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<b>Report To:</b>	<b>Inverclyde Council</b>	<b>Date:</b>	<b>29 February 2024</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/13/24/AP/LA</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>01475 712090</b>
<b>Subject:</b>	<b>2024/26 Revenue Budget, 2024/28 Capital Programme and approval of the 2024/25 Band D Council Tax</b>		

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## **1.0 PURPOSE AND SUMMARY**

- 1.1  For Decision  For Information/Noting
- 1.2 The purpose of this report is to provide the Council with the most up to date information to allow the approval of the Council's Revenue Budget, 2024/28 Capital Programme and thereafter for the Council to approve the level of Band D Council Tax for 2024/25.
- 1.3 The draft settlement was lower than had been assumed and included a like for like £2.0 million reduction in funding within revenue and £0.3 million reduction in capital. In addition, there are several conditions around how several material elements of the funding are to be used plus a £1.87 million Council Tax Freeze Grant which is conditional on the Council agreeing to freeze Council Tax in 2024/25.
- 1.4 Letters were received from the Deputy First Minister on 21 and 23 February indicating a potential increase in funding for the national Local Government Settlement of £62.7 million in 2024/25. This however is contingent on the level of funding allocated to the Scottish Government as part of the UK Spring Budget with the Council only be able to access its share if it agrees to freeze Council Tax. The Chief Financial Officer's advice regarding risks around the £62.7 million is included in paragraphs 3.7-3.9.
- 1.5 The Council have already made a number of decisions regarding the 2024/26 Budget and the report incorporates these plus other proposals which leaves a 2024/26 Funding Gap of £5.579 million to be addressed prior to any decisions in respect of Council Tax over the two years.
- 1.6 The proposed 2024/28 Capital Programme is within parameters subject to the Council confirming the use of £4.4 million from Reserves. The need for the Council to align projected available resources and the increasing pressure on maintaining the existing asset base is once again highlighted.
- 1.7 The report provides an update on the "Free Reserves" position and highlights that proposals agreed to date and proposed in this report will utilise approximately £15 million from Reserves which are not due to be generated until after 31 March 2024.
- 1.8 There are other updates contained in the report and appendices which should allow the Council to agree the 2024/25 contribution to the IJB and the 2024/25 Common Good budget.

1.9 The results of the second Budget Consultation are attached in appendix 12 whilst there is a link in the report to the Fairer Scotland Duty and UNCRC assessments plus the relevant Equality Impact Assessments (EqIAs).

## **2.0 RECOMMENDATIONS**

2.1 It is recommended that the Council note the contents of this report, appendices and the updates provided including the continued uncertainty regarding elements of the funding settlement for the Council.

2.2 It is recommended that the Council considers the results to both phases of the Budget Consultation conducted by the Council and has due regard to the Equality Impact Assessments relating to savings and the Fairer Scotland Duty and UNCRC Assessments relating to the savings and proposals set out in this report, and as referred to in Section 6 of this report.

2.3 It is recommended that the Council approve:

- a) The contribution to the Inverclyde Integrated Joint Board (IJB) in 2024/25 as set out in appendix 2 and that authority be delegated to the Chief Executive to agree with the IJB the specifics of how the one-off and recurring saving arising from the actuarial review of employer pension contributions be utilised to support pressures within Social Work/Social Care, noting that this requires approval by the IJB in March 2024.
- b) The adjustments and efficiencies set out in appendix 3 totalling £1.227 million.
- c) Recurring funding of £75,000 to meet policy development proposals set out in 3.20 of the report relating to Free Summer Playschemes and payment of the Real Living Wage to Apprentices, the latter being subject to a further report to Policy & Resources Committee.
- d) The 2024/28 Capital Programme as set out in appendix 6 including the allocation of £4.4 million from Reserves and the deletion of the planned Dog Park project.
- e) The use of Reserves as set out in appendix 7 including the creation of a Sinking Fund to meet potential future costs associated with the closure/disposal of Council assets.
- f) The 2024/25 Common Good Budget set out in appendix 8 including the transfer of the Shore Street, Gourrock public convenience to the Common Good from 1 April 2024.
- g) The Loans Charge Principal Repayments Policy in appendix 11.

2.4 It is recommended that if the Council note the risks around the receipt of a further £62.7 million referred to appendix 1b and that receipt of the Council's share of this sum will be conditional on the Council freezing Council Tax in 2024/25.

2.5 It is recommended that the Council note that an update on the Council's 2024/25 Budget will be presented to the 26 March Policy & Resources Committee.

2.6 It is recommended that the Council note the reduction in the budgeted Council Tax collection rate to 96.5% for 2024/25.

2.7 It is recommended that the Council note the estimated funding gap of £16.8 million over 2025/28 set out in appendix 9 and the observations from the Chief Financial Officer in 6.2 and 6.3 of the report regarding the significant challenges which lie ahead.

2.8 It is recommended that after considering the updates and advice contained in the report and appendices, the Council decides as a minimum:

- a) How to close the remaining Budget Gap of £2.544 million in 2024/25
- b) The level of Band D Council Tax for 2024/25

2.9 It is recommended that the Council approves the Council Tax Resolution for the level of Band D Council Tax in Inverclyde for 2024/25.

**Alan Puckrin, Chief Financial Officer**

### **3.0 BACKGROUND AND CONTEXT**

- 3.1 The Council and Policy & Resources Committee have considered several reports regarding the progression of the 2024/26 Revenue Budget and associated Capital Programme since August 2023. During this time the MBWG have met around 20 times whilst the Corporate Management Team (CMT) have frequent meetings with the Trades Unions at the Joint Budget Group (JBG).
- 3.2 The Budget Strategy approved in the late summer was based around a two-year Revenue Budget, a flat cash Scottish Government Grant settlement and an increased Council Tax planning assumption of 7% per year (£2.5 million). In each report the remaining two-year funding gap has been advised as follows:
- June 2023 Finance Strategy - £12.576m – Starting Position
  - September 2023- £4.655m – Net of planned Council Tax increase/ Savings Workstreams
  - November 2023- £3.635m - Net of actuarial employers pension reduction
  - December 2023- £2.916m- Before the Scottish Government Draft Settlement
  - February 2024- £2.464m-After the Draft Settlement & increasing the use of Reserves

### **3.3 Scottish Government Budget Settlement**

The draft Budget Settlement for 2024/25 was announced on the 19 December with the detailed Finance Circular issued on 21 December. During the passage of the Finance Order through Parliament, updated figures have been issued to Directors of Finance and these are reflected in the report and appendices. The Finance Order is due to be debated on 28 February.

- 3.4 The 2024/25 settlement for Inverclyde Council is currently around £1.5 million lower than was assumed at the time of approving the Budget Strategy and on a comparable basis leaves the Council with £2.03 million less funding than 2023/24. Appendix 1a shows how this has been calculated. The main contributing factors to the poorer settlement are the £62.7 million overall like for like reduction in funding for local government and a less generous “Floor”, which means those Councils which do less well out of the settlement, like Inverclyde, received less protection than in recent years.
- 3.5 The extent of the poorer than expected settlement had a significant impact on the level of savings required over 2024/26 and to mitigate this the Council agreed in principle to allocate £6.0 million from Free Reserves to reduce the 2024/26 Funding gap by a further £2.0 million.
- 3.6 Whilst there have been some large transfers of extra funding into the local government settlement in 2024/25 these are all to fund existing commitments or new/enhanced Scottish Government policies and therefore cannot be used to any great extent to offset the pressures on existing service provision. It should be noted that the settlement includes no allowance for the announced increase in Teacher superannuation contributions from April 2024. Cosla estimate this will cost around £90 million and the Scottish Government have advised its intention to pass onto Councils in full any funding for this contained in the UK Government Spring Budget.
- 3.7 On 21 February the Deputy First Minister (DFM) wrote to the Cosla President following a meeting between them both that day. The letter is attached in appendix 1b. The main potential financial element is a commitment to reverse the £62.7 million cut in General Revenue Grant (GRG) which had significantly contributed to the lower than estimated GRG position reported to Council on 1 February. It should be noted however that the DFM confirmed on 23 February that this increase in the 2024/25 Local Government Settlement is contingent on the Council freezing Council Tax in 2024/25.

