• Oracle Fusion <i>(App 1, para 7)</i>		(1.176)
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
2020/2021 Reduction in Loan Charges <i>(Appendix 2, section 13 – Executive Committee Report, 26 June 2019)</i>	2.000	-
Total Temporary Solutions	34.271	23.684

Budget Shortfall 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 as at June 2021	24.747	22.396	27.866	11.806
FYE of phase 2 of Teachers in ELC (<i>App 1, para 2</i>)	(0.224)	0.000	0.000	0.000
Pupil Growth / Teacher Numbers (<i>2023/24 inc FYE of 2022/23 budget reduction App1, para 2</i>)	(0.163)	0.000	0.000	0.000
Oracle Fusion (<i>App 1, para 7</i>)	0.000	(1.176)	0.000	0.000
Management and Operational Efficiencies – 2023/2024 Impact (<i>App 1, para 9</i>)	(1.896)	0.000	0.000	0.000
Reinstatement of Prior Year Underspends from 2021/2022 and 2022/2023 (<i>section 4.3</i>)	3.235	0.000	0.000	0.000
Total as at January 2022	25.699	21.220	27.866	11.806

Expenditure Influenced by External Factors

The areas of expenditure below are influenced by external factors and the position will continue to be monitored.

- **Pay Award** – No pay deal has been agreed for 2022/2023 however the Budget Strategy assumes an increase in costs into 2022/2023, and as noted in the 2021/2022 Probable Outturn report, there is a budget underspend on the 2021/2022 Pay Award (circa £2 million). This is also available into 2022/2023 and could assist in funding any pay award above the assumed level.

Please note that the SNCT Pay Claim for 2021/2022 is not yet settled.

- **Utilities** – Price increases are being experienced in 2021/2022 and are expected to increase further into 2022/2023. The Budget Strategy for 2022/2023 includes an allocation for utilities and there is also funding provided in 2021/2022 that will be carried forwards and contribute towards increased costs into next year budget within the Corporate Items budget line in 2021/2022 that will be transferred to reserves at the end of this year. These amounts will be available to help manage price increases next year.