
Report To:	Inverclyde Council	Date:	5 December 2024
Report By:	Chief Financial Officer	Report No:	FIN/87/24/AP
Contact Officer:	Alan Puckrin	Contact No:	01475 712090
Subject:	Finance Strategy 2024/34 - 6 Monthly Update		

1.0 PURPOSE AND SUMMARY

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is to present the updated Financial Strategy to the Council for review and approval. The Strategy reflects the main matters impacting upon the Council arising from the new Chancellor of the Exchequer's Autumn Statement and the resultant OBR figures.
- 1.3 All funding models and appendices have been updated and reviewed with a short commentary on each included in the body of the report. Decisions are sought to keep all the models sustainable in the medium/longer term.
- 1.4 The medium term financial challenges which continue to face the Council are clearly set out in tables 4a-4c of the report with an estimated funding gap over 2025/28 of between £7.3m-£21.7million.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Council approve the latest update to the Council's Financial Strategy, including the updated funding models in the appendices and note the continued significant financial challenges facing both the UK and Scottish Governments.
- 2.2 It is recommended that the Council note the remaining mid-range estimated 2025/28 funding gap of £14.9 million set out in table 4a in the Financial Strategy after assuming a 7% increase in Council Tax in 2025/26.
- 2.3 It is recommended that the Council agrees to end one of the £100,000 Insurance Fund premium holidays from 1 April 2025 due to the reduced Insurance Fund balance.
- 2.4 It is recommended that the Council agrees to the following one-off actions in relation to Funding Models:
1. Transfer £300,000 to the City Deal Funding Model from the unallocated reserves
 2. Transfer £300,000 to the Internal Resources Interest model from the unallocated reserves
 3. Reduce the previously approved £1.0million transfer in 2024/25 between the Internal Resources Interest and Loans Charges Funding Models by £200,000.

Alan Puckrin
Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 The six monthly review of the Financial Strategy takes into account the latest forecasts from the OBR following the first Autumn Statement by the new Chancellor of the Exchequer, latest interest rate and inflation forecasts and a review of all of the Funding Models.
- 3.2 It can be seen from table 3 in paragraph 7.7 that the 2024/27 estimated net funding gap is £7.8 million after incorporating the latest planning assumption of a 7% increase in Council Tax in 2025/26 which would raise around £2.4 million extra income.
- 3.4 Table 4a confirms that based on this latest information and the local assessment of certain figures by the Chief Financial Officer, the mid-range scenario shows that the Council faces a net potential funding gap of £14.9 million over the 2025/28 period. This reflects the above-mentioned planning assumption around 2025/26 Council Tax. In line with Best Practice, Tables 4b and 4c illustrate scenarios for the 2025/28 funding gap using different assumptions around Government Grant income, inflation, and budget pressures. These tables show potential funding shortfalls of £7.3 million to £21.7 million.
- 3.5 A material risk within all the above relates to pay awards and this risk has been heightened pending clarification regarding the funding of the increase in employers national insurance contributions announced by the Chancellor of the Exchequer. There remains a risk that further savings/increases in income will be required once this matter is clarified as part of the Spring Statement.
- 3.6 Table 5 in paragraph 7.12 shows that overall, the 2024/28 Capital Programme has a £3.2 million funding shortfall which is within the 5% over commitment limit set by the Council. As the Scottish Government has previously advised of a “flat cash “settlement for capital until 2026 at least, the Council will need to consider any investment in new projects very carefully and also whether existing assets can be adequately maintained. The Council has agreed an Asset Management Saving Workstream target of £400,000 as part of the 2024/26 Budget with officers providing an update to the Programme Board in December.

3.7 Funding Models

All funding models and appendices have been updated to reflect latest information/estimates. A commentary on each is given below.

- 3.8 **Appendix 4 – General Fund Reserves** - The estimated level of unallocated reserves at 31 March 2025 is £3.55million which is £0.45 million below the minimum recommended level. The CMT have developed proposals to address this shortfall and to fund the recommendations included in this report.
- 3.9 **Appendix 5 – Capital Fund** – The Capital Fund has a surplus and projects a healthy balance going forward based on anticipated receipts. It is proposed that no action is taken at this time pending confirmation of those receipts expected over the next 12 months.
- 3.10 **Appendix 6 – Repairs & Renewals Fund** – The 5 separate sub-funds within the Repairs & Renewals Fund are all projecting to remain in surplus for the rest of the strategy period. The Leisure Strategy balance is expected to reduce further after 2026/27 as more 3G pitches are refreshed/replaced.
- 3.11 **Appendix 7 – Insurance Fund** – The Insurance Fund balance shows a significant reduction over the next decade due to the Council contribution to the Scottish Child Abuse Redress Scheme, two internal insurance premium “holidays” ending in 2027/28 and 2029/30 respectively and the recent intimation by Glasgow, as the accounting authority for the former Strathclyde Region, of the approximate level of outstanding claims and the Council’s estimated liability. Due to this and the impact on the Fund of the recent Clune Park Primary School fire, it is recommended that one of the two £100,000 premium holidays ends from 2025/26.

- 3.12 **Appendix 8 – City Deal** – In 2014 the Council allocated £400,000 to meet the cashflow and the Council’s contribution to the centralised project management team supporting the delivery of the £1.13bn Glasgow Region City Deal. Following budget reductions this sum is now £220,00. Due to increases in interest rates charged on the cashflow deficit in recent years, the model requires a £300,000 injection from reserves to keep the model in surplus in the longer term.

There is the potential for further City Deal projects arising from the reallocation of freed up resources across the region. Officers will review potential financial implications of any proposals developed by the Council, and these are expected to be reported to elected members early summer 2025.

- 3.13 **Appendix 9 – Loans Charges** – Loans charge projections continue to be more fluid than was previously the case due to increases in interest rates, the repayment of market loans and the Council’s estimated requirement to borrow £70million over the next 3 years as the Council’s cash backed reserves reduce and short-term loans need to be refinanced. It can be seen from appendix 9 that interest rates are projected to reduce from current levels and as such it is recommended that the planned £1.0million injection to the model in 2024/25 be reduced to £800,000.

- 3.14 **Appendix 10 – Internal Resources Interest** – Internal resources interest (IRI) can fluctuate considerably due to both, any movements in UK short-term interest rates plus changes to the Council and IJB cashflow. The latest position reflects a requested £300,000 transfer to the model from unallocated reserves due to reductions in the Council cashflow in the early part of 2024/25.

4.0 PROPOSALS

- 4.1 The medium-term financial challenges facing the Council are set out in the Strategy and specifically section 7. The Council will need to be very clear on its priorities over medium-term to ensure the finances of the Council are appropriately managed.
- 4.2 Despite the many external financial pressures, all funding models and funds are showing a sustainable longer-term outlook subject to the recommendations in this report being approved.

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)	X	
Equalities, Fairer Scotland Duty & Children/Young People’s Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 Finance

The financial messages remain the same as they have for several years in terms of the challenges facing both revenue and capital budgets, the need for clear prioritisation of budgets including the need to robustly review the Council’s asset base.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Funding Models	City Deal	2024/25	£0.3million	Unallocated Reserves	Linked to other decisions around reserves expected in January 2025
	Internal Resources Interest	2024/25	£0.3million	Unallocated Reserves	
	Loans Charges	2024/25	(£0.200million)	IRI	Reductions in 24/25 transfer from IRI to Loans Charges

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Various	Insurance	2025/26	£100,000		Will create a Budget Pressure from 2025/26

5.3 Legal/Risk

Section 11 of the Financial Strategy contains a list of risks and associated mitigations which have been factored into the development of the Finance Strategy.

5.4 Human Resources

There are no HR implications arising from the report and Strategy.

5.5 Strategic

The Financial Strategy is a key strategic document and forms part of the Council's Performance Management Framework feeding into the development of Council Plan and Committee Delivery & Improvement Plans

6.0 CONSULTATION

6.1 The Corporate Management have been consulted and support the proposals in this report.

7.0 BACKGROUND PAPERS

7.1 None.



Financial Strategy

2024/25 – 2033/34

December, 2024

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1.1 Foreword

This latest revision of the Council's Financial Strategy has been prepared at time when the impact of global economics and global conflict are resulting in supply issues and economic pressures.

Given the challenging economic situation, and the significant financial issues we will face over future years, it is essential that the Council updates its Financial Strategy regularly to ensure it provides a practical framework within which policy choices can be identified, debated and approved.

The approval of this revised Financial Strategy demonstrates that we are clear both about the outcomes we want to achieve for our communities and the financial challenges that need to be addressed if we are to successfully deliver on these outcomes.

To provide a clear, consistent strategic direction for the Council the following outcomes were agreed for the Financial Strategy – it will ensure that:

- **the Council has a comprehensive, sustainable, balanced budget;**
- **the Council reviews the level of Council Tax annually in the context of the Financial Strategy, to determine an appropriate level in the best interests of the people of Inverclyde;**
- **resources are allocated and deployed to facilitate delivery of the outcomes in the Council Plan/Partnership Plan and Committee Delivery Improvement Plans;**
- **all key strategic decisions on the allocation and deployment of resources are made within the appropriate financial context;**
- **Members can take full account of the impact of decisions on the overall financial resources of the Council in the short, medium and long term;**
- **there is a high level of confidence in the financial management of the Council;**
- **the Council has flexibility to address new policy requirements, or significant changes to existing policies, within overall available financial resources;**
- **resources are invested effectively, efficiently and on a sustainable basis;**
- **there is continued improvement in the delivery of major projects;**
- **there remains a focus on securing efficiencies across the organisation;**
- **the Council continues to invest in improving service quality, delivering new infrastructure, enhancing service levels and upgrading existing assets; and**
- **there is an increased level of understanding on behalf of the wider community with regard to the finances of the Council.**

The primary financial challenge facing the Council over the coming period, given the continued pressure on public sector budgets, will be to stay within the approved revenue budget and deliver a capital programme that continues to maintain the required level of investment in key infrastructure whilst contributing to the Net Carbon Zero targets and support the needs of the local community.

The 2023 Scottish Government Medium Term Financial Strategy (MTFS) confirmed a very challenging core settlement for Local Government over the 2023/28 period. Due to the UK General Election in July 2024, the updated MTFS was deferred and an update is awaited.

Given the difficult position the Council faces on capital expenditure, it is essential that future capital expenditure proposals are largely self-financing through the use of Government grants, the release of other capital assets or by using increased income to sustainably fund prudential borrowing.

The Council has also approved corporate policies to charging and income generation – including maximising external funding to supplement existing resources and support service delivery. The Council increased the level of income generated by charging as part of the 2024/26 Revenue Budget and this will continue to be reviewed in future budget setting decisions.

We also need to ensure that the Financial Strategy continues to support the Council Plan directly, the Partnership Plan and effectively link this Strategy to our Committee Delivery Improvement Plans.

The Financial Strategy is a dynamic document and will be monitored on an ongoing basis by the Corporate Management Team and it will continue to be formally reviewed by the Council twice yearly, in June and in December.

This Financial Strategy is key to the future success of the Council – it is about making sure we have sufficient resources in place when required to deliver the outcomes we realistically can achieve for the communities of Inverclyde.

