
Report To:	Inverclyde Council	Date:	7 December 2023
Report By:	Chief Financial Officer	Report No:	FIN/80/23/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712090
Subject:	2024/26 Budget Update		

1.0 PURPOSE AND SUMMARY

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of the report is to update the Council on the latest position of the planned 2024/26 Revenue Budget and the imminent Scottish Government Draft Budget for 2024/25.
- 1.3 The report and appendices contain updates and seeks decisions in respect of Savings Workstreams. Further savings/adjustments and the latest potential 2024/26 funding gap are also included in the report and recommendations.
- 1.4 The report also seeks agreement that a special Council meeting take place in January to consider the implications of the Scottish Government Draft Budget and to take further decisions including the date of the Council Budget.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Council note the latest update in relation to the 2024/26 Budget and agree that a special Council meeting take place in January 2024, the date to be agreed by the Chief Executive in consultation with the Provost, to consider the implications of the Scottish Government Draft Budget and to take further decisions including the Council Budget setting date.
- 2.2 It is recommended that the Council note the update from the CMT in relation to Savings Workstreams in Appendix 1 and agree the proposal to increase fees and charges by 5% in 2024/25 and 2025/26 plus the addition of the CLD review to the 2024/26 Savings Workstream programme.
- 2.3 It is recommended that the Council agrees the adjustments/savings in Appendix 2 including the Loans Charge funding model saving reported as part of the Financial Strategy update earlier in the agenda.
- 2.4 It is recommended that the Council agrees that the £2.5 million income previously planned to be raised from increased Council Tax in 2024/25 be factored into the 2024/26 Budget as a minimum figure via the use of Scottish Government Council Tax Freeze grant and, if required, the use of further reserves.

2.5 It is recommended that the Council notes the latest estimated 2024/26 funding gap based on all the proposals contained in this report.

Alan Puckrin
Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 The Scottish Government have confirmed that the Draft Budget will be announced on 19 December and that the draft circular which advises individual councils of their individual settlements for 2024/25 will not be issued until 21 December, which is the day before the Christmas/New Year shut down for large parts of the Council, Cosla and Scottish Government.
- 3.2 The later than anticipated date for the Draft Scottish Budget, largely attributed to the later than usual Autumn Statement announcement on 22 November, requires a rethink of the previously envisaged timescales for the Council Budget setting process.
- 3.3 Discussions are continuing between Cosla and the Scottish Government regarding the sum required by Local Government to ensure that the announced Council Tax Freeze is “fully funded”. On 7 November Cosla wrote to the Scottish Government listing areas where it requires Scottish Government to demonstrate commitment towards the Verity House agreement in return for councils agreeing to the Council Tax Freeze. The Scottish Government response to this should become clearer in the Draft Budget statement on 19 December.
- 3.4 The Council had previously agreed a planning assumption of a £5.0million increase in Council Tax income over 2024/26. Elected members may wish to consider using reserves plus any Council Tax Freeze grant to maintain the 2024/25 share of that planning assumption.
- 3.5 In September the Policy & Resources Committee agreed a Savings Workstream programme estimated to deliver £2.5 million over the 2024/26 period. The first update is attached in Appendix 1 and it can be seen that good progress is being made towards the 2024/25 initial target of £1.32 million. The CMT recommend the addition of the Community Learning & Development service review, already included within Delivery Differently programme, to the Savings Workstreams. A saving target of £180,000 is recommended.
- 3.6 Appendix 2 includes further recurring adjustments/savings including the £500,000 saving in loans charges covered in more detail in the Financial Strategy 6 monthly update included earlier in the agenda.
- 3.7 The Members Budget Working Group (MBWG) have commenced reviewing the position in respect of reserves. This includes, potential write backs and options for utilising the estimated £12.6 million of free reserves, which includes the significant one-off increase in reserves arising from the reduction in employers’ superannuation contributions over 2024/26.
- 3.8 On 14 November the Council received notification of a 3.0% increase in the Teachers employers pension contribution. It is estimated this will cost the Council more than £1 million. Officers are not proposing to build this cost into the 2024/26 funding gap on the assumption that the Scottish Government will pass on the consequential funding from the UK Government.

4.0 PROPOSALS

- 4.1 It is proposed that a special meeting of the Council takes place in January to consider the implications of the Draft Scottish Budget, the impact this has on potential savings, associated Budget Consultation plus the date for the Council to approve the 2024/26 Budget.
- 4.2 As part of achieving the Income Savings Workstream target of £700,000 over 2024/26, it is proposed that all relevant fees & charges are increased by 5% in both 2024/25 and 2025/26. This is estimated to raise approximately £500,000 extra income by 2025/26. This does not include charges set by statute and parking charges which will be the subject of a separate report to the Environment & Regeneration Committee in January.

- 4.3 In order to provide greater certainty to the MBWG in finalising savings options, it is proposed that the Council confirms that, between any Council Tax Freeze grant from the Scottish Government and use of free reserves, at least £2.5 million will be generated to close the estimated 2024/25 funding gap. Elected Members are asked to note that, to maintain the benefit of this proposal in 2025/26, an increase in the use of reserves in 2025/26 could be required. This will be dependent on the level of the Council Tax Freeze grant in 2024/25.
- 4.4 Appendix 3 shows the latest estimated 2024/26 funding gap on the basis that the proposals in the report are agreed.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendations are agreed:

SUBJECT	YES	NO
Financial	X	
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)		
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Funding Models	Loans Charges	2024/27	£3.0million		Funded from excess IRI to generate a recurring £500,000 saving from 2025/26.
Reserves	General Fund Free Reserves	2025/26	TBC		Extent is dependent on SG Council Tax Freeze grant

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Savings Workstreams	Income	2024/26	(£500,000)		5% increase in fees & charges in both 2024/25& 2025/26
Savings Workstream	CLD Review	2024/26	(£180,000)		

Various	Various	2024/25	(£539,000)		Savings target recommended by the CMT
Overall Funding	SG Grant/Reserves	2024/25	(£2.5 million)		Per Appendix 2, phased £39k 24/25, £500k 25/26 Guaranteed minimum increased funding to be built into the 2024/25 Budget

5.3 Legal/Risk

There are many matters which require to be clarified in relation to the 2024/25 Grant settlement and these will only become clearer after the 19 December. The projected level of free reserves will help mitigate these risks as will regular review by officers and reporting to elected members including discussion at the MBWG.

