

EAST RENFREWSHIRE COUNCIL28 February 2024Report by Chief Financial OfficerFINANCIAL PLANNING 2024-2030**PURPOSE OF REPORT**

1. To submit for approval the updated Outline Revenue Financial Plan for 2024-2030.

RECOMMENDATIONS

2. It is recommended that the Council: -
 - (i) notes the continuing budget pressures anticipated in the next 6 years and the mitigating actions proposed; and
 - (ii) approves the Outline Revenue Financial Plan 2024 – 2030

BACKGROUND

3. East Renfrewshire Council has undertaken long term financial planning for many years.
4. Capital planning is undertaken over a rolling 10 year period, reflecting the contents of the Capital Investment Strategy and the need to plan infrastructure over an extended period.
5. The Council normally plans its detailed revenue budgets over a 3 year time horizon and seeks to align these with the multi-year settlements from the Scottish Government. Due to the recent production of single year budgets by the Scottish Government and to significant shifts in the overall budget allocated to local government making long term planning challenging, the Council has been unable to prepare and publish detailed 3 year budget plans, updated annually, as it has in previous years. The Council does, however, maintain a rolling 3 year departmental budget to assist with its Outcome Delivery Plans and produces a Financial Planning document each year, forecasting financial resource levels for the next 6 years.

6. The Council had expected to receive three year settlement figures from the Scottish Government in December 2022 and on this basis had embarked in autumn 2022 on public consultation on savings proposals for the next three years, however the Scottish Government settlements in both December 2022 and December 2023 covered only single years.

7. As a result, the Council will confirm only the detailed 2024/25 budget at present, but will also set out its approach to revising and updating its plans to address forecast budget challenges for 2025/26 and beyond in its budget report. The budget proposals for 2024/25 reflect the terms of the Local Government draft settlement, announced by the Scottish Government on 21 December 2023. The Council's Outcome Delivery Plan and outline multi-year budget plans for 2025/26 onwards will also be refined to take account of these figures.

8. The Council's aim remains to resume multi-year detailed budget setting as soon as UK and Scottish Government settlement provide sufficient medium term clarity. Each year's budget, now and in future, will align with longer term financial, workforce and asset planning. As recent settlements for Local Government have been on a single year only basis and have been difficult to predict, work has been undertaken by the Corporate Management Team to plan for a number of financial scenarios.

9. Traditionally the longer term financial outlook and the associated financial plans of the council have been presented at the annual budget meeting. This paper updates the Financial Planning document approved on 1 March 2023 and covers the next six years, 2024/25 to 2029/30.

10. Financial planning continues to be extremely difficult in the present economic and political situation, with continuing uncertainty on both the impact of the Ukraine and middle east conflicts and the anticipated general election within the next year. Financial markets are uncertain about future economic growth prospects and the impact on the finances available to Scottish local government is very difficult to predict. One year budget settlements and the late settlement of pay awards are making the situation even more challenging.

11. The Monetary Policy Committee of the Bank of England has taken action to address the inflationary pressures by implementing a series of increases in interest rates over the last year. In recent months the bank base rate has plateaued at 5.25% and is expected to start a gradual decline later this year, settling around 3% from late 2025 onwards. The higher interest rates have resulted in the rate of inflation reducing to the current level of around 4%, with the Council's treasury advisers, Link, anticipating further reductions taking inflation below the Government's 2% target level by the end of 2024. The Council will, however, have to be prepared to continue to analyse a range of scenarios and be ready to undertake detailed budget planning after the UK general election as the most likely scenarios emerge for the coming years from anticipated future multi-year settlements.

FINANCIAL OUTLOOK

12. The Council's revenue grant for 2024/25 is £239.690m and produces a cash increase of £16.6m over the 2023/24 grant figure reported to Council in March 2023, however recognising that around £14m of this increase relates to new commitments, mainly relating to pay, adult social care and early learning & childcare, this represents only a £2.5m (1%) cash increase.

13. In addition to the grant figure above, the Scottish Government will provide a further £3.148m of grant funding if the Council agrees to freeze Council Tax for 2024/25. For East Renfrewshire Council, this equates to a Council Tax increase of 4.66%. While this funding will be recurring, it will not increase base Council Tax charges and so future years' Council Tax income will be lower than if the same percentage increase had been applied to 2024/25 bills.

14. In recent years additional funding has been announced for local government as the Scottish budget progresses through the Parliamentary stages. Whilst some clarifications have been provided since the initial settlement announcement on 21 December 2023, final confirmation of the 2024/25 Scottish budget will not be available until all stages are completed at the end of February 2024. Scope for late changes has reduced due to the SNP/Green joint working arrangements which include budget matters, however further adjustments may be made in the next month once the Scottish Government has assessed the implications of the UK Spring Budget scheduled for 6 March 2024. Similarly, clarification on some of the conditions associated with the Council's settlement, particularly in relation to teacher numbers and early learning and childcare funding, may not be received until after our budget has been set. In the spirit of the Verity House Agreement, concluded between Councils, COSLA and the Scottish Government in 2023, it is hoped that transparency and early consultation on shared priorities will be improved in future years.

15. In modelling the budgets for 2023/24 to 2025/26 the Council has factored in use of the additional fiscal flexibilities announced during 2020 for local authorities in relation to reprofiling PFI/PPP (service concession) debt calculations. This is helping the Council to transition gradually into challenging budget reductions.

16. In relation to planning for later years, each year since May 2018 the Scottish Government has published its Medium Term Financial Strategy, taking account of the new financial powers provided through the Scotland Acts 2012 and 2016.

17. The Scotland Act's powers resulted in a change from Scottish Government funding being supported mainly from UK Block Grant and Non Domestic Rates to the introduction of a Scottish rate of Income Tax, Scottish Landfill Tax, Land and Buildings Transaction Tax, Scottish Air Passenger Duty and the retention of VAT raised in Scotland. UK Block Grant funding is correspondingly reduced to take account of these new powers.

18. The Scottish Fiscal Commission has a key role in forecasting future Scottish tax income but this is very difficult, given the amount of concurrent change, so the Medium Term Financial Strategy contains only a broad approach to managing the Scottish budget.

19. The Scottish Government's Spending Review (published together with the Medium Term Financial Strategy) in May 2022, set out high level plans indicating that Councils should expect flat cash settlements for 2023/24 to 2025/26 and an increase of only 0.9% in 2026/27. These forecasts were not updated in the Scottish Government's May 2023 Medium Term Financial Strategy and so remain the latest guidance. No information was provided for later years, so the Council has assumed annual increases of only 0.5% thereafter. Nationally, COSLA considers that actual core settlements have in fact been very slightly worse than indicated in 2023/24 and 2024/25, but the Council will continue to assume flat cash for 2025/26 as our base for budget modelling, as our growing population share tends to result in our grant movement being slightly better than the Scottish average. Even with inflation coming back towards target, this flat cash assumption is very challenging, particularly when pay claims are still running well above general inflation.

20. With the UK Spring Budget scheduled for 6 March 2024 and a general election expected this autumn/winter, forecasts could change significantly in the next year. Further, it is unclear when formal multi-year planning figures will be published by the UK and Scottish Governments. The Council will therefore continue to model a range of medium term scenarios.

21. At present the Institute for Fiscal Studies' (IFS) latest analysis of the medium term outlook for Scotland suggests that an improvement in the devolved income tax position will increase the Scottish Government's revenue funding for 2025/26 by more than 2% in real terms, with smaller increases following for 2026/27 to 2028/29. Due to the Scottish Government's prioritisation of social security and health spending, however, the IFS forecasts that this improved position would still only produce a mid-range scenario for local government that was flat in real terms.

22. The IFS's outlook for capital is poorer, with flat cash UK capital block grant funding and expected reductions in the Scottish Government's borrowing producing real terms reductions of up to 16% in capital funding between 2024/25 and 2028/29. This will significantly constrain Councils' future capital ambitions, particularly as interest rates are not expected to fall back to recent historic lows and construction inflation remains stubbornly high.

23. The legacy of the COVID-19 pandemic continues to impact on some aspects of public sector medium term plans, as do the climate change and Levelling Up agendas. The Council's financial plans will continue to factor in any changes as these emerge.

24. In response to the 2021 Independent Review of Adult Social Care, a consultation on the proposals for a National Care Service (NCS) was launched in August 2021 and the

analysis of the responses was issued in February 2022. The proposals set out wide ranging implications for IJBs including creation of Community Health and Social Care Boards directly accountable to Scottish Ministers with a commissioning local delivery body for the NCS. The consultation did not include a financial analysis on the implementation of the proposals and detailed plans and timescales remain unclear.