Leader of the Council

**Louise Long
Chief Executive**

2.0 Why have a Financial Strategy?

- 2.1 The purpose of our Financial Strategy is to provide clear direction, supported by a practical framework and explicitly defined parameters, on how the Council will structure and manage financial resources in the medium to long term to ensure they are deployed effectively to achieve corporate objectives.
- 2.2 This is not just another financial process – the Financial Strategy is integral to our Strategic Planning and Performance Management Framework which underpins the achievement of the outcomes identified in the Council Plan and is an integral part of the Committee Delivery and Improvement Plans.
- 2.3 The requirement to develop a medium to long term financial strategy covering the next three to ten years (and in some areas longer) is a vital component of decision making.
- 2.4 The Council has taken into account guidance from CIPFA when developing the Financial Strategy as well as best practice from other local authorities.
- 2.5 Our ambition is to maintain a single, coherent Financial Strategy that brings together the corporate objectives of the Council along with all the relevant financial information in a clear, accessible document.
- 2.6 The value of such a Strategy is that it enables the Council to develop a better understanding of the wider policy and financial environment within which it operates, identify and respond flexibly to opportunities and threats, manage and mitigate risks and ensure that financial resources are contributing to achieving corporate objectives.
- 2.7 The Strategy will also provide information to a range of stakeholders:

Table 1 – Stakeholder Information

For the Council and Elected Members	to decide how available financial resources will be used
For Chief Officers, managers and employees	To help optimise the available resources and reinforce their roles in financial management arrangements
For residents	to show how the Council's Financial Strategy impacts upon service provision
For Council Tax payers	to demonstrate how the Council looks after public resources
For partners	to share the Council's vision and help identify opportunities for joint working and resource deployment.

- 2.8 Inevitably some of the information of the Financial Strategy will be based on forecasts and these will change over time - the Strategy is reviewed regularly so that the Council can respond proactively to any such changes.
- 2.9 The inclusion of information in the Financial Strategy does not infer approval and all financial projections and issues will have to be subject to approval through the budget process.
- 2.10 The Strategic Planning and Performance Management Framework continues to develop links between the strategic planning and budgeting processes. This allows services to plan ahead, taking into account the resources available and proactively identify opportunities to achieve efficiencies or secure alternative funding sources. This process also encourages the development of joint resourcing opportunities within the Inverclyde Alliance.

3.0 Financial Summary

- 3.1 On 29 February 2024 the Council agreed the 2024/25 Revenue Budget. The Council also took strategic decisions on the use of Reserves and agreed the 2024/28 Capital Programme which took into account the latest Government Grant settlement information.

Table 2 – Short Term Summary – Approved Revenue and Capital Budgets

	2024/25 £million
<u>General Fund Revenue Budget</u>	249.047
<u>Financed by</u>	
Government Grant (Including NDR)	(210.946)
Council Tax	(35.473)
Approved Contribution from General Reserve	(2.628)
	0
<u>Capital Programme (2024/25)</u>	
Approved Spend	22.93
<u>Financed by</u>	
Government Grants	9.03
Capital Receipts	0.43
Other Grants/CFCR	6.16
Prudential Borrowing	6.91
Resources Carried Forward from prior year	12.51
Surplus in Resources in 2024/25	12.11

4.0 Overall Economic Position

UK Context

- 4.1 Since the June Finance Strategy there has been a change in the UK Government with Labour being elected with significant working majority. In the early months of the New Government there has been considerable publicity and debate around the size of the financial challenge inherited by the Labour Government and, at the same time, speculation and debate about how these financial challenges would be addressed in the context of manifesto pledges.
- 4.2 Many of these matters were clarified when the Chancellor presented her Autumn Statement on 30 October. The main messages within the Chancellor's statement and subsequent analysis from the experts were:
- £70 billion increase in spending over the next 5 years.
 - £42 billion increase in taxes with the balance funded by increased borrowing.
 - Inflation in the medium term being marginally higher than previously but still close to the 2.0% target.
 - GDP growth being largely unchanged over the next 5 years.
 - Interest rates not decreasing as fast as previously projected but still expected to reduce to around 4% by the end of 2025.
 - Debt as a % of GDP (a redefined measure) being around 84% over the next 5 years.
- 4.3 The largest aspect of the increased income tax came from a 1.2% increase in employers national insurance allied to a reduction from £9100 to £5000 in the lower threshold. This is projected to raise around £26 billion per year with all sectors subject to the increase. Some assurances have been received that the public sector will receive recompense for the increase but at this time it is unclear whether this will fund 100% of the increase, especially in Scotland which has proportionally, a larger and higher paid public sector than England.
- 4.4 The extra investment is largely front loaded with a 4.3% increase in real terms investment in the first year but much of this targeted towards health, childcare and defence. Analysts predict that based on these figures, unprotected budgets including Local Government are facing real terms reductions in funding from 2026 onwards unless a further £9 billion can be raised in the medium term.
- 4.5 The Office of Budget Responsibility (OBR) October 2024 forecasts are shown in the table below.

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
GDP (real) annual % change	1.1	2.0	1.8	1.5	1.5
Inflation (CPI) annual % change	2.5	2.6	2.3	2.1	2.1
Average Earnings (%)	4.7	3.6	2.1	2.0	2.3
Public Sector Borrowing (Bn)	127	106	88	72	72
Debt as a % of GDP	84	84	84	84	84
Interest Rates %	4.9	3.9	3.7	3.6	3.5

Scottish Context

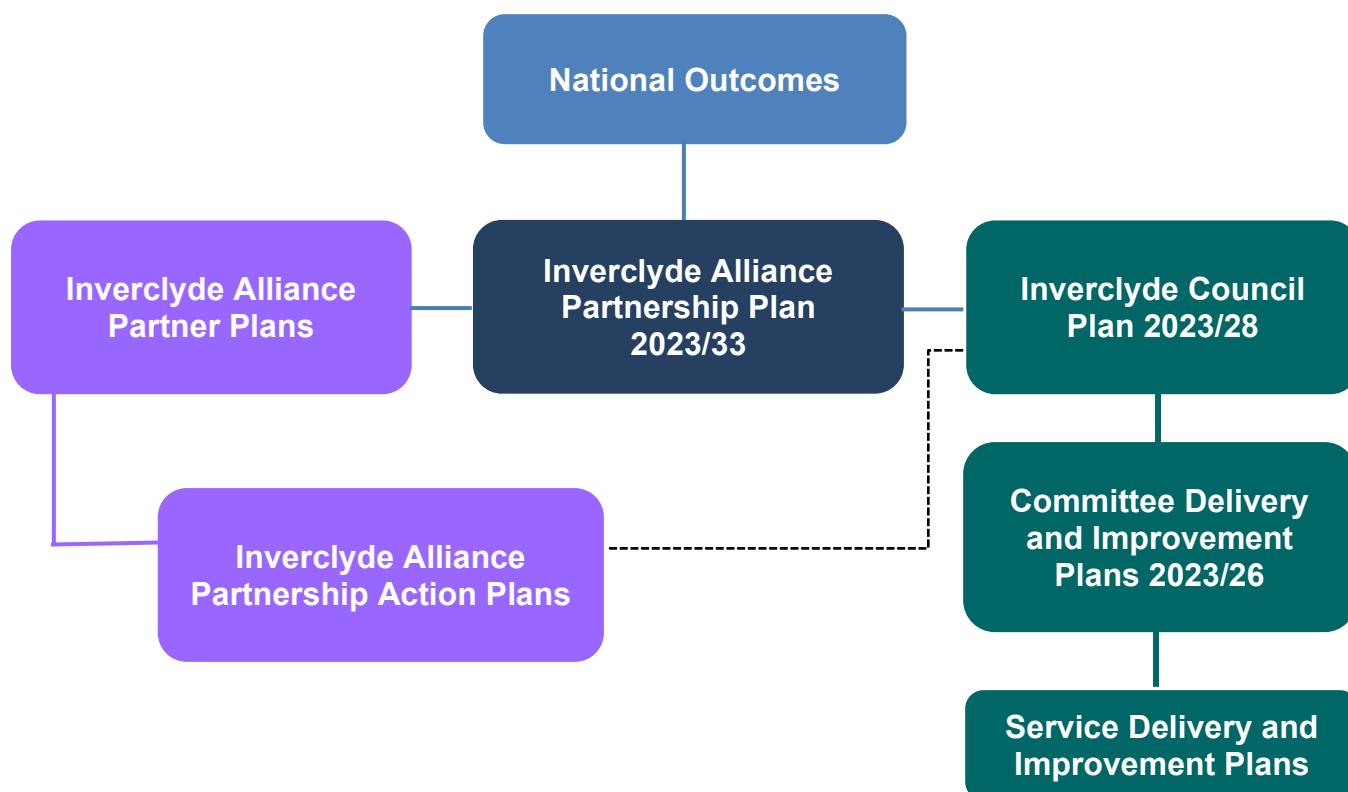
- 4.6 Prior to the General Election the Scottish Government had undertaken an in-year savings exercise to meet the extra cost of the public sector pay-awards and other pressures estimated as being up to £1billion. The Cabinet Secretary gave a Budget Statement on 3 September confirming that a number of funding streams would be deferred or policies changed. Approximately 50% of the funding would come from the earmarking of up to £460million from the one-off ScotWind proceeds.
- 4.7 The following table shows the estimated Barnett Consequentials for Scotland based on the Chancellor's Autumn Statement. This increase represents the largest increase in funding since devolution. The allocation of these sums is down to the Scottish Government, and it is anticipated greater clarity of this will be given on the 4 December when the Scottish Government presents its draft Budget.

	<u>24/25</u> <u>£m</u>	<u>25/26</u> <u>£m</u>	<u>Overall</u> <u>£m</u>
<u>Revenue</u>			
Health & Social Care	790	845	1635
Education	195	361	556
Levelling Up/Housing/Communities	47	(53)	(6)
Local Government	6	277	283
Other	395	(69)	326
Total Revenue	1433	1361	2794
<u>Capital</u>			
Health & Social Care	0	89	89
Education	14	51	65
Levelling Up/Housing/Communities	4	141	145
Local Government	0	0	0
Other	54	339	393
Total Capital	72	620	692
Overall Total	1505	1981	3486

- 4.8 The actual detail of the Local Government funding settlement is expected on 12 December and thereafter officers will prepare reports on what this means for the 2025/26 Revenue Budget and 2024/28 Capital Programme for elected member consideration.

5.0 Local Context

- 5.1 The local environment within which the Council operates has changed significantly in recent years and will alter further in future years due to the impact of national legislation and policy, further economic turbulence, societal changes and developing customer expectations.
- 5.2 The overall strategic framework within which the Council operates is outlined in the Strategic Planning and Performance Management Framework (SPPMF). The Framework was refreshed towards the end of 2022 as part of the Council's development work for the new Inverclyde Alliance and Inverclyde Council strategic plans. The SPPMF consists of a new ten year Partnership Plan 2023/33 and a five year Council Plan 2023/28, underpinned by Committee Delivery and Improvement Plans, Service Delivery and Improvement Plans and the Financial Strategy.
- 5.3 The new Strategic Planning and Performance Management Framework, approved in early 2023, is shown in the diagram below.