5.4 Human Resources

There are no HR implications arising from this report.

5.5 Strategic

The development of the 2024/26 Revenue Budget and 2024/27 Capital Programme will be led by the priorities set out in the Council Plan and CDIPs.

6.0 CONSULTATION

6.1 The MBWG support the proposals in this report.

7.0 BACKGROUND PAPERS

7.1 None.

2024/26 Budget Process**Theme: Workstreams**

Saving Title	CMT Lead Officer	Proposal	Est Saving 2024/25 £000's	Est Saving 2025/26 £000's	Est Saving 2026/27 £000's	Est Saving Total £000's	Est FTE Impact	Progress update as at 21.11.23
Income Generation	A Puckrin	General Uplift over 2024/26, Other above inflation charges and commercial income	300	400	0	700	0.0	Propose 5 % per year general fee uplift for 2024/25 & 2025/26 to December 2023 Council. Would generate approximately an extra £250k per year leaving a remaining target of £200k.
Procurement	S Jamieson	Residual Waste, Agency Workers, Scotland Excel opportunities	670	-70	0	600	0.0	Waste saving £671k from 1.1.24. Negative target in 2025/26 is a contingency for potential shortfalls in other workstream targets
Energy	A Puckrin	Energy efficiencies and tariff reductions	400	100	0	500	0.0	Savings being reported in P5/6 monitoring. Adjustment will be included in January Council Budget report
Asset Management	S Jamieson	Property savings relating to reductions to the office, leisure, community and other operational buildings estate	50	350	0	400	Note 1	Initial saving will be achieved via Hector McNeil House closure/demolition planned later in 2024/25. All closures will be reported to Committee for approval
Management Restructure Ph3	L Long	Reductions in Team Leader and above posts. FTE is maximum net reduction.	0	200	0	200	3.0	Report due December 2024/January 2025
Digital & Customer Services	I Strachan	Efficiencies arising from Digital Modernisation processes and a review of customer interfaces with the Council. FTE reduction represents the maximum to meet the target	20	80	0	100	3.0	There are risks with this target due to increased on going maintenance costs of new systems/applications plus the small size of many teams in the Council making reductions in employees impractical.
Community Learning & Development- Delivering Differently Review	R Binks	Policy & Resources Committee approved that a review of CLD be added to Delivering Differently in August 2023. The review will encompass the full service and the savings target equates to an approximate 11% reduction in budget	40	140	0	180	tbc	The review will identify options and highlight the impacts which will be reported to the Education & Communities Committee via the MBWG by the autumn of 2024
Totals			1,480	1,200	0	2,680	6.0	

Note 1- Asset Management Target is net of any reinvestment in either capital or recurring spend in remaining buildings.

Note 2- MBWG recommend the addition of a teachers workstream if reductions are permitted by the Scottish Government as part of the Verity House agreement. The target would be based on a 29FTE reduction (3.8%) which would save approximately £1.80 million

**2024/26 Budget
December Council- Savings/Adjustments**

E&R	Savings 2024/25 £000	Savings 2025/26 £000	Comments	FTE
1/				
2/				
3/				
ECOD				
1/ Revised funding arrangement for all weather pitch crawl hole management	19	0	It has been agreed with Inverclyde Leisure that the opening/closing of crawl holes connected to some all weather pitches, will be carried out by IL at no cost to the Council. IL currently bill CLD separately for this task.	0
2/ Reduce school transport grant budget	20	0	Based on the last 2 years demand, the secondary school transport grant budget can be reduced by £20,000 with no impact on pupils.	0
3/				
HSCP				
1/				
Corporate				
1/ Loan Charge saving proposal contained in the Financial Startegy	0	500	By allocating a one off sum of £3.0million to the loans charges funding model, a recurring saving of £500,000 / year can be generated from 2025/26. As the £3.0 million is funded from an increase of £3.5 million in internal resources interest charged to loan charges, the one off cost has no impact on existing reserve projections.	0
2/				
3/				
Total	39	500		0

21/11/23

2024/26 Estimated Funding Gap- December 2023 Council

	2024/25 <u>£000</u>	2025/26 <u>£000</u>
Gap per June 2023 Financial Strategy	5983	6593
Sept P&R Committee Decisions:		
Savings Workstreams	-1320	-1180
Savings/Adjustments	-421	0
Nov P&R Committee Decisions:		
Savings Adjustments	-870	-150
Balance Remaining Post P&R 21.11.23	<u>3372</u>	<u>5263</u>
Council Tax contribution	-2500	-2500 Note 1
Add CLD Review to Workstreams	-40	-140 Appendix 1
Savings/Adjustments	-39	-500 Appendix 2
Balance Remaining Post Council 7.12.23	<u>793</u>	<u>2123</u>

Notes

1. Based on proposal in recommendation 2.4 of the report plus assumes a planning assumption of a £2.5million (7%) increase in Ctax income (25/26)

AP- 21.11.23