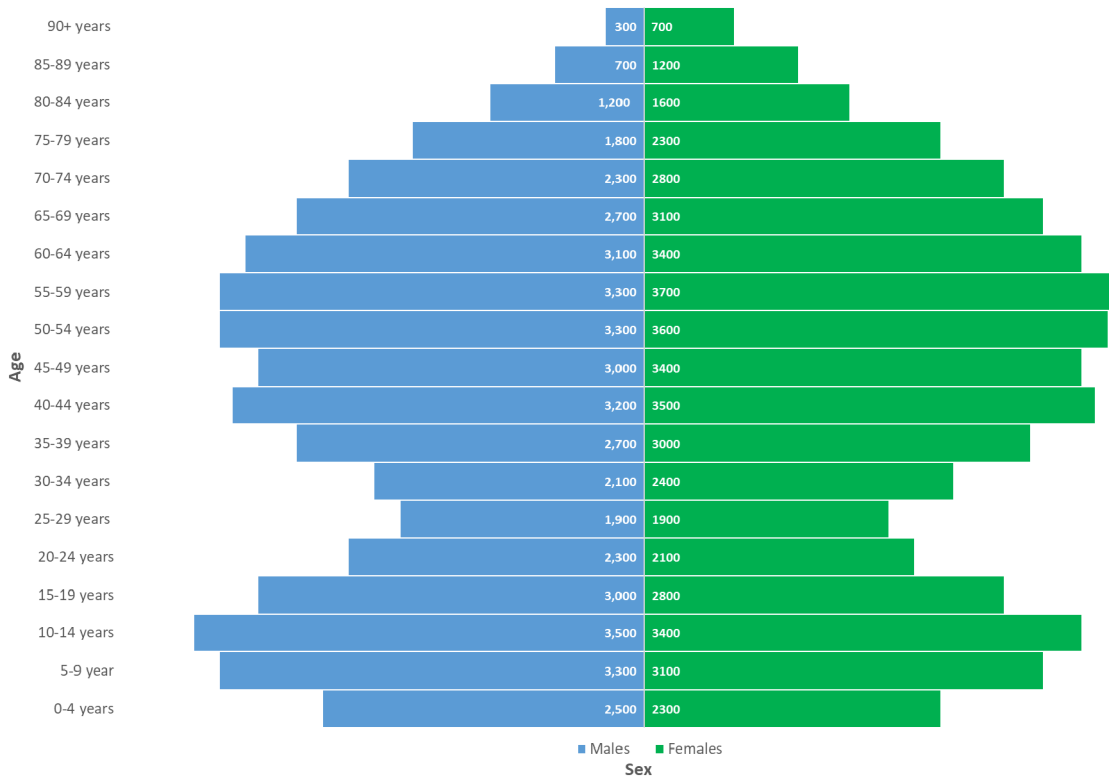
25. The National Care Service (NCS) (Scotland) Bill was introduced to the Scottish Parliament on 20 June 2022. The Health, Social Care and Sport Committee as part of Stage 1 scrutiny of the National Care Service (NCS) (Scotland) Bill, requested further clarification, following the Scottish Government's tripartite negotiations with local government and NHS since the shared accountability agreement in early summer 2023. The shared accountability agreement main changes include; Local Authorities will retain responsibility for all current functions and the delivery of social work and social care services and there will be no transfer of staff or assets; Integration Authorities (IAs) will be reformed rather than creating new Care Boards and the establishment of a National Care Service Board. The National Care Service Board would be the primary means through which to secure, operationalise and manage shared accountability. The national NCS Board will be established first with local Boards at a later date. The Minister for Social Care, Mental Wellbeing and Sport wrote to the Committee detailing progress to date. A separate correspondence was sent to the Convenor of the Finance and Public Administration Committee noting the Scottish Government proposal to make amendments to the Bill at Stage 2 in response to evidence taken at Stage 1 and ongoing feedback from stakeholders as part of the Scottish Government's co-design programme. This is envisaged as a substantive change to the costings of the Bill. The Bill remained at Stage 1 as at 31st January 2024.

DEMAND PRESSURES

DEMOGRAPHICS

26. Our Planning for the Future report and Infographics provide a comprehensive summary and analysis of the changing demographics of East Renfrewshire [Planning for the Future 2024](#). The report includes trend information from the Census and the use of National Records of Scotland (NRS) mid-year estimates and population projections. Information which is used to create the Local Development Plan such as service demand, Scottish Index of Multiple Deprivation (SIMD) data and future housing projections and associated infrastructure is also included. The report provides an overview of natural changes in the population such as birth and death rates.

27. According to the first results of Scotland's Census 2022, the population of East Renfrewshire is estimated at 96,800. The pyramid below shows the population split by sex and five-year age intervals. NRS 2021 Mid-Year Population Estimates find that around 20% of the population is made up of children and young people aged 0-15. The working age population (16-64) accounts for 59% of the population whilst older aged adults (65 and over) make up the remaining 21%.



Source: NRS Scotland's Census 2022

28. By 2043 the population of East Renfrewshire is projected to be 107,971, an increase of 13.5 per cent compared to the population in 2018 (base year for projections). The population of Scotland is projected to increase by 2.5 per cent between 2018 and 2043. Over the 25 year period, the age group that is projected to increase the most in size in East Renfrewshire is the 75+ age group. (Source: NRS 2018-Based Population projections, published March 2020)

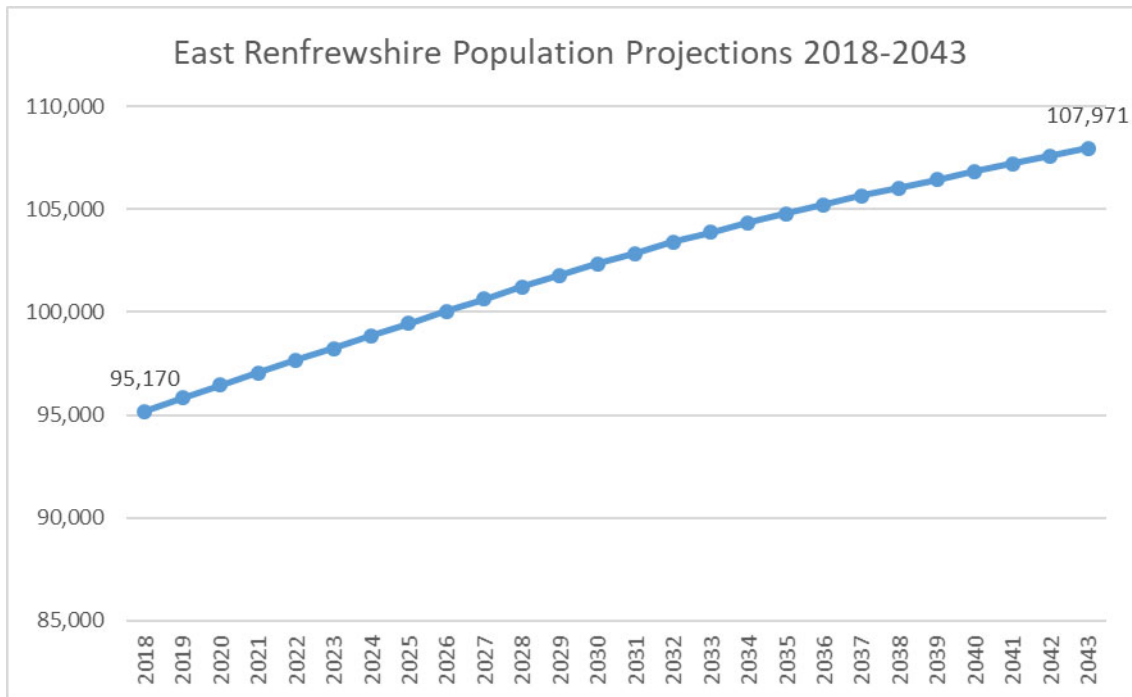
29. The growth in the population of children, those of working age and older people is shown in the table below.

Age group	2018 population (base year for projections)	Predicted 2043 population	Population growth (%)
0-15 years	19,322	20,234	4.7%
5-18 years	17,601	18,870	7.2%
Working age (16-64)	56,951	62,086	9.0%
65+ years	18,897	25,651	35.7%
Total population	95,170	107,971	13.45%

Source: NRS 2018-Based Population projections, published March 2020

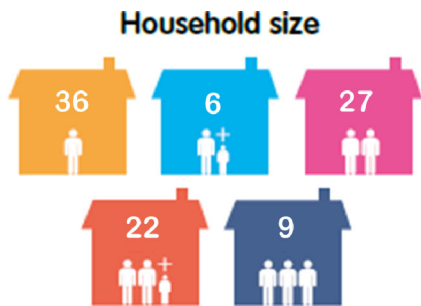
30. It should be noted that a significant proportion of the growth in the 65+ population is accounted for by those aged 85 and over. This has an impact on our services because the number of people aged 85 and over is expected to grow at a faster rate than the rest of the

population. On this basis we can expect the number of people with a need for home care or care home support to steadily increase year on year. The number of school age children is also expected to increase by more than 7% over this period.



Source: NRS 2018-Based Population projections

Predicted household size in 2043



31. The total number of households in East Renfrewshire is predicted to increase from 39,108 in 2018 to 46,537 in 2043.

32. It is predicted that single adult households (all ages) will account for almost 36% of all households in East Renfrewshire by 2043 (compared to 33% in 2018). Around a third of these single adult households will be occupied by someone aged 75 or over (Source: NRS 2018-Based Household projections, published September 2020).

33. Single adult households will stay around the same level and the proportion of households with dependent children is predicted to drop slightly to 28% (Source: NRS 2018-Based Household projections, published March 2020).

34. The average household size is expected to decrease from 2.42 people per household in 2018 to 2.29 in 2043, which is still the largest household size in Scotland.

35. In East Renfrewshire, from 2018 to 2043, households headed by people aged 75+ are projected to increase in number by 74 per cent as the older population grows.

36. In 2022, the number of households in East Renfrewshire was 40,697. This is a 1.5% increase from 40,081 households in 2021 (Source: NRS Mid-2022 Household Estimates, published June 2022).

2023). In comparison, the number of households in Scotland overall increased by 0.8%. East Renfrewshire had the 26th highest number of households in 2022, out of all 32 council areas in Scotland. Between 2021 and 2022, all councils saw an increase in the number of household

The next 5 years

37. Over the next 5 years (2023- 2028), a number of changes have the potential to create financial pressure.

38. The number of households is projected to increase by more than 800 by 2028/29 which represents a 2.0 per cent increase on the number of households recorded in the 2022 National Records of Scotland Household Estimates. This increase in households will create additional demand for the full range of council services especially waste management, road maintenance, parking, money advice, customer services, early learning, childcare and education, employability, schools, health and social care, leisure, and transport.

39. The pattern of more people entering East Renfrewshire than leaving is expected to continue. The largest proportion of entrants mostly tends to come from the Glasgow City Council area each year.