- 3.8 The letter advises however that the £62.7 million is not 100% guaranteed. The £45 million related to the Budget Consequentials arising from an extra £500 million for English councils appears to be more certain on the assumption that the Chancellor confirms this already announced sum in his Spring Budget on 6 March. The remaining £17.7 million appears to be linked to the overall impact of the Spring Budget on the Scottish Government Budget and as such carries a higher degree of risk of non-receipt.
- 3.9 Based on the above then the advice of the Chief Financial Officer is that it would be appropriate to factor in the Council receiving a share of the £45 million, (£570k-£698k depending on the distribution approach agreed by Council Leaders) provided it froze Council Tax in 2024/25, but that it would not be appropriate to assume the Council receiving a share of the £17.7 million at this time. In providing this assessment and taking into account the risks, it would be prudent to assume the lower of the two distributions for the £45 million ie £570,000 and set aside a similar sum from reserves to mitigate for non-receipt as a contingency.
- 3.10 Within the proposed Grant Settlement letter there are several conditions associated with the funding. The conditions include:
- Extra funding for Free Personal & Nursing Care and Care Sector Pay, (£241 million nationally) to be transferred to IJBs and must be additional to existing IJB budgets.
  - Baselineing of £564 million education funding is conditional upon the establishment of the new Joint Assurance Board.
  - Council Tax must be frozen in 2024/25 for the Council to receive payment of the £147 million Council Tax Freeze grant (£1.87million for Inverclyde).
  - Subject to future discussions with Scottish Government officials, the Council must retain teacher numbers at 2023 census levels and not reduce learning hours during 2024/25 to access its share of £145.5 million, (£2.119 million for Inverclyde) now withheld from the Grant Settlement.
- 3.11 The Capital Grant settlement also had a like for like funding reduction with the Council grant being reduced by around 5% (£284,000). At a time of inflationary pressures on capital projects this increases the gap between available resources and investment needs and officers have highlighted on several occasions that this will require Elected Members to fundamentally review the medium-term sustainability of the Capital Programme in the near future.
- 3.12 The 2023/24 Budget settlement held back monies from all councils pending the outcome of the 2023 Teacher Census. For Inverclyde the sum held back by the Scottish Government was £655,000. The Council census return showed a 9 FTE reduction in teachers compared to 2022 which is fully due to cash and real terms reductions in ring fenced funding, much of which had been allocated for teachers. The Scottish Government confirmed on 12 February that the held back grant will now be paid in March 2024.
- 3.13 **IJB contribution**
- There are several matters which require to be confirmed by the Council prior to confirming the proposed contribution to the IJB in 2024/25. The matters are:
- That the Council will pass over in full the estimated share of the extra recurring Scottish Government funding relating to the 2023/24 pay award (Estimated to be £494,000)
  - That the Council will not reduce its contribution to the IJB to reflect the estimated £468,000 recurring reduction in employer superannuation contributions following the triennial actuarial review
  - That the Council will not seek to recover the estimated one-off saving of £5.72 million from the IJB relating to the 11% reduction in employers' superannuation rates over 2024/26.

- That the Council will not reduce the contribution to the IJB by £280,000 in 2024/25 to reflect the contribution to the IJB's estimated share of the current £62.7 million grant cut applied to the Local Government settlement.

3.14 Appendix 2 has been prepared on the basis of the Council passing over the 2023/24 Scottish Government pay award funding and not seeking to reduce the recurring contribution to the IJB due to the reductions in employers pension contributions or the cut the Local Government Grant settlement. The appendix shows a £5.558 million (8.2%) increase in funding compared to the contribution agreed in March 2023 and exceeds the Scottish Governments funding requirements by £1.31 million.

3.15 The Chief Executive requests that the Council agree that the £5.72 million one-off employers contribution saving, whilst being retained by the IJB, should be used for Social Work/ Social Care purposes such as addressing pressures within Childrens & Families and Homelessness and seeks delegated powers to agree the detail of this arrangement with the Chief Officer (IJB).

### 3.16 **Capital Accounting Regulations/ Loans Charge Review**

Loans Charges form a significant part of the Council's Revenue Budget and are generated by writing off the net cost of capital investment based on the lifespan of the investment being made. The Council last approved the Loans Charge Write Off Policy in December 2019.

3.17 Changes to the Capital Accounting Regulations are due to come into force from 1 April 2024 which will prevent any retrospection if in future the Council extends the write off period of any loans charge debt. Due to this, officers have reviewed the Loans Charge Write Off Policy against the latest estimated asset lives per the most recent asset valuations. This has flagged up the possibility of increasing the write off period from 40 to 45 years for loans charges associated with new build schools and Childrens' Houses.

3.18 If approved by the Council, it is estimated that this will generate a recurring saving of £410,000 from 2024/25 and a retrospective one-off saving of £3.75 million at 31 March, 2024. The Council's Treasury Advisors, Link, have reviewed the proposals and agree they are competent and provided they are approved by the Council before 31 March 2024, can be implemented.

3.19 A proposal included in the Regulations to require council to write off as a lump sum any remaining loans charges relating to assets disposed of/ demolished has been deferred presently to 1 April 2027. In the context of the Council's need to review/reduce assets then this provides a short window for these decisions to be taken and implemented. Delay beyond 1 April 2027 could incur major one-off costs which could struggle to be contained in the Councils projected reserves.

3.20 In light of this, the advice from the Chief Financial Officer would be to allocate the one-off saving arising from this exercise into a "Sinking Fund" to either meet the costs of any loans charge write offs beyond 1 April 2027 or to reinvest in delivering the asset management changes if the majority of asset management proposals can be implemented prior to the end of 2026/27. The Chief Financial Officer confirms that the extended lives proposed remain prudent and will be kept under review as part of the year end process.

### 3.21 **Savings Workstreams/Adjustments**

The Council approved the creation of a £2.5 million savings workstream programme in September and increased the savings target by £180,000 in December. Focus is now on achieving (or exceeding) these targets. Officers receive updates from Scottish Government officials regarding future utility costs and based on the late January update, believe a further £200,000 reduction in the utilities inflation allowance can be made over 2024/26. It is therefore proposed to increase the overall savings workstream target to £2.88 million over 2024/26.

3.22 Appendix 3 contains a number of adjustments/efficiencies, including the impact of the Loans Charges Review and increased Workstream target totalling £1.227 million.

### 3.23 Pressures/Policy Developments

During the development of the Budget, the CMT have identified further two areas where it is recommended that investment is set aside. These are:

- Summer Playschemes- For the last two years Elected Members have agreed to make the Council's summer playschemes free. The CMT would recommend that if this is a policy Elected Members would wish to embed then it allocates £35,000 from the remaining £52,000 balance in the recurring anti-poverty fund to cover the loss of income for Inverclyde Leisure and other providers of the service.
- The payment of the Real Living Wage for apprentices is a stated priority of the Scottish Government with access to certain Government Grants now being conditional on organisations such as the Council committing to deliver this in the future. The Council has received an exemption from this requirement to 31 March 2025 but the CMT believe that no further exemption will be granted thereafter. In order to maintain the number of apprentices funded from the recurring budget at current levels whilst paying the Real Living Wage, a £40,000 increase in budget will be required from 2025/26. It should be noted there are other implications arising from this policy change and officers will provide a comprehensive report on this matter to a future Policy & Resources Committee.

### 3.24 2024/26 Revenue Budget – Current Position

Taking all the above into account, appendix 4 shows the detail of how the remaining funding gap of £2.544 million in 2024/25 has arisen since the 2023/24 Base Budget. This gap is before the application of any further savings, increases in Council Tax/acceptance of the Council Tax Freeze grant or the potential impact of the DFM letter dated 21 February.

3.25 Appendix 5 shows a summary of the 2024/26 Budget position again, prior to any decisions around Council Tax, any savings proposals from Elected Members or the potential impact of the DFM letter dated 21 February. The two year funding gap on the same basis is now estimated to be £5.579 million.

### 3.26 Capital

The 1 February meeting of the Council agreed in principle to allocate £4.4 million from General Fund Reserves to address the funding shortfall in the draft 2024/28 Capital Programme. Officers have reviewed the phasing of expenditure across the programme and the proposed programme is attached as Appendix 6. From this it can be seen that the 2024/28 Capital Programme is within parameters but that the main capital allocations to fund investment in roads, schools, leisure buildings, ICT, parks etc are maintained at 2023 levels thus meaning real term reductions in spending power over the next 4 years.

3.27 Elected Members are aware of officers raising the need for a root and branch review of the funding of its assets as a matter of priority on the basis that the current annual funding shortfall is unsustainable in the medium term. The potential changes to loans charge accounting from April 2027 provide another focus for the need to progress any review in the next 2 years to avoid potentially significant one-off costs to the Council were a closed/disposed of asset to have outstanding loans charge debt.