- **National Outcomes** are set by the Scottish Government and sit within a National Performance Framework. These 11 outcomes are an overarching guide for the local community planning partnership document, the Inverclyde Outcomes Improvement Plan.
- The **Inverclyde Alliance Partnership Plan 2023/33** is a high level strategic partnership document setting out the vision and direction for the Inverclyde area over a ten year period, as agreed by all the Inverclyde Alliance partner organisations and communities. The outcomes are based on evidence of the key issues and challenges for the Inverclyde area and through community engagement. They set out what we want to achieve for all the communities of Inverclyde.
- The **Partnership Action Plans** which set out the Partnership actions and projects, will contribute to the achievement of the Partnership Plan outcomes have now been developed and implemented.

- The **Council Plan 2023/28** is a public facing document and sets out the ways in which Inverclyde Council hopes to improve the lives of the people of Inverclyde through the delivery of a range of high level outcomes. The outcomes within the Plan are structured across the themes of People, Place and Performance.
- The **Committee Delivery and Improvement Plans 2023/26** contain strategic service delivery actions for the Council's Policy and Resources, Education and Communities and Environment and Regeneration Committees, aligned to the delivery of the overarching Council Plan. The Committee Plans are reviewed on an annual basis. In addition, the HSCP has developed a Strategic Plan 2019/24 which supports the Inverclyde Integration Joint Board.
- **Service Delivery and Improvement Plans** sit beneath the Committee Delivery and Improvement Plans in the planning structure with a service plan in place for each Head of Service. These Plans, set out the operational tasks and activities for each Council Service and are updated annually.

Outcomes for Inverclyde

The focus of the Strategic Planning and Performance Management Framework is on addressing the main challenges facing the area. The Inverclyde Alliance Partnership Plan 2023/33 builds on the achievements of the Inverclyde Outcomes Improvement Plan 2017/23 to deliver the Vision: **Success For All – Getting It Right for Every Child, Citizen and Community**. The Plan focuses on the themes of Empowered People, Working People, Healthy People and Places, A Supportive Place, and a Thriving Place.

THEME 1: EMPOWERED PEOPLE

- Communities can have their voices heard, and influence the places and services that affect them
- Gaps in outcomes linked to poverty are reduced

THEME 2: WORKING PEOPLE

- More people will be in sustained employment, with fair pay and conditions
- Poverty related gaps are addressed, so young people can have the skills for learning, life and work
- Businesses are supported and encouraged to reduce their carbon footprint and develop green jobs

THEME 3: HEALTHY PEOPLE AND PLACES

- People live longer and healthier lives
- Supportive systems are in place to prevent alcohol and drug misuse
- Our natural capital is looked after, and we are effectively adapting and mitigating the effects of climate change

THEME 4: A SUPPORTIVE PLACE

- Vulnerable adults and children are protected and supported, ensuring they can live safely and independently
- We recognise where people are affected by trauma, and respond in ways that prevent further harm and support recovery
- Public protection and community safety are improved through targeting our resources to reduce the risk of offending and harm

THEME 5: A THRIVING PLACE

- Growth in our working age population by encouraging people to stay here, and attracting new people to settle here
- Development of strong community-based services that respond to local need
- Homes are energy efficient and fuel poverty is reduced
- Increased use of active travel and sustainable transport options
- Easy access to attractive and safe public spaces, and high-quality arts and cultural opportunities

- 5.4 A key challenge for the Inverclyde Alliance, and the public agencies, operating in Inverclyde, over the next ten years will be to ensure better alignment between available resources, across all agencies, and the outcomes and priorities identified in the Partnership Plan 2023/33.

5.5 Demographics and Population

The most significant challenge facing Inverclyde is depopulation and associated demographic change. The fundamental issue for the Council is that at some point, if the decline in population continues, then the area could become no longer sustainable as a unit of administration which would have an associated impact on other services such as health, police and fire. In recent years, the population decline in Inverclyde has been largely driven by fewer births than deaths in the area. The Inverclyde Alliance will continue to have a focus on Repopulation through the delivery of action plans developed in support of the thematic priority: A Thriving Place.

- 5.6 NRS mid-Year Population Estimates 2023, published in October 2024, estimated Inverclyde's population to be 78,330, which is a decrease of 70 from the Census 2022 population and the second largest population decrease in Scotland.
- 5.7 According to the latest mid year population estimate, 15% of Inverclyde's population is aged 0-15 years, which is slightly less than the percentage for Scotland, 16%. 62% of Inverclyde's population is aged 16-64 years compared to 63% in Scotland, whilst 23% of the local population is aged 65 years and older, compared to 20% in Scotland.
- 5.8 Since 1985, Inverclyde's total population has fallen overall whilst Scotland's population has risen over this period, although the rate of population growth in Scotland has slowed.
- 5.9 It is anticipated that re-based population projections for Scottish areas will be published in early 2025. The latest available data therefore remains the 2018-based projections, published in March 2020 which forecast a long term decline in Inverclyde's population. By 2043 the population of Inverclyde is projected to be 65,517, a decrease of -16.2% compared to the population in 2018. The population of Scotland is projected to increase by 2.5% per cent between 2018 and 2043. It should be noted that the 2018 based population projections were produced prior to the pandemic and Census 2022
- 5.10 Over the 25 year period the age group that is projected to increase the most in size in Inverclyde is the pensionable and over age group with a 9.9% increase. In Scotland, it is estimated that there will be a projected 23.2% increase in the pensionable age population by 2043.
- 5.11 The population aged under 16 in Inverclyde is projected to decline by 25.6% over the 25 year period, compared to a 10.5% decrease nationally.
- 5.12 Between SIMD 2016 and SIMD 2020, the number of Inverclyde data zones in the 5% most deprived in Scotland increased from 11 to 21. This equates to 18.4% of all 114 Inverclyde data zones in the 5% most deprived category and is the second highest local share in Scotland. Inverclyde also has the second highest local share of data zones in the 20% most deprived in Scotland, with Glasgow having the highest.
- 5.13 Demographic change will have significant impact on services as funding allocated from the Scottish Government is partly based on the population of an area. Even with additional allocations to take account of deprivation the budget is expected to reduce in real terms over the next five years.
- 5.14 In terms of indicators of deprivation the profile for Inverclyde differs from the national picture, these include:
- 3.6% of the working age population (16-64) were claiming out of work benefits in September 2024, compared to 3.2% nationally. Of this, a higher proportion of 18 – 24 year olds (5.1%) in Inverclyde are claiming than 25 – 49 year olds (4.6%) or 50+year olds (2.1%).
 - Economic inactivity rates in Inverclyde in 2023 were higher than the national rate, 27.4% compared to 22.7% (July 2023 – June 2024).

- The proportion of children living in poverty (after housing costs) in Inverclyde in 2022/23 was 26.1%
- Median earnings for full time workers living in the area (Gross Weekly Pay) increased between 2022 and 2023 from £633.80 to £718.50. The Scottish average was £702.40.

5.15 The projected population changes will have an impact on all service areas, particularly Education and Social Care, where there will be a need to actively manage the transition from current service delivery arrangements to new models that are built around the needs of the future population.

5.16 The deprivation profile will have major implications for services as research indicates that those most vulnerable to poverty are more likely to require greater interventions and experience greater levels of health inequalities and a targeted focus to move individuals out of poverty will come at a significant cost to public agencies.

5.17 The predicted demographic changes also have other implications. A decline in younger economically active people and a growth in the older, more vulnerable age group can mean there will be fewer informal carers which could result in a higher dependency on the services provided by the Health & Social Care Partnership.

The public sector landscape in Inverclyde

5.18 The public sector landscape in Inverclyde has changed significantly over the last 10-20 years. The development of this mixed economy of public service provision presents new challenges for the Council as it seeks to ensure that outcomes are achieved and that resources are being deployed effectively and efficiently. This is particularly relevant in the context of the Partnership Plan where there will need to be a robust appraisal of whether existing service delivery arrangements across all partner agencies can effectively deliver on the agreed outcomes.

5.19 Whilst the Council has to tackle the problems associated with poverty, health inequalities and deprivation now, it also has to look to the future and ensure that effective intervention is put into place now, to prevent further problems from developing, which will ultimately require expensive interventions. Investment in the lives of our children and young people early on in their lives will result in a better outcomes and quality of life for them as they grow up in the Inverclyde area.

5.20 The Community Empowerment (Scotland) Bill placed duties on the Council and its partners to provide new rights for community bodies. The Council and its partners are responding to this in a number of ways including the development of locality planning; introduction of participatory budgeting and asset transfer.

5.21 *Riverside Inverclyde*

Riverside Inverclyde remains a joint initiative between the Council and Scottish Enterprise to regenerate the Clyde Waterfront. It was originally scheduled to run from 2006/7 until 2017/18.

Following a governance review in 2018 it was agreed by the Council and Scottish Enterprise to change the operational governance model due to the reduction in major regeneration projects being progressed by Riverside Inverclyde. The revised arrangements became operational in the summer of 2019.

5.22 *River Clyde Homes*

River Clyde Homes is a not-for-profit housing organisation, which is run by a Board of Tenants, Council nominees and community members. It is regulated by the Government to ensure that it manages housing in the best interests of the tenants of Inverclyde, and the community as a whole.

The transfer to River Clyde Homes of all the Council housing stock was based on significantly more money being available to invest in homes and neighbourhoods and give tenants a real say in the decisions that are made about their housing, with tenants on the Board influencing policies and investment decisions. The Council and RCH plus other agencies continue to work together to address the challenges brought on by low demand stock, increased investment needs and a declining population.

5.23 *Inverclyde Leisure*

Inverclyde Leisure is a 'company limited by guarantee', not having share capital and recognised by HMRC and OSCR as having charitable status. In October 2001, the Trust was asked to take responsibility for the management and delivery of Inverclyde Council's sport and recreational services.

The Leisure Trust works in close partnership with Inverclyde Council and other internal and external agencies in order to develop the optimum service for residents and visitors to Inverclyde and so to ensure the Trust's Mission Statement is implemented.

The Council's Community Facilities transferred to Inverclyde Leisure in April 2010 and the transfer of the management of Outdoor Leisure Facilities to Inverclyde Leisure took place in April 2015. Whinhill Golf Course transferred to Inverclyde Leisure from 2020/21 Season. Inverclyde Leisure's Business Plan is reviewed annually by the Council. The Council's percentage contribution to the Leisure Trust had reduced considerably since the organisation's inception.

5.24 *Inverclyde Health and Social Care Partnership (HSCP)*

The Public Bodies (Joint Working) Act 2014 resulted in the creation of a HSCP Integrated Joint Board (IJB) during 2015/16 and required a revised Governance and Financial framework. The IJB is a separate legal entity and receives resources from and delegate resources to the Council and Health Board. The financial integration became live in April 2016 at a time of continued increasing demands on Council Budgets as the Partnership focuses on building community resources to support the delivery of health and social care services, including the acute sector.

The HSCP reported a 5 funding gap of £63.869 million as part of its budget setting process in March 2024. This was mainly due to demographic/prescribing pressures and the requirements to fund parts of future pay awards. In addition to this the HSCP currently has a £4 million recurring pressure within Children and Families packages of care. For years 2024/26, this is currently being offset, to some extent, with the use of non recurring pension reduced funding while a service review takes place. Beyond 2025/26 this will be a recurring pressure to the HSCP depending on the outcome of the service review.