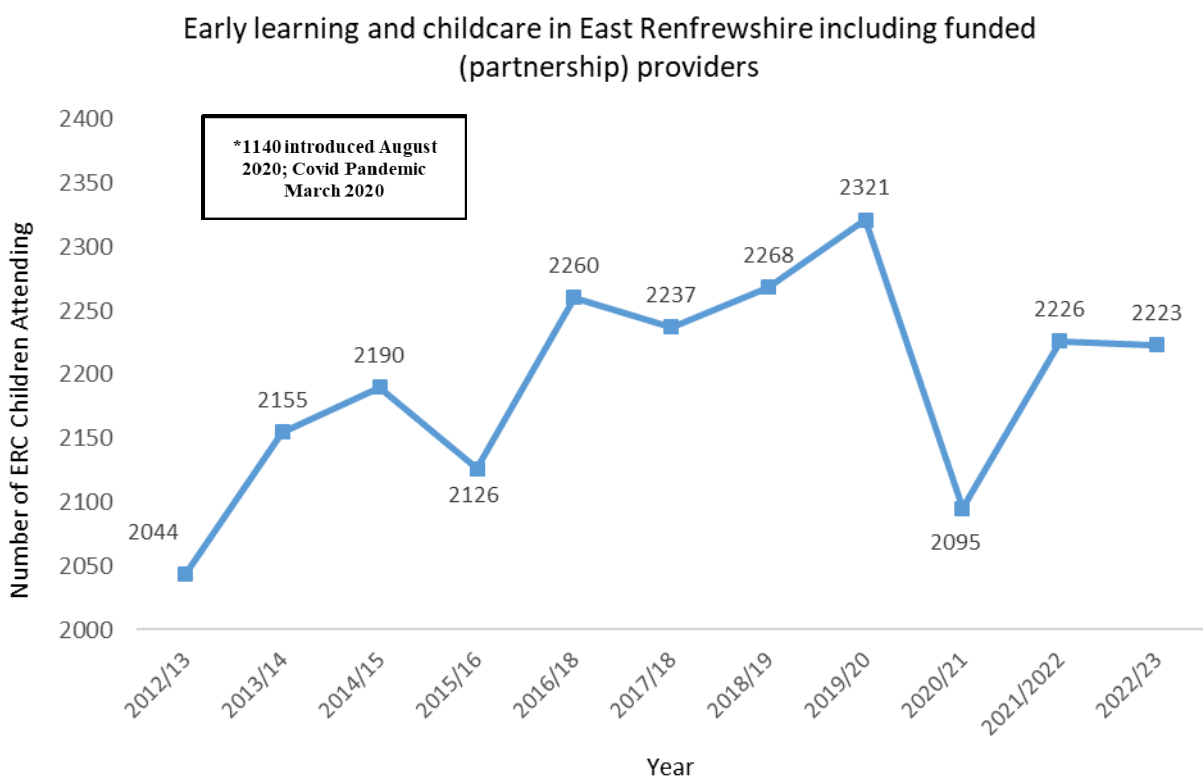
40. In recent times the Education Department has seen a proportion of new applications for children and young people who have moved to the Council area from abroad; this includes a significant number of children from Hong Kong, refugee families from the conflict in Ukraine and other parts of the world, and unaccompanied refugee children. This has and will continue to result in the requirement for additional support for such children, where English may be an additional language or little spoken/knowledge of English, in the form of specialised teachers (or training) and resources for learners of English as an additional language.

41. In East Renfrewshire there has been a rise in population of children under 15 years old. According to census data, the number of children under the age of 15 increased by 8.6 per cent between 2011 and 2022. The proportion of 0 to 14 year olds as a percentage of the total East Renfrewshire population is the highest across Scotland. This suggests that those moving into the area do so with young families.

42. Projections also show the children and young people cohort continues to grow over the next 25 years, which produces increasing demand for early learning and childcare, primary and secondary school places (Source: NRS 2018-Based Household projections, published March 2020). The chart below shows the increasing trend in the number of 3 and 4 year olds in East Renfrewshire attending Council and funded (partnership) providers (i.e. private, voluntary and independent sectors and childminders) early years settings from 2012/13 through 2022/23: this equates to an increase of around 13.5% over the period. In 2020/21 there was a significant decrease in the number of children attending settings, impacted by COVID, however in the most recent two years the number of children has settled at around 2,225, an increase of 9% since 2012/13.

Source: Education Management Information Service (East Renfrewshire), May 2023.

Note: Excludes children attending East Renfrewshire early learning and childcare provision but living outwith the council area.



There is a legislative requirement for flexibility, accessibility and choice for families in the early learning and childcare (ELC) offer. In ensuring that families are able to access their statutory entitlement in line with these Scottish Government principles, it is essential to ensure that choice is available in a variety of different settings. This can result in differing levels of attendance across the week, necessitating the need for additional capacity which may not be fully utilised at all times, in order to meet these statutory entitlements

43. As noted in para 60, there has been a decreasing rate of births in the local authority area over consecutive years.

44. However, with a projected increasing number of households, and legislative changes around deferrals, enabling children who are not yet 5 years of age at the start of the school academic year to access another year of fully funded ELC and defer entry to primary one, the demand for early learning and childcare will continue.

45. Furthermore, in the last year the Scottish Government has supported local authorities to identify two year olds who are eligible for Early Learning and Childcare, allowing targeted

promotion of this service. This has successfully resulted in 21 children in the current session accessing a funded place who otherwise may not have been aware of the entitlement. The Scottish Government has signalled its intention to increase access to fully funded early learning and childcare to one year olds. Naturally it is anticipated that these initiatives will result in greater demand for funded places in early learning and childcare settings.

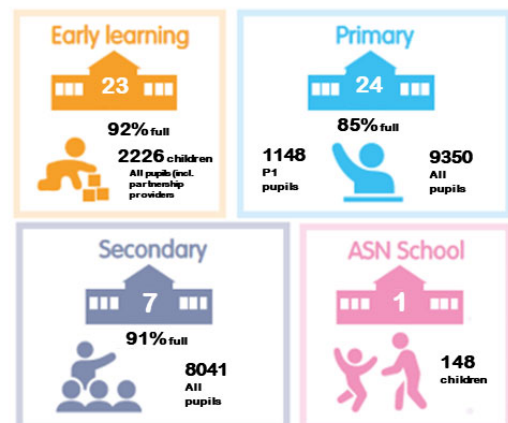
46. Given the various contradictory factors which may impact upon the number of children accessing early learning and childcare services, the Education Department will continue to monitor demand in this sector closely.

47. Through ongoing revisions to the operating models, admissions procedures and through regular consultation, the Education Department will look to ensure that any additional capacity can be utilised by families through the purchase of add-on hours, providing greater flexibility for parents and carers. With consideration to the number of available ELC places related to staffing levels within establishments, the overall occupancy rate in ELC establishments in 2022/2023 was 92%.

48. To fulfil the statutory duty and implement the Scottish Government's Funding Follows the Child Guidance, local authorities must support parental choice and so there is the need to fund ELC places from the private, voluntary and independent sectors and childminders. In 2022/23 20% of the early learning and childcare provision was commissioned from funded providers for East Renfrewshire children.

49. The annual school census figures of the number of pupils in our schools shows that the total number of primary pupils has steadily increased by over 14.9% between 2012 and 2022.

50. The number of external pupils has decreased from 11% in 2012 to 5% in 2022 and in the last four years the number of external places has reduced by over 200 places, a reduction of 31% over that period.



51. Although in previous years primary 1 saw a reduction, the overall primary roll continues to increase, indicating families are taking up residence within the Council area at later stages. ERC residents now make 95% of the total primary roll compared to 89% in 2012.

52. The total number of secondary pupils has remained fairly consistent until the last three years which have seen an increase to a roll greater than 8,000 for the first time in 2021 and a further increase in 2022. Whilst the overall secondary roll has increased by only 3% between 2012 and 2022, there has been a significant reduction of 58% in the number of secondary pupils who attend an East Renfrewshire school and reside out with the council area over the same period. The number of East Renfrewshire resident children has increased by almost 20% over the same period.

53. Overall the occupancy rates in the primary and secondary school sector are at 86.5% of available planning places. There are varying rates across schools, but there are several establishments with very high occupancy levels, with 10 establishments where the school's roll is in excess of 90% of its planning capacity

54. Further new education places will be required as a consequence of ongoing and planned new residential development and inward migration to the authority. This includes the need to increase the very specialist places for our most vulnerable children and young people as more families move into the area to access this widely recognised and valued specialist provision. The authority continues to make progress with its review of provision as part of a wider assessment of the needs of Additional Support Needs (ASN) services across the authority looking at how best to address needs in the short and longer term.

55. Following a public consultation on the creation of ASN services at Carolside Primary School which was approved by Education Committee on 8 December 2022, the Carolside Communication Service came into effect in August 2023. Additionally, a Pre-School Assessment and Development Unit (PSADU) will be created at Carolside Primary School which it is planned will come into effect from August 2024. This will ensure appropriate support for early years and primary school learners on the basis of their needs and to ensure availability of places to such provision.