### 3.28 Reserves

The Council has benefited from a healthy level of reserves for many years. Specifically in the last 2 years there have been two large one off contributions to reserves totalling over £23 million. These have related to the Service Concession accounting change in 2022/23 and the estimated saving arising from the time limited 11% reduction in employers' superannuation contributions. These major additions to reserves have greatly assisted in managing the significant financial pressures being faced by the Council but do not provide a long-term solution.

3.29 The 1 February Council approved write backs totalling £256,000 from existing reserves and this allied to the latest projected 2023/24 Revenue out-turn position results in a projected unallocated reserve balance of £13.65 million.

3.30 Appendix 7 shows the latest estimate of unallocated reserves based on the assumption that the Council will approve the use of a further £6.0 million to support the Revenue Budget, £4.4 million to support the 2024/28 Capital Programme and £3.75 million generated from the loan charges review into an Asset Management sinking fund.

3.31 The Council must bear in mind that these figures include two significant sums which are yet to be generated over the next few years i.e., the one-off actual pension saving (£9.4million) and surplus internal interest (£6 million). Officers will closely monitor the delivery of these sums and report to Council/Committee if there are any issues foreseen.

### 3.32 Common Good Budget 2024/25

Each year the Council approves the Common Good Budget for the year ahead. During 2023/24 the Policy & Resources Committee agreed to the transfer of income and expenditure budgets relating to Larkfield Industrial Estate to the Common Good to reflect the fact that the units are on Common Good land. Within the draft 2024/25 Common Good Budget it is also proposed to transfer financial responsibility for the Shore Street, Gourrock public convenience to the Common Good Fund.

3.33 Appendix 8 shows the proposed 2024/25 Common Good Budget. The Budget shows a small surplus and an estimated fund balance of £141,000 at 31 March 2024 which is above the £100,000 minimum recommended level.

### 3.34 Projected 2025/28 Funding Gap

It is good practice for the Council to consider the medium-term financial position when approving the Revenue Budget/Council Tax for the year ahead. This ensures that the sustainability of proposals is considered by Councillors and covers the remaining period of this Council.

3.35 Appendix 9 reflects the draft position prior to any decisions around Council Tax. Due to the reduction in the use of reserves over the period and assuming flat cash settlements (which is better than that currently confirmed in 2024/25), then the estimated 2025/28 Funding Gap is £16.8 million.

## 4.0 COUNCIL TAX

4.1 The 2023/24 level of Band D Council Tax is £1429.77 in addition to which there is an assumed collection level in 2023/24 of 96.8%.

- 4.2 During 2023/24 the Policy & Resources Committee have been advised that Council Tax collection levels are below those experienced in the years before Covid and whilst the gap is expected to close marginally due to more people paying Council Tax over 12 months rather than 10, officers recommend a slight reduction of 0.3% in the budgeted collection rate for 2024/25. If agreed the budgeted Council Tax collection rate would be 96.5%. This reduction is already factored into the assumption that a 1% increase in Council Tax raises £350,000.
- 4.3 Approximately 9000 properties in Inverclyde are in receipt of Council Tax Reduction which means a weekly amount payable per property is calculated using Scottish Government Regulations and is not influenced by the level of Council Tax applied to the property. Appendix 10 is a summary table of some of the key Council Tax information over Council Tax Bands.
- 4.4 The Scottish Government announced its intention to freeze Council Tax in 2024/25 and have set aside a £147.3 million grant to be paid to those councils which freeze their Council Tax at 2023/24 levels. For Inverclyde the advised grant is £1.871million which equates to what a 5.3% increase in Council Tax would raise. The grant will not be paid if the Council increases Council Tax in 2024/25 and it was stated at that time no other penalties would be applied.
- 4.5 The potential extra £62.7 million referred to in paragraphs 3.7-3.9 above is now also contingent on the Council freezing Council Tax. Receipt and distribution of this sum has yet to be fully confirmed but would equate to between £794k and £972k depending on the methodology used **and confirmation of inclusion in the 2024/25 Local Government settlement.**
- 4.6 Unless exempt, all properties in Inverclyde are liable to pay Water & Sewerage charges. The Band D charge for 2023/24 is £502.29. Scottish Water have announced an 8.8% increase in charges for 2024/25 with indications of further above inflation increases for 2025/26 and 2026/27.

## **5.0 PROPOSALS**

- 5.1 This report reflects decisions taken to date and a new list of adjustments /efficiencies in appendix 3. Confirmation of the agreement to these proposals is required.
- 5.2 The Council contribution to the IJB for 2024/25 and any related conditions will require approval and thereafter this will be intimated to the Chief Officer (IJB) for consideration by the IJB later in March.
- 5.3 The Capital Programme (appendix 6), Use of Reserves (appendix 7) and Common Good Budget (appendix 8) for 2024/25 will also require to be approved. It is proposed that, in the event the £62.7 million increased funding is confirmed after the 6 March UK Spring Budget and the Council receives a share of any funding then any increased funding is used to reduce the planned use of Reserves to support the Revenue Budget.
- 5.4 The amended Loans Charges Write-Off Policy will require to be approved assuming the Council agrees with the recommendation from officers. The new Policy is attached at appendix 11.
- 5.5 The Council require as a minimum to agree proposals in respect of the level of Band D Council Tax for 2024/25 and how the estimated funding gap of £2.544 million in 2024/25 is to be addressed.
- 5.6 In arriving at this decision, the Council should consider the Fairer Scotland Duty assessment and EqlAs which can be accessed via the relevant links, the Budget Consultation response in Appendix 12 and the estimated medium term funding gap as set out in Appendix 9.



## 6.0 IMPLICATIONS

6.1 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)	x	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing	x	
Environmental & Sustainability		x
Data Protection		x

## 6.2 Finance

This report is based on information up to and including the letter received from the Deputy First Minister on 23 February. If there are any last-minute changes to the information contained in this report these will be covered via the issue of an addendum.

A primary requirement of the decisions sought today will be the medium/longer term sustainability of the Council's Revenue and Capital Budgets. The report notes the significant use of reserves to address pressures on both in the short term and unless there is a marked increase in the level of General Revenue Grant and /or a significant increase in flexibilities afforded to the Council to manage its finances, then the Council faces an extremely challenging financial future with major changes to the level of service delivery almost inevitable.

The Council has significantly benefited from boosts to the General Fund reserves and recurring savings in recent years which have had no adverse impact on front line service delivery. This includes the Service Concession accounting changes, the Triennial Actuarial Review of pension contributions and most recently the review of Loans Charges Principal repayments. It is difficult to see where future savings/boosts to reserves of this scale will come from and therefore focus will need to be on balancing future budgets via increasing income and /or reducing expenditure.

### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Reserves	General Fund	2024/28	£16.15million		Proposed use of reserves to support the Budget over 2024/28 per appendix 7
Capital Programme		2023/24	(£20k)		Dog Park Project

## Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Various	Various	2024/26	(£1.277k)		Per appendix 3
Social Care	Payments to IJB	2024/25	£73.714million		Appendix 2
Communities	Playschemes	2024/25	£35k		Funded from Anti Poverty contingency
Regeneration	Apprentices	2025/26	£40k		Provision to pay Real Living Wage from April 2025 subject to further reports to P&R Committee

### 6.3 Legal/Risk

The Council needs to approve a budget and set the level of Band D Council Tax for the 2024/25 year as a minimum legal requirement. In considering the report and proposals developed by Elected Members, consideration requires to be given to the requirements of the Fairer Scotland Duty and the Equalities Act. This report contains links to both.

There remain some large budget risks around both the 2024/25 and 2025/26 Budgets specifically around the level of withheld grant were the Council to increase Council Tax in 2024/25, pay awards / inflation in both years and potential conditions attached to the 2025/26 Settlement. This latter matter includes continued limitations on Council Tax increases in 2025/26 and continued restrictions on reductions in teacher numbers both of which currently form part of the 2024/25 settlement.

The allocation of almost all of the projected available reserves, over £15 million of which is yet to be generated over 2024/27, will greatly reduce the ability of the Council to use reserves to smooth out unforeseen financial pressures beyond 2025/26. It is therefore imperative that the Council works over the next two years to move to a Revenue Budget/Capital Programme which by default does not rely on the use of the General Fund Reserve and uses opportunities to boost reserves if/as they arise.

### 6.4 Human Resources

Employee implications have been discussed with both the MBWG and JBG throughout the development of the Budget. In addition, there has been direct communications with those employees potentially affected by the savings options developed. Final communications will take place relevant groups of employees after approval of the Revenue Budget.

In line with the decision of the 1 February Council, a targeted enhanced VER trawl was undertaken which generated interest from around 50 employees. These employees will be updated on their expressions of interest for VER post the Council Budget decision.