6.0 Financial Management

Corporate Governance

- 6.1 The Council positively promotes the principles of sound corporate governance within all aspects of its activities. From a financial management perspective, the Council adheres to the CIPFA Financial Management Code. Formal adoption of the code by the Council was approved early 2023.
- 6.2 Corporate governance is about the structures and processes for decision-making, accountability, controls and behaviour throughout the Council. It is based around key principles of openness, equality, integrity and accountability.
- 6.3 The fundamental principles of corporate governance should be reflected in the various dimensions of Council business, including;
- Ensuring a community focus underpins the Council's vision and priorities.
 - Ensuring the effective delivery of local services on a sustainable basis.
 - Establishing effective management structures and processes which include clearly defined roles and responsibilities for officers.
 - Developing and maintaining effective risk management systems that form part of the Council's strategic decision making process.
 - Ensuring high standards of propriety and probity in the stewardship of the Council's funds and the management of the Council's affairs.
 - A commitment to openness in the Council's affairs and the provision of full, accurate and clear information to all stakeholders.
- 6.4 The Chief Financial Officer has been designated as "the proper officer" and is responsible for advising the Council on all financial matters.
- 6.5 The Financial Regulations were refreshed and approved in February 2022 and are an essential component of the corporate governance of the Council.
- 6.6 The Financial Regulations are designed to facilitate the smooth running of the Council, protect its interests and the interests of members and officers, and ensure the proper administration of all the Council's financial affairs, including, Partnerships, The Common Good and Sundry Accounts.
- 6.7 Head Teachers must also comply with the Financial Regulations, except for virement which is defined in the Devolved Management of Resources Scheme.

Roles and Responsibilities

- 6.8 It is important to set out clearly the roles and responsibilities of the key parties involved in the Financial Strategy and the management of overall financial resources of the Council.

Elected Members

- 6.9 Elected Members, through full Council and Committees are responsible for considering and approving budgets and the Financial Strategy for the Council. Approved budgets must be financially balanced and demonstrate value for money and sustainability.

- 6.10 Throughout the year Committees receive reports which allow progress against approved budgets to be scrutinised. All members receive appropriate training in the areas of Financial Strategy, Local Government Finance and key specialist areas such as Treasury and Risk Management.

Corporate Management Team

- 6.11 The Chief Executive, Directors, Section 95 Officer, Monitoring Officer and Head of Organisational Development, Policy and Communications form the CMT, chaired by the Chief Executive, who are responsible, individually and collectively, for ensuring effective financial management across the organisation.
- 6.12 As Budget Holders the Directors are responsible for the budgets delegated to deliver the services within their Directorate in line with the priorities of the Council. Whilst they may delegate this responsibility within their Directorate they remain accountable in exercising overall financial control.
- 6.13 The CMT set aside time each reporting cycle to consider corporate financial matters including employee costs, key budget lines, earmarked reserves and savings delivery progress.

Section 95 Officer

- 6.14 The Section 95 Officer has a statutory role to ensure appropriate arrangements are in place for the proper administration of the financial affairs of the Council. He has the authority to comment and advise CMT, Chief Executive and Elected Members on all financial matters.

Heads of Service

- 6.15 Heads of Service are individually responsible for ensuring that the services within their remit are delivered in line with the agreed policy, and support the strategic direction of the Council. As Budget Holders they are responsible for the budgets delegated to them to deliver their service in a manner which demonstrates value for money in line with the priorities in the Committee Delivery and Improvement Plans.

Budget Managers

- 6.16 Responsibility for budgetary control lies with the Directors and as delegated budget holders, their Heads of Service and Service Managers. In recognition of the need to ensure budget holders are appropriately supported and trained, Finance Services delivers training to all Heads of Service and Managers on Financial Governance and budgetary control issues.

Financial Support to Services

- 6.17 Each Directorate has a dedicated Finance Manager and Principal Accountant who prepare and monitor the Directorate budget as well as providing a full range of financial advice to the Directorate.

Internal Audit

- 6.18 Internal Audit provide assurance to Elected Members, the Chief Executive and management that the internal processes of the Council are being managed appropriately in line with the overarching policies and outcomes are being delivered in an efficient and effective manner.

External Audit

- 6.19 The role of External Audit is to provide assurance to the Auditor General and the Accounts Commission that the Council has spent public money properly to deliver outcomes in an efficient and effective manner. They also provide assurance to the Elected Members, the CMT and general public that the Council's performance is reported in accordance with the financial standards and presents a fair account of the Council's activities. The current External Auditors, until 2028, are KPMG.

Managing the Budget

- 6.20 Committees receive five budget monitoring reports throughout the year. These are jointly prepared by the Section 95 Officer and the relevant Director.
- 6.21 The Corporate Management Team receive and discuss a budget overview every budget monitoring cycle covering key budget lines, employee costs, earmarked reserves, progress on the approved savings and key projects with financial implications.
- 6.22 All Services receive detailed budget information five times per year and in addition receive system generated budget reports in intervening months plus having access to real time information held on the Council's Finance Management System.
- 6.23 The Council operates a risk based approach to budget monitoring ensuring that focus is given to larger and more volatile budgets. The identification of key budgets is agreed annually between Directorates and Finance.

7.0 Financial Outlook

- 7.1 Key financial issues are known or anticipated events and activities that have to be addressed within overall financial resources in the short-term (within 2 years), medium-term (within 4 years) or longer (over 4 years).
- 7.2 Events and activities include efficiencies, planned savings, changes to service priorities and delivery, and known potential pressures. The financial impact of an event or activity may be one-off, recurring or time-limited.
- 7.3 The 2024/25 Budget was based on the Council receiving Revenue Grant/Non-Domestic Rates Income of £210.946m.
- 7.4 When the Council's own projection of Council Tax Income based on 96.5% collection rate (£35.473m) and the use of reserves is added then the income for the Council in 2024/25 is projected to be £249.047m.
- 7.5 The Financial Strategy covers the period 2024/34 in terms of identifying potential issues, but the revenue forecasts are limited to the period which can be reasonably forecast. A new requirement from 2019/20 was the production and approval of a Capital Strategy which covers a period of 10 years plus. This examines a number of long term issues including the sustainability and affordability of borrowing and investment decisions.
- 7.6 The Council has agreed a Reserve Strategy which requires a minimum unallocated General Fund Reserve of £4.0 million, approximately 2% of turnover. The overall position of the Reserves shown in Appendix 4 and has been updated to reflect the latest projections. The Reserve Strategy was reviewed and approved by the Policy & Resources Committee in March 2023. Earmarked Reserves and the level of unallocated reserves are reviewed annually as part of the budget process.
- 7.7 The projected budget position in the short to medium term, is set out in the following tables and notes for both revenue and capital. Details of the short, medium and long-term issues identified in consultation with Services are contained at Appendices 1, 2 and 3.

Table 3

Finance Strategy - December 2024

	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Base Budget for Prior Year	226.046	246.419	247.641
<u>UPLIFTS FROM PRIOR YEAR</u>			
<u>Inflation (Note 1)</u>			
Pay Inflation	3.400	3.600	3.300
Other Inflation	1.000	1.000	1.000
	<u>4.400</u>	<u>4.600</u>	<u>4.300</u>
<u>Budget Increases (Note 2)</u>			
General Pressures	0.417	0.703	0.500
Increased Prudential Borrowing	0.100	0.100	0.100
	<u>0.517</u>	<u>0.803</u>	<u>0.600</u>
<u>Adjustments (Note 3)</u>			
Other Adjustments Applied	7.275	0.040	0.000
New Funding Per SG Settlement	12.138	0.000	0.000
Reduced Use of Reserves	0.372	-0.210	1.000
Net Revenue Budget Before Savings	<u>250.748</u>	<u>251.652</u>	<u>253.541</u>
<u>Funded by: (Note 4)</u>			
Revenue Grant/NDR Income	210.946	209.746	208.546
Council Tax Income (Net of CTR)	35.473	37.895	37.895
	<u>246.419</u>	<u>247.641</u>	<u>246.441</u>
Annual Budget Before Savings (Surplus)/Deficit	<u>4.329</u>	<u>4.011</u>	<u>7.100</u>
Cumulative Budget Gap before Savings	<u>4.329</u>	<u>8.340</u>	<u>15.440</u>
<u>Savings Applied (Cumulative)</u>			
Savings Approved November 2022 P&R	-0.025	-0.025	-0.025
Savings Approved December 2023 Full Council	-0.651	-0.651	-0.651
Savings Approved March 2023 Full Council	-0.341	-0.348	-0.348
Savings Workstreams September 2023 P&R	-1.320	-2.500	-2.500
Savings Approved September 2023 P&R	-0.421	-0.421	-0.421
Savings Approved November 2023 P&R	-0.820	-0.820	-0.820
Savings Workstreams December 2023 Council	-0.040	-0.180	-0.180
Savings Approved December 2023 Council	-0.039	-0.539	-0.539
Savings Workstreams Amended February 2024	0.130	0.000	0.000
Savings Approved February 2024 Council	-0.756	-0.907	-0.907
Savings Approved February 2024 Council	-0.046	-0.449	-0.449
Savings Workstreams November 2024 P&R	0.000	-0.495	-0.811
Approved Budget (Surplus)/Deficit	<u>0.000</u>	<u>1.005</u>	<u>7.789</u>

Finance Strategy Notes – December 2024

Note 1 Inflation

- a) Pay – The allowance for pay inflation is an allowance available over the 3 year period to fund all pay related pressures including the annual pay award, impacts of living wage, increases in employers national insurance/pension costs, and movement in service bottom up employee budgets. Figures for 2024/26 reflect proposals identified in the 2024/26 budget set February 2024. 2024/25 pay negotiations are currently ongoing, the strategy includes an allowance of 3% for 2024/25 and 2.5% for 2025/27 excluding HSCP.
- b) Other Inflation – Inflation costs increased significantly during 2023/24 but inflation rates have reduced in 2024/25. The strategy includes an allowance of £1 million each year of 2024/27.

Note 2 Budget Increases

- a) General Pressures – Reflects new pressures of £0.7 million arising during 2024/25 and approved November 2024.
- b) Increased Prudential Borrowing – Reflects decisions taken at the 2024/26 budget set February 2024.

Note 3 Adjustments

- a) Other Adjustments – Reflects a change in the funding mechanism for Early Years specific grant by the Scottish Government reflected in the Finance Order February 2024.
- b) New Funding – Reflects new funding received as part of the Settlement February 2024. The majority of the funding relates to new funding for SJC and SNCT pay and Health & Social Care Partnership.
- c) Reduced Use of Reserves – As part of the 2023/24 budget process, the Council approved £3 million use of reserves to fund the 2023/24 budget. The 2024/25 budget process approved to reduce the use of reserves by £0.372 million to £2.628 million for 2024/25. In addition to this, the Committee approved an increase in the use of reserves of £0.162 million for 2025/26 resulting in £2.838 million use of reserves to balance the 2025/26 revenue budget.