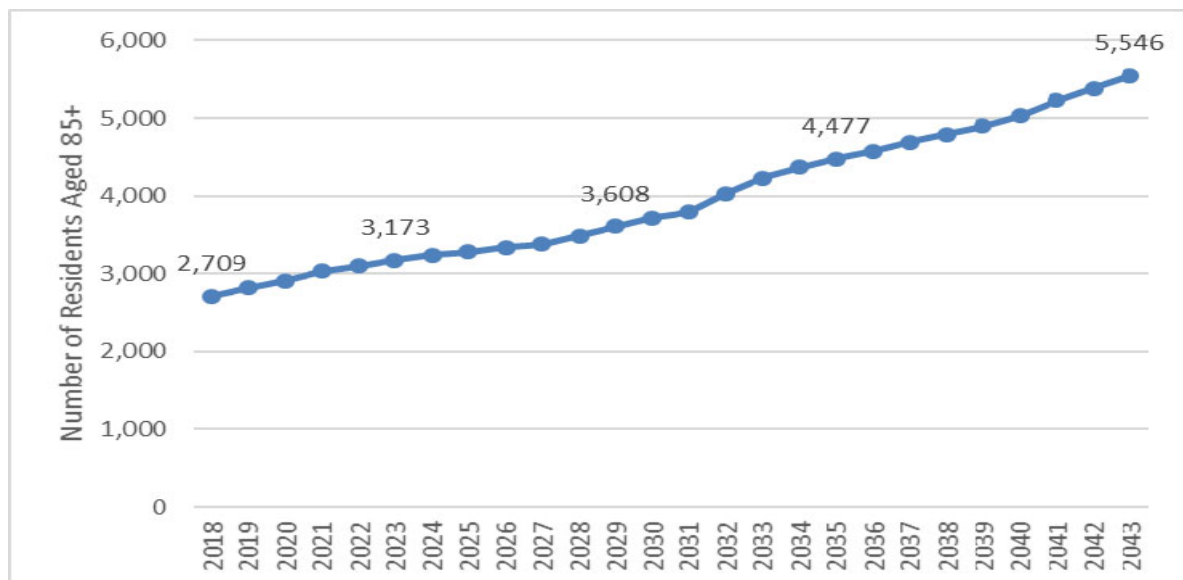
56. The Education Department continues to consider its provision of ASN services for the secondary sector. Accordingly, there is likely to be an increasing revenue spending pressure to meet the demand for such specialist support in the coming years.

57. The number of looked after children in in East Renfrewshire has decreased over a five year period, from a high of 146 in 2018/19 to 131 in 2022/23. This covers the first half of our ten year Signs of Safety implementation plan. The decreasing Looked After population is a reflection of considerable efforts to support families without statutory measures unless absolutely necessary. However, the proportion of our Looked After population that is made up of unaccompanied asylum seeking children has grown exponentially from 0.9% in 2018/19 to 17.7% in 2022/23 and is projected to continue increasing. This causes significant budgetary pressure and in particular extra need for placements. Coupled with an increase in the number of young people requiring residential care placements due to very complex needs, and trauma; the need for residential placements has increased year on year since 2018/19 and by 160% across five years.

58. In response, 2023 saw our most successful fostering campaign to date to expand the range of placements available to support families via extension of family networks. The Promise requires us to strive for the best quality care to meet the individual needs of each of our children, for who we are corporate parents. However, demand continues to outstrip supply. We are also seeing an increased complexity of support needs, particularly where there is a neurodevelopmental diagnosis. The number of children and families requesting assessment for an individual budget continues to grow. Despite the introduction of the supporting people framework threshold to only support those with substantial/critical need, the number of individual budgets remains high and this further evidences the complexity of support needs in this population. East Renfrewshire continues to have the lowest rate of young people in secure care in Scotland, we haven't placed a single young person in secure care in the last 8 years. This is a significant achievement, to maintain vulnerable high-risk young people in our community safely, however the level of support required to do so is resource intensive.

59. Between 2022 and 2023, East Renfrewshire experienced a 5.7% decrease in the number of births, decreasing from 790 in 2021 to 745 in 2022 (Source: NRS Mid-2022 Births, published July 2022). This is the fifth consecutive year where the number of births has decreased within East Renfrewshire. The number of births across Scotland decreased between 2021 and 2022 by 1.7%. Deaths in East Renfrewshire decreased by 8.6% between 2021 and 2022 (Source: Deaths, published July 2023). East Renfrewshire has amongst the highest life expectancy rates in Scotland for both men (79.9) and women (84.0) (Source: NRS Mid-2022 Life Expectancy in Scotland, published September 2023).

60. East Renfrewshire already has an increasing ageing population. By 2043, almost one quarter of East Renfrewshire will be aged 65 or over (NRS 2018-Based Population projections, published March 2020). In recent years, the number of people aged over 85 needing key services has been rising. This has an impact on our services because the number of people aged 85 and over is expected to grow at a faster rate than the rest of the population. On this basis we can expect the number of people with a need for home care or care home support to steadily increase year on year.



61. All of these changes will lead to increased pressures for both the Council and local health services. Health and social care support to reduce unplanned admissions to hospital continues to improve alongside a reduction in the number of people residing in care home settings. This is contrasted with increasing levels of care at home services providing support to people with complex health needs in their own homes. The impact of the pandemic has increased pressures on acute services and patterns of hospital care which has meant delays to planned services and potential for worsening health within communities. The Independent Review of Adult Social Care recognises the need to robustly factor in demographic changes to future planning as well as a focus on meeting early intervention and preventative community support. The proposals set out in the National Care Service consultation are now being considered and will change the funding model for adult care, with new Community Health and Social Care Boards directly accountable to Scottish Ministers. This could have an impact on the Council's future funding.

62. The Council's financial plans reflect the expectation of additional income from Council Tax due to an increase in the number of dwellings. However, any increase is dampened by a decrease in Government Grant as an estimate of Council Tax income is part of the calculation of General Revenue Grant from the Government.

63. The Council's General Revenue Grant is primarily made up of Grant Aided Expenditure (GAE), together with grants for loans repayments, the floors mechanism, "changes" which reflects the Council's share of any overall funding increases (or decreases) made available to local government and estimated changes to Council Tax income.

64. Whilst population is an important factor in calculating GAE, the calculation is extremely detailed and takes into account the age profile of the population, the number of schoolchildren and levels of deprivation as well as rurality. GAE is built up from a detailed analysis of the pressures on each service the council delivers. In recent years the calculation of several GAE allocations has undergone major change and this has resulted in some impact for the Council, most recently in reducing the level of grant support we attract for roads maintenance.

65. For many years East Renfrewshire Council's share of overall GAE had been steadily increasing as our population has grown. However, larger increases in population in other areas, particularly in the east of Scotland, have meant that East Renfrewshire's growth rate was slightly closer to the Scottish average. This change and an increasing focus on deprivation and other factors have slowed the growth trend for GAE, with the Council's share of GAE broadly steady for a number of years. The Council now has a 1.9% share of the overall GAE (2023/24 1.87%), but this is still significantly higher than our population share of 1.78%.

66. This high share is as a result of the relatively high number of pupils at our schools which is in part due to larger than average family unit sizes and in part due to the level of placements at our schools. Our share of Education GAE at 2.27% is well in excess of our population share and, as education GAE is the largest element of GAE at 46.7%, the effect on the council's budget is significant.

67. In overall terms it is estimated that the high pupil numbers increases our expenditure by around £30m as compared to an average council of a similar population and this is taken into account by the Government in estimating our budget needs.

68. Our share of social work GAE is slightly below our population share at 1.7% but this too has been steadily growing over recent years primarily as a result of our ageing population with the calculations giving us a high premium for those over 85 years of age who are likely to be in the most need of care at home or a nursing or residential care placement.

69. In recent years, much of the increased grant share from demographics has been cancelled out as a result of the Floors adjustment. This mechanism is designed to limit the level of grant reduction that any Council with falling demographics can bear. This has had a significant impact on East Renfrewshire, while protecting Councils with falling population from directly related budget reductions. However, in 2024/25 East Renfrewshire's grant was reduced by £2.769m, as against a £3.595m reduction in 2023/24. This net improvement is due in part to the Floors being set by the Scottish Government at a slightly lower level than in the recent past, together with the 2022 Census data being used for the 2024/25 settlement instead of the less accurate mid-year population estimates used in previous years.

70. These changes to our grant calculations mean that an increasing population does not necessarily produce a similar increase in funding each year. The Council therefore adopts a prudent approach in generally assuming a static share of national settlements as a starting point in budget modelling.

CAPITAL INFRASTRUCTURE

71. In terms of the capital infrastructure required to service our population's demands, the Council has produced a Capital Investment Strategy to inform investment priorities. This looks beyond our Capital Plan which covers 10 years. The Council will continue to utilise its Capital reserve provision and forecast developers' contributions to help support the investment required in relation to population growth in the coming years, but whilst inflation on capital works remains high and Scottish Government capital grants remain relatively fixed or declining in cash terms, this will increase pressures for Councils to borrow to finance capital works. This in turn increases pressures on revenue budgets from capital financing charges, especially as interest rates have not returned to their pre-pandemic low levels. This will be an increasing constraint on capital ambitions in future.

72. Provision of new early learning and childcare facilities to deliver the statutory increase in entitlement to 1140 hours per year, additional school facilities to meet demands from new house building, and the need to replace assets nearing the end of their lives, have all contributed to a significant increase in borrowing with a resultant impact on future years' revenue budgets for loan charge repayments.

73. More detail of the Council's plans to address future capital needs are set out in the Capital Investment Strategy report, which is updated annually.

CITY DEAL

74. Work continues to progress on the Council's £44 million of City Deal investment. In Newton Mearns, this has produced opportunities for business startups and networking at the new facility at Greenlaw, currently the building is 88% occupied. At Barrhead North, the remediation of the former Nestle site has provided exciting opportunities for retail and business and has created employment opportunities. The City Deal investment also includes significant transport infrastructure projects which aim to kick start regeneration and to create access to employment in the communities of Barrhead and Eastwood. Improvements on Balgraystone Road have enabled an accelerated affordable residential development in Barrhead and improved accessibility to the Dams to Darnley Country Park. A new bus interchange has already been created and will serve a new rail halt in south Barrhead on the existing Glasgow to Neilston branch line, which is also a City Deal project. Works have commenced on site at Aurs Road for the Aurs Road Realignment Project that will improve connections and road safety between Barrhead and Newton Mearns, replace a weak bridge, deliver a new active travel route and a new public promenade on Balgray Reservoir, and install a replacement culvert between Balgray Reservoir and the Brock Burn. Following this, there will be a project to provide new visitor facilities at the Dams to Darnley Country Park.