## 6.5 Strategic

The need to be clear on medium term levels of funding from both the Revenue and Capital Budgets is a fundamental requirement to allow officers to work towards delivering the strategic priorities set out in the Corporate Plan.

## 6.6 Equalities, Fairer Scotland Duty & Children/Young People

Individual EqIAs have been prepared for any savings being proposed and shared with Elected Members. The EqIAs can be accessed via the following link: [In a similar manner, as required under the Armed Forces Act 2021, in considering this report the Council must also have due regard to the principles of the Armed Forces Covenant. An overall Budget EqIA assessment has also been completed.](#)

The overall Budget has been assessed as part of the Fairer Scotland Duty, which requires an assessment on how the proposals reduce inequalities of outcome caused by socio-economic disadvantage, and a UNCRC assessment of the impact on the rights of children.

All links the above can be accessed via the following link: [Equality Impact Assessments - Inverclyde Council Budget 2024/26](#)

## 7.0 CONSULTATION

7.1 The Council undertook a general Budget Consultation between 8 December and 5 January and the results of that consultation were reported to the 1 February Council. The results of a shorter more focussed consultation between 2 February and 14 February are contained in appendix 12.

The JBG have also been consulted and have raised no issues with the proposals contained in this report.

## 8.0 BACKGROUND PAPERS

8.1 None

## Appendix 1a

2024/25 Settlement Assessment - As at 20.2.24

	<u>£m</u>	<u>£m</u>
2024/25 Grant Settlement Draft 1/24 Circular - 12.2.24		212.046
2023/24 Grant Settlement 3/23 (March 2023)		<u>202.592</u>
Increase in Grant Funding		<u>9.454</u>
<u>Directed/Committed new Requirements</u>		
<u>General</u>		
£17.2m	2023/24 SJC Pay Award- One Off	0.266
£369.6m	SJC Pay Award recurring	5.717
	Increase in DHP Funding	0.105
		<u>6.088</u>
<u>HSCP</u>		
£11.5m	FPNC Inflation 24/25	0.167
£16.m	Kinship & Foster Care	0.238
£0.17m	SDS	0.004
£230m	£12/hr Living Wage- Care Sector	3.833
(£3.7m)	Mental Health Recovery -Stopped	(0.052)
	Increase in WFWF Funding	0.058
		<u>4.248</u>
<u>E&amp;R</u>		
		<u>0.000</u>
<u>E&amp;C</u>		
£209m	Teachers Pay	2.992
£6m	UFSM P6-7	0.060
	Movement in Gaelic specific grant	(0.005)
	Movement PEF specific grant	0.006
£16m	Early Years £12/hour Funding	0.214
		<u>3.267</u>
<u>Sums in 3/2023 not distributed in 1/2024</u>		
£145.5m	Teachers Conditionality	(2.119)
		<u>(2.119)</u>
	Total Directed Funding changes	<u>11.484</u>
	Net like for like Funding Reduction	<u>£ -2.030</u>

Classification : Official

Notes

1. This is compared to a £0.5m cash cut in the Budget Strategy for 2024/25 .
2. Officers estimate the sum needed for £12/hour ELC payments is £65k .
3. The Floor was set at minus 0.5%. The Council (with 13 others) is at the maximum reduction.
4. Excludes a share of the potential increased funding contained in Appendix 1b due to its uncertainty

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Deputy First Minister and Cabinet Secretary for  
Finance

Shona Robison MSP



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21 February 2024

Dear Councillors

Further to our recent discussions, including the conversation with the First Minister on Friday 16 February, and following your correspondence received on 19 February 2024, the First Minister and I have discussed COSLA's position on the Council Tax Freeze and the Local Government Settlement more generally.

We have reflected on the view of Leaders that, in that context, the £147 million allocated to fund the Council Tax Freeze is not sufficient, in particular COSLA's position that the General Revenue Grant is £62.7 million lower than last year. We have also heard your call for a compromise to be reached, as reiterated in my meeting with the Vice President, Cllr Hagmann and Group Leaders this afternoon.

In the light of these discussions, I am prepared to commit that, subject to the overall funding position improving following the UK Government's Spring Budget on 6 March, the Scottish Government will not only pass through to local government the £45 million expected as a result of the recent announcement on ring-fenced Adult Social Care funding in England, and any consequentials received for increased teacher pension contributions, but we will also increase the local government General Revenue Grant by a further £17.7 million.

As I stated in our meeting earlier today, the £45 million which is expected as a result of Michael Gove's announcement on adult social care funding, is being passed through to local government in Scotland as general revenue funding. We are not imposing the same conditions on the use of that funding, or compelling councils to produce productivity improvement plans as part of that package.

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In making this decision we will be allocating an additional £62.7 million to councils in Scotland for them to use as they see fit. In the context of the wide range of demands on the Scottish Budget and challenges across the public sector, I consider that this is a significant offer of compromise.

It will mean that the £147 million in funding allocated will be wholly additional funding. This compromise, in the spirit of constructive discussions we have had in recent weeks, represents a significant protection and improvement in the funding position for local government, which no other portfolio is benefiting from. It is also a demonstration of our commitment to the Verity House Agreement. In return for this significant compromise, I reiterate the position that the funding is conditional upon the freezing on the Council Tax.

It is also my intention that the funding for a Council Tax Freeze will be baselined in future years into the General Revenue Grant for all councils which agree to freeze their Council Tax in 2024-25.

I would highlight the priority placed on Local Government in recent years. Since the Resource Spending Review was published, Ministers have been required to take very difficult in-year decisions including the Emergency Budget Review in 2022-23 and more recently an in year budget savings exercise in 2023-24. Councils were not only fully protected from the challenging decisions taken in those processes but with the addition of the £62.7 million confirmed today, the core Local Government resource budget in 2024-25 is now over £730 million higher than the £10,616 million position published in the Resource Spending Review.

In addition, the Minister for Local Government Empowerment and Planning has today communicated to relevant councils our intention, subject to the funding position after the Spring Budget, to increase the Islands Cost of Living fund by £4 million. We have been listening closely to the island authorities, communities and businesses, and have recognised the needs of islands throughout this budget. This further step is being taken in recognition that there is a review underway led by COSLA and the Improvement Service on the Special Islands Needs Allowance, but that review will take time to complete. This is a small step but one which we hope will aid the island authorities to support their communities in the short term.

Finally, two further matters were raised in my meeting with Group Leaders earlier today and which I committed to clarifying.

Group Leaders raised with me their views about the need for a dialogue on teacher numbers and the wider education workforce, it is my view that the proposed Education Assurance Board needs to be rapidly established and begin its work to best enable those discussions to take place. A date for the first meeting of that Board should be identified as soon as possible.

In addition, in respect of delegation of services under the National Care Service, I can confirm that there is no intention to consider the requirement for the delegation of homelessness services as part of the NCS. We are committed to ensuring a clear interface between social care reform and other initiatives designed to support those experiencing or at risk of homelessness, and the letter simply intended to restate that commitment.

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I trust that this confirmation on funding supports those councils still to make a decision on their Council Tax and budget setting in that process, and that the clarifications above help us to move the discussion on other matters forward in the spirit of the Verity House Agreement.

**SHONA ROBISON**

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**Contribution to Integrated Joint Board - 2024/25**

	£m	Notes
<b>Recurring Contribution 2023/24 Approved 02 Mar 2023</b>	<b>68.156</b>	
<b>New Funding Per Finance Order Passported to HSCP</b>		
Kinship Care	0.238	
FPNC	0.167	
Self Directed Support	0.004	
Social Care Funding	3.833	
Whole Family Wellbeing Fund (Increase)	0.058	1
Removal of Mental Health Recovery Funding	(0.052)	
<b>Minimum Contribution 2024/25 (Per Scottish Government Direction)</b>	<b>72.404</b>	
<b>Additional Sums allocated/(Removed):</b>		
Share of 2023/24 Pay Award	1.315	2
SWAN Saving (Full saving £10,800 over 2 years)	(0.005)	3
<b>Proposed IJB Contribution 2024/25</b>	<b>73.714</b>	4

**Notes:**

- 1/ Share increased due to redistribution methodology
  - 2/ Share of £155m 2023/24 of £0.821m approved P&R Aug 2023. Share of additional £94m (£0.494m) requires approval by the Council.
  - 3/ Swan saving over 2024/26. £5,400 each year.
  - 4/ Year on year increase of £5.558m (8.2%).
  