Note 4 Funded By

- a) Reflects 2024/25 Finance Settlement included in Scottish Government Circular 2/2024. The Scottish Government held back £2.119m of funding in relation to teachers pay. Figures do not include share of new funding yet to be distributed. The 2025/26 figures are estimated based on continuing grant loss, largely due to demographic changes, of £1.2 million and £1.2 million estimate each year thereafter.
- b) Council Tax Income is shown net of Council Tax Reduction (CTR) Scheme. Grant is included within Council General Revenue Grant for CTR. Figures assume a 7% increase for 2025/26 as provisionally agreed on 26 March 2024. No increase has been assumed for 2026/27.

Other Short to Medium Term Revenue Issues

The significant risk associated with the short to medium term budget position will be around inflation allowances, including utilities and any unresolved pay award plus increasing demand for certain services. Close monitoring and regular reporting to Committee will ensure officers report any significant variances at the earliest opportunity. The updated Medium Term Financial Strategy by the Scottish Government will hopefully provide greater clarity regarding the challenges faced by the Council over the medium term and provide clarity on service levels, investment and job security at the earliest possible time.

7.8 Long Term Revenue Issues

Looking further ahead becomes increasingly difficult with uncertainty around the level of funding likely to be available.

The incremental impact of current major initiatives have been fully incorporated the overall Budget.

Post 2027/28 the main issues impacting on the revenue budget will be:

- **Funding will be impacted by future population change/demographic shifts and any changes to the way local government in Scotland is funded.**
- **Decisions of the Scottish Government regarding any protection afforded to Local Government or other parts of the Budget plus the use that is made available tax raising powers including the future of non-domestic rates which is all being considered as part of the Fiscal Framework.**
- **The current global UK and Scottish economic situation and inflation and whether interest rates will return to close to pre-covid/Brexit levels.**
- **The extent to which the current “cost of living crisis” will continue to impact on Council Services from both a demand and funding perspective.**
- **Pension costs influenced by changes to LGPS and Teachers Pensions, plus costs associated with the Council resizing its workforce in order to balance its budgets.**
- **Costs associated with sustainability including waste disposal and recycling, energy and fuel costs and general procurement inflation due to increased global demand for raw materials.**

7.9 The fundamental issue for the Council is that at some point if the squeeze on the public sector finances and the decline in population continues then this will have an associated impact on other local services such as health, police and fire.

7.10 Table 4 shows the high level estimate of the 2025/28 budget gap based on the above. In line with good practice tables 4b and 4c provide two further scenarios based on different assumptions. Table 4b represents an “optimistic” scenario and Table 4c representing a “pessimistic” scenario. These figures are heavily caveated due to the major uncertainty caused by the changing position in the short/medium term impact of inflation, the economy and funding for the Public Sector.

Table 4a**2025/28 Budget Gap - Mid-Range Scenario**

		2025/26	2026/27	2027/28	2025/28
		£m	£m	£m	£m
Block Grant Increase	a/	0.0	0.0	0.0	0
Continuing Impact of Depopulation	b/	1.2	1.2	1.2	3.6
Inflation - Pay	c/	3.6	3.3	3.4	10.3
- Non-Pay	c/	1.0	1.0	1.0	3.0
Pressures					
- General Pressures	d/	0.7	0.5	0.5	1.7
- Prudential Borrowing	e/	0.1	0.1	0.1	0.3
Savings Approved to Nov 2024	f/	(3.0)	(0.3)	0.0	(3.3)
Council Tax Adjustment	g/	(2.4)	0.0	0.0	(2.4)
(Increased)/Reduced Use of Reserves	h/	(0.2)	1.0	0.9	1.7
	Funding Gap	1.0	6.8	7.1	14.9

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

b/ Reduced impact of depopulation assumes 0.6% Floor for 2025/28

c/ Pay & Non-Pay inflation excludes HSCP. Pay inflation based on an allowance of 3% for 2025/26 and 2.5% each year thereafter. Assumes employers NI increases are contained in 2025/26 pay allowance.

d/ General pressures excludes HSCP. 2025/26 includes new pressures identified during 2024/25

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

f/ Reflects savings approved to November 2024

g/ Includes no Council Tax increase after 2025/26 (3% annual increase would raise £1.05 million per year)

h/ £2.8m from Reserves used in 2025/26 is negated over 2026/29.

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

Table 4b**2025/28 Budget Gap - Optimistic Scenario**

		2025/26	2026/27	2027/28	2025/28
		£m	£m	£m	£m
Block Grant Increase	a/	0.0	(2.0)	(2.0)	(4.0)
Continuing Impact of Depopulation	b/	1.0	1.0	1.0	3.0
Inflation - Pay	c/	3.0	2.6	2.7	8.3
- Non-Pay	c/	1.0	0.5	0.5	2.0
Pressures					
- General Pressures	d/	0.7	0.5	0.5	1.7
- Prudential Borrowing	e/	0.1	0.1	0.1	0.3
Savings Approved to Nov 2024	f/	(3.0)	(0.3)	0.0	(3.3)
Council Tax Approved	g/	(2.4)	0.0	0.0	(2.4)
(Increased)/Reduced Use of Reserves	h/	(0.2)	1.0	0.9	1.7
Funding Gap		0.2	3.4	3.7	7.3

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

b/ Reduced impact of depopulation assumes 0.5% Floor for 2025/28

c/ Pay & Non-Pay inflation excludes HSCP. Pay inflation based on an allowance of 2.5% 2025/26, then 2% thereafter. Assumes employers NI increases are contained in 2025/26 pay allowance.

d/ General pressures excludes HSCP. 2025/26 includes new pressures identified during 2024/25

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

f/ Reflects savings approved to November 2024

g/ Includes no Council Tax increase after 2025/26 (3% annual increase would raise £1.05 million per year)

h/ £2.8m from Reserves used in 2025/26 is negated over 2026/29.

Key Assumptions	2025/26	2026/27	2027/28
	%	%	%
GRG/NDRI Cash Movement	0.0	1.00	1.00
Pay Inflation	2.5	2.0	2.0

Table 4c**2025/28 Budget Gap - Pessimistic Scenario**

		2025/26	2026/27	2027/28	2025/28
		£m	£m	£m	£m
Block Grant Decrease	a/	0.0	1.0	1.0	2.00
Continuing Impact of Depopulation	b/	1.5	1.5	1.5	4.5
Inflation - Pay	c/	4.2	3.9	4.2	12.3
- Non-Pay	c/	1.0	1.5	1.5	4.0
Pressures					
- General Pressures	d/	1.0	0.8	0.8	2.6
- Prudential Borrowing	e/	0.1	0.1	0.1	0.3
Savings Approved to Nov 2024	f/	(3.0)	(0.3)	0.0	(3.3)
Council Tax Approved	g/	(2.4)	0.0	0.0	(2.4)
(Increased)/Reduced Use of Reserves	h/	(0.2)	1.0	0.9	1.7
	Funding Gap	2.2	9.5	10.0	21.7

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

b/ Reduced impact of depopulation assumes 0.75% Floor for 2025/28

c/ Pay & Non-Pay inflation excludes HSCP. Pay inflation based on an allowance of 3.5% 2025/26 and 3% each year thereafter. Assumes employers NI increases are contained in 2025/26 pay allowance.

d/ General pressures excludes HSCP. 2025/26 includes new pressures identified during 2024/25

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

f/ Reflects savings approved to November 2024

g/ Includes no Council Tax increase after 2025/26 (3% annual increase would raise £1.05 million per year)

h/ £2.8m from Reserves used in 2025/26 is negated over 2026/29.

	2025/26	2026/27	2027/28
Key Assumptions	%	%	%
GRG/NDRI Cash Movement	0.0	(0.50)	(0.50)
Pay Inflation	3.5	3.0	3.0

7.11 Short to Medium Term Capital Projections

The Council agreed a 4 year Capital Programme covering 2024/28 in February 2024 was within the 5% overprovision limit which allows for increased resources/project cost reductions.

7.12 Long-Term Capital Projections

There is greater certainty around capital spend for the post 2024/25 period due to the fact that asset management plans will continue to utilise nearly all available funding i.e. Schools, Operational Properties, Roads, Lighting, Vehicles, Open Spaces and ICT, whilst the 5 year Scottish Government Capital Funding Plan indicates that in the period to 2026, core Local Government Capital Grant will be frozen at 2021/22 levels. This will leave the Council over £3 million/year short against the core investment requirements. No change to Scottish Government grant levels has been assumed up to 2027/28.

Given the difficult position the Council faces on revenue expenditure, it is essential that future capital expenditure proposals are largely self-financing through the release of other capital assets, use of Reserves as well as delivering efficiencies which will secure ongoing revenue savings.

Even were Local Government Capital Grants to increase in the longer term, given the major revenue financial pressures the Council needs to seriously consider using any increase in grant to reduce prudential borrowing/use of reserves. Alternatively, the Council may wish to consider allocating part of any increase in Council Tax to fund prudential borrowing.

Table 5 - Capital Programme 2024/2028 (Medium Term Capital Projections)

Table 5

<u>Expenditure/Projects by Committee</u>	<u>2024/25</u> <u>£m</u>	<u>2025/26</u> <u>£m</u>	<u>2026/27</u> <u>£m</u>	<u>2027/28</u> <u>£m</u>	<u>Totals</u> <u>£m</u>
Policy & Resources	0.67	1.67	2.65	2.53	7.52
Environment & Regeneration	15.68	19.22	7.66	7.59	50.15
School Estate	2.00	3.90	4.00	4.00	13.90
Education & Communities (Exc School Estate)	1.13	0.36	0.25	0.12	1.86
CHCP	3.45	5.61	0.00	0.00	9.06
	22.93	30.76	14.56	14.24	82.49
<u>Financed By</u>					
Government Grant	9.03	5.75	5.75	5.75	26.28
Sales/Contributions	0.43	0.32	0.32	0.32	1.39
Other Income	5.56	0.00	0.00	0.00	5.56
Revenue	0.60	4.68	4.32	4.44	14.04
Prudential Borrowing	6.91	7.69	2.46	2.46	19.52
Resources Carried Forward	12.51	0.00	0.00	0.00	12.51
	35.04	18.44	12.85	12.97	79.30
Shortfall in Resources					<u>3.19</u>

Notes

1 As per November 2024 P&R Committee

8.0 Treasury Management

- 8.1 Inverclyde Council has adopted the CIPFA “Treasury Management in the Public Services – Code of Practice” which sets out good practice for treasury management governance. The Council complies with legal and regulatory requirements in relation to Treasury Management activities and has appointed consultants to provide advice on Treasury Management issues, including technical issues and the formulation of views on interest rates.
- 8.2 In complying with the Code of Practice, the Council produces a Treasury Management Practices document which sets out how the Council will manage and control its Treasury Management activities. This document is submitted to Committee for approval every three years with approval also being sought for any amendments in the intervening period.
- 8.3 The requirements for Treasury Management reporting following the implementation of the revised CIPFA Treasury Management Code of Practice has resulted in the following:
- An annual Treasury Management Strategy submitted at the start of the financial year and which includes the Council’s Prudential Indicators and covers issues such as the economic situation, the prospects for interest rates, and the Council’s borrowing and investment strategy for the coming year.
 - A mid-year review of the Strategy which include details of the Council’s debt and investment position, activity undertaken during the quarter, and performance to date against the Council’s Prudential Indicators and agreed policy limits.
 - An Annual Report for Treasury Management which is submitted to Members before the end of September each year and which advises Members of the Treasury Management activities during the previous financial year.
 - Regulations require to produce a Capital Strategy which is also reviewed annually.