75. Whilst the majority of the funding of City Deal investment will be provided by both the UK and Scottish Governments, the Council will be required to contribute £6.2m as well as fund the cash flow over an extended period as most of the grant support will not be received until well into the future. This will significantly increase pressure from loans charges in the medium term.

LEGISLATIVE CHANGE

Entitlement to 1140 hours of Early Learning and Childcare provision

76. From August 2020, all families within East Renfrewshire have been able to access 1,140 hours of funded early learning and childcare as part of the new statutory entitlement for all 3 and 4 year olds and eligible 2 year olds. This was made available a year in advance of the legislative requirement of August 2021, being delayed nationally due to the disruption of the Covid-19 pandemic. To enable the delivery of the increase in the statutory entitlement, the Council has undertaken a significant transformation of early learning and childcare to deliver in line with the principles of quality, flexibility, affordability and accessibility. This has included close partnership working with funded providers through the provider-neutral approach.

77. Whilst additional capital and revenue funding was made available from the Scottish Government towards the costs of the new early learning and childcare entitlement, initial

revenue allocations did not fully cover the annual cost of expansion to 1140 hours under the Council's delivery plan. Whilst a change in the methodology for allocating funding was introduced from 2022/23, transitional arrangements have meant that 2024/25 is the first year ERC will benefit fully from a higher share of the national funding. Under the Verity House Agreement, subject to the establishment of an Education Assurance Board/framework, former ring-fenced funding for ELC expansion will be baselined into the general revenue grant from 2024/25.

78. Early Learning and Childcare across East Renfrewshire remains very popular with families with an ever increasing level of flexibility and accessibility across each of the geographical communities. The Children and Young People (Scotland) Act 2014 requires local authorities to consult on early learning and childcare on a biennial basis, ensuring services meet the needs of families. The most recent consultation was undertaken with families in autumn 2022 and this led to the introduction of further flexibility to meet different family circumstances, including the introduction of full-time models and wider roll out of "add on" hours, enabling families to top up their child's statutory entitlement. The department is next due to consult with families late in 2024.

79. The level of flexibility and accessibility the Council is able to provide for families will be at risk if the Council's resources continue to be restricted and delivery models may need to be reviewed in light of resources made available. This would inevitably impact on the attractiveness of Council provision, potentially increasing demand for private services, with an associated increase in partnership payment costs.

80. New legislation was laid in the Scottish Parliament by the Scottish Government in December 2020 extending the right to funded ELC places for all children who defer entry to primary one. This has meant that, from August 2023, all children who are not yet 5 years old at the start of term and who defer, have been entitled to continue accessing funded ELC for another year. Revised school and ELC admissions processes have been introduced to manage applications for deferrals and ensure that all children can continue to access their entitlement in their geographical community. This is likely to result in further pressures on physical capacity and a requirement for increased staff resources to continue to meet statutory ratios in ELC.

81. In October 2022 the Scottish Government published *Best Start – strategic early learning and school age childcare plan 2022-2026*. The plan expands upon the Scottish Government's intention to further develop the childcare on offer to families over the next four years, with a focus on introducing a new ELC offer for one and two year olds and the offer of before and after school childcare. In both instances there will be a focus on providing such services to those that need it from the most disadvantaged communities where access to provision will be free. These strategies are in their infancy and are not yet at the stages of determining national revenue quantum or distribution methodologies, however these may result in future additional financial revenue pressures for the Council.

82. The Scottish Government has set out plans that, from April 2024, there will be an expectation on funded providers to pay a minimum hourly rate of £12 for all staff. This builds on the payment of the living wage, already set out through the National Standard. An additional £16m is to be made available nationally to enable local authorities to increase the sustainable rate to support this commitment.

83. In December 2023, the Scottish Government sought agreement from local authorities to commit to exploring options for a national rate for funded providers, replacing the existing, locally determined sustainable rates paid by each authority. At present, the rate paid to providers within East Renfrewshire takes account of local circumstances and is developed in consultation with local providers. Should there be any shift towards a nationally-determined rate, this would remove local control from the authority.

Expansion of Universal Free School Meal Entitlement for Children in the Primary Sector

84. Building on the government's commitment to free school meals at P1-P5, for those attending special schools and services, and P6 and P7 children entitled to the Scottish Child Payment, the Cabinet Secretary confirmed the intention to support the expansion of free school meal provision to targeted pupils in P6 and P7 by February 2025, committing an additional £6 million pounds for this purpose. Should the revenue funding allocated to the Council to meet the targeted expansion to P6 and P7 pupils not be sufficient to cover the entire costs of school meals, this would result in an additional revenue pressure for the Council. The Education Department has undertaken a review of estate in order to determine the need for changes to catering and dining facilities to meet the demand for universal free school meals across all primary stages. The department has subsequently submitted a bid to Scottish Futures Trust, acting on behalf of Scottish Government, for capital funding to meet the projected costs of dining and catering amendments and awaits the outcome of this submission. Without such amendments, those identified schools will not be able to deliver the universal free school meal expansion.

Digital device for every school attending pupil

85. The Scottish Government's Programme for Government published in September 2022 indicated its intention for every school-aged learner to have access to a digital device by the end of this parliamentary term in 2026. Nationally, £10m of capital investment has been announced in December 2023 to be targeted at providing digital devices and connectivity to the most disadvantaged households with children. Whilst details of the Council's allocation of this initial funding have yet to be confirmed, any increase in devices will inevitably impact on the revenue budget in terms of factors such as increased utility costs, technical support for users and ongoing maintenance of devices.

Reduction in non-class contact time for teachers

86. The Scottish Government previously committed to reducing the class contact time of teachers and this would need to be from 22.5 hours per week to 21 hours per week with the intention of facilitating opportunities for teaching staff to access professional development opportunities and to design, plan and deliver improved educational experiences for children and young people. The timescales for implementation are still to be agreed. A reduction in class contact time for teachers would result in the requirement for additional teachers to be employed. Accordingly there will be a spending pressure to meet the demand for additional teachers, and this would need to be offset by additional Scottish Government funding.

Education governance: Empowerment

87. In June 2018, the Education Reform - Joint Agreement between the Scottish Government and Local Government was published. The Joint Agreement is based on the key principles that schools are empowered to make the decisions that most affect outcomes for their children and young people. This drive to an empowered system included the requirement for the Council to publish its scheme for Devolved Management of Schools (DSM) by April 2022. The Council's plans for this new scheme were considered and approved by Education Committee on 3 February 2022 and by Cabinet on 10 March 2022 and the updated DSM scheme is now in place. There is a requirement for regular review and consultation on the Council's DSM every three years.

Educational Attainment

88. From 2022/23 ring fenced funding via the refreshed Scottish Attainment Challenge Fund has been made available. This national fund currently comprises monies allocated to the Local Authority on the basis of Children in Low Income Families data, monies distributed to all local authorities via the Pupil Equity Fund (PEF) and monies distributed to the local authority to support care experienced children and young people. The aim is to improve outcomes for children and young people impacted by poverty, with a focus on tackling the poverty related attainment gap, thus helping to address excellence and equity for all learners.

89. East Renfrewshire's share of the local authority allocation is £401k in 2024/25, this will rise to £533k in 2025/26. The Education Department's Strategic Equity Fund plan for the use and monitoring of impact of such funding was approved by the Education Committee on 25 August 2022 with an updated action plan approved in September 2023.

90. In terms of PEF, East Renfrewshire schools benefitted by £1.485m in 2023/24 with funding distributed directly in line with the policy objectives and based on the number of pupils registered for free school meals; the PEF allocation to schools is expected to be £1.489m in 2024/25. PEF spending must be additional and determined by head teachers in consultation with their school community including staff, parents and pupils and focus primarily on closing the poverty related attainment gap; accordingly the Council is not at liberty to control any of this funding. Many of our schools use a participatory budgeting approach to determining this spend.

Instrumental music tuition and core curriculum costs

91. The Scottish Government has committed to meeting the costs for families of all core curriculum charges (such as costs for Home Economics/Technical subjects etc.). In addition further budgets have been allocated to all local authorities in Scotland towards the cost of the Instrumental Music lessons, removing the cost of this from families. To date the money received from the Scottish Government has been sufficient to meet pupil demand, which has allowed numbers to recover to pre-Covid figures. However, the funds would not be sufficient to meet any additional demand.

Gaelic Medium Education

92. The Education (Scotland) Act 2016 places a duty on education authorities to promote and support Gaelic Medium Education (GME) and Gaelic Learner Education (GLE) and establishes a process by which parents can request Gaelic Medium Primary Education (GMPE) from their education authority. The Council received a request seeking an assessment of the demand for GMPE in East Renfrewshire in late 2021. Following a full assessment of demand and subsequent consultation on the location of the school, Bun-Sgoil Ghàidhlig Thornliebank opened to its first pupils in August 2023 on the Thornliebank Primary School campus.

93. The Education Department submitted a revenue bid for funding to meet some of the costs of the staffing for the GMPE provision as well as other revenue costs such as transport; it is possible to receive up to 75% of the revenue costs associated with the school with regards to staffing and pupil transport; transport costs also include those children who continue to attend GMPE in other local authorities.

94. The revenue allocation made to the Council to support GMPE provision for 2023-24 was around 20% of the bid submitted.