  - 5/ Due to an actuarial review of pension contributions, there will be a recurring saving of 1.8% (£0.468m) on pension contributions from 2024/25. In addition to this, a one off saving for 2 years of 11% (£2.852m in 2024/25 & 2025/26). Sums will be retained by the IJB for specific uses on agreement with the Council.
- Finance Services 19/02/24

**2024/26 Budget**  
**29 February Council- Savings/Adjustments**

<b>E&amp;R</b>	<b>Savings 2024/25 £000</b>	<b>Savings 2025/26 £000</b>	<b>Comments</b>	<b>FTE</b>
1/ Transfer Shore St Public Convenience to the Common Good Fund	7	0	The Shore Street Gourock Public Convenience has been identified as a Common Good asset. It is proposed to meet the annual running costs from the Common Good Fund from 2024/25	0
2/ Reduction in annual requisition from Strathclyde Passenger Transport	13	0	The SPT requisition is usually increased/decreased based on the movement in the Local Government Settlement. As funding was cut, the 12 Councils in the SPT will receive a reduction in contribution in 2024/25.	0
<b>ECOD</b>				
1/ Reduction in early years partnership payments	60	40	The Education & Communities Committee agreed to no longer fund places with a provider from August 2024. Depending on where the lost placements are absorbed there will be a saving of between £0-£200k. It is recommended that a mid-point saving is taken and reviewed in the summer.	0
2/ Adjust ELC £12/hour funding to match requirements	130	0	The Scottish Government distributed £16m across Scotland to pay non-Council ELC providers £12/hour. As the Council has a lower proportion of ELC provision delivered externally, a saving is able to be taken.	0
<b>HSCP</b>				
1/ Scottish Wide Area Network Saving	5	6	The Scotland wide SWAN contract has been re-tendered and delivers a saving compared to previous prices. This will require £350k of initial investment funded from the Budget Delivery Reserve. The Council saves approximately £85k annually once implemented of which the HSCP saves £11k.	0
<b>Corporate</b>				
1/ Remove Budget Pressure for 37-35 Hour working week proposal.	50	150	£200k had been allowed for in the Budget Pressures to change the standard working week from 37 to 35 hours. The 6.2.24 Policy & Resources Committee agreed not to proceed at this time due to affordability.	0
2/ 2nd Homes Council Tax levy	120	0	The 6.2.24 meeting of the Policy & Resources Committee agreed to implement a 100% levy on Council Tax for 2nd homes from 1.4.24.	0
3/ Recurring Anti-Poverty Budget contingency	17	0	Proposal is to use £35k from the £52k recurring unallocated sum in the Anti-Poverty Budget to provide free access to Summer Playschemes and thereafter to remove the remaining small contingency	0
4/ Increase Utilities Workstream savings target	100	100	Based on the late January utility figures from Procurement Scotland it is proposed to increase the utility savings target by £200k. The first £100k saving relates to 2023/24 rather than 2024/25	0
5/ Review of Loans Charges write off periods	410	0	It is proposed to revise the Loans Charge Write Off Policy to increase the write off periods for new build schools and other assets. This is explained in more detail in the report.	0
6/ 0.5 fte Senior Benefit Assessor	14	5	Proposed to reduce the number of senior benefit assessors from 1.5 to 1.0 FTE in light of continued migration to Universal Credit	0.5
<b>Total</b>	926	301		0.5

19/2/24

REVENUE BUDGET 2024/25

Classification - No Classification

APPENDIX 4

Committee: All  
 Corporate Director: All  
 Service: All  
 Division: All

OBJECTIVE SUMMARY	2023/24 Base Budget	2024/25 Adjustments	2024/25 Budget	2024/25 Approved Savings upto Dec 2023	2024/25 Approved Savings Feb 2024	2024/25 Proposed Savings Feb 2024	2024/25 Adjustments	2024/25 Budget
Chief Executive Services	11,395,670	(51,000)	11,344,670	(44,000)		(14,000)	77,000	11,363,670
Environment, Regeneration & Resources Directorate	22,505,240	(577,000)	21,928,240	(109,000)		(20,000)	61,000	21,860,240
Education, Communities & Organisational Development Directorate	102,977,770	(389,000)	102,588,770	(58,000)		(190,000)	7,549,000	109,889,770
Health & Social Care Partnership Directorate	68,156,280	-	68,156,280	-		(5,400)	5,563,000	73,713,880
Directorate Sub-Total	205,034,960	(1,017,000)	204,017,960	(211,000)	-	(229,400)	13,250,000	216,827,560
Miscellaneous	9,514,050	5,400,000	14,914,050	(999,000)		(67,000)	7,660,000	21,025,050
Loan Charges	16,901,990	100,000	17,001,990		(483,000)	(410,000)		16,591,990
Saving Approved yet to be Allocated	(100,000)		(100,000)	(120,000)			(33,000)	(253,000)
Workstream Savings Approved	-	0	-	(1,360,000)	130,000	(100,000)		(1,330,000)
Service Concession Flexibility	(1,650,000)		(1,650,000)					(1,650,000)
Total Expenditure	229,701,000	4,483,000	234,184,000	(2,690,000)	(353,000)	(806,400)	20,877,000	251,211,600
Financed By:								
General Revenue Grant/ Non Domestic Rates	(190,719,000)	500,000	(190,219,000)				(17,883,000)	(208,102,000)
General Revenue Grant Teachers Hold Back	(655,000)		(655,000)				(1,464,000)	(2,119,000)
Council Tax	(35,327,000)		(35,327,000)			(120,000)		(35,447,000)
Contribution from General Fund Reserve	(3,000,000)	1,000,000	(2,000,000)		(1,000,000)			(3,000,000)
Net Expenditure	-	5,983,000	5,983,000	(2,690,000)	(1,353,000)	(926,400)	1,530,000	2,543,600



**Appendix 5**

**2024/26 Budget Position as at 20 February 2024 before decisions on Savings and Council Tax**

	2024/25 <u>£000</u>	2025/26 <u>£000</u>
Gap per June 2023 Financial Strategy	5983	6593
Decisions Taken up to 1.2.24:		
Savings Workstreams	-1360	-1320
Savings/Adjustments	-1330	-650
Lower Grant Settlement	1488	0
Amend workstream phasing	130	-130 1.2.24 Council
Savings/Adjustments	-483	-197 1.2.24 Council
Increased use of reserves	-1000	-1000 1.2.24 Council
	<u>3428</u>	<u>3296</u>
Decisions proposed 29.2.24 Council:		
Efficiencies/ Adjustments	-926	-301 Appendix 3
Net movement Draft LG Finance Order	42	0 SG update 12.2.24
Apprenticeship Real Living Wage	0	40 Update to March P&R
	<u>2544</u>	<u>3035</u>
<b>Funding Gap</b>	<u>2544</u>	<u>3035</u> Note 1

Notes

1. To be addressed via Council Tax & recurring savings
2. Excludes potential extra funding per DFM letter of 21.2.24

AP- 19.2.24

**General Fund Capital Programme - 2024/28****Available Resources**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Government Capital Support	5,935	5,750	5,750	5,750	23,185
Capital Receipts	315	315	315	315	1,260
Capital Grants	1,302	-	-	-	1,302
Prudential Funded Projects	4,357	8,593	2,714	2,464	18,128
Balance B/F From 23/24	13,547	-	-	-	13,547
Capital Funded from Current Revenue	6,169	3,544	2,564	2,433	14,710
<b>Available Resources</b>	<b>31,625</b>	<b>18,202</b>	<b>11,343</b>	<b>10,962</b>	<b>72,132</b>
<b>Total Expenditure</b>	<b>18,451</b>	<b>29,701</b>	<b>14,096</b>	<b>13,134</b>	<b>75,382</b>
<b>(Shortfall)/Under Utilisation of Resources</b>					<b>(3,250)</b>
<b>Approved 5% Overcommitment (Estimate)</b>					<b>(3,607)</b>
<b>(Shortfall)/Available Head Room</b>					<b>357</b>

**Notes:****Funding Deficit**

Overprovision within the Capital Programme of 5% against available resources has been approved to allow for increased resources or slippage. The £3.607m overcommitment highlighted here is based on current resources over the 4 year period, going forward this may reduce as the overall funding reduces.

**Government Capital Support**

2024/25 grant confirmed per December 2023 settlement, future years grants are estimates at this stage based on recent funding allocations and future forecasts.

**MBWG Recommendation**

MBWG has recommended removal of the the £20k set aside in March 2020 for a Dog Park following advice from Officers that the allocated budget is insufficient.