It should be noted that whilst all the above reports will go to the Policy & Resources Committee for initial scrutiny, all now require to go before the Full Council for approval.

- 8.4 Table 6 below shows the Council’s debt and investments position as at 31/10/24.

Table 6 – Council’s Debt and Investment Position – 31/10/24

The Council’s treasury portfolio position at 31/10/24 comprised:

		Principal		Average Rate
		£000	£000	
Fixed rate funding	PWLB	101,878		4.13%
	LOBO	16,000		
	Market	40,000	157,858	
Variable rate funding	PWLB	0		4.92%
	LOBO	13,500		
	Market	361	13,861	
TOTAL DEBT			171.739	4.19%
TOTAL INVESTMENTS			8,353	4.88%

9.0 Reserves

9.1 A key aspect of the consideration of the Financial Strategy is the position of the General Fund Reserves. The Reserves Strategy was last reviewed and approved by the Policy & Resources Committee in March 2023.

9.2 Reserves can be held for three main purposes:-

- A working balance to help cushion the impact of uneven cash flows - this forms part of General Reserves.
- A contingency to cushion the impact of unexpected events or emergencies which also forms part of General Reserves.
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

9.3 The Reserves Strategy is based on the core General Fund Reserve being maintained at a level of £4 million, approximately 2% of turnover. In the event that the Reserves are projected to fall below this level then Members must have a clear route for bringing Reserves back up to the level over the subsequent three financial years.

9.4 The Reserves Strategy also assumes the continued use of earmarked reserves. In this way, earmarked reserves can be separated from the core General Fund Reserve which should allow Members to more transparently track the underlying reserves position. Earmarked Reserves are reviewed annually as part of the budget process.

9.5 Within Inverclyde Council the main Reserves/Funds comprise; General Fund Reserve, Insurance Fund, Capital Fund and Repairs & Renewals Fund. The latest projected position is shown below.

9.6 (a) General Fund "Free" Reserves – This Reserve represents the Council's contingency for unforeseen/unquantifiable events. The level of the Reserve is determined by the Reserve Strategy whilst the projected balance is reported to each Policy and Resources Committee. See Appendix 4.

Balance 31/03/24 = £4.470 million

(b) Insurance Fund – The Insurance Fund balance is required to meet Insurance Liabilities not covered by external Insurance Policies. The balance on the Fund is reviewed every 3 years by an independent actuary who comments upon not only the balance of the Fund but also the on-going internal contributions to the Fund. See Appendix 7.

Balance 31/03/24 = £4.307 million

(c) Capital Fund – The Capital Fund is a Fund into which Capital Receipt income can be paid and used to fund either capital investment or repay the Principal element of debt repayments. The balance and planned usage of the Capital Fund is incorporated into the Financial Strategy. See Appendix 5.

Projected Balance 31/03/24 = £0.278 million

(d) Repairs & Renewals Fund – The Repairs & Renewals Fund consists of sums received from external parties or allocated directly from Council resources which are thereafter released on a phased basis to maintain specific assets. Use of specific allocations to the Fund are agreed by Policy & Resources Committee and the overall position will be reported as part of the Financial Strategy. See Appendix 6.

Projected Balance 31/03/24 = £3.200million

10.0 Monitoring, Reporting and Review Processes

- 10.1 The Financial Strategy should be a dynamic, relevant document and will be monitored on an ongoing basis by Finance - it will also be formally reviewed twice yearly, in May and then in November.
- 10.2 The formal review of the Financial Strategy will be reported to CMT and Full Council on a six monthly basis – there will also be capacity to review the Strategy as and when required, particularly when a new issue arises or the impact of major policy or initiative becomes clearer.
- 10.3 The Financial Strategy will only be revised if there are material changes to estimates, projections or policy which will have a financial impact however issues which may impact will be flagged up in the regular General Fund Budget reports to Policy & Resources Committee.
- 10.4 The deminimus level for a major impact requiring immediate review is 50% of the core General Fund reserves, £2.0 million, subject to the opinion of the Section 95 Officer.
- 10.5 The financial management principles and expectations have been communicated and are understood by all Chief Officers and budget holders.
- 10.6 The Financial Strategy has been drawn up with the full involvement of the CMT and, will be communicated throughout the organisation.

11.0 Risk Management

- 11.1 The Council has developed a Corporate Risk Register, Directorate Risk Registers and individual Service Risk Registers.
- 11.2 Further work has also been undertaken to identify the key risks for the Financial Strategy and the required actions to mitigate these risks as set out in the table below.
- 11.3 The risk assessment below considers the risks to the Council's financial position and the assumptions used when developing this Financial Strategy.

Risk	Mitigations
<p>The Financial Strategy does not reflect in financial implications the objectives set out in other strategic plans of the Council.</p>	<p>The Financial Strategy provides a high level overview of the various strategic plans the Council has signed up to – it acknowledges that there will inevitably be financial implications arising from the Council Plan but it is not possible to quantify all of these at present.</p> <p>Many of these are included in appendices 1-3.</p> <p>The Financial Strategy is updated as further information becomes available regarding these strategic plans and formal approvals are made.</p>
<p>Forecasts within the Financial Strategy are not accurately determined or reviewed on a regular basis.</p>	<p>The Budget and Financial Strategy set out the expected levels of expenditure and income in the medium term. The forecasts are arrived at through careful consideration of historic trends and current expenditure levels and any factors which may have an impact in the future.</p> <p>Three medium term funding gap scenarios are included in the Strategy based on Pessimistic, Mid-Range and Optimistic and provide a broad range of potential outcomes.</p> <p>Throughout the financial year, the Council regularly monitors its financial performance against its budgets and will revise them where necessary, subject to remaining within the agreed overall budget for the Council.</p>
<p>There is a continuing need to deliver budget reductions and efficiencies over the medium to long term will impact on core service delivery..</p>	<p>This risk can be partly mitigated by robust monitoring and financial control through the budget monitoring process, with action plans being required to find compensating savings for any overspends identified.</p> <p>Individual savings are reviewed by elected members, trades unions and the CMT prior to approval and thereafter delivery is tracked by Change Boards with material issues reported to the CMT and if required, Committee.</p>

<p>Income budgets not achieved or become unsustainable.</p>	<p>Services have the opportunity determine the levels of individual charges to achieve the budgeted income target.</p> <p>Equally, income budgets are monitored throughout the financial year and where a shortfall in income is anticipated, this is highlighted in reports to Committee.</p> <p>Proposals to increase fees and charges are reviewed in line with the Council's Charging Policy prior to reporting to Committee.</p>
<p>The Council has insufficient capital resources to sustain capital commitments.</p>	<p>The Council has already identified through the Financial Strategy a reduced reliance on capital receipts and Government Grants in the medium term.</p> <p>The impact of reduced funding means that the Council has to focus on maintaining key infrastructure whilst utilising prudential borrowing for specific capital projects.</p> <p>The Council has Asset Management Plans for all its assets with all the above issues captured within the Financial Strategy. These plans are due to be refreshed by March 2026.</p> <p>The Council produces a Capital Strategy and a Corporate Asset Strategy which looks at the longer term need, funding & sustainability of the capital programme.</p>
<p>Legislative changes are not anticipated and the financial impact is not addressed through the budget process of Financial Strategy.</p>	<p>Chief Officers are required to highlight the impact of legislative changes through the strategic planning and budgeting process and the likely resource requirement.</p> <p>In addition COSLA has a key role in assessing the financial impact of changes in legislation and lobbying for Councils to be funded appropriately.</p>
<p>Interest rates on borrowing may be higher than forecast.</p>	<p>Prudent assumptions on likely interest rates have been incorporated into Financial Strategy. Borrowing is spread to reduce impact of short-term changes and Treasury performance is reported to Committee and Council throughout the year.</p>
<p>Reserves fall below minimum recommended level.</p>	<p>If reserves are required to fund unanticipated budget shortfalls, a Reserve Strategy is in place which clearly states that there must be a clear route to bring reserves back up to the minimum level over the subsequent 3 financial years.</p>
<p>Revenue implications of capital programme/projects are not fully anticipated.</p>	<p>All capital projects identify revenue implications and link into Council priorities. All capital projects should be subject to a robust approval process which includes a review of revenue implications in line with the Financial Regulations.</p>

<p>Any significant deterioration in the economic outlook will impact on public finances and may have an unsustainable impact on Council budgets.</p>	<p>There is regular reporting to Members on the budget position and forecasts. COSLA continues to lobby Scottish and UK Governments for funding. Directors of Finance share common information and assumptions.</p>
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Appendix 1

Short-Term Issues (2024/26)

The tables in Appendices 1, 2 and 3 have been developed through ongoing consultation with the CMT to highlight the issues to inform the Financial Strategy and future budget setting.

<u>Service</u>	<u>Issues Identified</u>	<u>Issues & Potential Impacts</u>	<u>Action Taken</u>	<u>Responsible Officer</u>	<u>Timescale to report back</u>
Corporate	Non-Pay Inflation	The level of inflation pressures are not fully clear over the period.	Inflation allowances are regularly reviewed. Regular monitoring and reporting to CMT/Members.	Alan Puckrin	Ongoing
Social Care	Relationship with Service Providers.	Managing provider expectations whilst in a period of uncertainty over the future of the National Care Home Contract along with expectations from those providers out with this contract to fund inflation/impact of pensions/living wage.	Monitor development and report as required.	Kate Rocks	Ongoing
Corporate	Non achievement of turnover targets.	Achievement of turnover target is becoming increasingly more difficult to achieve. Furthermore, the target has been increased as part of the 2024/25 budget process adding further pressure to achieving the target.	Regular monitoring and updates to CMT of target achieved to date.	Directors/Alan Puckrin	Ongoing.
Corporate	2024/26 savings exercise	The Council approved a 2 year budget on February 2024. Depending on the settlement for 2025/26 or un-budgeted pressures in 2024/26 then, there will be a requirement to undertake a further savings exercise during the period.	Monitoring of 2024/25 Budget and national developments on 2025/26 Budget and update Elected Members /CMT. Progress interim savings exercise via MBWG/Programme Board	Alan Puckrin	March 2025

Corporate	Employers National Insurance Increase	<p>A 1.2% increase in employers national insurance and a reduction in the exemption thresholds were announced in the Autumn Statement. Current assumption is that these will be fully funded by the UK/Scottish Governments .</p> <p>If this is not the case then action will need to be taken in 2025/26 to address this pressure.</p>	Await outcome of UK/SG negotiations and thereafter the decisions from the SG re support provided to Councils	Alan Puckrin	March 2025
Corporate	2025/26 Pay Award	<p>The Finance Strategy allows for a 3% uplift for all employees. If the pay award is settled in excess of this, and no funding is allocated from Scottish Government, then this will result in a budget gap for 2025/26.</p>	Provide regular updates to CMT on the negotiations taking place.	Morna Rae/Alan Puckrin	Ongoing