95. The Education Department has once again made a bid for full funding of the costs of GMPE within East Renfrewshire Council for 2024-25, however it is likely given the allocation for 2023-24, to be significantly less than requested and to have a detrimental impact on the revenue budget once again.

96. For financial year 2026-27 and beyond, there will be additional staffing costs associated with GMPE provision as it will be necessary to introduce a second composite class to accommodate children as they progress through the P4 to P7 year stages. The department will make a bid at that time for full revenue funding, however it is likely to result in additional revenue pressure to the Council if the full amount requested is not provided.

97. The department submitted a bid to the Gaelic Capital Fund to allow for accommodation works to take place at the school to meet the demands of GMPE provision. The full capital amount requested was allocated and included on the Council's Capital Plan with works scheduled to complete in 2024.

Protection for Teacher and Pupil Support Assistant Numbers

98. The Scottish Government has confirmed that Councils will continue to be required to maintain teacher numbers in future. As Education is by far the largest Council service and that social care, the next largest service, must receive at least a flat cash budget contribution, this means that the bulk of the budget reductions in the coming years would impact most on the remaining smaller environmental, community and support services. Local Government bodies are concerned that this is unsustainable and are making representations to the Scottish Government on this issue, calling for a fairer overall settlement for Councils in future and a removal of ring fenced funding.

Participatory budgeting

99. In October 2017, COSLA Leaders endorsed the Community Choices Budgeting Framework (mainstream Participatory Budgeting), which committed Councils to 1% of their budget being allocated through participatory methods. The Councils target figure for 2022/2023, the latest year for which we have complete data, was £2.14m.

100. In principle, the Council defines mainstream PB as when we cede elements of control or decision making to communities; attach a specific monetary value to it and communities recognise that they have the power to make decisions. The expectation on local authorities is that PB does not become an exercise in top slicing budgets to "do PB". Local authorities are expected to embed processes for local people to have a direct and active role in mainstream budgetary decisions. This means that PB activity can be complex, requiring clarity of scope, detailed forward planning and commitment to implement properly.

101. The Council is expected to submit an annual return to COSLA on progress made towards the 1% target. The latest submission for the 2022/2023 period, was in August 2023. For that period the Council reached a total figure of £733,728 (0.34%) against the £2.14m target. This is broken down below.

102. The PB activity during the period 2022/2023 included £166,938 through the Education department where establishments involved children, young people and parents in determining the use of a variety of school budgets such as Pupil Equity Funding, Parent Council funds and devolved school budgets/reserves. For example, at Barrhead High School, pupils and parents were consulted on improving experiences for all with a particular focus on equity. This identified 3 options with learners across the school ultimately voting for the establishment of a School Supper Cart which provides warm food and snacks for pupils attending supported study/homework sessions. In addition the department undertook a PB approach when determining the priorities and spend for the Strategic Equity Fund. This spend along with the Pupil Equity Fund seeks to tackle the poverty related attainment gap.

103. In 2022/2023, Voluntary Action East Renfrewshire administered £150,000 of PB monies that was received via the Councils Humanitarian funds for supporting communities in pandemic recovery. This was awarded to 36 projects over two voting events with over 800 residents participating. Additionally a total of £166,090 was administered by Linking Communities to over 90 projects.

104. Through funding from the Regeneration Capital Grant Fund and the Council capital budget £250,700 was committed to PB as part of the Gatehouse Development at Cowan Park overseen by Economic Development. A community steering group was set up at the start of the project to create engagement around all the assets/uses in the park.

105. In 2023/2024, Education has continued to undertake PB activities. £60,000 was allocated through the budget setting process towards Out of School and Holiday provision for Children and Young People with Complex Additional Support Needs, and this will be on a recurring process. Education colleagues have worked with parents to co-design an approach to the fund within the boundaries of appropriate provision. Head Teachers/Heads of Centres across our schools and nurseries have continued to explore the use of PB when making spending decisions. Examples of projects being taking forward this year include a new pupil support hub within St Ninian's HS, Operation Outdoor Play Hub at Thornliebank PS and the purchase of camera equipment in early years establishments within the Williamwood HS cluster to allow sharing of their cluster Community Project activities with local care homes. PB was also used to determine the use of the Scottish Government funding for the Summer Programme and also capital funds for improving playgrounds.

106. In the past year, an officers steering group was formed and co-designed a PB logo for East Renfrewshire and have agreed a provisional framework. Further workshops have been offered and delivered to departmental colleagues on how to deliver PB exercises. These have included meetings with HSCP colleagues around use of the Drug Mission Fund, however due to other priorities, PB activity in this area has not progressed. With a challenging budget setting process last year, many of the proposals around PB projects were put on hold as departments focused more on areas of essential spend.

107. A number of PB projects have been funded in 2023/2024 via the Covid Reserves/Humanitarian funds with £150,000 allocated directly to communities. The focus of this PB fund will be helping communities recover from the pandemic, particularly through groups and activities that target more vulnerable and marginalised residents most impacted by Covid. The fund has been distributed across the five ward areas and targeted at key communities; Barrhead, Neilston, Thornliebank, Mearns Village, Busby and Eaglesham. There has been a dedicated post put in place via the Council's Community, Learning and Development (CLD) team to help communities build capacity and expertise around PB and wider citizen democracy processes. Additionally £20,000 has been allocated via Covid Reserves towards a Green PB event with a focus on food growing initiatives. The CLD team also supported East Renfrewshire Youth Voice to deliver a second youth led PB event in November 2023. 30 projects applied for the £14,500 fund (this included a £2,000 contribution from Young Scot) with 224 young people voting. 19 projects were funded.

108. Following approval from Cabinet in August 2023, the Roads team are preparing to run a PB project on traffic-management zones with £300,000 committed for residents' votes. This will involve residents being consulted and getting to decide on feasible traffic management interventions in 15 zonal areas (75 in total over 5 years).

109. East Renfrewshire did not reach the target 1% in 2022/23 and it is not likely that this level will be met in the near future. Budget setting continues to be a challenge and with the most recent Scottish Government draft settlement, there is more pressure than ever on Councils and a risk that only statutory provision can be made. Furthermore, COSLA has recently submitted a paper to the Scottish Government recommending that the 1% target is removed and a more qualitative and holistic approach is taken to monitor Participatory Democracy.

Welfare reform

110. The reform of the Welfare System and the demand related to COVID-19 has led to changes in the responsibilities of councils and the levels of financial support available to residents. Existing COVID funding has now been fully committed in this regard, but the Council continues to maintain a welfare contingency fund to assist us to support residents experiencing financial hardship.

Climate Change – Net Zero Carbon Targets

111. All of the Council's revenue and capital expenditure will need to be reviewed to show how we will align our spending plans and use of resources to contribute to reducing emissions and delivering emissions reduction targets. This is a requirement set out in The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment

Order 2020. It is acknowledged that this will be an ongoing process with investment decisions to be appraised on a case by case basis including a consideration of climate impact in each case.

112. A climate change action plan (the Get to Zero Action Plan - GTZAP) outlines the actions required over the next 22 years to progress towards the national net zero statutory target in 2045. It also covers what may be required to adapt Council and community infrastructure, land and assets to the changing climate.

113. The costs to implement the GTZAP have been estimated. Current estimates are that as much as £370m capital investment could be required in the period up to 2045. Given the need for detailed feasibility studies, the fact that low-carbon technologies are evolving amidst ongoing global market uncertainty, coupled with the long timespan which the GTZAP covers, the estimates should be treated as such. Whilst they are provided using the information and insight available at this time, these are not costs that we can depend upon but do provide a guide to the potential scale of investment that would be required. In short, this is a high level indicative cost and it will inevitably be subject to change and variation as government policy and technology develops as well as funding availability.

WIDER POLITICAL, SOCIETAL AND ECONOMIC CHANGE

COVID-19

114. The COVID-19 pandemic impacted significantly on all Council services during 2020 and 2021 and continued to influence services during 2022 and 2023 as we worked to recover and to establish a “new normal”. Service delivery approaches, workforce, technical capability and budgets have all had to be amended to recognise this. Grant funding was provided in 2020/21 and 2021/22 and has been used to cover both unfunded COVID service costs and local community pandemic related pressures. The position must continue to be carefully monitored in the coming years so that any such COVID-19 related costs are clearly identified and funding secured wherever possible so as to minimise additional pressure on already strained service revenue budgets.

Proposal to Develop a National Care Service

115. In response to the 2021 Independent Review of Adult Social Care the Scottish Government launched a consultation on the proposals for a National Care Service (NCS) in August 2021 and the analysis of responses was issued in February 2022. The proposals set out wide ranging implications for IJBs including the creation of Community Health and Social Care Boards directly accountable to Scottish Ministers, with a commissioning and local delivery body for the NCS. The proposals have far reaching implications for local authorities and the current arrangements for delivering social care services. This must be monitored and factored in to future Council plans.

116. The National Care Service (NCS) (Scotland) Bill was introduced to the Scottish Parliament on 20 June 2022. The Health, Social Care and Sport Committee as part of Stage 1 scrutiny of the National Care Service (NCS) (Scotland) Bill, requested further clarification, following the Scottish Government's tripartite negotiations with local government and NHS since the shared accountability agreement in early summer 2023. The shared accountability agreement main changes include; Local Authorities will retain responsibility for all current functions and the delivery of social work and social care services and there will be no transfer of staff or assets; Integration Authorities (IAs) will be reformed rather than creating new Care Boards and the establishment of a National Care Service Board. The National Care Service Board would be the primary means through which to secure, operationalise and manage shared accountability. The NCS Board will be established first with local Boards at a later date. The Minister for Social Care, Mental Wellbeing and Sport wrote to the Committee detailing progress to date. A separate correspondence was sent to the Convenor of the Finance and Public Administration Committee noting the Scottish Government proposal to make amendments to the Bill at Stage 2 in response to evidence taken at Stage 1 and ongoing feedback from stakeholders as part of the Scottish Government's co-design programme. This is envisaged as a substantive change the costings of the Bill. The Bill remains at Stage 1 as at 31st January 2024.