## General Fund Capital Programme - 2024/28

## Project Detail

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
<b><u>Policy &amp; Resources</u></b>					
<u>Finance</u>					
Annual Allocation (ICT)	576	585	534	534	2,229
Medium Term Capital Support	300	1,200	581	-	2,081
<b><u>Policy &amp; Resources Total</u></b>	<b>876</b>	<b>1,785</b>	<b>1,115</b>	<b>534</b>	<b>4,310</b>
<b><u>Environment &amp; Regeneration</u></b>					
<u>Regeneration</u>					
Port Glasgow Town Centre Regeneration	98	400	-	-	498
T&VC - West Blackhall Street	937	500	-	-	1,437
T&VC - Other	316	500	-	-	816
T&VC - Complete on site	34	-	-	-	34
Comet Replacement	20	500	-	-	520
Place Based Funding	400	-	-	-	400
Scheme of Assistance	840	856	806	806	3,308
Clune Park Regeneration	-	250	250	250	750
<u>Environmental</u>					
Cemetery Development	-	92	-	-	92
Cremator Replacement	300	24	-	-	324
Zero Waste Fund	45	45	45	45	180
Vehicles Replacement Programme	1,129	1,529	1,529	1,279	5,466
Play Area Strategy	208	50	-	-	258
Nature Restoration Fund	74	-	-	-	74
Park, Cemeteries & Open Spaces AMP	200	200	200	200	800
Former St Ninians School Site	160	-	-	-	160
<b><u>Roads &amp; Environmental Total</u></b>	<b>4,761</b>	<b>4,946</b>	<b>2,830</b>	<b>2,580</b>	<b>15,117</b>

## General Fund Capital Programme - 2024/28

## Project Detail

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
<u>Property</u>					
General Provision	600	3,578	2,400	2,400	8,978
Additional Covid pressure allowance - General	-	43	-	-	43
Feasibility Studies	16	50	-	-	66
Greenock Municipal Buildings - Window Replacement	-	8	-	-	8
Greenock Municipal Buildings - Air Handling	-	50	-	-	50
Waterfront Leisure Centre Lifecycle Works	300	123	-	-	423
Various Garages/Stores Replacement	9	100	-	-	109
Sea Walls/Retaining Walls	15	15	-	-	30
Coastal Change Adaptions	100	200	-	-	300
Watt Institute - Risk/DDA Works	160	56	-	-	216
New Ways of Working	10	41	-	-	51
Depot Demolitions - Balance	16	40	-	-	56
Kim Drive Civic Amenity Site	-	234	-	-	234
Whinhill Golf Club - External Fabric Works	100	5	-	-	105
Greenock Town Hall Roofing, Ventilation & Windows	1,500	570	-	-	2,070
Net Zero	500	2,625	-	-	3,125
Vehicle Replacement Programme - Ultra Low Emission Vehicles	192	149	-	-	341
Minor Works	30	-	-	-	30
Statutory Duty Works	100	-	-	-	100
Capital Works on Former Tied Houses	-	200	-	-	200
Complete on Site Allocation	53	300	-	-	353
<u>Roads</u>					
Cycling, Walking & Safer Streets	345	-	-	-	345
Flooding Strategy - Future Schemes	100	250	-	-	350
Kim Drive Passing Places	-	157	-	-	157
Inverkip - City Deal Council Contribution	-	300	-	-	300
Dunrod Road	500	1,000	-	-	1,500
Carriageways	1,605	1,801	2,750	2,750	8,906
Footways	170	300	-	-	470
Structures	175	275	-	-	450
Lighting	225	375	-	-	600
Other Assets	200	175	-	-	375
Staff Costs	330	330	-	-	660
<u>Property Services Total</u>	7,351	13,350	5,150	5,150	31,001
<b>Environment &amp; Regeneration Total</b>	<b>12,112</b>	<b>18,296</b>	<b>7,980</b>	<b>7,730</b>	<b>46,118</b>



## General Fund Capital Programme - 2024/28

## Project Detail

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
<b><u>Education, Communities &amp; Organisational Development</u></b>					
<u>Inclusive Education, Culture &amp; Communities</u>					
Leisure Pitches AMP - Lifecycle Fund	33	300	251	120	704
PG New Community Hub (King George VI Building)	430	57	-	-	487
Parklea Branching Out	50	200	-	-	250
<u>Inclusive Education, Culture &amp; Communities Total</u>	513	557	251	120	1,441
<u>Education (SEMP)</u>					
Lifecycle Fund	1,500	2,925	4,750	4,750	13,925
CO2 Monitors in Schools	-	34	-	-	34
Free School Meals Grant	-	202	-	-	202
Complete on site	-	297	-	-	297
<u>Education Total</u>	1,500	3,458	4,750	4,750	14,458
<b>Education, Communities &amp; Organisational Development Total</b>	<b>2,013</b>	<b>4,015</b>	<b>5,001</b>	<b>4,870</b>	<b>15,899</b>
<b><u>Health &amp; Social Care Partnership</u></b>					
New Learning Disability Facility	3,450	5,405	-	-	8,855
<b>Health &amp; Social Care Partnership Total</b>	<b>3,450</b>	<b>5,605</b>	<b>-</b>	<b>-</b>	<b>9,055</b>
<b>Total Expenditure</b>	<b>18,451</b>	<b>29,701</b>	<b>14,096</b>	<b>13,134</b>	<b>75,382</b>

Available Reserves

	<u>£m</u>	
Balance available - 1.2.24 Council	13.65	
Loans Charge Review- Retrospective one-off saving	3.75	
Less: Increased support to the Revenue Budget	-6.00	Note 1
Increased support to the 2024/28 Capital Programme	-4.40	
CMT Proposals:		
Allocation to VER Reserve for future releases	-1.20	Note 2
Allocation for elections 2024/27	-0.30	
Allocation towards Historic Child Abuse settlements	-0.50	Note 3
Allocation to sinking fund related to Asset Review	-3.75	Note 4
Remaining balance	<u>1.25</u>	

Note 1

Increases support to the Revenue Budget from £2.0m (24/25), £1.0m (25/26) to £3.0m (24/25), £3.0m (25/26), £2.0m (26/27), £1.0m (27/28).

Note 2

Current unallocated balance is £1.75m but based on future savings needs this will be insufficient in the medium term.

Note 3

Assumes £0.5m will also come from the IJB from their share of the one off £5.7million Pension Actuarial Review saving.

Note 4

Explained in more detail in main report

AP/LA

19/2/24

**COMMON GOOD FUND**  
**REVENUE BUDGET 2024/25**

	Projected 2023/24	Budget 2023/24	Adjustment 2024/25	Budget 2024/25
<b>PROPERTY COSTS</b>	<b>58,670</b>	<b>56,700</b>	<b>A 8,500</b>	<b>65,200</b>
Repairs & Maintenance	11,000	11,000	6,500	17,500
Rates	23,170	21,200	2,000	23,200
Property Insurance	3,500	3,500	0	3,500
Property Costs	21,000	21,000	0	21,000
<b>ADMINISTRATION COSTS</b>	<b>7,700</b>	<b>7,700</b>	<b>0</b>	<b>7,700</b>
Sundries	1,500	1,500	0	1,500
Commercial Rent Management Charge	2,200	2,200	0	2,200
Recharge for Accountancy	4,000	4,000	0	4,000
<b>OTHER EXPENDITURE</b>	<b>109,500</b>	<b>109,500</b>	<b>0</b>	<b>109,500</b>
Christmas Lights Switch On	10,500	10,500	0	10,500
Christmas Decorations	44,000	44,000	0	44,000
Gourock Highland Games	29,400	29,400	0	29,400
Armistice Service	8,300	8,300	0	8,300
Comet Festival	13,300	13,300	0	13,300
Events	4,000	4,000	0	4,000
<b>INCOME</b>	<b>(193,480)</b>	<b>(177,900)</b>	<b>B (5,800)</b>	<b>(183,700)</b>
Gross Rent	(228,200)	(228,200)	(6,000)	(234,200)
Void Rents	38,220	50,800	3,200	54,000
Internal Resources Interest	(3,500)	(500)	(3,000)	(3,500)
<b>NET EXPENDITURE</b>	<b>(17,610)</b>	<b>(4,000)</b>	<b>2,700</b>	<b>(1,300)</b>

Projected Fund Balance as at 31st March 2024 **£141,200**

Projected Fund Balance as at 31st March 2025 **£142,500**

**Notes:**

**A Property Costs**

Adjustment for Repairs & Maintenance is £6,500 for Shore Street Public Convenience (transferred from Council Revenue budget) and £2,000 for Rates as per the projection for 2023/24

8,500

**8,500**

**B Income**

Adjustment based on current occupancy levels (see Note C).