<u>Service</u>	<u>Issues Identified</u>	<u>Issues & Potential Impacts</u>	<u>Action to be Taken</u>	<u>Responsible Officer</u>	<u>Timescale to report back</u>
Corporate	<p>Reductions in other public sector partner's funding streams</p> <p>Removal of key services from Council control.</p> <p>Increased cost for externally provided contracts and services due to inflationary pressure including the Living Wage.</p> <p>Potential changes to funding of Local Government</p> <p>Pay & Grading. Impact of £15/hour implementation</p> <p>Equal Pay</p> <p>Transformation Investment</p>	<p>As Public Sector funding reductions continue, partners are reducing their contributions to key Council priorities.</p> <p>Scottish Government could review Public Sector landscape which could result in loss of large parts of the Council remit and resultant impact on corporate viability.</p> <p>In line with Fair Work First, there is a clear desire to ensure suppliers of Council Services pay the Living Wage. This could add significant costs to the Council if passed on by suppliers.</p> <p>Scottish Government and Cosla progressing a fiscal framework whilst also reviewing Council Tax and potentially review NDR.</p> <p>If the "bottom loading" of pay settlements continues then it is likely the Council will require to revisit the Pay & Grading model.</p> <p>No provision for outstanding claims.</p> <p>The Council will potentially need to invest significant sums in change and technology to deliver the transformational change required.</p>	<p>Continue dialogue with partners.</p> <p>Keep track of developments and report to Committee as required.</p> <p>Monitor developments and report to Committee when required.</p> <p>Monitor developments and report as required.</p> <p>Monitor developments including aspiration to achieve £15/hour.</p> <p>Provision will continue to be monitored and reviewed taking account of relevant legal judgements and advice from the Council's legal advisors.</p> <p>Internal and External assessments of current position being progressed and to form part of the 2026/27 Budget process.</p>	<p>Chief Executive /Directors</p> <p>Louise Long</p> <p>Corporate Management Team</p> <p>Alan Puckrin</p> <p>Morna Rae</p> <p>Morna Rae</p> <p>Chief Executive/ Corporate Management Team</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing issue.</p> <p>On Going</p> <p>February 2026</p>

<u>Service</u>	<u>Issues Identified</u>	<u>Issues & Potential Impacts</u>	<u>Action to be Taken</u>	<u>Responsible Officer</u>	<u>Timescale to report back</u>
Social Care	<p>Review of future of Adult Social Care</p> <p>Impact of inclusion of elements of the Acute Health Services within the IJB Budget.</p> <p>Childrens Services Funding Pressures.</p>	<p>Potential major impacts on IJB and Council Budgets if not appropriately funded.</p> <p>Potential for the Council to have to meet a proportion of any overspend caused by increasing pressure on Health Budgets.</p> <p>Covid has had a considerable impact on demand for support within Children & Families. Identified one off funding will only address the short term pressure. A fundamental review of service delivery is being progressed.</p>	<p>Monitor developments, contribute to relevant forums and report as required.</p> <p>Regular monitoring of the IJB Strategic Plan and financial projections added to supporting robust financial scrutiny by the IJB.</p> <p>Develop proposals to change service delivery and report back via CMT to Council and IJB.</p>	<p>Kate Rocks</p> <p>Kate Rocks</p> <p>Kate Rocks</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Initial reports 2025.</p>
	<p>Homelessness – Revised Delivery Model.</p>	<p>Utilisation of the Inverclyde Centre under review. New delivery model will require significant capital investment with revenue implications</p>	<p>Review is part of Delivering Differently with reports back to CMT/Council and IJB.</p>	<p>Kate Rocks</p>	<p>Initial Reports November 2024.</p>
Environment & Regeneration	<p>Ability to maintain Council assets.</p>	<p>Capital allocations insufficient to maintain assets (property and roads) in the medium term.</p>	<p>Refresh Asset Management Strategy aligned to prioritising investment.</p>	<p>Stuart Jamieson</p>	<p>Asset Management Strategy – Complete. Reviews March 2026</p>
	<p>Net zero Carbon Strategy</p>	<p>To achieve the required targets will require significant capital investment not currently included in financial plans beyond 2025/26</p>	<p>Prepare detailed delivery plan and obtain funding approval for delivery.</p>	<p>Stuart Jamieson</p>	<p>Report at least annually.</p>

Long-Term Issues (Post 2028)

Appendix 3

<u>Service</u>	<u>Issues Identified</u>	<u>Issues & Potential Impacts</u>	<u>Action to be Taken</u>	<u>Responsible Officer</u>	<u>Timescale to report back</u>
Corporate	Depopulation and Change of Demographics	Continued loss of grant income, over provision of infrastructure. Viability of area under threat.	Population/Demographic trends to be monitored and reported to the Council and Alliance on a regular basis.	Morna Rae	Ongoing
	Capital Accounting – Potential changes.	If the Scottish Government agreed to move to depreciation accounting rather than loans charge accounting this could significantly increase the costs to the recurring budget.	Monitor developments, respond to consultations and actively engage in lobbying by professional bodies.	Alan Puckrin	Ongoing.
Social Care	Impact of National Care Service	Cost, disruption and impact on rest of the Council. This has been delayed to 2028 or beyond.	Monitor and report to Council/IJB.	Louise Long/Kate Rocks	Ongoing
Education & Community	School Estate.	Plans will be required for commencement of a new School Estate Plan by the early 2030's. This will present significant financial and policy challenges.	Commence consideration at the appropriate time and factor into any investment plans.	Ruth Binks/Stuart Jamieson	Ongoing.
Environment & Regeneration	Flood and coastal protection arising from global warming.	The frequency and severity of extreme weather will require significant investment Council assets.	Funding for surveys and thereafter funding for priorities	Stuart Jamieson	Asset Plan by 2026.

<p>Environment & Regeneration</p>	<p>Regeneration of Greenock and Port Glasgow Town Centres.</p> <p>Loss of major employer</p>	<p>Reports to Committee have identified significant investment needs within the Greenock and Port Glasgow Town Centre areas. Whilst contributions will be sought from Partners and the Private Sector the Council will require to provide a large amount of the funding.</p> <p>Closure of major local employer could further increase rate of depopulation and would significantly impact of areas regeneration efforts.</p>	<p>Utilisation of £20million Town Centre Fund. Develop a funding model with clear outputs and funding sources.</p> <p>Work with all partners to identify areas of risk and mitigating actions.</p>	<p>Stuart Jamieson</p> <p>Louise Long/Stuart Jamieson</p>	<p>Ongoing</p> <p>As required.</p>
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Finance Strategy
General Fund Reserves
December 2024

	£000
Reserves Balance at 31st March 2024	4,414
<u>Budgeted Contribution to Reserves: Note 1</u>	
2023/24 Outturn Earmarked for 2024/25	23,515
	0
	23,515
Planned Use of Reserves 2024/28 Note 2	(38,099)
Projected Surplus (Deficit) 2024/28 Note 3	13,722
Projected Free Reserves Balance 31st March 2025	3,552

GRG/NDR/Council Tax is approximately £200 million. Recommended minimum level of reserves is £4 million/2%.

Notes:

- 1/ 2024/25 figures reflect £2.6m use of reserves to fund the revenue budget as approved at 2024/25 budget setting process. 2025/26 figures reflect a further use of reserves of £2.8m to fund the revenue budget.
- 2/ Represents decisions taken between February 2022 and February 2024 and based on latest phasings.

<u>Approved Use of Reserves</u>	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £000
February 2022 - £9.175m	(63)	(20)	0	0	(83)
December 2022 - Finance Strategy	(687)	(134)	0	0	(821)
January 2023 -£0.602m	(201)	(289)	0	0	(490)
March 2023 - £18.7m	(8,144)	(6,729)	(1,250)	(600)	(16,723)
December 2023 - £3m	0	(1,500)	(1,500)	0	(3,000)
February 2024 - £16.150m plus £0.875m	(760)	(2,522)	(5,425)	(8,275)	(16,982)
	(9,855)	(11,194)	(8,175)	(8,875)	(38,099)

- 3/ Figure reflects projected deficit reported to Policy & Resources Committee November 2024 and Budget set full Council February 2024 :

	2024/25 £000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £000
Projected Surplus / (Deficit) (Jun 24)	(1,012)	0	0	0	(1,012)
IRI Interest 2023/26 (Jan 23)	1200	1200	0	0	2,400
Actuarial Review (Nov 23)	4500	4500	0	0	9,000
Surplus IRI (Dec 23)	800	1000	1000	0	2,800
Reduced use of Reserves	372	162	0	0	534
	5,860	6,862	1,000	0	13,722

AP/AE
13/11/24

Finance Strategy
Capital Fund

		2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000	2033/34 £'000
Balance B/fwd		(278)	(1,496)	(2,196)	(2,478)	(1,752)	(1,805)	(1,859)	(1,915)	(1,973)	(2,032)
Additions (Estimate)	a	(1,204)	(649)	(214)	0	0	0	0	0	0	0
Interest (Estimate)		(14)	(51)	(68)	(74)	(53)	(54)	(56)	(58)	(59)	(61)
Other Payments	b	0	0	0	800	0	0	0	0	0	0
Balance at Year End		(1,496)	(2,196)	(2,478)	(1,752)	(1,805)	(1,859)	(1,915)	(1,973)	(2,032)	(2,093)

Notes

- a 2024/25 SEMP Receipts, £0.500, Holy Cross
Other Receipts, £0.704m, Wateryetts Drive, Kempock Place, Leven Road, Leperstone Avenue & other receipts
- 2025/26 SEMP Receipts, £0.385, Sacred Heart
Other Receipts, £0.264m, former Garvel Centre, Crescent St, Leperstone Avenue
- 2026/27 Other Receipts, £0.214m, Leperstone Avenue
- b Other Payments:
2027/28 £0.8m payment to fund Loan Charges (approved June 2024)

Finance Strategy
Repairs & Renewals Fund

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000	2033/34 £'000
Balance B/fwd	(3,200)	(3,167)	(3,204)	(3,111)	(3,194)	(3,277)	(3,326)	(3,414)	(3,454)	(3,545)
Additions:										
Energy Efficiency Fund										
Greenock Ocean Terminal	a	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
Maintenance Payments:										
Environmental Maintenance		36	36	36	37	75	37	88	37	37
Leisure Strategy	b	0	11	131						
Affordable Housing Fund	c	50	50	50						
Energy Efficiency Fund	d	121								
Greenock Ocean Terminal										
Interest										
Environmental Maintenance		(25)	(17)	(15)	(14)	(13)	(13)	(10)	(7)	(7)
Leisure Strategy		(56)	(41)	(38)	(34)	(35)	(36)	(39)	(39)	(40)
Former Housing Repairs & Renewals Fund		(57)	(43)	(40)	(40)	(41)	(43)	(44)	(45)	(48)
Affordable Housing Fund		(10)	(6)	(4)	(3)	(2)	(2)	(2)	(4)	(4)
Energy Efficiency Fund										
Greenock Ocean Terminal		(1)	(2)	(2)	(3)	(4)	(5)	(7)	(7)	(8)
Balance:										
Environmental Maintenance	e	(501)	(482)	(461)	(439)	(415)	(353)	(326)	(248)	(188)
Leisure Strategy		(1,207)	(1,237)	(1,144)	(1,178)	(1,213)	(1,249)	(1,288)	(1,327)	(1,406)
Former Housing Repairs & Renewals Fund		(1,252)	(1,295)	(1,335)	(1,375)	(1,416)	(1,459)	(1,503)	(1,548)	(1,642)
Affordable Housing Fund		(162)	(118)	(72)	(75)	(77)	(79)	(81)	(83)	(91)
Energy Efficiency Fund		0	0	0	0	0	0	0	0	0
Greenock Ocean Terminal		(45)	(72)	(99)	(127)	(156)	(186)	(216)	(248)	(313)
Balance at Year End	(3,167)	(3,204)	(3,111)	(3,194)	(3,277)	(3,326)	(3,414)	(3,454)	(3,545)	(3,640)

Notes

- a It is intended that any unused Repairs budget for the Greenock Ocean Terminal will be transferred to the Repairs and Renewals Fund each year to provide for future major repairs to the facility.
- b Leisure Strategy commitments:
2024-34 Pitches/MUGA's Lifecycle costs
- c Contribution towards Acquisitions of Affordable Housing, £150k total allocation
- d The Central Energy Efficiency Fund has been fully allocated to the Net Zero Capital budget in 2024/25.
- e Environmental Maintenance is a combined fund used for ongoing maintenance of Greenock Cut, Gallaghers (Port Glasgow) Development and Inverkip Footbridge.