Economic uncertainty

117. Economic uncertainty continues on an international scale with the wars in Ukraine and the middle east, the forthcoming elections in the USA and UK and the ongoing cost of living crisis all impacting. This has resulted in higher inflation and interest rates and a sluggish recovery in productivity. Whilst the rate of inflation is now reducing, it is forecast that the UK Government's long term target of 2% will not be achieved until later in 2024. Interest rates are also still high, however they are expected to fall back to around 3% within the next two years. Any further economic detriment and related poverty would further increase the demand on council services, which has not yet reverted to pre-pandemic levels.

OUTLINE REVENUE FINANCIAL PLAN

118. The Council's agreed financial policy states that "*The Council will make spending decisions based on an assessment of medium to long-term needs and consequences and will seek to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions.*" Historically, the Council has considered and set multi-year budgets. This has assisted in managing extremely difficult financial circumstances and is a demonstration of the value of adopting a longer term approach to financial planning. Whilst it is intended that the Council continues to adopt this longer term approach in future, the lack of multi-year budget information from the Scottish Government has resulted in the Council having to set only a single year budget for 2024/25.

119. The 2024/25 provisional Scottish Council settlement figures were announced on 21 December 2023.

120. The latest local government settlement figures for the Council appear slightly more favourable than forecast, due to our increasing population share, with a cash increase of £2.5m (1%) for East Renfrewshire (after adjusting for new policy commitments) when compared to the equivalent budget for 2023/24.

121. The impact of the settlement on the Council results in a shortfall for 2024/25 of £11.992m. This is before applying any Council Tax freeze funding, reserves or savings.

122. Detailed proposals to address this shortfall will be presented later on today's agenda.

123. Although the Council is not in a position to set a multi-year budget this year, it will continue to plan ahead and prepare three year financial plans as part of the Outcome Delivery Planning process. These will be updated annually to take account of emerging factors such as the UK budget plans to be announced in spring 2024.

124. Looking further ahead and taking account of future pay, inflation, capital financing and demand pressures currently foreseen, together with the impact of the reducing scope for mitigating savings pressures by utilising reserves in the coming years, Table 1 below illustrates how varying grant levels from the assumptions in paragraph 19 above could require savings of zero to £9.492m per year from 2025/26 until 2029/30. Estimated savings requirements have been calculated on the basis that Council Tax increases (for modelling purposes) of 6% and 4% are applied in 2025/26 and 2026/27, with 3% pa thereafter and that the remaining £2.3m of service concession (PFI) reserve is applied in 2025/26 with no other reserves applied thereafter. The savings requirement for 2025/26 is significantly higher than the later years' gaps, mainly because the 2025/26 shortfall includes savings previously deferred by use of reserves. The 2026/27 gap is less because it is assumed that the previous year's gap will be closed without use of any reserves. In addition, the Council starts to receive City Deal funding as a revenue grant from 2026/27. Subsequent gaps reflect continuing rises in the loan charges profile in later years. Assuming annual grant flows as per the Council's forecast central scenario (as set out in paragraph 19 above), an average savings gap (after illustrative Council Tax increases) of £5.426m per year is forecast over the next 5 years. As such, officers must continue to update and develop long term financial plans and options for consideration within our multi-year budgeting approach to ensure that these can be factored into business/service planning, together with workforce and asset plans. The move to multi-year settlements at a national level will assist with this.

Table 1

FUTURE YEARS' BUDGET OUTLOOK				
	SCENARIOS 2025/26 ONWARDS			
FORECAST ANNUAL BUDGET GAP	GRANT 1% BETTER	GRANT 0.5% BETTER	CENTRAL CASE (PARA 19)	GRANT 0.5% WORSE
	£M	£M	£M	£M
2025/26	5.902	7.099	8.296	9.492
2026/27	(0.245)	0.991	2.216	3.428
2027/28	2.466	3.728	4.966	6.180
2028/29	3.099	4.393	5.649	6.869
2029/30	3.403	4.728	6.004	7.229

125. Whilst the outlook for the 5 years beyond 2024/25 is illustrated in Table 1, our planning will also flag up and take account of any other major longer term issues impacting on financial forecasts over an even longer time horizon. Such items might include future expiry of PFI/PPP contracts, repayments of major tranches of loan charge debt, the move towards a National Care Service or other significant planned legislative change. This will be updated to take account of any proposed changes to local government funding arrangements once the alternative to the current Council Tax is determined.

MITIGATING ACTIONS

126. The Council has always taken a long term approach to financial planning. Whilst the scale of the budget cuts and the time period over which they would be implemented could not have been foreseen in 2008, the principles behind the approach to long term financial planning have stood the test of time. The focus has been on developing a very clear strategy to allow priorities to be identified and a very ambitious long term transformation programme to maximise all possible efficiencies in the Council.

COMMUNITY PLANNING AND THE COUNCIL'S STRATEGY

127. East Renfrewshire Council and its community planning partners have an outcome focussed approach to strategic planning. East Renfrewshire's current Community Plan covers our 5 overarching strategic outcomes:-

- **Early Years & Vulnerable Young People-** All children in East Renfrewshire experience a stable and secure childhood and succeed.

- **Learning, Life and Work-** East Renfrewshire residents are healthy and active and have the skills for learning, life and work
- **Environment & Economy** - East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses
- **Safer, Supportive Communities-** East Renfrewshire residents are safe and live in supportive communities
- **Older People & People with Long Term Conditions** - Older people and people with long term conditions in East Renfrewshire are valued; their voices are heard and they enjoy full and positive lives.

128. Fairer East Ren, our Local Outcomes Improvement Plan, is part of our Community Plan which is focused on tackling inequality and closing the gap between communities of place and interest. Fairer East Ren is the main way our Community Planning partners work together to reduce the embedded inequalities in East Renfrewshire, many of which have been exacerbated by the cost-of-living challenges. The Council co-ordinates a partnership response to the crisis through regular operational meetings and has utilised Covid Reserves funding to target responses to alleviate pressures caused by the pandemic and ongoing cost-of-living crisis.

129. We are required to annually publish a Local Child Poverty Action Report in partnership with the HSCP and other partners. This is linked to Fairer East Ren and focuses resources on three key areas of taking action to increase income from employment, maximising benefits and to reduce the costs of living for families –with the long-term impacts of the pandemic still being felt across our communities addressing all three objectives continues to be a priority.

130. Four Locality Planning areas have been identified in East Renfrewshire. These communities experience poorer outcomes than other areas across the authority. Post-pandemic there has been a refreshed approach to locality planning with local people being supported to co-produce and take ownership of their own locality plans in partnership with Council services and other agencies.

131. Throughout 2023, events were held with residents from Auchenback, ADD2 (Arthurlie, Dunterlie & Dovecothall) and Neilston to identify their priorities going forward, and to create realistic plans with short and longer term goals. Thornliebank Together have taken an active role in engaging with residents with ongoing support from the Council.

132. In April 2023, we published progress being made with our Mainstreaming Equality and Human Rights Report 2021-2025, taking the opportunity to engage with communities

and refocus areas of activity including developing a community-led equalities forum. We have fully embedded the United Nations Convention on the Rights of the Child (Scotland) Act 2024 requirements of assessing the rights of children and young people into our Equality, Fairness and Rights impact assessment (EFRIA) process to ensure that along with fulfilling our Fairer Scotland and Equalities and Human Rights duties we are including UNCRC rights.

133. The Council's current strategy and plans are based on our overall Community Plan and articulate the role of the East Renfrewshire Council family (the Council, the HSCP and the ERCLT) in delivering the Community Plan. The Council is currently refreshing the "Vision for the Future" strategy which will sit at the top of our strategic planning framework becoming the over-arching long term strategic vision and plan for the Council and Community Planning Partnership. The approach for Vision for the Future was approved by Council in [June 2023](#), with a progress update provided in [December 2023](#). This followed a series of partner and stakeholder consultation and engagement events with community representatives, CPP partners, elected members and Council staff.

134. The three pillars for Vision for the Future have been agreed; Flourishing Families and Individuals, Vibrant Communities and Places and Living Well. The Vision will provide a strategic framework that will inform planning on capital investment, land use, transport, communities and budget planning. The plan will also align to Local Development Planning and wider City Region work, ensuring that we can deliver on themes of environment/climate change and regenerating local areas.

135. The 2024/2025 period will see a cementing of our 15 year Vision for the Future and updated associate plans including the Councils Outcome Delivery Plan and Local Outcome Improvement Plan, alongside a review of the current CPP governance structures.

136. As part of this visioning process, the Council has also reviewed its five capabilities to three in recognition that our transformation programme combines the themes of data, modernisation of how we work and digital under one heading of digital change. The three capabilities of Empowering Communities, Prevention and Digital Change will help drive the activities and outcomes that come through Vision for the Future.

137. These capabilities will continue to shape service improvements and efficiencies for the Council, focussing on customer experience, our business systems and processes and capitalising on the use of Office 365 capabilities to enhance the productivity of our workforce. We aim to be excellent in each of these capabilities and then use them to redesign our services to make them more effective and more efficient.

DIGITAL TRANSFORMATION

138. Savings plans for future years will be developed by the Corporate Management Team on the basis of the Scottish and UK budgets and will be reviewed to take account of any multi-year settlement information subsequently published. Whilst it is recognised that it will become progressively more difficult to identify efficiencies in future, the Council will continue to seek efficiencies through reviews and transformation initiatives wherever possible.