(2,800)

Internal Resources Interest increased following increase in interest rates

(3,000)

**(5,800)**

**C Occupancy assumptions;**

Projected Income (& Rates) assumes full occupancy with the exception of:

- 8 Bay St (assumed to become vacant during year)
- 10 Bay St (assumed 50% occupancy on short term charity leases)
- 12 Bay Street (vacant, assumes no let during year)
- 6 John Wood St (vacant, assumes no let during year)
- 8 John Wood St (assumed to become vacant during year)
- 10 John Wood St (vacant, assumes no let during year)
- 15 John Wood St (occupied but has 1 year rent free period starting in January 2024)
- 16 John Wood St (vacant, assumes no let during year)
- 17 John Wood St (vacant, assumes being let towards end of year)
- Unit 5 Earnhill Place (assumed to become vacant during year)

**D Recommended Fund Level**

The recommended minimum overall fund level is £100,000.

**Total Adjustments**

**2,700**

**2025/28 Budget Gap - Mid-Range Scenario**

	2025/26	2026/27	2027/28	2025/28
	£m	£m	£m	£m
Block Grant Increase	0.0	0.0	0.0	0.0
Continuing Impact of Depopulation	0.5	0.6	0.6	1.7
Inflation - Pay	3.5	4.0	3.4	10.9
- Non-Pay	1.0	1.0	1.0	3.0
Pressures				
- General Pressures	0.5	0.5	0.5	1.5
- Prudential Borrowing	0.1	0.1	0.1	0.3
Savings Approved to 29.2.24	(2.6)	0.0	0.0	(2.6)
Reduced Use of Reserves	-	1.0	1.0	2.0
Funding Gap	<u>3.0</u>	<u>7.2</u>	<u>6.6</u>	<u>16.8</u>

a/ £3.0m from Reserves used in both 2024/26 and is reduced by £1.0m/year over 2026/29.

b/ Reduced impact of depopulation assumes 0.3% Floor for 2025/28

c/ Pay & Non-Pay inflation and Pressures excludes HSCP

d/ Assumes no new Prudential Borrowing above that already contained in the Loans Charges Model.

e/ Includes no Council Tax increase (3% annual increase would raise £1.1 million per year)

f/ The movement in Block Grant excludes hypothecated funding increases as these are ring fenced for specific purposes

	2025/26	2026/27	2027/28
Key Assumptions	%	%	%
GRG/NDRI Cash Movement	0.0	0.0	0.0
Pay Inflation	3.0	3.0	2.5

Band	Chargeable Properties*	CTR Recipients Feb 2024	Band Value	Multiplier	2023/24 Council Tax
A*		10		200/360	£794.32
A	17,379 (46.16%)	5817	£0 - £27,000	240/360	£953.18
B	5,992 (15.91%)	1,752	£27,001 - £35,000	280/360	£1,112.04
C	3,697 (9.82%)	831	£35,001 - £45,000	320/360	£1,270.91
D	3,441 (9.14%)	333	£45,001 - £58,000	360/360	£1,429.77
E	3,613 (9.60%)	145	£58,001 - £80,000	473/360	£1,878.56
F	1,898 (5.04%)	49	£80,001 - £106,000	585/360	£2,323.38
G	1,418 (3.77%)	13	£106,001 - £212,000	705/360	£2,799.97
H	214 (0.57%)	0	£212,001 +	882/360	£3,502.94
		8950			

Note - Estimated to be 37,652 Chargeable Properties. This excludes 2307 exempt properties which gives a total of 39,959 properties in Inverclyde.

21/02/2024

**Inverclyde Council  
Finance Services**

**Loan Charge  
Principal Repayments  
Policy**

**February 2024**

## Inverclyde Council Finance Services

### Document Control

Prepared by:  
Approved by:

Alan Puckrin  
Policy & Resources Committee

October 2019  
November 2019

### Change Control Table

Version	Version Date	Revised By	Reason for Change
2.0	February 2024	A Puckrin	Proposed changes to maximum periods for repayment of some types of capital expenditure
<b>Changes Made In Version</b>			
<ol style="list-style-type: none"> <li>1. Period for Major Refurbishment Work increased from 30 years to 40 years</li> <li>2. New category added for Refurbishment Work with period of 30 years</li> <li>3. Period for New Buildings (including schools) increased from 40 years to 45 years</li> <li>4. Period for Major Regeneration Works reduced from 60 years to 50 years due to proposed change in regulations from Scottish Government</li> <li>5. Period for Purchase of Land reduced from 100 years to 50 years due to proposed change in regulations from Scottish Government</li> <li>6. Period for Development Sites reduced from 100 years to 50 years due to proposed change in regulations from Scottish Government</li> </ol>			
Version	Version Date	Revised By	Reason for Change

**Inverclyde Council  
Finance Services**

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## **Inverclyde Council Finance Services**

### **1.0 Introduction**

- 1.1 This document details Inverclyde Council's Policy for Loan Charge Principal Repayments.

### **2.0 Background**

- 2.1 Projects funded from the Council's Capital Programme as capital expenditure are financed by being charged/written-off against the Revenue budget each year over a number of years.
- 2.2 The purpose of this Policy is to set a maximum period over which capital expenditure will be repaid by being charged to the Revenue budget, depending on the nature of the project on which the expenditure was incurred.
- 2.3 The current regulations relating to these issues are in The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 but changes are proposed, as explained in 3.4 below.

### **3.0 Repayments Policy**

- 3.1 The proposed maximum repayment periods are as shown in the Appendix to this Policy.
- 3.2 The repayment periods for individual projects will be applied on a prudent basis and be based on the expected useful life of the assets/expenditure involved, including comparing to the estimated useful life assessed during the periodic review of asset values incorporated in the Annual Accounts.
- 3.3 Repayments are currently calculated using the annuity method (in which repayments increase each year during the write-off period). This method has been used for many years and will continue to be used for calculating repayments on capital expenditure unless the Scottish Government amends the regulations on principal repayments to restrict the use of this method.

## **Inverclyde Council Finance Services**

- 3.4 In December 2023, the Scottish Government issued a consultation paper proposing a number of changes to the regulations. Following responses from Councils, some of their proposals have been deferred but they still propose, for capital expenditure from 1/4/2024, to set a maximum repayment period of 50 years and no retrospection of any prior year savings arising for increases to write-off periods after 1/4/2024.

The repayment periods in the Appendix to this Policy for Major Regeneration Works, Purchase of Land, and Development Sites are proposed to apply to any new expenditure incurred from the date when the proposed regulation changes are implemented which is expected to be 1/4/2024.

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## Inverclyde Council Finance Services

### APPENDIX

#### LOAN CHARGE PRINCIPAL REPAYMENTS REPAYMENT POLICY

The maximum repayment periods for capital expenditure are:

- a. Computers/Network Equipment
  - Software 5 years
  - PCs 6 years
  - Servers 7 years
- b. Vehicles
  - 5 years, 7 years or 10 years depending on type of vehicle
- c. 3G Pitches
  - Up to 15 years
- d. Repairs and Renewal Work (e.g. Window Replacement, Reroofing)
  - 20 years
- e. Roads Carriageway Upgrades
  - 20 to 25 years
- f. Footway Upgrades
  - 30 years
- g. Refurbishment Work
  - 30 years
- h. Major Refurbishment Work
  - 40 years
- i. New Buildings (including schools)
  - 45 years
- j. Major Regeneration Works
  - 50 years for new capital expenditure from date of proposed Scottish Government regulation changes, currently expected to be 1/4/2024 (Current period is 60 years)
- k. Purchase of Land
  - 50 years for new capital expenditure from date of proposed Scottish Government regulation changes, currently expected to be 1/4/2024 (Current period is 100 years)
- l. Development Sites
  - 50 years for new capital expenditure from date of proposed Scottish Government regulation changes, currently expected to be 1/4/2024 (Current period is 100 years)

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<b>Report To:</b>	<b>The Inverclyde Council</b>	<b>Date: 29 February 2024</b>
<b>Report By:</b>	<b>Head of OD, Policy and Communications</b>	<b>Report No:</b>
<b>Contact Officer:</b>	<b>Morna Rae</b>	<b>Contact No: 01475 712923</b>
<b>Subject:</b>	<b>Results of Budget Consultation 2024/26 Phase 2</b>	

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## 1.0 PURPOSE AND SUMMARY

- 1.1  For Decision  For Information/Noting
- 1.2 The purpose of this report is to inform the Inverclyde Council of the results of Phase 2 of the public Consultation on the Council Budget.
- 1.3 As part of the process for setting the next Council Budget, public consultation is required. This will assist Elected Member understanding of what the impact of the Budget proposals might be and, in turn, inform decision-making. It also has a specific role to play in influencing the content of equality impact assessments in order that the potential effects on people with Protected Characteristics and related mitigations might be better understood.
- 1.4 The Inverclyde Council agreed on 7 December 2023 that Phase 1 of the Public Consultation would take place online via Smart Survey, running to 5 January 2024 for the public to prioritise various service areas. Following the results from this survey, it was agreed that a second consultation would take place, involving specific Budget Savings Proposals. This report provides an overview of the survey results.