Insurance Fund

	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>2031/32</u>	<u>2032/33</u>	<u>2033/34</u>	<u>2034/35</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Opening Balance	4.307	3.774	4.055	3.798	3.471	3.200	3.079	2.909	2.688	2.672	2.625
Contribution to Fund (a)	0.350	0.450	0.450	0.450	0.550	0.550	0.550	0.550	0.550	0.550	0.550
Interest on Fund Balance (b)	0.193	0.116	0.113	0.093	0.084	0.079	0.075	0.070	0.064	0.063	0.061
Payments Made From Fund (c)											
- For Ex-SRC Claims (d)	(0.200)	(0.200)	(0.200)	(0.200)	(0.200)	-	-	-	-	-	-
- For Other Claims	(0.430)	(0.450)	(0.470)	(0.490)	(0.510)	(0.540)	(0.570)	(0.600)	(0.630)	(0.660)	(0.690)
MMI Clawback (e)	-	-	-	-	-	-	-	-	-	-	-
Other (f)	-	(0.135)	(0.150)	(0.180)	(0.195)	(0.210)	(0.225)	(0.241)	-	-	-
One-Off Contributions to Fund (g)											
- From Council Reserves	0.500	-	-	-	-	-	-	-	-	-	-
- From HSCP	-	0.500	-	-	-	-	-	-	-	-	-
	4.720	4.055	3.798	3.471	3.200	3.079	2.909	2.688	2.672	2.625	2.546
Estimated Outstanding Charges at 31 October 2024 (h)	(0.946)										
Balance for Future Claims	3.774	4.055	3.798	3.471	3.200	3.079	2.909	2.688	2.672	2.625	2.546

Notes

- (a) Amount paid by Services and not paid to external insurers. Currently a £100,000 annual reduction is being applied which is to end in 2025/26 following a decision by 5 December 2024 Council meeting. A further £100,000 annual reduction is being applied from 2023/24 for 5 years and ending in 2027/28.
- (b) Estimate for interest income.
- (c) Estimate for charges paid from Fund.
- (d) Allowance for ex-SRC abuse claims handled by Glasgow City Council.
- (e) Movement on allowance for Council contribution to legacy MMI claims (to be reviewed at the year-end). The total allowance at 31 March 2024 was £0.374 million.
- (f) Estimated Council contribution of £1.5 million to Scottish Child Abuse Redress Scheme (contributions started in 2022/23 and will be made over a 10 year period with 2024/25 deferred as part of the reprofiling of contributions by the Scottish Government). Council contributions from 2022/23 to 2023/24 were £0.164 million.
- (g) Contributions to ex-SRC claims as agreed in February 2024.
- (h) Estimated cost to Fund of outstanding claims as at 31 October 2024.

Finance Services
November 2024.

City Deal - As at 31.10.24

Capital	£m 15/24	£m 24/25	£m 25/26	£m 26/27	£m 27/28	£m 28/29	£m 29/30	£m 30/31	£m 31/32	£m 32/33	£m 33/34	£m 34/35	£m Total
Overall Grant	370	30	60	60	60	60	60	60	60	60	60	60	1000
Inverclyde's Grant Received/ Estimated	11.173	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	22.173
Project Spend													
Ocean Terminal	10.238	0.2	0	0	0	0	0	0	0	0	0	0	10.438
Inverkip	0.145	1.000	3.005	0	0	0	0	0	0	0	0	0	4.150
Inchgreen	9.727	0	0	0	0	0	0	0	0	0	0	0	9.727
Council Contribution	(1.400)	0	0	0	0	0	0	0	0	0	0	0	(1.400)
Council Contribution - Inverkip	0	(0.550)	0	0	0	0	0	0	0	0	0	0	(0.550)
Grant Eligible Costs	18.710	0.650	3.005	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	22.365
Annual Grant (Shortfall)/Surplus	(7.537)	0.350	(2.005)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	(0.192)
Cumulative (Shortfall)/Surplus	(7.537)	(7.187)	(9.192)	(8.192)	(7.192)	(6.192)	(5.192)	(4.192)	(3.192)	(2.192)	(1.192)	(0.192)	Est Debt 31.3.35
Revenue													
	£000 15/24	£000 24/25	£000 25/26	£000 26/27	£000 27/28	£000 28/29	£000 29/30	£000 30/31	£000 31/32	£000 32/33	£000 33/34	£000 34/35	
Revenue Budget	1,970	220	220	220	220	220	220	220	220	220	220	220	
PMO Central Team Costs	(59)	(62)	(65)	(68)	(71)	(75)	(79)	(83)	(87)	(91)	(96)	(101)	
Interest Charge	(319)	(389)	(277)	(267)	(209)	(181)	(153)	(125)	(98)	(70)	(42)	(14)	
Contribution to Inchgreen	(1,400)	0	0	0	0	0	0	0	0	0	0	0	
Contribution from Reserves		300	0	0	0	0	0	0	0	0	0	0	
Balance at Year End	192	261	139	24	(36)	(72)	(84)	(72)	(37)	22	104	209	

Notes

- Project spend profiles reflect the latest reported figures to the Cabinet. Figures exclude partner contributions. Inverkip costs include bid for £350k virement from Ocean Terminal underspend which is awaiting approval.
Council Contribution represents a £1.4m contribution to Inchgreen in 2023/24 funded via the existing City Deal Revenue Reserve and £0.550m contribution to Inverkip in 2024/25 funded £0.3m from the Medium Term Capital Programme Support budget and £0.25m from Roads capital budgets, either through grant award from partner organisations or from the RAMP.
- The Council initially set aside up to £400,000 per year but approved saving an £80k saving in Sept 2019. From 2023/24 it reflects a further £100,000 savings. A £1.4million contribution to the Inchgreen Project came from the cumulative balance in 2023/24.
- Assumes that the City Deal will pass the 2nd milestone in 2024 and as such the UK and Scottish Government will honour their grant commitments.
- Regional projects have first call on the grant hence why from 2025/26 the Council's level of grant falls. Estimates only at this time as Regional projects are under review. Grant phasing for 2024/25 and beyond is therefore indicative at this stage.
- The Interest Charge is based on the investment return foregone by the Council on the assumption the capital investment will be funded from cash balances and fully repaid by 2035. Interest rates used 2024/25 (4.87%), 2025/26 (3.42%), 2026/27 (3.1%), 2027/28 & onwards (2.75%).

Finance Strategy
Loan Charges

		2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000	2033/34 £'000	2034/35 £'000
Balance B/fwd		821	508	740	775	819	87	(29)	19	147	679	1,296
Projected Loan Charges	a	17,703	16,949	17,246	17,137	17,013	16,497	16,433	16,353	15,949	15,864	16,153
Available Budget	b	16,590	16,181	16,281	16,381	16,281	16,381	16,481	16,481	16,481	16,481	16,481
Loan Charge Surplus/(Deficit)		(1,113)	(768)	(965)	(756)	(732)	(116)	48	128	532	617	328
Other Adjustments:												
Transfer from Reserves	c	800	1,000	1,000	0	0	0	0	0	0	0	0
Contribution from Capital Fund	d	0	0	0	800	0	0	0	0	0	0	0
		800	1,000	1,000	800	0	0	0	0	0	0	0
Balance at Year End		508	740	775	819	87	(29)	19	147	679	1,296	1,624
Interest Rate (Assumed):		4.54%	4.02%	3.85%	3.77%	3.64%	3.55%	3.63%	3.69%	3.72%	3.81%	3.97%

Notes

Revised projections as at November 2024 and excludes Loan Charges relating to City Deal and Birkmyre Trust.
General capital grant is applied to core allocations only and not to individually funded models.

- a Includes loan charges for new Community Hub based on spend between 2021/22 to 2025/26.
£100k annual cost increase from 2023/24 to reflect prudential borrowing of £1.5m to 2030/31 (June 2023 Finance Strategy).
Projected principal repayments on new projects are calculated on annuity basis.
- b Adjustments to Available Budget:
For 2025/26
Budget reduced by £500k from 2025/26 onwards (December 2023 Council).
Budget reduced by £9k for 2025/26 onwards for school transport saving.

For 2028/29
Budget reduced by £200k from 2028/29 onwards in light of reduced interest rates and offsets reduction in Internal resources Interest.
- c £3m transfer from IRI agreed December 2023, allocated £1m each year 2024/25 to 2026/27. Proposed to reduce 2024/25 sum to £800k (December 2024 Council).
- d Approved contribution from Capital Fund in 2027/28.

Finance Strategy
Internal Resources Interest

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000	2033/34 £'000	2034/35 £'000
Opening Balance	646	1,697	515	28	127	162	150	119	88	57	26
Total Internal Resources Interest	3,140	1,560	970	530	250	200	180	180	180	180	180
Less											
Amount Paid to Council Funds and Trusts	185	92	57	31	15	12	11	11	11	11	11
Internal Resources Interest Income To Revenue	2,955	1,468	913	499	235	188	169	169	169	169	169
Revenue Budget	1. 650	650	400	400	200	200	200	200	200	200	200
Surplus/(Deficit)	2,951	2,515	1,028	127	162	150	119	88	57	26	(5)
Savings Agreed From Over Recovery											
December 2022 Finance Strategy	2. 754	1,000	0	0	0	0	0	0	0	0	0
December 2023 Finance Strategy	3. 800	1,000	1,000	0	0	0	0	0	0	0	0
December 2024 Transfer from Reserves	4. (300)	0	0	0	0	0	0	0	0	0	0
Balance C/Fwd	1,697	515	28	127	162	150	119	88	57	26	(5)

Notes:

1. The Revenue Budget has been reduced to £400k from 2026/27 and then to £200k from 2028/29 onwards due to projected reduction in interest rates/cashflow. The 28/29 reduction is offset by a £200k reduction in loans charges.
2. £4.6 million was approved by the Council in December 2022 Finance Strategy. By 31 March 2024, £2.846 million has been delivered.
3. A further allocation to reserves of £3.5 million was approved by the Council (December 2023) with £0.5 million allocated in 2023/24. Proposed to reduce the 2024/25 transfer by £200k to £800k (December 2024 Council).
4. Approval is being sought in December 2024 to transfer £300k from Reserves.