139. East Renfrewshire Council has a policy of always taking a prudent approach to the calculation of savings. Savings are only included in formal budgets once we have a high degree of confidence that they can be achieved (and in many cases are already in place through work in previous years).

140. Whilst significant savings have already been achieved, the very difficult financial circumstances facing councils are expected to continue for the foreseeable future so the scale of change will need to be maintained. In June 2023, Cabinet considered an update on our Digital Transformation Programme.

141. It was noted that the key aspects of the programme that will lead to budget savings are:

- Continuing to implement our Digital Transformation Strategy, with a focus on customer experience, streamlined end to end systems and processes and greater use of Microsoft365 capabilities for productivity
- An increased focus on user engagement in service design and more community empowerment to provide services which put customers at the heart of provision, improving services and potentially lowering costs
- Improving the sharing and management of data across the organisation

142. It continues to be necessary for us to regularly prioritise this work to ensure a focus on benefit realisation and to rigorously manage the limited resources we have to support projects.

143. Projects are funded through a Digital transformation budget, which will need reviewed year on year as part of the budget process. The funding comes from:

- a regular drawdown from modernisation fund (£1m plus any underspend from previous years);
- recharges to Capital;
- a small number of revenue-funded posts including Programme Management Office;

- drawdown from HRA, IJB and ERCLT reserves as required;
- departmental revenue budget “top slicing”, which may be required in future years as Modernisation Fund resources deplete.

144. A report to Council in March 2023 highlighted the Strategic Impact of the Financial Settlement. It was noted that, “savings had been taken from the budgets which would normally provide the future investment to develop services. Training budgets, community engagement and digital development budgets have all been reduced and in future years if we need to take the draft savings, they will be decimated, putting efficiencies, services and delivery of Best Value duties at risk”.

145. The modernisation reserve was created in 2014 to fund change projects across the Council. In the early days the fund was topped up annually from underspend at year end. However in recent years, there has been little opportunity to top up so the fund has been declining in value. The budget process for 2025/26 will need to address this issue or the Council will be unable to resource digital transformation beyond that period.

PARTNERSHIP WORKING

146. The Council has already benefitted from joint working with other bodies in providing services and has delivered savings through the early adoption of integrated management of health and social care services in 2006, the establishment of the Integration Joint Board in June 2015 and through initiatives such as sharing Renfrewshire Council’s Non Domestic Rates system and participation in the Clyde Valley Waste project. Joint working with our partners in the Glasgow City Region area now also extends beyond economic development and regeneration projects into education, transport and other initiatives.

147. The Council has also facilitated partnership working approaches in response to major challenges including Covid and the Cost-of-Living crisis ensuring resources and expertise are shared across multiple agencies to have maximum impact.

SERVICE REDUCTIONS

148. Given the likely continuing constraints in cash terms on the Local Government budget over the foreseeable future and the increase in demand for services, it is clear that that the transformation programme cannot deliver the full scale of budget savings required. In future a reduction in service levels will be required to ensure a balanced budget. The strategy for service reductions will be heavily influenced by the policy and manifesto commitments of the administration of the Council. The present policy can be summarised as follows:

- Service cuts will only be taken once all possible efficiency savings have been taken, with an expectation that officers will deliver an ambitious programme of savings based on the 5 capabilities.
- Services will be maintained at statutory levels
- Council departments will do all they can within overall budget constraints to meet any conditions of Scottish Government grant (e.g. teacher numbers, IJB funding)
- Outcomes for our most vulnerable residents will be protected where possible
- Staff will be treated fairly and compulsory redundancies avoided where possible

149. The Council also ensures that it engages with key stakeholders and carries out all appropriate impact assessments when considering any new savings options.

150. To date, even where there have been significant changes to service provision the outcomes achieved for residents have, in the main and excluding the impact of COVID, been protected and the trend was for key performance measures to increase. However if future budget cuts are as high as predicted, this will not continue and a more radical programme of future service cuts will be required.

INCOME GENERATION

Council Tax

151. In 2024/25 the Scottish Government is offering additional grant support to Councils who implement a Council Tax freeze. The £3.148m grant on offer equates to a 4.66% Council Tax increase, however this would not increase the Council Tax base, so would produce a smaller return from future Council Tax increases than if bills were increased by the same amount in 2024/25. A 1% Council Tax increase in 2024/25 would provide additional income of around £0.676m for the Council. It is unknown whether future grant settlements will impose freezes or caps on increases.

Charging For Services

152. Each year the Council reviews charging for services. In general an inflationary rise is applied but market conditions are also taken into account, especially when there is alternative provision available to residents. During 2015 Sports and Leisure services were transferred to a Culture and Leisure Trust, allowing the management team to take a more commercial approach, to access additional sources of funding whilst still working as a charity for the residents of East Renfrewshire. Other sources of income generation will also be explored by the Council for future years, including new income generation and commercialisation opportunities. The opportunity for the Health & Social Care Partnership to generate income from charging may be limited going forward as one of the recommendations in the recent Independent Review of Adult Care Services is to abolish charging for non-residential care. Likewise, scope for income generation in Education has

also reduced due to the abolition of charging for instrumental music tuition, in addition to the move towards universal free school meals in primary schools.

USE OF RESERVES

153. In recent years, Audit Scotland have noted that the level of usable reserves was relatively high in many Scottish Councils by the end of the year. This was largely due to substantial COVID grant allocations paid to Councils in March 2021 to cover COVID pressures in the coming years, however these COVID funds will have been fully spent or committed by 31 March 2024 and other balances in most Councils are now also reducing. Forecast levels of this Council's usable reserves, including graphical illustrations of trends, are considered as part of the Revenue Estimates report later on this agenda.

154. The Council's Reserves Policy sets out how its reserves will be governed. The policy has recently been updated and a report is included on today's agenda. Due to the Council's prudent long term approach to financial planning, a range of reserves has been built up over a number of years to assist with expected and unexpected pressures. Should a budget gap remain after the application of savings measures and income generation the Council may consider the short term measure of drawing down on some of these reserves.

155. The Local Authority Accounting Panel (LAAP) Bulletin 99 on Reserves and Balances provides guidance to Chief Financial Officers in the area of using reserves to fund recurrent expenditure as follows:

“It is not normally prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term. Advice should be given on the adequacy of reserves over the lifetime of the medium term financial plan, and should also take account of the expected need for reserves in the longer term”

156. It is important that members understand that any use of Reserves is a short term, one off measure and is only justifiable to address non-recurring pressures or on the basis that there will be a fundamental review of Council budgets over the next year.

157. The Council forecasts holding routine unallocated General Reserves of £10.745m (3.43%) as at 31 March 2024. The Council's normal aim is ideally to hold 4% of our revenue budget as a general reserve. Auditors broadly consider reserves of between 2 and 4% to be prudent. Should it be decided to meet any of the gap from reserves in 2024/25, these would have to apply only to one off items or the savings would simply be deferred to future years. Should members wish to utilise reserves to help balance the budget in the short term, it is recommended that this should be done with a view to transitioning to a more sustainable

financial basis in future years, with reserves used as far as possible only to cover one off or short term spending pressures or where recurrent savings are expected to be identified in the near future or for the following year.

158. During 2022, the Scottish Government offered Councils a new fiscal flexibility in relation to PFI/PPP type service concessions. Such service contracts usually run for 25 or 30 years although the assets delivered (such as schools or roads) will last much longer. The new flexibility allows Councils to account for the debt element of these contracts over the life of the assets concerned – typically 50 years, rather than the 25-30 year contract periods. Applying this approach to our historic PFI/PPP schemes produced a one-off financial benefit of £14.8m at 31 March 2023. This sum was added to our General Reserve and will be utilised in full by 2025/26 to transition into the forecast service reductions required as a result of the flat cash settlements set out in the Scottish Government’s May 2022 Spending Review.

159. The Council also expects to benefit from a substantial short term reduction in employer’s pension contributions in 2024/25 and 2025/26, equating to around £6.340m in each of these years. It is proposed that a new reserve should be established to hold these funds, with officers working with the Budget Strategy Group to develop proposals as to how they can be best utilised to invest for the future. Proposals can then be brought to members for decision. Similarly, the IJB, East Renfrewshire Culture & Leisure Trust (ERCLT) and the Housing Revenue Account (HRA) will also benefit from short term reductions in their employers’ pension contributions.

Future Workplan

160. Accountancy staff have been reviewing financial pressures and funding levels for the coming year and outline budget proposals for 2024/25 are contained later on today’s agenda for approval. Work will continue in updating budget scenarios for the period to 2030 with a view to continuing with multi-year budget planning in future.

161. The timescales for submission of the Council’s financial plans are listed below:

Plan	Approval
Financial Plan 2024/2030	Council, February 2024
Capital Investment Strategy	Council, February 2024
10 year Capital Plan 2024/2034	Council, February 2024
Reserves Policy	Council, February 2024
Revenue Budget 2024/25	Council, February 2024

ODP 2024/25 (including 3 year draft budget figures)	Council, June 2024
Financial Plan 2025/2031	Council, February 2025
3 Year Revenue Budget 2025/28 (subject to multi-year government data availability)	Council, February 2025

CONCLUSIONS

162. In view of the significant financial and demand pressures facing the Council over the current and next six years it is essential that financial plans are updated regularly for consideration by the Council. This is in line with the Council's agreed financial policy of basing decisions on an assessment of medium to long term needs and consequences.

RECOMMENDATIONS

163. It is recommended that the Council: -

- (i) notes the continuing budget pressures anticipated in the next 6 years and the mitigating actions proposed; and
- (ii) approves the draft Outline Revenue Financial Plan 2024 – 2030

Further information is available from M. McCrossan, Head of Accountancy, telephone 0141 577 3035.

KEY WORDS Revenue Estimates, Council Tax, Reserves and Balances, Financial Planning