## 2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Inverclyde Council notes the results of the Consultation and takes them into account when developing the approach to the Council Budget.

**Morna Rae**  
Head of OD, Policy and Communications

### 3.0 BACKGROUND AND CONTEXT

- 3.1 Effective public engagement on the Council Budget 2024/26 savings proposals is required so that Officers and Elected Members understand public perceptions of local priorities as well as the potential impact of savings decisions.
- 3.2 Research was undertaken on the range of mechanisms that the Council might use to support this public engagement, as well as on the approaches of other local authority areas. The Inverclyde Council agreed on 7 December 2023 that Phase 1 of the budget public engagement would involve the following:
- An online Smart Survey;
  - Followed by targeted engagement in relation to equality groups with support from an external partner, and
  - Targeted engagement appropriate to individual proposals.
- 3.3 The Smart Survey Consultation Phase 1 was open from 8 December 2023 to 5 January 2024. The results of this engagement are available at [Paragraph 3.4: 01 February 2024 - Inverclyde Council](#).
- 3.4 Since the December 2023 survey was launched, the budget savings proposals have been refined and the national position in relation to the Council Tax has developed. More specific proposals can now be consulted upon.
- 3.5 Phase 2 of the Budget Consultation 2024/26 was open from 2 February 2024 to 14 February 2024.
- 3.6 A total of 1009 people responded to the Budget Consultation 2024/26 Phase 2. This compares to 785 respondents who took part in the first phase of the Consultation. 802 and 1373 respondents took part in similar surveys in 2019 and 2018 respectively.

### DEMOGRAPHIC QUESTIONS

- 3.7 So that we can best respond to the needs of different local residents, a set of demographic questions was incorporated into the Budget Consultation 2024/26 Phase 2. It should be noted, however, that not everyone who participated in the Consultation chose to answer the demographic questions.

#### Gender

	2024 (Phase 2) %	2023/24 (Phase 1) %	2019 %	2018 %
Female	55	52	56	48
Male	42	45	43	51
Other	3	1	1	1
Prefer not to say	0.52	3	-	-

#### Age

	2024 (Phase 2) %	2023/24 (Phase 1) %	2019 %	2018 %
Under 16 years	1	0.13	4	13
16-24 years	6	4	5	10
25-34 years	12	13	16	12
35-44 years	22	24	23	21
45-54 years	23	25	22	21
55-64 years	23	22	19	15
65 or over	14	11	-	-
65-74	-	-	8	7
Over 75s	-	-	2	1

## Ethnicity

	2024 (Phase 2) %	2023/24 (Phase 1) %
English/Welsh/Scottish/ Northern Irish/ British	92	95
Irish	1	0.52
White and Black Caribbean	0.41	0.13
White and Black African	0.72	0
White and Asian	0.41	0
Indian	0.10	0
Pakistani	0	0.13
Bangladeshi	0	0
Chinese	0.21	0
African	0.51	0
Caribbean	0.21	0
Arab	0	0
Prefer not to say	4	3
Other	0.82	1

## Disability

Do you consider yourself to have a disability?	2024 (Phase 2) %	2023/24 (Phase 1) %
Yes, limited a lot	3	3
Yes, limited a little	10	11
No disability	79	78
Prefer not to say	7	6
Other	0.21	2

## Geographical Area

	2024 (Phase 2) %	2023/24 (Phase 1) %	2019 %	2018 %
Gourock	21	23	18	18
Greenock	53	46	56	59
Inverkip	6	7	-	-
Kilmacolm	3	3	3	7
Quarrier's Village	0.93	0.26	-	-
Port Glasgow	10	13	18	13
Wemyss Bay	4	5	6	4
Outwith Inverclyde	2	2	-	-

## **RESULTS**

- 3.8 The Consultation asked respondents to select their preferred approach to balancing the Council Budget and then rank Budget Savings Proposals from 1-16, with 1 being the proposal they supported the most and 16 being the proposal respondents supported the least.
- 3.9 Question 1 asked respondents to choose their preferred approach to balancing the Council Budget. Option 2 was the most popular preference, followed by Option 4, then Option 1. Option 3 was the least popular.

<b>Budget-Setting and Council Tax Options</b>	<b>%</b>	<b>Number of Respondents Selecting this Option</b>
Option 2: If we set a one-year budget and increase Council Tax by 9% in 2024/25, we will need to take £50,000 of savings in 2024/25. This will leave a funding gap of £390,000 in 2025/26 after a 7% increase in Council Tax.	39.6	345
Option 4: If we set a two-year budget and increase Council Tax by 9% in 2024/25, we will need to take £440,000 of savings over 2024/25 and 2025/26 after increasing Council Tax by 7% in 2025/26.	26.7	233
Option 1: If we set a one-year budget and implement the Council Tax freeze in 2024/25, we will need to take £700,000 of savings in 2024/25. This will leave a funding gap of £1.3 million to be addressed in 2025/26 after a 7% increase in Council Tax.	19.8	173
Option 3: If we set a two-year budget and implement the Council Tax freeze in 2024/25, we will need to take £2 million of savings over 2024/25 and 2025/26 after increasing Council Tax by 7% in 2025/26.	13.9	121

- 3.10 Respondents were asked to rank 16 Budget Savings Proposals from 1-16, with 1 being the proposal they supported the most and 16 being the proposal supported the least. Reduce the opening hours of the Inverclyde Council Customer Service Centre, Council Reception and Registrar's Service was the Budget Savings Proposal supported by the most respondents. Reduction in Library Opening Hours was the Budget Savings Proposal respondents disagreed with the most.

	<b>Overall Ranking</b>	<b>Total Score</b>
Reduce the opening hours of the Inverclyde Council Customer Service Centre, Council Reception and Registrar's Service	1	13171
Reduce employability services	2	10636
Close the Gourock Civic Amenity Site	3	10185
Stop the Community Warden service	4	9961
Delete the Seasonal Grounds Services Budget	5	9100
Reduction in Community Grants	6	8542
Reduce the Grounds Maintenance service	7	8210
Stop the CCTV service	8	7777
Removal of the Home Link Worker service	9	7669
Reduce Cleaning Hours in all educational establishments	10	7585
Stop Free Swimming Lessons for Primary 4 pupils	11	7476

Children Start Nursery Term after their 3 <sup>rd</sup> birthday	12	7052
Remove administrative support at Auchmountain Halls	13	6733
Reduction in School Instrumental Music Instruction	14	6481
Stop Free Transport to the Bluebird Family Centre and Glenbrae Children's Centre	15	6318
Reduction in Library Opening Hours	16	5840

3.11 Respondents were also asked to share any other comments regarding the Council Budget approaches or the proposed budget savings. Common themes arising from these comments included:

- Strong preferences for not reducing school instrumental music tuition.
- Disagreement with removing administrative support at Auchmountain Halls.
- Concerns with efficiencies regarding Council operations, staff and spending.
- Disagreement with cuts to the CCTV service.
- Concerns for community safety if Community Wardens and/or CCTV were removed.
- The value of library services to the community.

#### **EQUALITY IMPACT ASSESSMENTS**

3.12 The consultation feedback has been shared with the Officers responsible for the budget savings equality impact assessments in order that they can take this into account within the assessments. This sits alongside the results of the targeted engagement relating to individual proposals.

#### **4.0 PROPOSALS**

4.1 It is recommended that the Inverclyde Council notes the results of the Consultation and takes them into account when developing the approach to the Council Budget.

#### **5.0 IMPLICATIONS**

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

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

#### **5.2 Finance**

None



One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments

**5.3 Legal/Risk**

Providing effective mechanisms for the public to comment on proposals assists the Council in fulfilling its statutory requirements in relation to equalities.

**5.4 Human Resources**

None

**5.5 Strategic**

Public consultation on the Council Budget relates to the Council Plan outcome “high quality and innovative services are provided, giving value for money”.

**6.0 CONSULTATION**

6.1 The content of this report is sourced from the SmartSurvey Consultation exercise carried out digitally, paper copies were handed in person at Inverclyde Libraries and comments were taken over the telephone, between 2 February to 14 February 2024.

**7.0 BACKGROUND PAPERS**

7.1 None